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

QINGDAO JIAOZHOU BAY DEVELOPMENT GROUP CO., LTD.

(青島膠州灣發展集團有限公司)

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

U.S.$300,000,000 3.20 per cent. Green Bonds due 2025 (the "Bonds")

(Stock Code: 4564)

Issue Price: 100.00 per cent.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

Central Wealth Securities Investment Limited	**China Galaxy International**	**TF International**	**Industrial Bank Co., Ltd. Hong Kong Branch**

Joint Lead Managers and Joint Bookrunners

China Zheshang Bank Co., Ltd. (Hong Kong Branch)	**Luso Bank Ltd.**	**Zhongtai International**
Huatai International	**Shenwan Hongyuan (H.K.)**	**Guoyuan Capital**
CMBC Capital	**Haitong Bank**	**Haitong International**
DBS Bank Ltd.	**CMB Wing Lung Bank Limited**	**Bank of China**
Hua Xia Bank Co., Limited Hong Kong Branch	**ABC International**	**China International Capital Corporation**
Guotai Junan International	**CNCB Capital**	**Orient Securities (Hong Kong)**
CMB International	**China CITIC Bank International**	**China Industrial Securities International**
SunRiver International Securities Group Limited	**HUAAN SECURITIES (HONG KONG)**	**Tensant Securities**

Joint Green Structuring Advisors

China Galaxy International	**Central Wealth Securities Investment Limited**	**TF International**

The Issuer announces that the listing of the Bonds on the Hong Kong Stock Exchange 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) only has become effective on 4 March 2022.

The final offering circular dated 25 February 2022 prepared in connection with the issue of the Bonds is appended herewith.

Hong Kong, 4 March 2022

As at the date of this announcement, the directors of Qingdao Jiaozhou Bay Development Group Co., Ltd. are Mr. Lu Wei, Mr. Li Jianfei, Mr. Liu Zhenqing, Mr. Zhu Bingqiang, Mr. Li Quanwen and Ms. Wang Yanan.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION WITHIN OR INTO THE UNITED STATES

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

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In order to be eligible to view the Offering Circular or make an investment decision with respect to the securities, 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 Offering Circular, you shall be deemed to have represented to the Joint Lead Managers (as defined in the Offering Circular) and the Issuer (1) that you and any customers you represent are not, and that the electronic mail address that you gave the Issuer and to which this e-mail has been delivered is not, located in the United States and (2) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

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The materials relating to any offering of securities described in the Offering Circular do not constitute, and may not be used in connection with, an offer or solicitation by or on behalf of any of the Issuer or the Joint Lead Managers in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licenced broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers are licenced brokers or dealers in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Joint Lead Managers or any person who controls the Joint Lead Managers nor any director, officer, employee nor agent of the Joint Lead Managers or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

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

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STRICTLY CONFIDENTIAL

Qingdao Jiaozhou Bay Development Group Co., Ltd.
（青島膠州灣發展集團有限公司）

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

U.S.$300,000,000 3.20 per cent. Green Bonds due 2025

Issue Price: 100.00 per cent.

The U.S.$300,000,000 3.20 per cent. green bonds due 2025 (the "**Bonds**") will be issued by Qingdao Jiaozhou Bay Development Group Co., Ltd.（青島膠州灣發展集團有限公司)(the "**Issuer**"), a company incorporated in the People's Republic of China (the "**PRC**") with limited liability.

The Bonds will bear interest on their outstanding principal amount from and including 3 March 2022 (the "**Issue Date**") at the rate of 3.20 per cent. per annum. Interest on the Bonds is payable semi-annually in equal instalments in arrear on 3 March and 3 September in each year, commencing on 3 September 2022. Payments on the Bonds will be made without deduction for or on account of taxes of the PRC or any authority therein or thereof having power to tax to the extent described under Condition 8 (*Taxation*) of the terms and conditions of the Bonds (the "**Terms and Conditions**").

The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) (*Negative Pledge*) of the Terms and Conditions) unsecured obligations of the Issuer which will 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 Terms and Conditions, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

The Issuer undertakes that it will (i) within the prescribed time period after the Issue Date, register or cause to be registered with the State Administration of Foreign Exchange (the "**SAFE**") the Bonds pursuant to the Administrative Measures for Foreign Debt Registration and its operating guidelines, effective as at 13 May 2013 (the "**Foreign Debt Registration**"), (ii) use its best endeavours to complete the Foreign Debt Registration and obtain a registration record from SAFE on or before the Registration Deadline (being 120 Registration Business Days (as defined in the Terms and Conditions) after the Issue Date) and (iii) comply with all applicable PRC laws and regulations in relation to the Bonds.

The PRC government (including the Qingdao Municipal Government and the Jiaozhou Municipal Government) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds in lieu of the Issuer. See "*Risk Factors – Risks Relating to the Bonds – The PRC government is not contractually obliged to repay any amount under the Bonds or the Trust Deed if the Issuer fails to meet its obligations under the Bonds.*"

In accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations（國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資 [2015] 2044號)）(the "**NDRC Circular**") issued by the National Development and Reform Commission of the PRC or its local counterparts (the "**NDRC**") and which came into effect on 14 September 2015, the Issuer has registered the issuance of the Bonds with the NDRC and obtained a certificate from NDRC on 10 December 2021 evidencing such registration. Pursuant to the requirements of the NDRC Circular, the Issuer will be required to complete the filing in respect of the issue of the Bonds within the prescribed time period after the Issue Date.

Unless previously redeemed, or purchased and cancelled, the Issuer will redeem the Bonds at its principal amount on 3 March 2025 (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 and the Principal Paying Agent, the Issuer may redeem the Bonds in whole, but not in part, at their principal amount, together with any interest accrued to the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions) as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 25 February 2022, and such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. At any time following the occurrence of a Relevant Event (as defined in the Terms and 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 Terms and Conditions) at 101 per cent. (in the case of a redemption for a Change of Control (as defined in the Terms and Conditions)) or 100 per cent. (in the case of a redemption for a No Registration Event (as defined in the Terms and Conditions)) of their principal amount, together in each case with accrued interest up to (but excluding) such Put Settlement Date. See Condition 6 (*Redemption and Purchase*) of the Terms and Conditions.

For a more detailed description of the Bonds, see "*Terms and Conditions of the Bonds*" beginning on page 45.

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 12 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and, subject to exceptions, may not be offered or sold within the United States. For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see "*Subscription and Sale*".

The Bonds are being issued as "Green Bonds" under the Green Finance Framework (as defined below) of the Issuer. See "*Green Finance Framework*" on page 67.

Application will be made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") 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 Hong Kong Stock Exchange) ("**Professional Investors**") only. This Offering Circular is for distribution to Professional Investors only.

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

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

*Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are "prescribed capital markets products"(as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

Application will be made for the listing of the Bonds on the Chongwa (Macao) Financial Asset Exchange Co., Ltd. (the "**MOX**"). This document is for distribution to professional investors (as defined in Section 11 of the Guideline on Provision and Distribution of Financial Products (Circular 033/B/2010-DSB/AMCM)) ("**MOX Professional Investors**") only. Investors should not purchase the Bonds in the primary or secondary markets unless they are MOX Professional Investors and understand the risks involved. The Bonds are only suitable for MOX Professional Investors.

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

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

Central Wealth Securities Investment Limited	China Galaxy International	TF International	Industrial Bank Co., Ltd. Hong Kong Branch

Joint Lead Managers and Joint Bookrunners

China Zheshang Bank Co., Ltd. (Hong Kong Branch)	Luso Bank Ltd.	Zhongtai International
Huatai International	Shenwan Hongyuan (H.K.)	Guoyuan Capital
CMBC Capital	Haitong Bank	Haitong International
DBS Bank Ltd.	CMB Wing Lung Bank Limited	Bank of China
Hua Xia Bank Co., Limited Hong Kong Branch	ABC International	China International Capital Corporation
Guotai Junan International	CNCB Capital	Orient Securities (Hong Kong)
CMB International	China CITIC Bank International	China Industrial Securities International
SunRiver International Securities Group Limited	HUAAN SECURITIES (HONG KONG)	Tensant Securities

Joint Green Structuring Advisors

China Galaxy International	Central Wealth Securities Investment Limited	TF International

Offering Circular dated 25 February 2022

NOTICE TO INVESTORS

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

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

The Issuer, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, its affiliates and the Group and the Bonds which is material in the context of the issue and offering of the Bonds (including the information which is required by applicable laws and according to the particular nature of the Issuer and the Bonds and is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and the Group and the rights attaching to the Bonds); (ii) the statements contained in this Offering Circular relating to the Issuer, its affiliates, the Group and the Bonds and the transaction documents relating to the Bonds, are true and accurate and not misleading in all material respects; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, its affiliates and to the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, its affiliates, the Group, the transaction documents relating to the Bonds or the Bonds, the omission of which would, in the context of the issue and offering of the Bonds make any statement in this Offering Circular misleading in any material respect; (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements with respect to the Issuer and the Group; (vi) this Offering Circular does not include an untrue statement 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, each of which are included in this Offering Circular, are based on or derived or extracted from sources which the Issuer believes to be accurate and reliable in all material respects.

The Issuer has prepared this Offering Circular solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular does not constitute an offer to sell of, or an invitation by or on behalf of Central Wealth Securities Investment Limited, China Galaxy International Securities (Hong Kong) Co., Ltd, TFI Securities and Futures Limited, Industrial Bank Co., Ltd. Hong Kong Branch, China Zheshang Bank Co., Ltd. (Hong Kong Branch), Luso International Banking Limited, Zhongtai International Securities Limited, Huatai Financial Holdings (Hong Kong) Limited, Shenwan Hongyuan Securities (H.K.) Limited, Guoyuan Capital (Hong Kong) Limited, CMBC Securities Company Limited, Haitong Bank, Macau Branch, Haitong International Securities Company Limited, DBS Bank Ltd., CMB Wing Lung Bank Limited, Bank of China Limited, Hua Xia Bank Co., Limited Hong Kong Branch, ABCI Capital Limited, China International Capital Corporation Hong Kong Securities Limited, Guotai Junan Securities (Hong Kong) Limited, CNCB (Hong Kong) Capital Limited, Orient Securities (Hong Kong) Limited, CMB International Capital Limited, China CITIC Bank International Limited, China Industrial Securities International Brokerage Limited, SunRiver International Securities Group Limited, Huaan Securities (Hong Kong) Brokerage Limited and Tensant Securities Limited (together, the "**Joint Lead Managers**") or the Issuer of offer to subscribe for or

purchase any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and 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 or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, Hong Kong, the PRC, Singapore, Japan and Macau and to persons connected therewith. For a description of further restrictions on offers and sales of the Bonds, and distribution of this Offering Circular, see "*Subscription and Sale*".

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

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

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

Investors must not use this Offering Circular for any other purpose, make copies of any part of this Offering Circular or give a copy of it to any other person, or disclose any information in this Offering Circular to any other person. The information contained in this Offering Circular has been provided by the Issuer and other sources identified in this Offering Circular. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than the consideration of an investment in the Bonds offered by this Offering Circular is prohibited. By accepting delivery of this Offering Circular each investor is deemed to have agreed to these restrictions.

None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers, advisers or any person who controls any of them has independently verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers, advisers or any person who controls any of them, as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Bonds. Nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers, advisers or any person who controls any of them. This Offering Circular should not be considered as a recommendation by any of the Issuer, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers, advisers or any person who controls any of them that any recipient of this Offering Circular should purchase the Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers, advisers or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer, the Group 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 or any of their respective affiliates, directors, employees, agents, representatives, officers, advisers or any person who controls any of them accepts any responsibility for the contents of this Offering Circular and assume no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers, advisers or on their behalf in connection with the Issuer or the issue and offering of the Bonds. Each of the Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, employees, agents, representatives, officers, advisers and any person who controls any of them accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers, advisers or any person who controls any of them undertakes to review the results of operations, financial condition or affairs of the Issuer 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 their respective affiliates, directors, employees, agents, representatives, officers, advisers or any person who controls any of them.

IN CONNECTION WITH THIS OFFERING, ANY OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS STABILISING MANAGER (THE "STABILISING MANAGER") OR ANY PERSON(S) ACTING ON BEHALF OF THE STABILISING MANAGER MAY, SUBJECT TO ALL APPLICABLE LAWS, OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE(S) OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSON(S) 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.

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer, may act as investors and place orders, receive allocations and trade the Bonds for their own account and such orders, allocations or trading of the Bonds may be material. These entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the offering of the Bonds should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer, as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Bonds may be impacted.

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

Industry and Market Data

Market data and certain information and statistics included in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Issuer believes the information to be reliable, it has not been independently verified by the Issuer, the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, agents, advisers, representatives or any person who controls any of them and none of the Issuer, the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, agents, advisers, representatives or any person who controls any of them makes any representation as to the accuracy or completeness of such information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. In making an investment decision, each investor must rely on its own examination of the Issuer, the Group and the terms of the offering and the Bonds, including the merits and risks involved. Where information has been sourced from a third party, the Issuer confirms that this information has been accurately reproduced and that, as far as the Issuer is aware and is able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information to be inaccurate or misleading.

Presentation of Financial Information

The audited consolidated financial information of the Issuer as at and for the years ended 31 December 2018, 2019 and 2020 included in this Offering Circular has been extracted from the Issuer's consolidated financial statements as at and for the year ended 31 December 2019 and the year ended 31 December 2020 (the "**Audited Financial Statements**"), which were prepared and presented in accordance with the Accounting Standards for Business Enterprises in China ("**PRC GAAP**") and audited by China Audit Asia Pacific Certified Public Accountants LLP ("**CAAP**"), the independent auditor of the Issuer. PRC GAAP differs in certain respects from International Financial Reporting Standards ("**IFRS**"). For a discussion of differences between PRC GAAP and IFRS, see "*Summary of Certain Differences between PRC GAAP and IFRS*".

Certain Definitions, Conventions and Currency Presentation

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to the "PRC", "China" and "mainland China" are to the People's Republic of China (excluding Hong Kong, the Macao 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" and "RMB" are to the lawful currency of the PRC, all references to "PRC

government'' are to the People's Government of the PRC or the People's Government of the relevant provinces, cities, prefectures and other administration regions in the PRC where context requires, and all references to ''USD'', ''U.S.$'' and ''U.S. dollars'' are to the lawful currency of the United States of America.

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

This Offering Circular contains a 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 relation to the Issuer has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of RMB6.5250 to U.S.$1.00 (the noon buying rate in New York City on 31 December 2020 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York). Further information regarding exchange rates is set forth in ''*Exchange Rates*'' in this Offering Circular. No representation is made that the Renminbi amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all.

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

Forward-looking Statements

The Issuer has made certain forward-looking statements in this Offering Circular. All statements other than statements of historical facts contained in this Offering Circular constitute ''forward-looking statements''. Some of these statements can be identified by forward-looking terms, such as ''anticipate'', ''target'', ''believe'', ''can'', ''would'', ''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, revenue and profitability, planned projects and other matters as they relate to the Issuer and/or the Group discussed in this Offering Circular regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this Offering Circular (whether made by the Issuer or by any third party) involve known and unknown risks, including those disclosed under the caption ''Risk Factors'', uncertainties and other factors that may cause the actual results, performance or achievements of the Issuer or the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

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

- general political and economic conditions in the PRC;
- any changes in the laws, rules, regulations and policies of the central and local governments of the PRC and the relevant governmental authorities and agencies relating to the Issuer's business and industry;
- the Group's ability to successfully implement business plans and strategies;
- access and cost of capital and financing;

- financial condition and performance of the Group;
- changes or volatility in interest rates, foreign exchange rates, commodity prices or other rates or prices, the PRC and the industry and markets in which the Issuer operates;
- macroeconomic measures taken by the PRC government to manage economic growth; and
- other factors, including those discussed in "*Risk Factors*".

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

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

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SUMMARY

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

OVERVIEW

The Issuer is a major investment and financing platform beneficially controlled by the Jiaozhou Municipal Government through Jiaozhou Municipal State-owned Assets Service Centre (膠州市國有資產服務中心)(formerly known as the Jiaozhou State-owned Assets Supervision and Administration Commission (膠州市國有資產監督管理辦公室)(the "**Jiaozhou SASAC**")). It has historically played an important role in developing the Jiaozhou Economic and Technology Development Zone (the "**Jiaozhou ETD Zone**"), and is currently focusing on the development of the China-Shanghai Cooperation Organisation Demonstration Zone for Local Economic and Trade Cooperation (中國–上海合作組織地方經貿合作示範區)(the "**SCO Demonstration Zone**"), the core area of which is in Jiaozhou, which is located in the strategically important city of Qingdao, Shandong province, China. The Shanghai Cooperation Organisation is a Eurasian security, political and economic alliance of eight countries including China, Russia, India, Pakistan and four Central Asian countries. Since its establishment in 2007, the Issuer, together with its subsidiaries, has engaged in the development of numerous infrastructure projects in Jiaozhou, including the construction of municipal roads, tunnels, transportation hubs, bridges and river improvement. To further diversify its business operation, it commenced the trading and property development businesses in 2019. Over the years, the Group has developed into a key force in enhancing the urbanisation and commercial attractiveness of Jiaozhou.

The Group's business currently consists of six segments, namely (i) infrastructure construction; (ii) primary land development; (iii) property investment and operation; (iv) trading; (v) property development; and (vi) miscellaneous. Set forth below is a summary of each of the Group's business segments:

- *Infrastructure construction*: Infrastructure construction has been the Group's core business since its establishment. Over the years, the Group has undertaken and completed a large number of projects of strategic importance to the SCO Demonstration Zone. The Group conducts its infrastructure construction business under the "build-transfer" business model and its operating revenue from infrastructure construction projects is derived from the buyback amount paid to the Group by the Finance Bureau of Jiaozhou. As at 31 December 2020, the Group had completed infrastructure projects with an estimated total buyback amount of RMB7,724 million, of which RMB1,065 million remains outstanding.

- *Primary land development:* In 2018, the Group was commissioned by the Jiaozhou Municipal Government to develop primary land in the SCO Demonstration Zone. The Group's operating revenue from primary land development represents the land development fee paid by the Jiaozhou Municipal Government, which is in turn generated from the grant of land use rights to real property developers. As at 31 December 2020, there were approximately 0.8 million square metres of land available for development or under development by the Group, which the Group believes satisfies its business needs for its primary land development business for the next three to five years.

- *Property investment and operation*: The Group started its property investment and operation business in 2017, and it leases and manages (i) properties owned by itself; and (ii) properties previously constructed by the Group under an agency construction agreement entered into between the Issuer and the Jiaozhou Economic and Technology Development Zone Management Committee

(膠州經濟技術開發區管理委員會)(the "**Jiaozhou ETD Zone Management Committee**", currently known as the SCO Demonstration Zone Management Committee (中國–上海合作組織地方經貿合作示範區管理委員會)), and allocated to the Group by the Jiaozhou ETD Zone Management Committee for nil consideration after the construction has been completed. As at 31 December 2020, the Group had leasable properties with a total gross floor area of approximately 564,190 square metres in the SCO Demonstration Zone, including commercial properties, office buildings and industrial plants, most of which has been leased.

- *Trading*: The Group expanded its business into trading in May 2019. As at the date of this Offering Circular, the Group's trading business mainly includes sales of metals, frozen seafood, grain and oil. The Group's customers of its trading business are primarily construction companies and trading companies located in Qingdao. The Issuer believes that such business expansion is responsive to the local government's strategy to form a comprehensive domestic and international trading platform in the SCO Demonstration Zone, and gives the Group opportunities to explore greater growth potential in the future.

- *Property development*: Leveraging the desirable living environment in Jiaozhou with convenient transportation solutions and a growing number of public cultural and recreational facilities, in 2019, the Group began to engage in a variety of real property development projects including the construction of residential housing and commercial properties. As at the date of this Offering Circular, the Group primarily focuses on developing Guanlan Wenyuan (觀瀾文苑), a large-scale residential complex developed to satisfy the increasing demand for housing in the SCO Demonstration Zone. The first phase of this project has been completed. For the years ended 31 December 2019 and 2020, the Group's total contracted sales for properties it developed amounted to approximately RMB120 million and RMB210 million, respectively.

- *Miscellaneous*: The Group participates in industrial investment, cultural tourism and other businesses, including the provision of property management services, maintenance of office equipment, operation of restaurants, labour outsourcing and consulting services in relation to human resources, among others.

The following table sets forth a breakdown of the Group's total operating revenue by business segment in absolute amount and as a percentage of its total operating revenue for the periods indicated:

	Year ended 31 December					
	2018		2019		2020	
Business segment	**Amount (RMB'000)**	**Per cent. of total**	**Amount (RMB'000)**	**Per cent. of total**	**Amount (RMB'000)**	**Per cent. of total**
Infrastructure construction	248,221.5	49.0	343,488.9	40.6	257,223.9	16.8
Primary land development	–	–	–	–	283,018.9	18.5
Property investment and operation	245,808.2	48.6	257,632.1	30.4	256,965.6	16.8
Trading	–	–	157,562.0	18.6	609,746.1	39.9
Property development	–	–	63,713.0	7.5	16,037.9	1.0
Miscellaneous (1)	12,284.4	2.4	24,085.8	2.8	106,010.6	6.9
Total	**506,314.1**	**100.0**	**846,481.8**	**100.0**	**1,529,003.0**	**100.0**

Note:

(1) This amount represents the aggregate of the Group's operating revenue from "government purchased services", "property income", "labour dispatch income", "commodity sales", "restaurant operation", "interest income", "ticket income" and "investment income", as reported in the Group's financial statements for the respective year.

The following table sets forth a breakdown of the Group's gross operating profit by business segment in absolute amount and as a percentage of its total gross operating profit for the periods indicated:

	Year ended 31 December					
	2018		2019		2020	
Business segment	Amount (RMB'000)	Per cent. of total	Amount (RMB'000)	Per cent. of total	Amount (RMB'000)	Per cent. of total
Infrastructure construction	12,839.0	12.2	20,727.8	14.6	15,522.1	8.1
Primary land development	–	–	–	–	22,149.3	11.5
Property investment and operation	86,740.2	82.2	128,149.3	90.5	110,296.2	57.4
Trading	–	–	4,254.5	3.0	9,321.2	4.9
Property development	–	–	(11,094.4)	(7.8)	(1,577.3)	(0.8)
Miscellaneous (1)	5,919.3	5.6	(374.4)	(0.3)	36,335.6	18.9
Total	**105,498.5**	**100.0**	**141,662.8**	**100.0**	**192,047.1**	**100.0**

Note:

(1) This amount represents the aggregate of the Group's gross operating profit from "government purchased services", "property income", "labour dispatch income", "commodity sales", "restaurant operation", "interest income", "ticket income" and "investment income", as reported in the Group's financial statements for the respective year.

As at 31 December 2018, 2019 and 2020, the Group's total assets were RMB30,188.6 million, RMB32,995.3 million and RMB40,559.9 million, respectively. For the years ended 31 December 2018, 2019 and 2020, the Group's net profit was RMB167.7 million, RMB92.0 million and RMB343.6 million, respectively.

COMPETITIVE STRENGTHS

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

- A major platform of the Jiaozhou Municipal Government to develop the SCO Demonstration Zone
- Support from the Jiaozhou Municipal Government
- A diversified business portfolio with steady revenue resources
- Diversified financing channels
- Sound corporate governance implemented by a dedicated management team

BUSINESS STRATEGIES

The Group aims to continue to focus on the development of the SCO Demonstration Zone. To achieve its goal, the Group intends to implement the following strategies:

- Continue to focus on the development of the SCO Demonstration Zone under innovative business models
- Enhance the commercial attractiveness of the SCO Demonstration Zone
- Further diversify the Group's business portfolio and create new sources of income
- Adhere to prudent financial management policies with stringent risk control
- Explore new financing channels

- Enhance management capability and improve corporate governance structure

RECENT DEVELOPMENT

Additional Indebtedness since 31 December 2020

Since 31 December 2020, the Group has incurred additional indebtedness to replenish its working capital, to finance its business development and for other general corporate purposes. In January 2021, the Issuer issued RMB600 million 4.18 per cent. medium-term notes due 2024 under its RMB1,000 million medium-term notes programme. In March 2021, the Issuer issued RMB800 million 4.55 per cent. private placement notes due 2024. In April 2021, the Issuer issued RMB350 million 3.42 per cent. short-term financing paper with a tenor of 365 days, RMB300 million 4.70 per cent. bonds due 2024 and RMB200 million 5.10 per cent. bonds due 2023. In June 2021, the Issuer issued USD200,000,000 3.40 per cent. bonds due 2024 and RMB900 million 4.37 per cent. private placement notes due 2024. In September 2021, the Issuer issued RMB700 million 2.97 per cent. super short-term commercial paper due 2022. In November 2021, the Issuer issued RMB600 million 3.95 per cent. private placement notes due 2026. In December 2021, the Issuer issued RMB1,000 million 3.95 per cent. private placement notes due 2026 and RMB1,500 million 3.99 per cent. corporate bonds due 2026. In January 2022, the Issuer issued RMB200 million 5.52 per cent. bonds with a tenor of 518 days and RMB100 million 5.50 per cent. bonds due 2023.

Quarterly Financial Results of the Group as at and for the Nine Months Ended 30 September 2021

On 28 October 2021, the Group published its quarterly financial statements as at and for the nine months ended 30 September 2021 (the "**2021 Q3 Interim Financial Statements**") on the website of the Shanghai Clearing House, which were not subject to an audit or review. The financial information in the 2021 Q3 Interim Financial Statements may differ from future audited or reviewed information and the 2021 Q3 Interim Financial Statements should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review. The 2021 Q3 Interim Financial Statements should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2021. The 2021 Q3 Interim Financial Statements have not been included in, and do not constitute part of, this Offering Circular. See "*Risk Factors – Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular.*"

For the nine months ended 30 September 2021, the Group recorded a stable increase in its total operating revenue and net profit as compared to the same period in 2020. The Group's total operating costs for the nine months ended 30 September 2021, including its operating costs incurred in its main businesses and financial expenses, increased correspondingly.

As at 30 September 2021, the Group's total assets increased as compared to the balance as at 1 January 2021, which was mainly due to increases in cash and cash equivalents. As at 30 September 2021, total liabilities of the Group increased as compared to the balance as at 1 January 2021, which was primarily attributable to increases in short-term loans, accounts advanced from customers, long-term loans, bonds payable and payables due after one year incurred to meet the Group's increasing capital needs as it continued to expand and grow its business.

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	Qingdao Jiaozhou Bay Development Group Co., Ltd.（青島膠州灣發展集團有限公司）.
The Bonds	U.S.$300,000,000 3.20 per cent. green bonds due 2025.
Issue Price	The Bonds will be issued at 100.00 per cent. of their principal amount.
Form and Denomination	The Bonds will be issued in registered form in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Issue Date	3 March 2022.
Interest	The Bonds will bear interest on their outstanding principal amount from and including 3 March 2022, at the rate of 3.20 per cent. per annum, payable semi-annually in equal instalments in arrear on 3 March and 3 September in each year, commencing on 3 September 2022.
Maturity Date	3 March 2025.
Status of the Bonds	The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) (*Negative Pledge*) of the Terms and Conditions) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the 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 Terms and 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 Terms and Conditions.
Use of Proceeds	The net proceeds of the issue of the Bonds will be used to finance and replenish the working capital of the Eligible Green Projects in accordance with the Issuer's Green Finance Framework. 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 Terms and Conditions.

Cross-Default.	The Bonds are subject to a cross-default provision in respect of present or future indebtedness or guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities equals or exceeds U.S.$30,000,000 or its equivalent. See Condition 9(c) (*Cross-Default*) of the Terms and Conditions.
Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the PRC or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. Where such withholding or deduction is made by the Issuer by or within the PRC at a rate up to and including the aggregate rate applicable on 25 February 2022 (the "**Applicable Rate**"), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required. If the Issuer is required to make a deduction or withholding by or within the PRC at a rate in excess of the Applicable Rate, the Issuer shall pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required. See Condition 8 (*Taxation*) of the Terms and Conditions.
Final Redemption.	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date (as defined in the Terms and Conditions).
Redemption for Relevant Events	Following the occurrence of a Relevant Event, the Holder of any Bond will have the right, at such Holder's option, to require the Issuer to redeem all, but not some only, of such Holder's Bonds on the Put Settlement Date at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together in each case with accrued interest up to (but excluding) such Put Settlement Date. See Condition 6(c) (*Redemption for Relevant Events*) of the Terms and 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 in accordance with Condition 16 of the Terms and 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 the date fixed for redemption, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions) as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 25 February 2022; and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. See Condition 6(b) (*Redemption for Taxation Reasons*) of the Terms and Conditions.
Further Issues	The Issuer is at liberty from time to time without the consent of the Bondholders to create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date, the first payment of interest on them and the timing for complying with the Registration Conditions, for submitting the NDRC Post-issue Filing and for completing the Foreign Debt Registration) 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. See Condition 15 (*Further Issues*) of the Terms and Conditions.
Trustee	Citicorp International Limited.
Principal Paying Agent and Transfer Agent	Citibank, N.A., London Branch.
Registrar	Citibank, N.A., London Branch.
Clearing Systems	The Bonds will be represented 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 in the limited circumstances described in the Global Certificate, certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.

Clearance and Settlement	The Bonds have been accepted for clearance through Euroclear and Clearstream with a Common Code 243548390 and an ISIN XS2435483909.
Issuer's Legal Entity Identifier	5493008XGDB5UPDJ4K56.
Notices and Payment	So long as the Global Certificate is held on behalf of Euroclear and Clearstream or any Alternative Clearing System, any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream or such Alternative Clearing System, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Terms and Conditions and shall be deemed to have been given on the date of delivery to such clearing system.
Governing Law	English law.
Listing	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only. Application will be made to the MOX for the listing of the Bonds by way of debt issues to the MOX Professional Investors only, and such listing will be subject to the MOX's approval. Admission to the listing of the Bonds on the MOX shall not be taken as an indication of the merits of the Issuer or the Bonds.
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*".
Green Finance Framework . . .	The Bonds are being issued as "Green Bonds" under the Issuer's Green Finance Framework. See "*Green Finance Framework*"

SUMMARY FINANCIAL INFORMATION AND OTHER FINANCIAL DATA

The summary audited consolidated financial information as at and for the years ended 31 December 2018, 2019 and 2020 set forth below is derived from and should be read in conjunction with the Audited Financial Statements. The Audited Financial Statements were prepared and presented in accordance with PRC GAAP and have been audited by CAAP. PRC GAAP is substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. For a summary of the differences, see "*Summary of Certain Differences between PRC GAAP and IFRS*".

The following tables set forth the Issuer's summary consolidated financial information as at the dates and for the periods indicated.

Summary Consolidated Income Statement Data

	Year ended 31 December		
	2018	**2019**	**2020**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Operating revenue	506,314	846,482	1,529,003
Less: Operating costs	400,816	704,819	1,336,956
Sales taxes and surcharges	194,084	147,752	46,186
Selling expenses	6,949	12,021	11,660
General and administrative expenses	51,477	64,122	62,286
Research and development expenses	6,000	–	–
Financial expenses	34,898	23,963	(227,635)
Add: Investment income/(loss)	(3,591)	(25)	295
Including: Income/(loss) from associates and joint ventures	(256)	–	–
Impairment of assets	–	(1)	–
Disposal of assets	98	2,986	–
Miscellaneous incomes	430,000	261,033	136,216
Operating profit/(loss)	238,597	157,797	438,062
Add: Non-operating income	31	21	14,758
Less: Non-operating expenses	1,625	2,343	2,033
Profit before income tax	237,002	155,475	450,787
Less: Income tax	69,276	63,489	107,233
Net profit/(loss)	167,726	91,987	343,554
Net profit/(loss) attributable to parent company	168,646	90,840	343,286
Profit/(loss) attributable to minority share-holders	(920)	1,147	268

Summary Consolidated Balance Sheet Data

	As at 31 December		
	2018	**2019**	**2020**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Current assets			
Cash and cash equivalents	1,183,254	1,620,252	1,875,340
Notes receivables	–	–	–
Accounts receivable	86,474	152,799	525,135
Advances to suppliers	3,044,140	1,957,866	753,292
Other receivables	3,747,826	7,507,284	7,209,790
Inventories	19,412,943	18,578,311	20,461,334
Other current assets	38,571	80,155	123,151
Total current assets	**27,513,208**	**29,896,667**	**30,948,043**
Non-current assets			
Available-for-sale financial assets	–	–	1,240,000
Long-term accounts receivable	–	–	15,000
Long-term equity investments	429	404	333,943
Investment properties	1,585,287	1,621,824	1,540,155
Fixed asset at net book value	333,927	312,717	301,092
Construction in progress	600,800	1,013,355	2,047,085
Intangible assets	101,665	111,220	4,097,992
Other non-current assets	53,249	39,094	36,541
Total non-current assets	**2,675,357**	**3,098,614**	**9,611,809**
Total Assets	**30,188,565**	**32,995,281**	**40,559,852**
Current liabilities			
Short-term loans	657,530	1,061,898	1,099,437
Notes payable	–	–	104,999
Accounts payable	4,096,507	1,132,425	112,034
Accounts advanced from customers	56,862	112,414	297,797
Salary and wages payable	–	177	–
Taxes and dues payable	362,393	460,618	550,568
Other payables	92,080	134,669	199,223
Non-current liabilities due in one year	2,430,035	1,775,802	3,293,239
Other current liabilities	–	350,000	1,199,299
Total current liabilities	**7,695,407**	**5,028,004**	**6,856,596**
Non-current liabilities			
Long-term loans	5,423,250	4,736,750	7,238,230
Bonds payable	3,355,508	8,726,100	8,903,074
Payables due after one year	1,128,256	1,046,610	855,740
Deferred income	–	–	327,667
Deferred income tax liabilities	3,459	1,094	1,070
Total non-current liabilities	**9,910,473**	**14,510,554**	**17,325,781**
Total Liabilities	**17,605,880**	**19,538,558**	**24,182,377**
Owners' equity			
Paid-in capital	200,000	1,200,000	1,200,000
Capital surplus	10,731,624	10,513,675	13,090,873
Surplus reserve	100,000	136,265	170,042
Undistributed profit	1,546,661	1,601,236	1,910,745
Equity attributable to parent company	12,578,285	13,451,176	16,371,661
Minority interests	4,400	5,547	5,814
Total Owners' Equity	**12,582,685**	**13,456,723**	**16,377,475**
Total Liabilities and Owners' Equity	**30,188,565**	**32,995,281**	**40,559,852**

Summary Consolidated Cash Flow Statement Data

	Year ended 31 December		
	2018	2019	2020
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Net cash flows from/(used in) operating activities	(2,061,203)	(4,007,613)	(2,219,550)
Net cash flows from/(used in) investing activities	(356,851)	(402,571)	(2,764,000)
Net cash flows from financing activities	2,702,029	4,829,294	5,229,306
Effect of foreign exchange rate	(5,200)	17,887	(269)
Net increase/(decrease) in cash and cash equivalents	278,775	436,998	245,488
Cash and cash equivalents at the beginning of the year	904,479	1,183,254	1,620,252
Cash and cash equivalents at the end of the year	1,183,254	1,620,252	1,865,740

Other Financial Data

	Year ended 31 December		
	2018	2019	2020
	(RMB'000, except for percentages)		
EBITDA[(1)] (unaudited)	342,833	262,166	573,038
EBITDA margin (per cent.)[(2)] (unaudited)	67.7	31.0	37.5

Notes:

(1) EBITDA consists of net profit for the year plus interest expenses (excluding capitalised amounts), income tax, depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets, amortisation of intangible assets and amortisation of long-term deferred expenses. 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 Issuer'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 sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Issuer has included EBITDA because the Issuer believes that it is a useful supplement to cash flow data as a measure of its 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 Issuer's EBITDA with EBITDA presented by other companies because not all companies use the same definition.

(2) EBITDA margin is calculated by dividing EBITDA by operating revenue for the relevant period, expressed as a percentage.

RISK FACTORS

Prior to making an investment decision, prospective investors should carefully consider the following risk factors, along with the other matters set out in this Offering Circular. PRC laws and regulations may differ from the laws and regulations in other countries. Additional risks not described below or not currently known to the Issuer or that it currently deems immaterial may also adversely affect the Group's business, financial condition or results of operations or the value of the Bonds. The Issuer believes that the risk factors described below represent the principal risks inherent in investing in the Bonds, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Bonds may occur for reasons which may not be considered as significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

The Issuer makes no representation 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. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Offering Circular.

Risks Relating to the Group's Business

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

The Group has historically engaged in the development of infrastructure in the Jiaozhou ETD Zone in Jiaozhou, Qingdao, Shandong province, China since its inception, and is currently focusing on developing the SCO Demonstration Zone, the core area of which is located in Jiaozhou. Therefore, its business and prospects are heavily affected by the level of economic development in Jiaozhou, Shandong province and China in general.

China's economic growth over the past few decades has been rapid. However, its continued growth has faced downward pressure in recent years. According to the National Bureau of Statistics of China, the annual growth rate of China's gross domestic product ("**GDP**") declined from 7.3 per cent. in 2014 to 6.1 per cent. in 2019. In 2020, the outbreak of the Coronavirus Disease 2019 ("**COVID-19**") pandemic led to a further slowdown of economic growth in the PRC. As the level of overall economic activity in the PRC was adversely affected by the continued spread of COVID-19, the annual growth rate of China's GDP dropped to 2.3 per cent. in 2020, the lowest in a decade. See "– *China has experienced a slowdown in its economic development and the future performance of China's economy is uncertain*".

The national economic condition of China materially affects the regional economic condition of its regions. According to the Jiaozhou Statistics Bureau, Jiaozhou's gross regional product (the "**GRP**") increased from RMB55.7 billion in 2010 to RMB122.6 billion in 2020. However, the annual growth rate of Jiaozhou's GRP slowed from 13.1 per cent. for 2010 to 5.5 per cent. for 2020. The level of economic development in China and Jiaozhou may not grow at their historical rates. Any slowdown in the economic development in Jiaozhou may affect the local government's city development plan, which may adversely affect the development of the SCO Demonstration Zone. This may have an adverse effect on the Group's business, financial condition, results of operations and prospects.

The SCO Demonstration Zone is at its preliminary stage of development. Although the SCO Demonstration Zone has unique geographical advantages due to its port and railway resources, it faces fierce competition from several other economic and technology development zones based in Shandong province with longer development histories and greater industrial concentration advantages, such as the Linyi Economic and Technology Development Zone（臨沂經濟技術開發區), Weifang Binhai Economic

and Technological Development Zone（濰坊濱海經濟技術開發區）and Yantai Economic and Technology Development Zone（煙臺經濟技術開發區）. For example, the Linyi Economic and Technology Development Zone focuses on high-end equipment manufacturing while the Yantai Economic and Technology Development Zone focuses on automobile and automobile parts manufacture, new energy and medical industries. A slowdown in the increase or a decrease in the number of enterprises operating in the SCO Demonstration Zone could adversely affect the level of business activity and commercial attractiveness of the SCO Demonstration Zone and, in turn, affect the business prospects of the Group.

The Group's business and results of operations are heavily influenced by governmental decisions and actions and are inherently exposed to uncertainties associated with contracting with governments and their agencies.

The Group is beneficially controlled by the Jiaozhou Municipal Government through the Jiaozhou Municipal State-owned Assets Service Centre（膠州市國有資產服務中心）(formerly known as the Jiaozhou SASAC). The Jiaozhou Municipal State-owned Assets Service Centre is responsible for the administration of state-owned enterprises operating in Jiaozhou, such as the Group, and therefore has a significant influence on the Group's scope of business, major investment decisions and development strategies. When the Jiaozhou Municipal State-owned Assets Service Centre carries out its administrative functions and implements the PRC government's policies, it may take actions that are beneficial to Jiaozhou as a whole, but are not in the Group's best commercial interests or that aim to maximise the Group's profit at all times.

In addition, the Group cooperates and contracts with many governmental authorities and their controlled entities when it carries out its business activities, such as the project development master agreement between the Group and the Finance Bureau of Jiaozhou relating to the Group's infrastructure construction business and the buyback arrangements with the Finance Bureau of Jiaozhou dated 6 March 2008 (the "**Master Agreement**"). Although the Group currently maintains close working relationships with governmental authorities and entities, such relationships may change in the future. Local governments and their controlled entities may (i) have economic or business interests or considerations that are inconsistent or in conflict with the Group's, (ii) take actions contrary to the Group's requests or objectives, (iii) be unable or unwilling to fulfil their obligations, (iv) encounter financial difficulties, or (v) have disputes with the Group as to the contractual terms or other matters.

If there is any material disagreement with the Jiaozhou Municipal State-owned Assets Service Centre or any other governmental authorities, agencies or their controlled entities, there is no assurance that the Group would be able to successfully resolve them in a timely manner, or at all. Any dispute or legal proceeding with public bodies may last for considerably longer periods of time than those with private sector counterparties, and payments from the public bodies may be delayed as a result. Any of the foregoing may materially and adversely affect its relationship with the Jiaozhou Municipal State-owned Assets Service Centre, which may in turn materially and adversely affect the Group's business and prospects.

Delays or defaults in the payment of any buyback amount by the Finance Bureau of Jiaozhou pursuant to the Master Agreement may have a material adverse impact to the Group's results of operations, financial condition and cash flow.

The Group has historically developed most of its infrastructure projects under the "build-transfer" business model pursuant to the Master Agreement. This model generally incurs substantial capital expenditures on the Group and increases the pressure on the Group's liquidity before the Finance Bureau of Jiaozhou purchases the relevant completed projects and pays the buyback amounts pursuant to the Master Agreement. In addition, the Master Agreement allows the payment of the buyback amounts to be made in several instalments within 24 months after acceptance of the relevant projects.

The Group has experienced delay in the payment of buyback amounts by the Finance Bureau of Jiaozhou. As at the date of this Offering Circular, the outstanding buyback amount due from the Finance Bureau of Jiaozhou is approximately RMB4.7 billion under the Master Agreement between the Group and the Finance Bureau of Jiaozhou. In December 2017, the Group entered into a supplemental agreement to the Master Agreement with the Finance Bureau of Jiaozhou relating to the then outstanding buyback amounts due from the Finance Bureau of Jiaozhou, which totalled RMB6.2 billion. Pursuant to this supplemental agreement, the Finance Bureau of Jiaozhou agreed to repay outstanding buyback amount in a total amount of RMB3.5 billion by instalments within five years from 2018. There is no assurance that the Finance Bureau of Jiaozhou will make payments in accordance with this timetable or that it will not request further postponement of any payment in the future. A postponement may have an adverse effect on the Group's cash flow and, therefore, its financial condition and results of operations.

The ability of the Finance Bureau of Jiaozhou to perform its obligations under the Master Agreement and the supplemental agreement is affected by many factors that are beyond the Group's control, such as the fiscal revenue of the Jiaozhou Municipal Government, budgeting and changes in PRC laws and regulations concerning the Jiaozhou Municipal Government and the Group's operations. In recent years, a number of policies and regulations have been released to control the rapid increase in government debt in China, including some circulars aiming to insulate debts of the local governments' financing and investment platforms from government debts which are repaid with fiscal revenue. Those policies and regulations may limit the ability of the Finance Bureau of Jiaozhou to use fiscal revenue to buy back the projects the Group developed or will develop pursuant to the Master Agreement and the supplemental agreement in the future. There are also uncertainties as to whether the enforceability of the Master Agreement and the supplemental agreement will be affected by any of those policies, regulations or circulars. Any delay or failure to pay any buyback amount by the Finance Bureau of Jiaozhou may cause constraints in the cash flow of the Group, increase the Group's liquidity risk and have a material adverse impact to its results of operations, financial condition and its ability to service the Bonds. See "*– PRC regulations on the administration of the financing platforms and debts of local governments may have a material impact on the Group's business and sources of financing*".

PRC regulations on the administration of the financing platforms and debts of local governments may have a material impact on the Group's business and sources of financing.

The Group's results of operations and financial condition may be heavily affected by changes in the regulation of the PRC government concerning local government debts and the financing platforms of local governments. In 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**") with an aim to control a significant increase in local government debts and associated risks in the PRC's banking system. Circular 43 generally prohibits local governments from incurring "off-balance" indebtedness to finance the development of government projects and other public interest projects with the proceeds of the borrowings incurred by financing platforms that the relevant local governments own or control, such as the Group.

The Group should rely upon the cash flow generated from its operations and external borrowings to satisfy its cash needs for servicing its outstanding indebtedness and for financing its operating activities. The release of Circular 43 has changed the Group's financing and business model, especially those relating to its infrastructure development. In April 2017, the Ministry of Finance (the "**MOF**"), together with NDRC, the People's Bank of China (the "**PBOC**"), China Securities Regulatory Commission, China Banking and Insurance Regulatory Commission (the "**CBIRC**", formerly the CBRC) and the Ministry of Justice, released the Notice Concerning Further Regulation of Local Government Borrowing and Financing Conduct(關於進一步規範地方政府舉債融資行為的通知)("**Circular 50**") to emphasise the principles and policies set out in Circular 43.

The PRC government issued Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises(財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知，財金[2018]23號)(the "**MOF Circular**"), effective on 28 March 2018, which aims to increase the responsibility of the PRC state-owned financial institutions to investigate the financial independence and liquidity level of the local government financing vehicles that they assist in fundraising. On 11 May 2018, the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks(國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知)(the "**Joint Circular**") was released which reiterates the PRC government's position to isolate the debts of local government financing vehicles from the relevant local government and to control the increase of the local governments' debts. The Joint Circular requires companies that plan to borrow medium and long-term foreign debt to establish a sound and standardized corporate governance structure, management decision-making mechanism and financial management system. It further requires that the assets owned by such companies should be of good quality and have clear title, and forbids the inclusion of public interest assets in corporate assets, such as parks, hospital, rivers, and land reserves of the local government should be excluded in the evaluation of their asset base. See "*– Risks relating to the Bonds – The PRC government is not contractually obliged to repay any amount under the Bonds or the Trust Deed if the Issuer fails to meet its obligations under the Bonds*".

On 6 June 2019, the General Office of the NDRC issued the Circular of the General Office of the NDRC on the Relevant Requirements for Filing and Registration of Foreign Debt Issuance by Local State-owned Enterprises(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)("**Circular 666**"), which aims to strengthen the management of the local governments' debts and prevent the risks of medium and long-term foreign debt and hidden debt of the local governments. Circular 666 expressly limits the use of proceeds of foreign debts issued by local state-owned enterprises which undertake local governments' financing functions to repaying medium and long-term foreign debts due within one year.

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

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

The Group's business requires substantial capital resources. For the years ended 31 December 2018, 2019 and 2020, the Group incurred capital expenditures of RMB21.0 million, RMB40.7 million and RMB25.7 million, respectively. The Group historically satisfied its capital requirement with (i) cash flow generated from its operating activities, (ii) proceeds of bank and other borrowings and (iii) proceeds of issuances of bonds in China's capital markets. The Group will continue to require additional capital resources to carry out its business operations.

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 carry out its business activities efficiently, due performance of the Finance Bureau of Jiaozhou's buyback obligations, changes in the general market conditions and regulatory environment and the competition in certain sectors in which the Group operates. Any material adverse change, which may be out of the Group's control, in these factors may create capital shortfall. There is no assurance that the Group's operations are able to generate sufficient cash to satisfy its cash needs at all times. For the years ended 31 December 2018, 2019 and 2020, the Group had net operating cash outflows of RMB2,061.2 million, RMB4,007.6 million and RMB2,219.6 million, respectively. This was primarily due to the increase in operating cost primarily caused by expansion of business including entering into new business areas, such as trading and property development. See "– *The Group has historically experienced net operating cash outflows*".

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's total indebtedness (comprising short-term loans, non-current liabilities due within one year, other current liabilities, long-term loans, bonds payable and interest-bearing payables due after one year) was RMB22.0 billion. The Group's ability to arrange for external financing and the cost of such financing are dependent on numerous factors, including:

- general economic and capital market conditions, including the impact of the COVID-19 pandemic;
- changes in monetary policies with respect to bank interest rates and lending policy;
- interest rates and credit availability from banks or other lenders;
- investor confidence in the Group and the success of the Group's business;
- the Group's ability to obtain the PRC government approvals required to access domestic or international financing;
- provisions of tax and securities laws that may be applicable to the Group's efforts to raise capital; and
- political and economic conditions in the PRC generally.

There is no assurance that additional financing, either on a short-term or a long-term basis, will be available, or that such financing will be obtained on terms favourable to the Group. If the Group is unable to obtain financing on a timely basis and at a reasonable cost, it may not be able to undertake new projects or implement them as planned. This would restrict the Group's ability to grow and, over time, may reduce the quality and reliability of the service the Group provides and adversely affect the Group's business, financial condition, results of operations and prospects. In addition, substantial indebtedness may in turn increase the pressure on the Group's liquidity and cause additional operational risks. See "– *Significant indebtedness may restrict the Group's business activities and increase the Group's exposure to various operational risks*" below.

The Group has historically experienced net operating cash outflows.

For the years ended 31 December 2018, 2019 and 2020, the Group had net operating cash outflows of RMB2,061.2 million, RMB4,007.6 million and RMB2,219.6 million, respectively. The Group's operating cash outflow has historically been primarily due to a mismatch between the development timetable of its infrastructure construction projects and the schedule of payments to be made by the government. As the Group has been engaged in undertaking a great amount of infrastructure projects in the SCO Demonstration Zone, the Group has incurred a significant amount of expenditure for infrastructure construction before it receives the associated buyback amount from the Finance Bureau of

Jiaozhou, after the relevant projects are completed. As the buyback amounts are normally paid in instalments within two years after the completion of the relevant projects, the payment may be delayed due to various reasons, including changes in the budget of the Jiaozhou Municipal Government.

As the Group anticipates continued expansion of its business, it believes that it will continue to require significant capital commitment. There is no assurance that it will not incur negative operating cash flows in the near future. Under such circumstances, the Group will continue to rely on external financing to satisfy its working capital and capital expenditure, thus increasing its financial vulnerability and adversely affecting its financial condition and results of operations.

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

The Group primarily relies on external financing to satisfy a portion of its capital requirements and it has incurred a significant amount of outstanding indebtedness. As at 31 December 2020, the Group's total indebtedness (comprising short-term loans, non-current liabilities due within one year, other current liabilities, long-term loans, bonds payable and interest-bearing payables due after one year) was RMB22.0 billion, of which RMB5.6 billion would become due within 12 months. As at 31 December 2020, the total amount of the Group's outstanding guarantee was approximately RMB5.1 billion. Most of the guaranteed companies are connected companies of the Issuer. If any of the guaranteed companies defaults on its borrowings guaranteed by the Group, the lender may exercise its right under the guarantee to demand repayment from the Group. As a result, the Group's business, financial condition and results of operations may be materially and adversely affected.

Substantial indebtedness could impact on the Group's businesses in a number of ways, including:

- requiring the Group to have dedicated part of its operating cash flow to service its indebtedness before it receives the buyback payment and 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.

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

Restrictive covenants contained in the bank loans and credit facilities 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 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's business, that (i) prohibit the borrower from incurring additional indebtedness unless it is able to satisfy certain financial ratios, (ii) restrict the borrower from creating security or granting guarantees, or (iii) prohibit the borrower from changing its business and corporate structure,

without the lender's prior approval. The ability of the Issuer or the relevant subsidiary of the Issuer (as borrower) to meet such financial ratios 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 debts.

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

As at 31 December 2020, assets of the Group with a total book value of RMB3,596.8 million were provided as security to secure the bank loans of the Group. Third-party security rights may limit the Group's use of the underlying collateral assets and adversely affect its operation efficiency. If the Issuer and its subsidiaries are unable to repay their debts under such bank loans 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.

The Group may cease to receive government subsidies and grants, the loss of which, or a reduction in which, could substantially reduce the Group's profits.

The Group receives government subsidies and grants and certain preferential treatments from the Jiaozhou Municipal Government. The government's continuing support to the Group and timely payment of the promised subsidies and grants depend on the future fiscal revenue and fiscal policies of the local and central government.

Historically, the Group had received financial support in the form of allocations of land use rights from the Jiaozhou Municipal Government. In June 2017, the MOF issued the Notice on Strict Prohibition against Non-compliant Financing Through Service Procurement Arrangement of Governments (財政部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) restricting, among others, the ability of local governments from allocating land use rights to their financing platforms to support the platforms' financing needs. The Group has not received any allocation of land use rights from the Jiaozhou Municipal Government since 2014 and does not expect to receive this form of financial support in the future.

The PRC government has released a series of regulations concerning local government debts and financing platforms of local governments. See "– *PRC regulations on the administration of the financing platforms and debts of local governments may have a material impact on the Group's business and sources of financing*." There is no assurance that the PRC government will not impose any further restriction on providing financial support to the Group. As such, the Group may not be able to receive

the same level of government subsidies and grants or enjoy the same preferential treatments. Any loss or reduction in government subsidies and grants or other form of government support could have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

Significant inventories may affect the Group's liquidity and restrict the Group's business activities.

The Group's inventories mainly consist of development costs of the infrastructure projects and land use rights the Group holds as a result of its successful bidding to or allocation by the Jiaozhou Municipal State-owned Assets Service Centre. As at 31 December 2018, 2019 and 2020, the Group's inventories amounted to RMB19,412.9 million, RMB18,578.3 million and RMB20,461.3 million, representing 64.3 per cent., 56.3 per cent. and 50.4 per cent., respectively, of the Group's total assets. The Group does not make any provision for any potential decrease in the value of its land. Therefore, a significant decrease in the value of the land it holds could materially and adversely affect the Group's business, financial condition, results of operations or prospects.

Significant amount of other receivables may affect the Group's liquidity and restrict the Group's business activities.

As at 31 December 2018, 2019 and 2020, the Group's other receivables were RMB3,747.8 million, RMB7,507.3 million and RMB7,209.8 million, respectively, representing 12.4 per cent., 22.8 per cent. and 17.8 per cent., respectively, of the Group's total assets as at the corresponding dates. The Group's other receivables are mainly the amounts payable by the government to the Group to repay the advance payment the Group made on behalf of the government. There are inherent risks associated with the ability of the Jiaozhou Municipal Government to make timely payments and any failure to make timely payments by these entities could materially and adversely affect the Group's liquidity and in turn affect its business, financial condition or results of operations. See "*– Delays or defaults in the payment of any buyback amount by the Finance Bureau of Jiaozhou pursuant to the Master Agreement may have a material adverse impact to the Group's results of operations, financial condition and cash flow.*" above.

The Issuer has unpaid registered capital and the Issuer has unfulfilled registered capital obligations for some of its subsidiaries.

The registered capital of the Issuer increased from RMB200 million to RMB2 billion on 23 January 2019. As at the date of this Offering Circular, RMB800 million of the Issuer's share capital remains unpaid by the Jiaozhou Municipal State-owned Assets Service Centre, the sole shareholder of the Issuer. According to the Issuer's articles of association, the Jiaozhou Municipal State-owned Assets Service Centre has the obligation to fully pay up such registered capital by 31 December 2038. A company's registered capital is treated as corporate property under PRC law, and it is the shareholder's obligation to fulfill its registered capital contribution according to PRC law and the company's constitutional documents. Any failure of the Issuer's shareholder to make timely capital payments could materially and adversely affect the Group's equity position and its liquidity and in turn affect its business and financial condition.

As at the date of this Offering Circular, the Issuer has not fulfilled its obligations in respect of the registered capital of three of its wholly-owned subsidiaries, namely Qingdao Jiaozhou Bay Shanghai Cooperation Organization Demonstration Zone Development Co., Ltd.(青島膠州灣上合示範區發展有限公司), Qingdao Lyujian Yuan Development Investment Co., Ltd.(青島綠建園開發投資有限公司) and Qingdao Jiaofa Cultural Tourism Development Co., Ltd.(青島膠發文化旅遊發展有限公司). As at the date of this Offering Circular, the registered capital of each of Qingdao Jiaozhou Bay Shanghai Cooperation Organisation Demonstration Zone Development Co., Ltd. and Qingdao Lyujian Yuan Development Investment Co., Ltd. is RMB1,000 million and RMB200 million, respectively, of which RMB50 million and RMB190 million has been paid up, correspondingly, by the Issuer. As at the date of this Offering Circular, the registered capital of Qingdao Jiaofa Cultural Tourism Development Co., Ltd. is RMB100 million, of which RMB30 million has been paid up by its shareholder, Qingdao Jiaozhou Bay Technology Investment Co., Ltd.(青島膠州灣科技投資有限公司), a wholly-owned subsidiary of the Issuer.

According to the revised PRC Companies Law which became effective on 1 March 2014, the timing requirement in respect of registered capital contributions has been abolished. As such, the Issuer has sole discretion to consider the timing of its registered capital contribution, subject to the relevant company's articles of association. According to Qingdao Jiaozhou Bay Shanghai Cooperation Organisation Demonstration Zone Development Co., Ltd.'s articles of association, the Issuer has the obligation to fully pay up such registered capital by 31 December 2038. According to Qingdao Lyujian Yuan Development Investment Co., Ltd.'s articles of association, the Issuer has the obligation to fully pay up its registered capital by 31 December 2038. According to Qingdao Jiaofa Cultural Tourism Development Co., Ltd.'s articles of association, Qingdao Jiaozhou Bay Technology Investment Co., Ltd., as its shareholder and a wholly-owned subsidiary of the Issuer, has the obligation to fully pay up such registered capital by 31 December 2039. If the Issuer fails to make such capital contribution in full by the deadline, it may be required to apply for a reduction in the registered capital, which may not be granted. Also, if the Issuer fails to contribute the registered capital, it may be penalised with fines of 5 to 15 per cent. of the amount of unpaid capital. In addition, in certain cases, the business license of any subsidiary with unpaid registered capital may be revoked.

If the Issuer is required to fund any unpaid registered capital of its subsidiaries, it may need to raise external funds. However, there is no assurance that sufficient external funds could be raised to pay the registered capital amounts on reasonable terms or at all.

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.

The Group's business activities are extensively regulated in China. The operation of these business activities requires a number of approvals, licences and permits to be obtained from different governmental authorities. For example, the Group is required to obtain a project approval and an environmental assessment approval at the outset of a project before it can receive the construction land planning permit(建設用地規劃許可證), the construction project planning permit(建設工程規劃許可證) and the construction permit(建築工程施工許可證). It normally takes six to 12 months to obtain all of these approvals and permits. Governmental authorities in China have broad discretion in implementing and enforcing applicable laws and regulations and in determining the grant of approvals, licences, permits and certificates necessary for conducting the Group's business activities. Failure to obtain the necessary approvals, licences or permits in a timely manner could result in delay or suspension of the Group's business operations and 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 adjust existing regulations or promulgate new regulations from time to time. In such circumstances, the Group may encounter problems in obtaining or renewing the permits, licences, certificates and government authorisations necessary to conduct its business activities and may be unable to comply with such 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 penalties, which could have a material adverse effect on the Group's businesses, financial condition, results of operations and prospects.

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

Most of the Group's existing floating rate bank loans bear interests that accrue at rates linked to the Loan Prime Rate (the "**LPR**") published by the PBOC. A material fluctuation in the LPR may have a material impact on the Group's interest expenses and payables under its bank loans and in turn negatively affect its financing costs and results of operations. Any increase in the LPR in the future will increase the Group's financing costs and adversely affect its profitability, financial condition and results of operations.

As at the date of this Offering Circular, the Group has also issued bonds outside the PRC. As the Group will further explore overseas sources of funding to replenish its capital, it is also exposed to risks arising from interest rate fluctuation overseas. Any unfavourable interest rate overseas could cause the Group to incur additional financing cost for its overseas financing.

The Group may not successfully implement its growth and expansion strategy.

The Group has historically been focused on infrastructure construction in the Jiaozhou ETD Zone, and is currently focusing on developing the SCO Demonstration Zone. The Group has implemented plans to expand and diversify its business operation into six business segments, including (i) infrastructure construction; (ii) primary land development; (iii) property investment and operation; (iv) trading; (v) property development; and (vi) miscellaneous. The Group may operate these new businesses while maintaining sustainable growth of its core businesses as part of its strategies. There is no assurance that the Group will be able to operate new businesses successfully. Furthermore, the Jiaozhou Municipal State-owned Assets Service Centre or other authorities may request that the Group undertake new businesses from time to time. There is no assurance that the Group will have the necessary experience, expertise, and resources, or be able to procure the necessary experience, expertise, and resources, to undertake such new businesses successfully.

To implement its development and expansion strategies, the Group may be required to devote significant resources into managing the various businesses, market and regulatory risks associated with its expansion into different industries. Whether the Group could successfully implement its strategy depends, to some extent, on the Group's ability to obtain required approvals from relevant regulatory authorities in China, obtain sufficient capital on acceptable terms in a timely manner and maintain close working relationships with various governmental authorities and agencies. The success of negotiations with respect to any particular project cannot be assured. If the Group expands its business into new industries, markets and geographic areas in which it has limited operating experience, there is no assurance that the Group will be successful in integrating newly-acquired operations with its existing operations and becoming profitable in such new business segments within a certain timeframe or at all. Failure to implement the Group's growth and expansion strategy may have an adverse impact on its business, financial condition and results of operations.

The Group is highly dependent on the infrastructure construction business and may not be able to sustain operating revenue and profitability if its infrastructure projects are completed while the outstanding buyback payments are not paid.

A declining, but still significant portion of the Group's operating revenue is derived from its infrastructure construction business. For the years ended 31 December 2018, 2019 and 2020, the Group's operating revenue generated from its infrastructure construction business was RMB248.2 million, RMB343.5 million and RMB257.2 million, respectively, representing 49.0 per cent., 40.6 per cent. and 16.8 per cent., respectively, of the Group's total operating revenue for the same periods. For the years ended 31 December 2018, 2019 and 2020, the Group's gross operating profit generated from infrastructure construction was RMB12.8 million, RMB20.7 million and RMB15.5 million, respectively, accounting for 12.2 per cent., 14.6 per cent. and 8.1 per cent., respectively, of the Group's total gross operating profit for the same periods. In this case, if the infrastructure construction projects are completed and the outstanding buyback amounts due from the Finance Bureau of Jiaozhou are not paid, the Group may experience a significant decrease in its operating revenue and gross operating profit.

Furthermore, if the Group cannot implement its expansion strategies successfully, it may not be able to sustain its current operating revenues from newly-operated businesses and to generate sufficient cash to repay its existing indebtedness, which in turn would materially and adversely affect the Group's results of operations, financial condition and prospects.

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

There are a number of construction, financing, operational and other risks associated with project developments in the PRC. Projects that the Group undertakes, in particular the infrastructure construction projects, typically require substantial capital expenditures during the construction phase and usually take many years before they become operational and start to generate revenue. The time taken and the costs involved in completing construction can be adversely affected by many factors, including shortages of materials, equipment and labour, adverse weather conditions, natural disasters, terrorism, labour disputes, disputes with sub-contractors, accidents, changes in governmental priorities and other unforeseen circumstances. Any of these could give rise to delays in the completion of construction and/or cost overruns. Construction delays can result in loss of revenues. The failure to complete construction according to the Group's specifications may result in liabilities, reduced efficiency and lower financial returns. In addition, as construction costs for new projects have increased due to factors that are generally beyond the Group's control, construction delays may further increase these costs.

The Group has historically required, and is expected in the future to continue to require, substantial external financing to fund its capital expenditures. The cost of such financing is dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence in its business, success of its businesses, provisions of tax, securities and other relevant laws that may be applicable to its efforts to raise capital, and political and economic conditions in the PRC generally. There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favourable to the Group.

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

The Group engages third-party contractors for its infrastructure construction projects. 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 schedule of its projects. Further, labour shortages, labour disputes or increases in labour costs of the Group's third-party contractors could cause an extension of the construction progress and an increase in the Group's fees payable to such contractors. See "– *Increases in labour costs or labour shortages of any third-party contractors engaged for the Group's projects could materially and adversely affect the Group's business, results of operations and prospects.*" below.

In addition, the Group may be asked to undertake additional infrastructure development projects by the government on short notice, and there may be a shortage of contractors that meet the Group's quality requirements. Further, contractors may undertake projects for other companies and developers, engage in risky or unsound practices or encounter financial or other difficulties, which may affect their ability to complete their work for the Group on time or within budget. Any of these factors could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is subject to various environmental, safety and health regulations in China and any failure to comply with such regulations may adversely affect the Group's operations and 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 China. 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 such approvals and permits on a timely basis or at all.

As at the date of this Offering Circular, the Group has not received any notice regarding non-compliance with the applicable environmental, safety and health regulations or requirements from any government authority. However, PRC laws and regulations are constantly evolving. There is no assurance that the PRC government will not impose additional or stricter laws or regulations, which may increase compliance costs of the Group. In particular, the PRC government is currently moving toward the adoption and enforcement of more stringent environmental standards. It is possible that more stringent environmental protection requirements will be imposed by relevant governmental authorities in the future and the Group may be expected to meet a standard which is higher than the requirement under the prevailing environmental laws and regulations. If the Group fails to comply with existing or future environmental laws and regulations or fails to meet public expectations in relation to environmental matters, its reputation may be damaged or it may be required to pay penalties or fines or take remedial actions or cease operations, any of which could have a material adverse effect on the Group's business, results of operations and financial position.

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

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

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

The Group's limited insurance coverage may not adequately protect it against all operational risks.

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

- construction interruptions caused by construction errors, electricity outages, raw material shortages, equipment failure and other operational risks;
- operating limitations imposed by environmental or other regulatory requirements;
- defective quality of the infrastructure or real estate properties it builds or develops;

- work-related personal injuries;
- on-site construction accidents;
- disruption in global capital markets and the economy in general;
- loss on investments;
- environmental or industrial accidents; and
- catastrophic events such as fires, earthquakes, explosions, floods, collapses of mines or other natural disasters.

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

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

The Group provides warranties in respect of the quality of the projects it develops under the Master Agreement within two years after they are completed and delivered (or another period as specified in the relevant contract). Therefore, the Group relies on its quality control systems to ensure the safety and quality of its projects satisfies the requirements under applicable laws and those set out in the relevant development contracts. The effectiveness of the Group's quality control systems depends significantly on a number of factors, including the design of the system, the related training programme as well as the Group's ability to ensure that its and its subcontractors' employees adhere to its quality control policies and guidelines.

There is no assurance that the existing quality control policies and systems of the Group are effective and are able to identify potential defects or flaws in the Group's projects. Any failure of the Group's quality control systems could result in defects in its projects or services, which in turn may subject the Group to contractual, product liability and other claims. Any such claims, regardless of whether they are ultimately successful, could cause the Group to incur significant costs, harm its business reputation and result in significant disruption to its operations. Furthermore, if any such claims were ultimately successful, the Group could be required to pay substantial monetary damages or penalties. Although the Group believes that its quality control systems are sound, there is no assurance that failures in its quality control systems will not occur in the future, and any such failure could have an adverse effect on the Group's business and operations.

The Group may not be able to detect or prevent fraud, money laundering or other misconduct committed by its employees, representatives, agents, customers or other third parties in its business operations in a timely manner.

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

- hiding 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;
- engaging in or accepting bribery activities;
- conducting any inside dealing; or
- otherwise not complying with applicable laws or the Group's internal policies and procedures.

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

The Group's internal control procedures are designed to monitor its operations and ensure overall compliance. However, such internal control procedures may be unable to identify all incidents of noncompliance 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 and adversely affect the Group's company image and business.

The Group is exposed to litigation risks.

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

provisions made by the Group based on its estimates. Any material charges associated with claims brought against the Group and material write downs associated with the Group's claims could have a material and adverse impact on its financial condition, results of operations and cash flow.

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

The success of the Group's business is dependent to a large extent on its ability to attract and retain key personnel who possess in-depth knowledge and understanding of the industries in which the Group invests or operates. These key personnel include members of the Group's senior management, experienced engineers, project development and management personnel, legal professionals, risk 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 infrastructure projects or business expansion. As the Group expands its business or hires new employees, the employees may take time to get accustomed to any new standard procedures and consequently may not comply with the standard procedures of any new business in an accurate and timely manner. The occurrence of any of the events discussed above could lead to unexpected loss to the Group and adversely affect its revenue and financial condition.

The Group is subject to joint venture risks.

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

There are risks associated with any material acquisitions by the Group in the future.

The Group may consider expanding its business by acquiring certain interests in other companies. During the course of these transactions, the Group will conduct due diligence investigations with respect to the target companies, but the due diligence with respect to any acquisition opportunity may not reveal all relevant facts that are necessary or useful in evaluating such opportunity, which could subject the Group to unknown financial and legal risks and liabilities. When analysing a potential acquisition, the Group will consider various factors, including the quality of the target business, estimated costs associated with the acquisition and the management of the target business, prevailing market conditions and intensity of competition. The Group will also face various issues arising from the acquisition after the relevant transaction is completed, such as integration of the business into its operations and allocation of internal resources.

There is no assurance that the Group will be able to address these issues effectively. In addition, any major acquisition or transaction of a similar nature may consume substantial management attention and financial resources of the Group or even cause the Group to incur significant indebtedness. Any material decrease in its financial resources may limit the Group's ordinary operating activities and increase pressure on its liquidity, and in turn could adversely affect its business, financial condition and results of operations. As at the date of this Offering Circular, the Group had not entered into any definitive

agreement for any acquisition. The Group, however, is unable to predict whether there will be any targets suitable for acquisition or when any suitable acquisition opportunities could arise. In the event that the Group enters into any letter of intent or agreement for any material acquisition after the issue of the Bonds, the market price and the trading volume of the Bonds may be adversely affected.

The Group's business may be affected by force majeure events, natural disasters and outbreaks of contagious diseases, including the COVID-19 pandemic, which may in turn significantly reduce demand for the Group's services and have an adverse effect on its financial condition and results of operations.

Force majeure events, natural disasters, catastrophe or other events could result in severe personal injury to the Group's staff, property damage and environmental damage, which may curtail the Group's operations, cause delays in estimated completion dates for projects and materially and adversely affect its cash flows and, accordingly, adversely affect its ability to service debt. If any of the Group's assets are damaged by severe weather or any other disaster, accident, catastrophe or other event, the Group's operations may be significantly interrupted.

Since late 2019, COVID-19 has continued to spread within the PRC and globally. Several new strains of COVID-19 are considered highly contagious and may pose a serious public health threat. On 30 January 2020, the World Health Organisation (the "**WHO**") declared the outbreak of COVID-19 a Public Health Emergency of International Concern. The epidemic has escalated into a major public health crisis on a global scale and declared a pandemic by the WHO. The virus is constantly mutating and such mutation may result in new variants of the virus that are more infectious or harmful. In November 2021, the WHO declared that a new COVID-19 variant, Omicron, may be more infectious, lead to more severe symptoms or become more resistant to immunisation (including existing vaccines). Public-health authorities around the world are also intensifying containment efforts, leading to a severe drop in business activity and curtailing global trade. It also remains uncertain as to when the outbreak of COVID-19 will be contained. In the event that the outbreak of COVID-19 is not effectively controlled, the Group's business operations and financial condition may be materially and adversely affected as a result of the changes in the outlook of the Group's industries, any slowdown in economic growth, negative business sentiment or other factors that the Group cannot foresee.

The occurrence or continuance of any of these or similar events could increase the costs associated with the Group's operations and reduce its ability to operate its businesses effectively, thereby reducing its revenues. Insurance policies for civil liability and damages taken out by the Group could prove to be significantly inadequate, and there can be no assurance that the Group will always be able to maintain a level of cover at least equal to current cover levels and at the same cost. Such events could also lead to the shutdown of the Group's affected operating facilities and, potentially, similar facilities that may be considered to present the same or similar risks.

The Ministry of Land and Resources 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, the Ministry of Land and Resources (the "**MLR**", now known as the Ministry of Natural Resources of the PRC) may impose an idle land fee equal to 20 per cent. of the land premium or allocation fees if the Group does not commence development of the land held by the Group for more than one year after the date specified in the relevant land use rights grant contract, or the Group commences development on an area which is less than one-third of the area granted, or the capital invested in the development is less than one-fourth of the total investment approved for the development, and the development is suspended for more than one year without governmental approval. The MLR has the power to revoke the land use rights certificate without compensation if the Group does not commence development for more than two years after the date specified in the relevant land use rights grant contract without compelling causes. The State Council issued the Notice on Promoting the Conservation 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 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, in August 2009, the MLR issued the Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land（關於嚴格建設用地管理促進批而未用土地利用的通知）reiterating its policy on idle land.

As at the date of this Offering Circular, the Group has not received any fine or penalty or notice of fine or penalty from the relevant governmental authorities relating to any idle land. However, no assurance can be given that the Group will always be able to comply with the relevant policies on idle land and that the governmental authorities will not penalise the Group should there be any non-compliance in the future. The imposition of fines and penalties could have a material and adverse effect on the Group's business, financial condition and results of operations.

The PRC government may adopt further measures to cool down the growth in the property sector.

Starting from the second half of 2009, residential property prices in certain cities in the PRC rose rapidly. In order to prevent the overheating of the property market and the possible formation of a speculative bubble, the PRC government introduced a series of regulatory measures in an effort to stabilise the real estate market and facilitate its sustainable development, including raising the down payment ratio and residential mortgage loan interest rate, limiting the number of houses that a single household may purchase, increasing the supply of affordable housing to low and middle income families, increasing the supply of public housing to targeted populations, restricting foreign investments in properties in the PRC, abolishing the preferential business tax treatment on transfer of ordinary housing within five years and launching new property tax schemes in certain cities. In previous years, the property market in the PRC has witnessed signs of a slowdown, with some developers reported to have lowered prices in order to stimulate sales and some local governments reported to have relaxed property purchase restrictions previously imposed as cooling measures to help boost demand. More recently, however, due to a strong increase in prices starting in early 2016, local governments and developers in certain cities have implemented measures to suppress the level of increase in property prices, such as tightening mortgage restrictions on second home purchases. The PRC government may adopt additional and more stringent industry policies, regulations and measures in the future. These measures may limit the Group's access to capital resources, reduce market demand for the Group's products and increase the Group's operating costs in complying with these measures. If the Group fails to adapt its operations to such new policies, regulations and measures that may come into effect from time to time, the Group's business prospects, financial condition and results of operations may be materially and adversely affected.

The Group is exposed to pre-sale related contractual and legal risks and changes in pre-sale related regulations may adversely affect the Group's financial performance.

The Group sells a portion of the property it develops through pre-sale contracts, in which it makes undertakings regarding timely completion and delivery of the property. These pre-sale contracts and PRC laws and regulations provide for remedies with respect to any breach of such undertakings. For example, if the Group pre-sells a property project and the Group fails to complete that property project, it will be liable to the purchasers for their losses. Should the Group fail to complete a pre-sold property project on time, the Group's purchasers may seek compensation for late delivery pursuant to either their contracts with the Group or PRC laws and regulations. If the Group's delay extends beyond a specified period, purchasers may terminate the pre-sale contracts and claim compensation. There is no assurance that the Group will not experience delays in completion and delivery of the Group's projects, which may have a material adverse effect on the Group's business, financial condition and results of operations.

Under current PRC laws and regulations, property developers must fulfil certain conditions before they can commence pre-sale of the relevant properties and may only use pre-sale proceeds to finance the development of such properties. In August 2005, PBOC in a report entitled "2004 Real Estate Financing Report" recommended to discontinue the practice of pre-selling unfinished properties because such practices, in PBOC's opinion, create significant market risks and generate transactional irregularities. In

July 2007, an economic research group under the NDRC recommended the abolishment of the pre-sale system. These recommendations have not been adopted by any PRC governmental authority and have no mandatory effect. Recently, certain developers have commenced the practice of trial sale of completed residential properties. There is no assurance that the PRC governmental authority will not ban the practice of pre-selling residential properties prior to completion or implement further restrictions on the pre-sale of such properties, such as imposing additional conditions for a pre-sale permit or further restrictions on the use of pre-sale proceeds. Consequently, any restriction on the Group's ability to pre-sell its properties, including any increase in the amount of up-front expenditure the Group must incur prior to obtaining the pre-sale permit, would extend the time period required for recovery of the Group's capital outlay and would require that the Group seek alternative means to finance the various stages of its property developments. This, in turn, could have an adverse effect on the Group's business, cash flow, results of operations and financial condition.

The Group may not be able to complete or deliver its property development projects on time and the Group may be subject to liabilities as a result of such delays.

Various factors may materially and adversely affect the progress of a property development project or a construction project, including delays in obtaining necessary permits or governmental approvals, delays in delivery of land to the Group, changes in governmental policies, changes in market conditions, labour disputes, poor work quality of construction contractors, construction accidents and natural disasters or adverse weather conditions and other unforeseen problems or circumstances. The Group may also experience delays in obtaining the relevant land, which may adversely affect its business, results of operations and financial condition.

There can be no assurance that the Group will not experience any significant delays in the completion or delivery of the Group's properties, or that the Group will not be subject to any liabilities for any such delays. If the Group experiences a delay and it is liable to compensate for any such delay, this may have a material adverse effect on the Group's business, results of operations and financial condition.

The Group may be liable to the Group's customers for damages if the Group fails to assist them in obtaining individual property ownership certificates in a timely manner.

The Group is typically required to obtain a general property ownership certificate for each of the Group's completed projects. In addition, for properties stipulated in the contract for the sale of commodity houses which are uncompleted houses, the Group generally has to assist its customers in obtaining their individual property ownership certificates within 90 days of delivering the possession of properties unless otherwise specified in the relevant sale and purchase agreements. In general, the Group elects to specify the deadline to apply for the individual property ownership certificates upon the provision of the necessary documents by the customers in the sale and purchase agreements to allow sufficient time for the application and approval processes. Under current PRC laws and regulations, the Group shall, before delivering the properties, entrust entities with qualifications for real estate surveying and mapping to survey and map the properties. The result of the surveying and mapping shall be used in the house property right registration after being reported to the real estate administration for verification and approval. The Group is then required to submit, within certain periods after delivery of the properties, the sale and purchase agreements relating to such properties, the identification documents of the purchasers and the proof of payment of deed tax, together with the general property ownership certificate, for the relevant local authority's review and for the issuance of individual property ownership certificates in respect of the properties purchased by the respective purchasers. Delays by the various administrative authorities in reviewing the application and granting approval as well as other factors may affect timely delivery of the general as well as individual property ownership certificates. Property developers, including the Group, may become liable for monetary penalties to purchasers for late delivery of the individual property ownership certificates due to delays in the administrative approval processes or for any other reason beyond its control. There is no assurance that the Group will be able to timely deliver all property ownership certificates in the future or that the Group will not be subject to any liabilities as a result of any late deliveries of property ownership certificates.

The Group has historically maintained low gross profit margin in its trading business.

For the years ended 31 December 2019 and 2020, the Group had gross profit margin of 2.7 per cent. and 1.5 per cent., respectively, of its trading business, whereas the Group's operating income derived from its trading business represents 18.6 per cent. and 39.9 per cent., respectively, of the total operating income of the Group. The low gross profit margin of the Group's trading business was mainly due to the slight difference between the purchasing price for the commodities and selling price to the customers under the Group's trading business model. Substantial portion of the Group's operating income is derived from its trading business, and if the gross profit margin of the Group's trading business segments continue to be low, the Group's profitability, financial conditions and results of operations may be adversely affected.

Volatility in the prices of the metals, frozen seafood, grain and oil have a material impact on the Group's trading business.

The performance of the Group's trading business is significantly affected by the availability and market prices of the metals, frozen seafood, grain and oil. The market prices of those products are affected by factors beyond the Group's control, primarily including but not limited to increase in global demand, depletion of existing sources and decreasing availability of new sources, interruptions in production by suppliers, suppliers' allocations to other purchasers, wars, natural disasters and other similar events. Fluctuations in the prices of the metals, frozen seafood, grain and oil will cause the demand for related products in downstream industries, and consequently the prices at which the Group is able to sell its products, to fluctuate significantly, which in turn would have a material adverse effect to the Group's profitability and results of operations.

The Group has a concentration of customers and suppliers in its trading business.

For the Group's sales of metals and other commodities, the percentage of the aggregate revenue attributable to the Group's top five customers for the years ended 31 December 2019 and 2020 was 99.1 per cent. and 60.7 per cent., respectively, while 77.3 per cent. and 64.7 per cent. of the commodities were purchased from the Group's top five suppliers, for the corresponding years. See "*Description of the Group's Business – Trading – Business Model*".

There is no assurance that there will not be any dispute between the Group and its major customers and suppliers, or that the Group will be able to maintain business relationships with its existing customers and suppliers. As the Group has been relying on a small number of major customers and suppliers for the years ended 31 December 2019 and 2020, in the event that the existing major customers cease to engage the Group's service or decrease the number of orders placed, or that the existing major suppliers suspend their supply of commodities to the Group, the Group may not be able to find new customers or suppliers as replacement within a reasonable period of time or at all. As a result, the Group's pricing power and results of operations in its trading business could be materially and adversely affected.

Risks Relating to the Group's Financial Information

The Audited Financial Statements were audited in accordance with PRC GAAP which differs from IFRS. The Issuer's auditors have limited international capital markets experience.

The Issuer's Audited Financial Statements were prepared in accordance with PRC GAAP. Although PRC GAAP is substantively in line with IFRS, PRC GAAP is, to a certain extent, different from IFRS. See "*Summary of Certain Differences Between PRC GAAP and IFRS*" for differences between PRC GAAP and IFRS. There is no guarantee that PRC GAAP will fully converge with IFRS or there will be no additional differences between the two accounting standards in the future. Potential investors should consult their own professional advisers for an understanding of any differences that may exist between PRC GAAP and IFRS, and how those differences might affect the financial information included in this Offering Circular. The Issuer's current independent auditor, CAAP, is a registered member of The

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

Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular.

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

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

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

CAAP, the auditor of the Issuer, was subject to administrative regulatory measures by the relevant PRC authorities.

CAAP, the auditor for the Issuer, is a registered accounting firm in the PRC. It is supervised by relevant PRC regulatory agencies, including the China Securities Regulation Commission ("**CSRC**"). CAAP was subject to administrative regulatory measures by relevant PRC regulatory agencies in the past. For example, in November 2020, the Shenzhen Regulatory Bureau of CSRC issued a warning letter to CAAP on the grounds that it was not in compliance with the Practice Standards for Certified Public Accountants of China (中國註冊會計師執業準則) when performing the audit of financial statements of Shenzhen Techen Science and Technology Co., Ltd. (深圳市特辰科技股份有限公司) for the year ended 31 December 2020. In July 2020, the Shenzhen Regulatory Bureau of CSRC requested two accountants of CAAP to undergo a regulatory interview due to non-compliance with the Practice Standards for Certified Public Accountants of China (中國註冊會計師執業準則) when performing the audit of the financial statements of Liyuanji Jewelry (Shenzhen) Co., Ltd. (隸源基首飾(深圳)股份有限公司) for the year ended 31 December 2016.

According to CAAP, none of the administrative regulatory measures imposed by CSRC to CAAP are related to CAAP serving as the Issuer's auditor. The administrative regulatory measures imposed by CSRC to CAAP do not disqualify CAAP from participating in the offering of the Bonds or have any impact on the ability of CAAP to provide services to the Group. There can be no assurance that the involvement of CAAP in such administrative regulatory measures or any negative news about CAAP would not affect investors' confidence in companies and financial statements audited by it. Prospective investors should consider these factors prior to making any investment decision.

Risks Relating to the PRC

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

The economy of China experienced rapid growth in the past 30 years. However, there has been a decrease in China's GDP growth rate since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of China may not be sustainable. According to the National Bureau of Statistics of the PRC, the annual growth rate of China's GDP decreased from 7.3 per cent. in 2014 to 6.1 per. cent. in 2019. 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. In 2020, the annual growth rate of China's GDP dropped to 2.3 per cent., as a result of the outbreak of the COVID-19 pandemic and large-scale quarantine and shutdown measures implemented by the PRC government.

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 United Kingdom withdrew from the European Union ("**EU**") on 31 January 2020 ("**Brexit**"), but continued to participate in certain EU organisations (such as the customs union) during a transition period that ended on 31 December 2020. With Brexit taking full effect, there remains uncertainty about the future relationship between the United Kingdom and the EU. It is unclear how Brexit would ultimately affect the fiscal, monetary and regulatory landscape within the United Kingdom, the EU and the rest of the world. The outlook for the world economy and financial markets remains uncertain. Any volatility in the global markets and negative economic developments could, in turn, materially adversely affect the Group's business, prospects, financial condition or results of operations. In addition, this could adversely affect the Group's access to the debt capital markets and may increase funding costs, having a negative impact on the Group's revenue and financial conditions.

In addition, in recent years there has been growing tension between the United States and the PRC. The two countries have been involved in disputes over trade barriers that have escalated into a trade war. The U.S. government has changed its trade policies towards the PRC with measures such as imposition of increased tariffs on a wide range of Chinese products and restriction on exports of certain U.S. goods to China. The ongoing trade war between the United States and the PRC and any further escalations thereof could have a material adverse impact on the Chinese economy. In January 2020, the phase one agreement was signed between the PRC and the United States on trade matters. However, the PRC and the United States have not launched the phase two negotiation yet and there is no assurance that the trade disputes between the PRC and the United States will be fully resolved. Sustained or escalating tension between the United States and the PRC over trade policies could significantly undermine the stability of the global economy and thereafter may lead to additional costs and unexpected consequences on the Group's business. The adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental action related to tariffs or trade agreements or policies have the potential to adversely impact the PRC's economy, which in turn could adversely impact the Group's business, financial condition and results of operations.

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

China's economy 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. China's economy 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 China 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 may 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 China depends heavily on economic growth. If China's economic growth slows down or if China experiences an economic recession, the growth of development in China's 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 China's legal system may affect the Group.

As all of the Group's businesses are conducted, and all of the Group's assets are located, in the PRC, the Group's operations are governed principally by laws and regulations of the PRC. The PRC's legal system is based on written statutes while prior court decisions, in certain circumstances, may be cited as reference but have limited precedential value. 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 enhancing the protections afforded to market participants in the PRC. However, the PRC has not developed a fully integrated legal system and recently enacted laws and regulations 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, PRC's 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 judgments by a court of another jurisdiction. These uncertainties relating to the interpretation and implementation of PRC's 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.

The Group's operations may be affected by rising inflation rates within the PRC.

Inflation rates within the PRC have been on an upward trend in recent years. Increasing inflation rates are due to many factors beyond the Group's control, such as rising food prices, rising production and labour costs, high lending levels, PRC and foreign governmental policy and regulations, and movements in exchange rates and interest rates. It is impossible to accurately predict future inflationary trends. If inflation rates rise beyond the Group's expectations, the costs of its business operations, including, not the least, costs for raw materials and labour costs, may become significantly higher than the Group has

anticipated for the future, limiting its ability to use financial resource efficiently. As a result, further inflationary pressures within the PRC may have an adverse effect on the Group's business, results of operations and financial condition, as well as its liquidity and profitability.

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

The Issuer and all of its subsidiaries are incorporated under the laws of the PRC. All of the Group's assets are located in the PRC. In addition, all of the Issuer's directors, supervisor and senior management reside within the PRC and the assets of the Group's directors and officers are located within the PRC. As a result, it may not be possible for investors to effect service of process outside the PRC upon all of the Issuer's directors, supervisor and senior management, including for matters arising under applicable securities law. The Terms and Conditions and the transaction documents are governed by English law, and parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. 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 in writing 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 issues the judicial interpretation and Hong Kong completes relevant procedures. However, there is still no certainty that a PRC court will enforce a judgment by a Hong Kong court or that parties will not have to relitigate the merits of the case before a PRC court. Therefore, it may be difficult for investors to enforce any judgments obtained from foreign courts against the Group, or its directors, supervisors or members of its senior management in the PRC.

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

All of the Group's operating 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 interests and principal, 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 interests and principal to the holders of the Bonds or any other foreign currency denominated debt, if any. On the other hand, foreign exchange transactions under capital account in the PRC continue to be not freely convertible and require the approval of SAFE. These limitations may affect the Group's ability to obtain foreign currencies through equity financing, or to obtain foreign currencies for capital expenditures.

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

PRC law 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, PRC law requires enterprises to set aside part of their net profit as statutory reserves before distributing the net profit for the current financial year. These statutory reserves are not available for distribution as cash dividends. Since the availability of funds to fund the Issuer's operations and to service its indebtedness depends upon dividends received from these subsidiaries, any legal restrictions on the availability and usage of dividend payments from the Issuer's subsidiaries may impact the Issuer's ability to fund its operations and to service its indebtedness.

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

The Labour Contract Law of the PRC(中華人民共和國勞動合同法)became effective on 1 January 2008 in China and was amended on 28 December 2012. It imposes more stringent requirements on employers in relation to entry into fixed-term employment contracts and compensation payments upon dismissal of an employee. A minimum wage requirement has also been incorporated into Labour Contract Law of the PRC. In addition, under the Regulations on Paid Annual Leave for Employees(職工帶薪年休假條例), 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 15 days. Employees who consent to waive such vacation at the request of employers due to work commitments shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. The implementation of the labour law in the PRC has increased the Group's labour costs (including those incurred by contractors). In the event the Group decides to significantly change its workforce, the Labour Contract Law of the PRC could adversely affect its ability to effect these changes in a cost-effective manner or in the manner that the Group desires, which may result in an adverse impact on the Group's business 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, its profit margin may decrease and its financial results may be adversely affected. In addition, inflation in the PRC has increased in recent years, which also results in the increase of the costs of labour. Rising labour costs may increase the Group's operating costs and partially erode the cost advantage of the Group's operations and therefore negatively impact the Group's profitability.

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 Manager, the Trustee, the Agents or any of its or their respective affiliates, employees, directors, agents, advisors or representatives, and, therefore, the Issuer, the Manager, 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 the Bonds

The PRC government is not contractually obliged to repay any amount under the Bonds or the Trust Deed if the Issuer fails to meet its obligations under the Bonds.

Similar to other companies beneficially controlled by the PRC government, the Issuer may be generally perceived to have access to liquidity support from its beneficial controlling shareholder in light of its ownership structure and the nature of its beneficial controlling shareholder, particularly in the event that the Issuer becomes financially distressed. However, the PRC government as the ultimate shareholder of the Issuer only has limited liability in the form of its equity contribution in the Issuer, and its ultimate ownership or control of the Issuer does not necessarily correlate to, or provide any assurance as to, the

Issuer's financial condition. As such, the PRC government is under no contractual obligation to pay any amount under the Bonds or the Trust Deed if the Issuer fails to meet its obligations under these instruments, and, as a result, no financial support from the PRC governmental entity may materialise. The Issuer should rely upon the cash flow generated from its operations and external borrowings to satisfy its cash needs for servicing its outstanding indebtedness and for financing its operating activities. The Bonds are solely to be repaid by the Issuer as an obligor under the relevant transaction documents and as an independent legal person.

Therefore, the Bonds are solely to be repaid by the Issuer as an obligor under the relevant transaction documents and as an independent legal person. The PRC government (including the Qingdao Municipal Government, the Jiaozhou Municipal Government and the Jiaozhou Municipal State-owned Assets Service Centre) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds in lieu of the Issuer. See "*Risks relating to the Group's Business – PRC regulations on the administration of the financing platforms and debts of local governments may have a material impact on the Group's business and sources of financing*". If the Issuer does not fulfil its obligations under the Bonds and the Trust Deed, the Bondholders will only have recourse against the Issuer, and not the PRC government.

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

The NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with a term of maturity of not less than one year with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within ten working days after the completion of the issue of the securities. The NDRC Circular is silent on the legal consequences of non-compliance with the pre-issue registration requirement. In the worst case scenario, it might become unlawful for the Issuer to perform or comply with any of its obligations under the Bonds and the Bonds might be subject to enforcement as provided in Condition 9 (Events of Default) of the Terms and Conditions. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions. Similarly, there is no clarity on the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular. The Issuer has undertaken to notify the NDRC of the particulars of the issue of the Bonds within 10 Registration Business Days after the Issue Date.

The SAFE issued the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) on 28 April 2013, which came into effect on 13 May 2013. According to the Foreign Debt Registration Measures, the debtor shall submit foreign debt registration when borrowing foreign debts in accordance with laws and regulations. For the domestic debtors besides financial institutions and banks ("**Non-Bank Debtors**"), they shall submit filing or registration procedures of foreign debts with the local counterparts of the SAFE. According to the Operation Guidelines for Administration of Foreign Debt Registration (外債登記管理操作指引) promulgated together with Foreign Debt Registration Measures, Non-Bank Debtors shall complete foreign debt registration procedure within 15 working days after execution of related deeds of foreign debts. If the Issuer fails to complete the registration with the local branch of SAFE, the Issuer may have difficulty in remitting funds offshore to service payments in respect of the Bonds and investors may encounter difficulties in enforcing judgments obtained in the Hong Kong courts with respect to the Bonds and the Trust Deed in the PRC. In such circumstances, the value and secondary market price of the Bonds may be materially and adversely affected.

The Bonds are unsecured obligations.

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

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

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

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

If any of these events were to occur, the Issuer's assets and any amounts received from the sale of such assets may not be sufficient to pay amounts due on the Bonds.

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

The Bonds are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with a measured and appropriate addition of risk to the investor's overall portfolios. A potential investor should not invest in the Bonds unless they have the expertise (either alone or with the help of a financial 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.

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

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

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

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

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

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

The Bonds may not be a suitable investment for all investors seeking exposure to green assets.

Prior to the issuance of the Bonds, the Issuer has engaged the Hong Kong Quality Assurance Agency (the "**HKQAA**") to issue an independent certification (the "**HKQAA Pre-issuance Stage Certificate**") confirming that the Bonds are in compliance with the requirements of the Green and Sustainable Finance Certification Scheme operated by the HKQAA (the "**HKQAA Green and Sustainable Finance Certification Scheme**"). The HKQAA Green and Sustainable Finance Certification Scheme is a set of voluntary guidelines that aim to facilitate the development of green finance and the green industry. The HKQAA issued the HKQAA Pre-issuance Stage Certificate to the Issuer on 23 December 2021 confirming that the Bonds are in compliance with the requirements of the HKQAA Green and Sustainable Finance Certification Scheme. The Bonds, however, may not be a suitable investment for all

investors seeking exposure to green assets. The description of Eligible Green Projects provided elsewhere in this Offering Circular is for illustrative purposes only and no assurance can be provided that investment in projects with these specific characteristics will be made by the Issuer during the term of the Bonds.

There is currently no market consensus on what precise attributes are required for a particular project to be defined as "green" and therefore no assurance can be provided to potential investors that the Eligible Green Projects (as defined in the Green Finance Framework) will continue to meet the relevant eligibility criteria or meet all investor expectations regarding environmental impact. Although applicable green projects are expected to be selected in accordance with the categories recognised by the HKQAA Green and Sustainable Finance Certification Scheme and are expected to be developed in accordance with applicable legislation and standards, there can be no guarantee that adverse social and/or environmental developments will not occur during the design, construction, commissioning and/or operation of any such green projects. In addition, where any negative impacts are insufficiently mitigated, green projects may become controversial, and/or may be criticised by activist groups or other stakeholders.

Potential investors should be aware that each of the HKQAA Pre-issuance Stage Certificate will not be incorporated into, and will not form part of, this Offering Circular. The HKQAA Pre-issuance Stage Certificate may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Bonds. The HKQAA Pre-issuance Stage Certificate is not a recommendation to buy, sell or hold the Bonds and is only current as at the date that the HKQAA Pre-issuance Stage Certificate was initially issued, and may be updated, suspended or withdrawn at any time. In addition, although the Group has agreed to certain reporting and use of proceeds obligations in connection with certain criteria, any failure to comply with such obligations does not constitute a breach or an event of default under the Bonds. A withdrawal of the HKQAA Pre-issuance Stage Certificate or any failure to use the proceeds of the Bonds on projects within the definition of the Eligible Green Projects, or to meet or continue to meet the investment requirements of certain environmentally-focused investors with respect to such Bonds, may have an adverse effect on the value of the Bonds and/or may have adverse consequences for certain investors with portfolio mandates to invest in green assets.

No assurance can be provided with respect to the suitability or reliability of the HKQAA Pre-issuance Stage Certificate or that the Bonds and/or the relevant Eligible Green Projects fulfil the relevant environmental criteria or whether the designated net proceeds of the Bonds will be used as set out in the sections entitled "Use of Proceeds" and "Green Finance Framework" below. Each potential investor of the Bonds should determine for itself the relevance of the information contained in this Offering Circular regarding the use of proceeds and its purchase of the Bonds should be based upon such investigation as it deems necessary.

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. Although application will be made to the Hong Kong Stock Exchange and the MOX for the Bonds to be admitted for trading on the Hong Kong Stock Exchange and the MOX, respectively, no assurance can be given as to the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds or that a liquid market will develop. The liquidity of the Bonds will be adversely affected if the Bonds are held or allocated to limited investors. None of the Joint Lead Managers is obligated to make a market in the Bonds, and if the Joint Lead Managers do so, they may discontinue such market making activity at any time at their sole discretion. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

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

The Bonds are denominated and payable in 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 the Issuer has no control. Depreciation of the U.S. dollar 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 the Issuer's turnover, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, changes in government regulations and changes in general economic conditions nationally or internationally could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the trading volume and price of the Bonds. There is no assurance that these developments will not occur in the future.

Developments 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 No Registration Event) of their principal amount, together in each case with accrued interest up to (but excluding) the Put Settlement Date. 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.

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

The Bonds will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's existing or future subsidiaries, whether or not secured. The Bonds will not be guaranteed by any of the Issuer's subsidiaries, and the Issuer may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer. The ability of such subsidiaries to pay dividends or otherwise transfer assets to

the Issuer is subject to various restrictions under applicable laws. The Issuer's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Bonds or make any funds available therefore, whether by dividends, loans or other payments. The Issuer's right to receive assets of any of the Issuer's subsidiaries, respectively, upon that subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer is creditor of that subsidiary). Consequently, the Bonds will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any subsidiaries that the Issuer may in the future acquire or establish.

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

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

The Issuer is incorporated under the laws of the PRC. Any bankruptcy proceeding relating to the Issuer would likely involve PRC bankruptcy laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar. There is no assurance that the investors will be able to receive the same level of protection under the insolvency laws of the PRC as those in their respective home jurisdiction.

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

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

Modifications and waivers may be made in respect of the Terms and Conditions 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 Terms and 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 Terms and Conditions also provide that the Trustee may (but shall not be obliged to) agree, without the consent of the holders of the Bonds, to any modification of the Trust Deed, the Terms and Conditions 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 Terms and Conditions, the Trust Deed and/or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of 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 Terms and Conditions, the Trust Deed and/or the Agency Agreement (other than a proposed breach, or a breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the holders of the Bonds will not be materially prejudiced thereby.

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

In certain circumstances (including without limitation the giving of notice pursuant to Condition 9 (*Events of Default*) of the Terms and Conditions and the taking of any actions and/or steps and/or the instituting of any proceedings pursuant to Condition 13 (*Enforcement*) of the Terms and Conditions), the Trustee may (in its sole discretion) request the Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any action and/or steps and/or institutes any proceedings on behalf of Bondholders. The Trustee shall not be obliged to take any such actions and/or steps and/or institute any proceedings if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or pre-funding can be a lengthy process and may have an impact on when such actions and/or steps and/or institution of any proceedings can be taken. The Trustee may not be able to take actions and/or steps and/or institute any proceedings, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed (as defined in the Terms and Conditions) and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such actions and/or steps and/or institute any proceedings directly.

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

Under the Enterprise Income Tax Law of the PRC (the "**EIT Law**") which took effect on 1 January 2008 as last amended on 29 December 2018 and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by non-resident enterprise Bondholders would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the ten per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement Between the Mainland and Hongkong Special Administrative Region on Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income（內地和香港特別行政區避免雙重徵稅安

排）(the "**Tax Arrangement**") which was promulgated on 21 August 2006, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

Pursuant to the EIT Law, the PRC Individual Income Tax Law (the "**IIT Law**") which took effect on 30 June 2011 as last amended on 31 August 2018 and became effective on 1 January 2019, and the implementation regulations in relation to both the EIT Law and IIT Law, PRC income tax at a rate of ten per cent. or 20 per cent. is normally applicable to PRC-source income derived by non-resident enterprises or individuals respectively, subject to adjustment by applicable treaty. As the Issuer is a PRC resident enterprise for tax purposes, interest paid to non-resident Bondholders may be regarded as PRC-sourced, and therefore be subject to PRC income tax at a rate of 10 per cent. for non-resident enterprise Bondholders and at a rate of 20 per cent. for non-resident individual Bondholders (or a lower treaty rate, if any).

On 23 March 2016, the MOF and the State Administration of Taxation issued the Circular of Full Implementation of Replacing Business Tax with Value-Added Tax Reform (Caishui [2016] No. 36) ("**Circular 36**"), which introduced a new value-added tax ("**VAT**") from 1 May 2016. VAT is applicable where entities or individuals provide services within the PRC. The issuance of the Bonds is likely to be treated as the Bondholders providing the loans to the Issuer, which thus shall be regarded as the financial services for VAT purposes. Therefore, the Bondholders may be regarded as providing the financial services within the PRC and consequently, the Issuer may be obligated to withhold VAT of 6 per cent. and certain surcharges on payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

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

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

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

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

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, the Trustee or the Agents, or any of their respective representatives, directors, officers, employees, agents, affiliates, advisers or any person who controls any of them has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

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

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

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

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

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

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

The Issuer may issue additional Bonds in the future.

The Issuer may, from time to time, and without prior consultation of the Bondholders, create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date, the first payment of interest on them and the timing for complying with the Registration Conditions, for submitting the NDRC Post-issue Filing and for completing the Foreign Debt Registration (see Condition 15 (Further Issues) of the Terms and Conditions) or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

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

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

EXCHANGE RATES

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2 per cent. against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0 per cent. on 16 April 2012. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.9 per cent. from 21 July 2005 to 31 December 2013. On 14 March 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0 per cent. On 11 August 2015, the PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorizing market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on 11 August 2015, Renminbi depreciated significantly against the U.S. dollar. In January and February 2016, Renminbi experienced further fluctuation in value against the U.S. dollar. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth the noon buying rate for U.S. dollars in New York City for cable transfer in Renminbi as certified by the Federal Reserve Bank of New York for customs purposes for the periods indicated as set forth in the H.10 statistical release of the Federal Reserve Board:

	Noon Buying Rate[1]			
Period	**End**	**Average[2]**	**High**	**Low**
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2868	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7564	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
2021	6.3726	6.4382	6.5716	6.3435
2022				
January	6.3610	6.3556	6.3822	6.3206
February (through 18 February)	6.3251	6.3525	6.3660	6.3251

Notes:

(1) Exchange rates between Renminbi and the 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 month.

TERMS AND CONDITIONS OF THE BONDS

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

The issue of U.S.$300,000,000 3.20 per cent. bonds due 2025 (the "**Bonds**", which term shall include, unless the context requires otherwise, 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 shareholder of Qingdao Jiaozhou Bay Development Group Co., Ltd.(青島膠州灣發展集團有限公司)(the "**Issuer**") passed on 28 September 2021 and a resolution of the executive director of the Issuer dated 28 September 2021. The Bonds are constituted by a trust deed (as amended or supplemented from time to time, the "**Trust Deed**") dated on or about 3 March 2022 (the "**Issue Date**") between the Issuer and Citicorp International Limited (the "**Trustee**", which expression shall include its successors(s)) as trustee for the Bondholders. These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the certificates evidencing the Bonds. The Bonds are the subject of an agency agreement (as amended or supplemented from time to time, the "**Agency Agreement**") dated on or about 3 March 2022 relating to the Bonds between the Issuer, the Trustee, Citibank, N.A., London Branch as principal paying agent (in such capacity, the "**Principal Paying Agent**", which expression shall include its successor(s)), as registrar (in such capacity, the "**Registrar**", which expression shall include its successor(s)) and as transfer agent (in such capacity, the "**Transfer Agent**", which expression shall include any other transfer agent appointed in connection with the Bonds) and any other agents appointed thereunder. Copies of the Trust Deed and the Agency Agreement are available for inspection at all reasonable times during normal business hours by the Bondholders (as defined below) following prior written request and proof of holding and identity to the satisfaction of the Trustee at the principal place of business of the Trustee (being as at the Issue Date at 20th Floor, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong). References herein to "**Paying Agents**" means any paying agents appointed from time to time pursuant to the Agency Agreement with respect to the Bonds and includes the Principal Paying Agent, and "**Agents**" means the Principal Paying Agent, any other Paying Agent(s), the Registrar, any Transfer Agent(s) and any other agent or agents appointed from time to time pursuant to the Agency Agreement with respect to the Bonds including their respective successors. 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 are deemed to have notice of those provisions of the Agency Agreement applicable to them.

All capitalised terms that are not defined in these terms and conditions (these "**Conditions**") will have the meanings given to them in the Trust Deed.

1 FORM, SPECIFIED DENOMINATION AND TITLE

The Bonds are issued in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

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) evidencing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Bondholder**" or, in relation to 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 evidenced by a global certificate (the "**Global Certificate**") registered in the name of a nominee of, and deposited with, a common depository for Euroclear Bank SA/NV and Clearstream Banking S.A.. The Conditions are modified by certain provisions contained in the Global Certificate while any of the Bonds are evidenced by the Global Certificate.*

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 Bonds. The Bonds are not issuable in bearer form.

2 STATUS

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

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 and addresses of the Holders 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 by surrendering the Certificate issued in respect of that Bond, with the form of transfer on the back of the Certificate duly completed and signed, at the specified office of the Registrar or any Transfer Agent and any other evidence as the Registrar or such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed such form of transfer.

In the case of a transfer of part only of a holding of Bonds evidenced by a Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a Holder of 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 the 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 by the Registrar or, as the case may be, the relevant Transfer Agent of a duly completed and signed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of any Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate shall have been made or, at the option of the Holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the Holder entitled to the new Certificate to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify.

In this Condition 3(c), "**business day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

Except in the limited circumstances described herein (see "Summary of Provisions relating to the Bonds in Global Form"), owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates. 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 prefunding as the Issuer or any Agent may require) in respect of any tax, duty or other governmental charges which may be imposed in relation to such transfer; (ii) the Registrar or the relevant Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the Registrar or the relevant Agent being satisfied that the regulations concerning transfer of Bonds 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)); or (iii) after the Put Exercise Notice has been deposited in respect of such Bond in accordance with Condition 6(c).

(f) Regulations

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds, the initial form of which is scheduled to the Agency Agreement. The regulations may be changed by the Issuer from time to time, with the prior written approval of the Registrar and the Trustee, or by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations (i) will be mailed (free of charge to the Bondholders and at the Issuer's expense) by the Registrar to any Bondholder who requests one in writing and provides proof of holding to the satisfaction of the Registrar and (ii) is available at the specified office of the Registrar for inspection by any Bondholder at all reasonable times during usual business hours following prior written request and proof of holding to the satisfaction of the Registrar.

4 COVENANTS

(a) Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will not, and the Issuer will ensure that none of its Subsidiaries will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds (i) the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or (ii) such other security as either (a) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Bondholders or (b) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

(b) Undertakings relating to Foreign Debt Registration and applicable PRC laws

The Issuer undertakes that it will (i) within the prescribed time period after the Issue Date, register or cause to be registered with SAFE the Bonds pursuant to the Administrative Measures for Foreign Debt Registration and its operating guidelines, effective as of 13 May 2013 and as amended from time to time ("**Foreign Debt Registration**"), (ii) use its best endeavours to complete the Foreign Debt Registration and obtain a registration record from SAFE on or before the Registration Deadline, and (iii) comply with all applicable PRC laws and regulations in relation to the Bonds.

(c) Notification to NDRC

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

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

The Issuer shall (a) provide the Trustee within 10 Registration Business Days after the later of submission of the NDRC Post-issue Filing and receipt of the registration certificate from SAFE (or any other document evidencing the completion of the Foreign Debt Registration issued by SAFE), and (b) use its best endeavours to provide the Trustee on or before the Registration Deadline with (i) a certificate in English signed by an Authorised Signatory (as defined in the Trust Deed) of the Issuer confirming the submission of the NDRC Post-issue Filing and the completion of the Foreign Debt Registration and (ii) copies of the relevant documents evidencing the submission of the NDRC Post-issue Filing and the completion of the Foreign Debt Registration, each certified in English as being a true and complete copy of the original by an Authorised Signatory of the Issuer (the items specified in (i) and (ii) together, the "**Registration Documents**"). In addition, the Issuer shall, within 10 Registration Business Days after the Registration Documents are delivered to the Trustee, give notice to the Bondholders (in accordance with Condition 16) confirming the submission of the NDRC Post-Issue Filing and the Foreign Debt Registration.

The Trustee shall have no obligation or duty to monitor, ensure or assist with the filing with the NDRC or the filing or registration of the Bonds with SAFE on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with NDRC Post-Issue Filing and/or the Foreign Debt Registration and/or

the Registration Documents or to give notice to the Bondholders confirming the submission of the NDRC Post-Issue Filing and/or the Foreign Debt Registration, and shall not be liable to Bondholders or any other person for not doing so.

(e) Financial Information

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

(i) a Compliance Certificate (on which the Trustee may rely conclusively as to such compliance) and a copy of the relevant Audited Financial Reports, in each case within 150 days of the end of each Relevant Period prepared in accordance with the Accounting Standards for Business Enterprises in China ("**PRC GAAP**") (audited by a nationally 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) a nationally recognised firm of independent accountants or (bb) a professional translation service provider and checked by a nationally recognised firm of independent accountants, together with a certificate in English signed by an Authorised Signatory of the Issuer certifying that such translation is complete and accurate; 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) a nationally recognised firm of independent accountants or (bb) a professional translation service provider and checked by a nationally recognised firm of independent accountants, together with a certificate in English signed by an Authorised Signatory of the Issuer certifying that such translation is complete and accurate.

(f) Definitions

In these Conditions:

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

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

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

(ii) the Issuer has complied with all its obligations under the Trust Deed and the Bonds;

"**Issue Date**" means 3 March 2022;

"**NDRC**" means the National Development and Reform Commission of the PRC or its local branches;

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

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

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

"**Registration Deadline**" means the day falling 120 Registration Business Days after the Issuer Date;

"**Relevant Indebtedness**" means any indebtedness issued outside the PRC which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities with a maturity of more than one year which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market. For the avoidance of doubt, Relevant Indebtedness shall not include any indebtedness under any transferrable loan facility, bilateral bank loan or syndicated bank loan (including any drawing down of any existing credit line or facility);

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

"**SAFE**" means the State Administration of Foreign Exchange of the PRC or its local branches;

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

"**Unaudited Financial Reports**" means the semi-annual unaudited consolidated balance sheet, income statement, statement of cash flows and statements of changes in owners' equity of the Issuer 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.

5 INTEREST

(a) Interest Rate and Interest Payment Dates

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 3.20 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.$16.0 per Calculation Amount (as defined below) on 3 March and 3 September in each year (each an "**Interest Payment Date**") commencing on 3 September 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 (i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant

holders, and (ii) the day falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed. In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

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

6 REDEMPTION AND PURCHASE

(a) Final Redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 3 March 2025 (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**") 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 the date fixed for redemption) if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 25 February 2022, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. Prior to the giving of any Tax Redemption Notice pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee (A) a certificate in English signed by an Authorised Signatory of the Issuer stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer taking reasonable measures available to it, and (B) an opinion, in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendments or statement. The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(b), in which event they shall be conclusive and binding on the Bondholders.

(c) Redemption for Relevant Events

Following the occurrence of a Relevant Event, the Holder of any Bond will have the right (the "**Relevant Event Put Right**"), at such Holder's option, to require the Issuer to redeem all, but not some only, of such Holder's Bonds on the Put Settlement Date (as defined below in this Condition 6(c)) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together in each case with accrued interest up to (but excluding) the Put Settlement Date. To exercise such right, the Holder of the relevant Bond must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, in the form 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 not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16.

The "**Put Settlement Date**" shall be the fourteenth day (in the case of a redemption for a Change of Control) or the fifth day (in the case of a redemption for a No Registration Event) after the expiry of such period of 30 days as referred to above.

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

Not later than 14 days (in the case of a Change of Control) or five days (in the case of a No Registration Event) following the day on which the Issuer becomes aware of 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 Holders (in accordance with Condition 16) stating:

(i) the applicable Put Settlement Date;

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

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

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

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

(vi) the procedures that 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.

Neither the Agents nor the Trustee shall 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 none of them shall have any obligation or duty to verify the accuracy, validity and/or genuineness of any documents in relation to or connection with the Registration Conditions, and none of the Trustee or the Agents shall be liable to the Holders, the Issuer or any other person for not doing so. For the purpose of these Conditions:

(A) "**Control**" means (where applicable), with respect to a Person, either (i) or (ii) is satisfied: (i) the ownership or control of more than 50 per cent. of the voting rights of the issued share capital of such Person, whether obtained directly or indirectly, or (ii)

the right to appoint and/or remove at least the majority of the members of such Person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; the term "**Controlled**" has a meaning correlative to the foregoing;

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

(i) (a) Jiaozhou Municipal State-owned Assets Service Centre and (b) any other Person(s) Controlled by the People's Government of the PRC (including the central and local governments), together cease to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer; or

(ii) (a) Jiaozhou Municipal State-owned Assets Service Centre and (b) any other Person(s) Controlled by the People's Government of Shandong Province, together cease to directly or indirectly hold or own at least 95 per cent. of the issued share capital of the Issuer; or

(iii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of its assets to any other Person(s), unless the issued share capital of such Person(s) is at least 95 per cent. directly or indirectly held or owned by Person(s) Controlled by the People's Government of Shandong Province;

(C) the "**Jiaozhou Municipal State-owned Assets Service Centre**" means the Jiaozhou Municipal State-owned Assets Service Centre(膠州市國有資產服務中心)(formerly known as Jiaozhou Municipal State-owned Assets Supervision and Administration Committee(膠州市國有資產監督管理辦公室)) or its successor;

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

(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) the "**People's Government of Shandong Province**" means the People's Government of Shandong Province and/or any local subdivision therein or thereof;

(G) "**Registration Conditions**" means the receipt by the Trustee of the Registration Documents which relate to the Foreign Debt Registration only as set forth in Condition 4(d); and

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

(i) there is a No Registration Event; or

(ii) there is a Change of Control.

(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, in such place and in such manner as specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 6(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail. Neither the Trustee nor any of the

Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption or Put Exercise Notice and none of them shall be liable to Bondholders, the Issuer or any other person for not doing so.

(e) Purchase

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

(f) Cancellation

All Certificates evidencing the Bonds purchased by or on behalf of the Issuer and its Subsidiaries may be held, resold or surrendered to the Registrar for cancellation. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

7 PAYMENTS

(a) Method of Payment:

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

(ii) Interest on each Bond shall be paid to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Bond shall be made in U.S. dollars by transfer to the registered account of the Bondholder. For the purposes of this Condition 7(a), a Bondholder's "**registered account**" means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollars, details of which appear on the Register at the close of business on the Record Date.

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

(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.

(b) **Payments subject to Fiscal Laws**: Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as

amended (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(c) **Payment Initiation**: Payment instructions (for value on the due date or, if that is not a Payment Business Day, for value on the first following day which is a Payment Business Day) will be initiated, on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment Business Day), or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on the first Payment Business Day on which the Principal Paying Agent is open for business and on or following which the relevant Certificate is surrendered.

(d) **Appointment of Agents**: The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer (or, as provided in the Trust Deed, the Trustee) and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, any Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent and (iv) such other agents as may be required by any other stock exchange on which the Bonds may be listed.

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Bondholders.

(e) **Delay in Payment:** Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day, or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).

(f) **Non-Payment Business Days:** If any date for payment in respect of any Bond is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**Payment Business Day**" means a day (other than a Saturday, a Sunday or a public holiday) on which commercial banks and foreign exchange markets are open for business in New York City and the place in which the specified office of the Principal Paying Agent is located and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

8 TAXATION

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

Where such withholding or deduction is made by the Issuer by or within the PRC at a rate up to and including the aggregate rate applicable on 25 February 2022 (the "**Applicable Rate**"), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer is required to make a deduction or withholding by or within the PRC at a rate in excess of the Applicable Rate, the Issuer shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required.

Notwithstanding other clauses in these conditions, 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 PRC other than the mere holding of the Bond; or

(ii) **Surrender more than 30 days after the Relevant Date**: in respect of which the Certificate evidencing it is presented (where presentation is required) for payment more than 30 days after the Relevant Date except to the extent that the Holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate evidencing such Bond for payment on the last day of such period of 30 days.

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

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

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 Bondholders holding at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (provided in any such case that the Trustee shall have first been indemnified and/or secured and/or pre-funded to its satisfaction), give written notice to the Issuer that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with any accrued interest.

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

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

(b) **Breach of Other Obligations**: the Issuer does not perform or comply with any one or more of its obligations under the Bonds or the Trust Deed (other than an event which 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 or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or any of its 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.$30,000,000 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 any material part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries and is not discharged or stayed for a period of 30 days; or

(e) **Security Enforced**: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Principal Subsidiaries on the whole or any material part of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged within 30 days; or

(f) **Insolvency**: the Issuer or any of its 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, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of all or a material part of its debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer or any of its Principal Subsidiaries; or

(g) **Winding-up**: an order of any court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Principal Subsidiaries, or the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries, or (iii) a disposal of or by a Principal Subsidiary on an arm's length basis and the considerations from such disposal shall be transferred to or otherwise vested in the Issuer or any of its Subsidiaries; or

(h) **Nationalisation**: seizure, compulsory acquisition, expropriation or nationalisation by any person acting under the authority of any national, regional or local government of all or a material part of the assets of the Issuer or any of its Principal Subsidiaries; or

(i) **Authorisation and Consents**: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable, and (iii) to make the Bonds and the Trust Deed admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

(j) **Illegality**: it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds or the Trust Deed; or

(k) **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(h) (both inclusive).

In this Condition 9, "**Principal Subsidiary**" means any Subsidiary of the Issuer:

(a) whose operating revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated operating revenue, as shown by its latest audited income statement are at least 5 per cent. of the consolidated operating revenue as shown by the latest audited consolidated income statement of the Issuer and its Subsidiaries; or

(b) whose operating profits 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 5 per cent. of the consolidated operating profit as shown by the latest audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities; or

(c) 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 5 per cent. of the amount which equals the amount included in the consolidated total assets of the Issuer and its Subsidiaries as shown by the latest audited consolidated balance sheet of the Issuer and its Subsidiaries as being represented by the investment of the Issuer in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer; 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 Issuer 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 paragraphs (a), (b) or (c) above of this definition;

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

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

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

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

(iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Issuer, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer.

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

10 PRESCRIPTION

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

11 REPLACEMENT OF CERTIFICATES

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

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

(a) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of the Bondholders to consider 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 Agency Agreement and/or these Conditions. Such a meeting may be convened by the Trustee or the Issuer and shall be convened by the Trustee if so requested in writing by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the Maturity Date of the Bonds 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, or (iv) 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 adjourned such meeting not less than 25 per cent., in aggregate principal amount of Bondholders for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders, whether or not they were present at the meeting and whether or not they voted, at which such resolution was passed.

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

(b) Modification, Waiver, Authorisation and Determination

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

(c) Entitlement of the Trustee

In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 12), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the 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 or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13 ENFORCEMENT

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

14 INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer and/or any entity related (directly or indirectly) to the Issuer without accounting for any profit.

None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer or any other person for any action taken by the Trustee or such Agent in accordance with the instructions, direction or request of the Bondholders. The Trustee shall be entitled to rely on any direction, request or resolution of the Bondholders given by the Bondholders holding the requisite principal amount of the Bonds outstanding or passed at a meeting of the Bondholders convened and held in accordance with the Trust Deed.

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

The Trustee may rely without liability to Bondholders on any report, confirmation or certificate from or any opinion or advice of any legal advisers, accountants, 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 entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, opinion or advice and, in such event, such report, confirmation, certificate, opinion or advice shall be binding on the Issuer and the Bondholders.

The Trustee shall have no obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions or whether an Event of Default or a Potential Event of Default or a Change of Control or any event which could lead to the occurrence of a Change of Control 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 Trustee shall not at any time have any responsibility for the same and each Bondholder shall not rely on the Trustee in respect thereof.

15 FURTHER ISSUES

The Issuer is at liberty from time to time without the consent of the Bondholders to create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date, the first payment of interest on them and the timing for complying with the Registration Conditions, for submitting the NDRC Post-issue Filing and for completing the Foreign Debt Registration) 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.

16 NOTICES

All notices to the Bondholders will be valid if published in a leading newspaper having general circulation in Asia. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any notice shall be deemed to have been given, on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear Bank SA/NV or Clearstream Banking S.A. or any Alternative Clearing System (as defined in the form of the Global Certificate), notices to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear Bank SA/NV or Clearstream Banking S.A. or such Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by these 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 but this shall not affect any right or remedy which exists or is available apart from such Act and is without prejudice to the rights of the Bondholders as set out in Condition 13.

18 GOVERNING LAW AND JURISDICTION

(a) Governing Law

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

(c) Agent for Service of Process

The Issuer has irrevocably appointed in the Trust Deed an agent in Hong Kong to receive service of process in any Proceedings in Hong Kong based on any of the Bonds or the Trust Deed.

(d) Waiver of Immunity

The Issuer has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) for 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 Terms and Conditions set out in this Offering Circular. The following is a summary of certain of those provisions.

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

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

Under the Global Certificate, the Issuer, for value received, will promise to pay such principal, interest and premium (if any) on the Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Terms and 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 selected by the Issuer and approved in writing by the Trustee, the Principal Paying Agent and the Registrar through which the Bonds are held (an "**Alternative Clearing System**") is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

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

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to 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 Terms and Conditions.

Except that, so long as the Bonds are listed and/or admitted to trading, notices required to be given to Bondholders pursuant to the Conditions shall also be published by the Issuer (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are listed and/or admitted to trading.

Meetings

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall 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.

Bondholder's Redemption

The Bondholder's redemption option in Condition 6(c) (*Redemption of Relevant Events*) of the Terms and 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 Terms and Conditions.

Issuer's Redemption

The option of the Issuer provided for in Condition 6(b) (*Redemption for Taxation Reasons*) of the Terms and 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 Terms and 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 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 gross proceeds from the offering of the Bonds, before deducting the fees and commissions and other estimated expenses payable in connection with the Bonds, will be U.S.$300,000,000. The Issuer intends to use the net proceeds from the offering of the Bonds, being the gross proceeds less the fees and commissions and other estimated expenses payable in connection with the offering of the Bonds, to finance and replenish the working capital of the Eligible Green Projects in accordance with the Issuer's Green Finance Framework. See "*Green Finance Framework*" for details.

GREEN FINANCE FRAMEWORK

Overview

This Green Finance Framework of the Issuer (this "**Framework**") has been developed to support the development of high quality green buildings, to facilitate low-carbon and environmentally sustainable financing, to promote green and sustainable development, and to establish norms for green financing instruments of the Group. This Framework is consistent with the Green Bond Principles (2021) published by the International Capital Markets Association and 2021 China Green Bond Endorsed Projects Catalogue(綠色債券支援項目目錄(2021年版)) issued by the People's Bank of China, the National Development and Reform Commission and the China Securities Regulatory Commission.

This Framework includes the following parts: (1) use of proceeds, (2) project evaluation and selection, (3) management of proceeds, and (4) information disclosure and reporting.

The Framework

1. Use of Proceeds

The Group will allocate an amount at least equal to the net proceeds raised under this Framework to finance eligible green projects (the "**Eligible Green Projects**"). The category and the criteria for the Eligible Green Projects are as following:

Category	Criteria for Eligible Green Projects
Green Building	Buildings that satisfy regional, national, or internationally recognised green buildings standard or certification, including but not limited to: • China Certificate of Green Building Label (two stars or above); • U.S. Leadership in Energy and Environmental Design (LEED) (gold level or above); • Building Environmental Assessment Method Plus (BEAM Plus) (gold level or above); • the United Kingdom Building Research Establishment Environmental Assessment Method (BREEAM) (very good or above); or • other equivalent green building standard or certification.

The Group follows the International Finance Corporation Exclusion List (the "**IFC Exclusion List**"), and prohibits the proceeds raised under this Framework to be used for the projects or portfolios listed on the IFC Exclusion List.

2. Project Evaluation and Selection

The purpose of project evaluation and selection is to ensure that the proceeds raised under this Framework are allocated to such projects that satisfy the eligibility criteria as set out under the "Use of Proceeds" section. The specific process of project evaluation and selection includes the following steps:

Firstly, the Group's Investment Department will propose a preliminary financing plan for Eligible Green Projects considering the practical conditions of the Group and external conditions, and determine the investment orientation and purpose of the projects after communication with the manager of the Group's Investment Department;

Secondly, the manager of the Group's Investment Department convenes meetings to discuss and determine the financing plan for the Eligible Green Projects, the attendees including staffs of the Group's Investment Department, Project Department and Finance Department;

Thirdly, the Group's Project Department implements the financing plan; and

Fourthly, the Group's Investment Department conducts annual review of the Eligible Green Projects under the financing plan, undergo regular monitoring, check potential loopholes, and propose amendments as soon as practicable. If during the assessment, it is found that the invested project no longer meets the eligibility criteria, the Group will nominate a new project for review.

3. Management of Proceeds

The Group has a sound internal financial management system to manage the proceeds raised under this Framework. The proceeds shall be managed by the Group's Finance Department, whose specific duties include:

- record the transaction details including the transaction date, number of transactions, the expiration date, interest, coupon, ISIN code, etc. of each financing project;
- track the use of proceeds raised under this Framework to ensure that all such proceeds are allocated to Eligible Green Projects; and
- unused proceeds shall be temporarily held by the Group in the form of cash or allocated to money market instruments with good credit ratings and liquidity.

4. Information Disclosure and Reporting

The Group will report the status of the green financing projects on an annual basis during the term of the financing instruments issued under this Framework. The information disclosed will include the project investment status, the progress of the financed projects (whether the project is proposed to be constructed , under construction or completed), usage of proceeds raised, the supervision of environmental impact, etc. In particular, the indicators for the green building projects as Eligible Green Projects under this Framework include the number and types of green building certifications obtained and the level of certifications obtained.

The reporting will be available to the public by publishing announcements on the Group's website. The reporting of the Group will include the allocation reporting and the impact reporting. The Group will seek external assurance for each allocation report and each impact report, and any external assurance report will be made available to public.

a. Allocation reporting

For the allocation reporting, the following contents will be included:

- a list of eligible projects, assets or activities, and the amount of proceeds or an amount equivalent to the net proceeds allocated to each eligible project or project category;
- confirmation that the eligible projects, assets and activities continue to meet the relevant eligibility requirements;
- the geographical distribution of eligible projects, assets or activities;
- the timing of allocation and any re-allocation of proceeds or an amount equivalent to
- the net proceeds for each eligible project, asset and activity;

- an estimate of the share of the net proceeds used for financing and refinancing, and which eligible green projects, assets and activities have been refinanced. This may also include the expected lookback period for refinancing eligible green projects, assets and activities; and

- status and details regarding unallocated proceeds.

The allocation reporting will be made at least annually until full allocation of the proceeds, and on a timely basis in the event of material development.

b. Impact reporting

For the impact reporting, the Group will use qualitative performance indicators to provide information on the expected or actual outcomes or impacts of the Eligible Green Projects. The impact reporting will be made at least once during the term of the instrument issued under this Framework after full allocation of the proceeds and thereafter in case of material changes.

External Review

Prior to the issuance of the Bonds, the Issuer has engaged HKQAA to review this Framework. HKQAA issued the HKQAA Pre-issuance Stage Certificate to the Issuer on 23 December 2021 and has certified that the Bonds comply with the requirements of the HKQAA Green and Sustainable Finance Certification Scheme. See "*The HKQAA Green and Sustainable Finance Certification Scheme*".

THE HKQAA GREEN AND SUSTAINABLE FINANCE CERTIFICATION SCHEME

Information relating to the HKQAA in this Offering Circular have been obtained from public sources, including the Green and Sustainable Finance Certification Scheme Handbook (as defined below) and other publicly available information. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, representatives or agents, and none of the Issuer, the Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, representatives or agents makes any representation as to the accuracy or completeness of that information.

THE HKQAA

The HKQAA is a non-profit distributing organisation by the Hong Kong Government and is the only Hong Kong organisation accredited as a Designated Operational Entity by the Executive Board of the Clean Development Mechanism ("**CDM**") under the United Nations Framework Convention on Climate Change to deliver CDM validation and verification services. Since 2018, the HKQAA has been an observer of the International Capital Markets Association's Green Bond Principles and an approved verifier under the Climate Bonds Standard. The HKQAA has also been nominated by the Innovation and Technology Commission of the Hong Kong Government to participate in the ISO Technical Committee, Sustainable Finance (ISO/TC 322) for the development of sustainable finance related standards.

THE HKQAA GREEN AND SUSTAINABLE FINANCE CERTIFICATION SCHEME

The HKQAA Green and Sustainable Finance Certification Scheme was developed by the HKQAA in 2021 with reference to a number of international and national standards and principles on green and sustainable finance, including the Green Bond Principles published by the International Capital Markets Association (the "**Green Bond Principles**") and the Green Loan Principles published by the Loan Market Association, the Asia Pacific Loan Market Association and the Loan Syndications & Trading Association (the "**Green Loan Principles**"), the ISO/DIS 14030 on Environmental performance evaluation – Green debt instruments (Part 1 to 4), the European Commission's Technical Expert Group on Sustainable Finance (TEG)'s recommendations for an EU Green Bond Standard, and the Announcement No. 20 [2017] of the People's Bank of China and the China Securities Regulatory Commission on the Guidelines for the Assessment and Certification of Green Bonds (Interim) (中國人民銀行、中國證券監督管理委員會公告(2017)第20號–綠色債券評估認證行為指引(暫行)).

The benefits of the HKQAA Green and Sustainable Finance Certification Scheme include (i) enhancing the credibility of, and stakeholder confidence in, green and sustainable financial instruments via independent, impartial third-party conformity assessments, (ii) reaching out to potential investors or borrowers with the aid of the HKQAA's green and sustainable finance certificate and certification mark, (iii) demonstrating issuers' efforts to promote green and sustainable investment; and (iv) promoting a common understanding of green and sustainable finance.

Under the HKQAA Green and Sustainable Finance Certification Scheme, an applicant may apply for either (i) a pre-issuance stage certificate or (ii) a post-issuance stage certificate. The HKQAA Green and Sustainable Finance Certification Scheme has two separate streams for different types of debt instruments, being (i) use of proceeds debt instruments (for example, green, social or sustainability debt) or (ii) general corporate purpose debt instruments (for example, sustainability-linked debt). Additional requirements are also provided for certifying either use of proceeds instruments or general corporate purpose instruments with a specific focus (for example, climate transition or climate resilience debt instruments).

An applicant, which shall also be the issuer of the debt instrument, may apply for a pre-issuance stage certificate prior to an issuance of a debt instrument. A pre-issuance stage certificate is an "as-at" certificate and provides assurance that as at the date the assessment was completed (which is the also the

date on which the HKQAA issues the certificate), the debt instrument, with the proposed projects, assets or activities that would be financed or refinanced with proceeds from the issuance of the debt instrument, comply with the requirements of the handbook of the HKQAA in relation to the Green and Sustainable Finance Certification Scheme (the "**Green and Sustainable Finance Certification Scheme Handbook**").

As part of the application for a pre-issuance stage certificate, an applicant is required to complete the relevant application forms (including a self-declaration form) and provide a Method Statement to the HKQAA. A Method Statement is a form completed by the applicant stating how it achieves to demonstrate compliance with the requirements of the Green and Sustainable Finance Certification Scheme Handbook. An applicant's Method Statement shall include the following elements:

(i) Use of proceeds;

(ii) Process for Projects Evaluation and Selection;

(iii) Management of proceeds;

(iv) Information Disclosure and Reporting;

(v) Project Monitoring;

(vi) Impact Assessment (which is the determination of the likely environmental and/or social consequences, or impacts, of proposed projects or activities conducted by the applicant); and

(vii) Stakeholder Engagement (which is the engagement with the public, including individuals, groups or communities, affected, or likely to be affected, by the proposed project activity, or actions leading to the implementation of such an activity).

When the HKQAA has completed its assessment and validation of the Method Statement and no nonconforming issues are outstanding, it will make a recommendation of certification to the Certification Review Board which reviews and approves the recommendation. Upon such approval, a pre-issuance stage certificate and a Certification Mark (which is a trademark designed by the HKQAA indicating that the specified debt instrument issued by the applicant is duly certified under the HKQAA Green and Sustainable Finance Certification Scheme) are issued to the applicant.

Once a pre-issuance stage certificate has been issued, the applicant's Method Statement will be disclosed via the website of the HKQAA (at https://www.hkqaa.org/). Such pre-issuance stage certificate will only be valid if the applicant's Method Statement for the time being corresponds to the version of the applicant's Method Statement accessible via the HKQAA website.

If an applicant makes any change to its Method Statement after the issuance of a pre-issuance stage certificate, the corresponding pre-issuance stage certificate will be regarded as invalid. An applicant shall inform the HKQAA in writing for any change in its Method Statement within one month after the occurrence of any foreseeable or actual changes. An applicant has to make a new application to the HKQAA for the certification of the revised Method Statement.

On 23 December 2021, the HKQAA issued a pre-issuance stage certificate to the Issuer certifying that the Green Financing Framework of the Issuer complies with the requirements of the HKQAA Green and Sustainable Finance Certification Scheme.

HKQAA CERTIFICATION DISCLAIMER

The issuance of the HKQAA Pre-issuance Stage Certificate by the HKQAA is based solely on the Green and Sustainable Finance Certification Scheme Handbook and does not, and is not intended to, make any representation or give any assurance with respect to any other matter relating to the Bonds or the Green Finance Framework, including but not limited to this Offering Circular, the transaction documents, the Issuer or the management of the Issuer.

The issuance of the HKQAA Pre-issuance Stage Certificate by the HKQAA was addressed solely to the Issuer and is not a recommendation to any person to purchase, hold or sell the Bonds and such certification does not address the market price or suitability of the Bonds for a particular investor. The certification also does not address the merits of the decision by the Issuer or any third party to participate in any Eligible Green Projects and does not express and should not be deemed to be an expression of an opinion as to the Issuer or any aspect of any Eligible Green Projects (including but not limited to the financial viability of any Eligible Green Projects) other than with respect to conformance with the Green and Sustainable Finance Certification Scheme Handbook. In issuing the HKQAA Pre-issuance Stage Certificate, HKQAA shall not be liable for any loss or damage suffered by any person whatsoever or howsoever caused by, arising from and/or in connection with, whether directly or indirectly, the certification of the Bonds.

The HKQAA Pre-issuance Stage Certificate does not and is not in any way intended to address the likelihood of timely payment of interest when due on the Bonds and/or the payment of principal at maturity or any other date.

The HKQAA Pre-issuance Stage Certificate may be withdrawn at any time in HKQAA's sole and absolute discretion and there can be no assurance that the HKQAA Pre-issuance Stage Certificate will not be withdrawn.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated total indebtedness (both short-term and long-term portions) and total capitalisation of the Issuer as at 31 December 2020:

(i) on an actual basis, and

(ii) on an adjusted basis to give effect to the issue of the Bonds before deducting the commissions and other estimated expenses payable in connection with the offering of the Bonds.

The summary consolidated financial information below should be read in conjunction with the Issuer's audited consolidated financial statements as at and for the year ended 31 December 2020 and the notes thereto included elsewhere in this Offering Circular.

	As at 31 December 2020			
	Actual		As adjusted	
Short-term indebtedness	**(RMB'000)**	**(U.S.$'000)[5]**	**(RMB'000)**	**(U.S.$'000)[5]**
Short-term loans	1,099,437	168,496	1,099,437	168,496
Non-current liabilities due within one year	3,293,239	504,711	3,293,239	504,711
Other current liabilities	1,199,299	183,801	1,199,299	183,801
Total short-term indebtedness	**5,591,975**	**857,008**	**5,591,975**	**857,008**
Long-term indebtedness				
Long-term loans	7,238,230	1,109,307	7,238,230	1,109,307
Bonds payable	8,903,074	1,364,456	8,903,074	1,364,456
Payables due after one year[1]	238,740	36,589	238,740	36,589
Bonds to be issued[2]	–	–	1,957,500	300,000
Total long-term indebtedness	**16,380,044**	**2,510,352**	**18,337,544**	**2,810,352**
Total indebtedness[3]	**21,972,019**	**3,367,359**	**23,929,519**	**3,667,359**
Total owners' equity	16,377,475	2,509,958	16,377,475	2,509,958
Total capitalisation[4]	**38,349,494**	**5,877,317**	**40,306,994**	**6,177,317**

Notes:

(1) This amount represents interest-bearing payables due after one year and excludes "Government grants payable" recorded under payables due after one year. See Note 8.28 to the Issuer's audited consolidated financial statements as at and for the year ended 31 December 2020 and the audit report thereto.

(2) This amount represents the aggregate principal amount of the Bonds to be issued, before deducting the commissions and other estimated expenses payable in connection with the offering of the Bonds.

(3) Total indebtedness equals the sum of short-term indebtedness and long-term indebtedness.

(4) Total capitalisation equals the sum of total indebtedness and total owners' equity.

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

Since 31 December 2020, the Group has incurred additional indebtedness to replenish its working capital, to finance its business development and for other general corporate purposes. In January 2021, the Issuer issued RMB600 million 4.18 per cent. medium-term notes due 2024 under its RMB1,000 million medium-term notes programme. In March 2021, the Issuer issued RMB800 million 4.55 per cent. private placement notes due 2024. In April 2021, the Issuer issued RMB350 million 3.42 per cent. short-term financing paper with a tenor of 365 days, RMB300 million 4.70 per cent. bonds due 2024 and RMB200 million 5.10 per cent. bonds due 2023. In June 2021, the Issuer issued USD200,000,000 3.40 per cent. bonds due 2024 and RMB900 million 4.37 per cent. private placement notes due 2024. In September 2021, the Issuer issued RMB700 million 2.97 per cent. super short-term commercial paper due 2022. In November 2021, the Issuer issued RMB600 million 3.95 per cent. private placement notes due 2026. In December 2021, the Issuer issued RMB1,000 million 3.95 per cent. private placement

notes due 2026 and RMB1,500 million 3.99 per cent. corporate bonds due 2026. In January 2022, the Issuer issued RMB200 million 5.52 per cent. bonds with a tenor of 518 days and RMB100 million 5.50 per cent. bonds due 2023.

Except as otherwise disclosed above, there has been no material change in the total capitalisation and indebtedness of the Issuer since 31 December 2020.

DESCRIPTION OF THE GROUP

OVERVIEW

The Issuer is a major investment and financing platform beneficially controlled by the Jiaozhou Municipal Government through Jiaozhou Municipal State-owned Assets Service Centre（膠州市國有資產服務中心）(formerly known as the Jiaozhou SASAC). It has historically played an important role in developing the Jiaozhou ETD Zone, and is currently focusing on the development of the SCO Demonstration Zone, the core area of which is in Jiaozhou, which is located in the strategically important city of Qingdao, Shandong province, China. The Shanghai Cooperation Organisation is a Eurasian security, political and economic alliance of eight countries including China, Russia, India, Pakistan and four Central Asian countries. Since its establishment in 2007, the Issuer, together with its subsidiaries, has engaged in the development of numerous infrastructure projects in Jiaozhou, including the construction of municipal roads, tunnels, transportation hubs, bridges and river improvement. To further diversify its business operation, it commenced the trading and property development businesses in 2019. Over the years, the Group has developed into a key force in enhancing the urbanisation and commercial attractiveness of Jiaozhou.

The Group's business currently consists of six segments, namely (i) infrastructure construction; (ii) primary land development; (iii) property investment and operation; (iv) trading; (v) property development; and (vi) miscellaneous. Set forth below is a summary of each of the Group's business segments:

- *Infrastructure construction*: Infrastructure construction has been the Group's core business since its establishment. Over the years, the Group has undertaken and completed a large number of projects of strategic importance to the SCO Demonstration Zone. The Group conducts its infrastructure construction business under the "build-transfer" business model and its operating revenue from infrastructure construction projects is derived from the buyback amount paid to the Group by the Finance Bureau of Jiaozhou. As at 31 December 2020, the Group had completed infrastructure projects with an estimated total buyback amount of RMB7,724 million, of which RMB1,065 million remains outstanding.

- *Primary land development:* In 2018, the Group was commissioned by the Jiaozhou Municipal Government to develop primary land in the SCO Demonstration Zone. The Group's operating revenue from primary land development represents the land development fee paid by the Jiaozhou Municipal Government, which is in turn generated from the grant of land use rights to real property developers. As at 31 December 2020, there were approximately 0.8 million square metres of land available for development or under development by the Group, which the Group believes satisfies its business needs for its primary land development business for the next three to five years.

- *Property investment and operation*: The Group started its property investment and operation business in 2017, and it leases and manages (i) properties owned by itself; and (ii) properties previously constructed by the Group under an agency construction agreement entered into between the Issuer and the Jiaozhou ETD Zone Management Committee, and allocated to the Group by the Jiaozhou ETD Zone Management Committee for nil consideration after the construction has been completed. As at 31 December 2020, the Group had leasable properties with a total gross floor area of approximately 564,190 square metres in the SCO Demonstration Zone, including commercial properties, office buildings and industrial plants, most of which has been leased.

- *Trading*: The Group expanded its business into trading in May 2019. As at the date of this Offering Circular, the Group's trading business mainly includes sales of metals, frozen seafood, grain and oil. The Group's customers of its trading business are primarily construction companies and trading companies located in Qingdao. The Issuer believes that such business expansion is

responsive to the local government's strategy to form a comprehensive domestic and international trading platform in the SCO Demonstration Zone, and gives the Group opportunities to explore greater growth potential in the future.

- *Property development*: Leveraging the desirable living environment in Jiaozhou with convenient transportation solutions and a growing number of public cultural and recreational facilities, in 2019, the Group began to engage in a variety of real property development projects including the construction of residential housing and commercial properties. As at the date of this Offering Circular, the Group primarily focuses on developing Guanlan Wenyuan(觀瀾文苑), a large-scale residential complex developed to satisfy the increasing demand for housing in the SCO Demonstration Zone. The first phase of this project has been completed. For the years ended 31 December 2019 and 2020, the Group's total contracted sales for properties it developed amounted to approximately RMB120 million and RMB210 million, respectively.

- *Miscellaneous*: The Group participates in industrial investment, cultural tourism and other businesses, including the provision of property management services, maintenance of office equipment, operation of restaurants, labour outsourcing and consulting services in relation to human resources, among others.

The following table sets forth a breakdown of the Group's total operating revenue by business segment in absolute amount and as a percentage of its total operating revenue for the periods indicated:

	Year ended 31 December					
	2018		2019		2020	
Business segment	**Amount (RMB'000)**	**Per cent. of total**	**Amount (RMB'000)**	**Per cent. of total**	**Amount (RMB'000)**	**Per cent. of total**
Infrastructure construction	248,221.5	49.0	343,488.9	40.6	257,223.9	16.8
Primary land development	–	–	–	–	283,018.9	18.5
Property investment and operation	245,808.2	48.6	257,632.1	30.4	256,965.6	16.8
Trading	–	–	157,562.0	18.6	609,746.1	39.9
Property development	–	–	63,713.0	7.5	16,037.9	1.0
Miscellaneous (1)	12,284.4	2.4	24,085.8	2.8	106,010.6	6.9
Total	**506,314.1**	**100.0**	**846,481.8**	**100.0**	**1,529,003.0**	**100.0**

Note:

(1) This amount represents the aggregate of the Group's operating revenue from "government purchased services", "property income", "labour dispatch income", "commodity sales", "restaurant operation", "interest income", "ticket income" and "investment income", as reported in the Group's financial statements for the respective year.

The following table sets forth a breakdown of the Group's gross operating profit by business segment in absolute amount and as a percentage of its total gross operating profit for the periods indicated:

	Year ended 31 December					
	2018		2019		2020	
Business segment	**Amount (RMB'000)**	**Per cent. of total**	**Amount (RMB'000)**	**Per cent. of total**	**Amount (RMB'000)**	**Per cent. of total**
Infrastructure construction	12,839.0	12.2	20,727.8	14.6	15,522.1	8.1
Primary land development	–	–	–	–	22,149.3	11.5
Property investment and operation	86,740.2	82.2	128,149.3	90.5	110,296.2	57.4
Trading	–	–	4,254.5	3.0	9,321.2	4.9
Property development	–	–	(11,094.4)	(7.8)	(1,577.3)	(0.8)
Miscellaneous (1)	5,919.3	5.6	(374.4)	(0.3)	36,335.6	18.9
Total	**105,498.5**	**100.0**	**141,662.8**	**100.0**	**192,047.1**	**100.0**

Note:

(1) This amount represents the aggregate of the Group's gross operating profit from "government purchased services", "property income", "labour dispatch income", "commodity sales", "restaurant operation", "interest income", "ticket income" and "investment income", as reported in the Group's financial statements for the respective year.

As at 31 December 2018, 2019 and 2020, the Group's total assets were RMB30,188.6 million, RMB32,995.3 million and RMB40,559.9 million, respectively. For the years ended 31 December 2018, 2019 and 2020, the Group's net profit was RMB167.7 million, RMB92.0 million and RMB343.6 million, respectively.

JIAOZHOU AND THE SCO DEMONSTRATION ZONE

Overview of Jiaozhou

Jiaozhou is a county-level city under the administration of Qingdao Municipality. Jiaozhou is located in the southwest region of the Shandong peninsula and on the north bank of Jiaozhou Bay. It is an important transportation hub connecting Shandong peninsula and Bohai (the Bo sea). Major expressways passing through Jiaozhou include the Qingdao – Yinchuan (青銀線), Qingdao – Lanzhou (青蘭線) and Shenyang – Haikou lines (瀋海線). Jiaozhou is an important station for major railways in Shandong province such as the Qingdao – Jinan (膠濟鐵路), Jiaozhou – Huangdao (膠黃鐵路), Jiaozhou – Xinyi (膠新鐵路) lines and the Qingdao – Jinan dedicated high speed rail line (膠濟客運專線), making Jiaozhou an important bridgehead of the New Eurasian Continental Bridge.

In addition, Qingdao Jiaodong International Airport (青島膠東國際機場) is located 11 kilometres northeast of the city centre of Jiaozhou. It is well placed to become a regional airport transportation hub, a gateway airport for Japan and South Korea and an important air cargo hub in the Bohai Rim region. The construction work for Qingdao Jiaodong International Airport started in 2015 and, following its completion in June 2020, Qingdao Jiaodong International Airport commenced operations in 2021.

The following map shows the location of Qingdao and Jiaozhou:

Jiaozhou's prime geographical location, advanced transportation network and well-established industrial structure have contributed to its sustained economic growth. According to the Statistical Communique on District Economic and Social Development of Jiaozhou in 2020 (2020年膠州市國民經濟和社會發展統計公報)(the "**2020 Statistical Communique of Jiaozhou**"), Jiaozhou recorded an annual gross regional product ("**GRP**") of approximately RMB122.6 billion, ranking No.4 among ten county-level cities in Qingdao, representing a year-on-year growth of 5.5 per cent. as compared with the previous year. According to the 2020 Statistical Communique of Jiaozhou, as per the 2020 GRP data, primary industry contributed to 4.7 per cent. of Jiaozhou's GRP, while secondary industry accounted for 46.3 per cent. and tertiary industry accounted for 49.0 per cent.

According to the China County Economic Development Report (2020)(中國縣域經濟發展報告(2020)) published by the National Academy of Economics Strategy of Chinese Academy of Social Science (中國社會科學院財經戰略研究院), Jiaozhou ranked the No.15 among approximately 2,000 counties in China in terms of comprehensive economic competitiveness. In 2020, Jiaozhou ranked No.10 in the China Top 100 county-level cities' E-commerce competitiveness list (中國縣域電商競爭力百強榜). In recent years, the PRC government announced the establishment of several national demonstration zones and

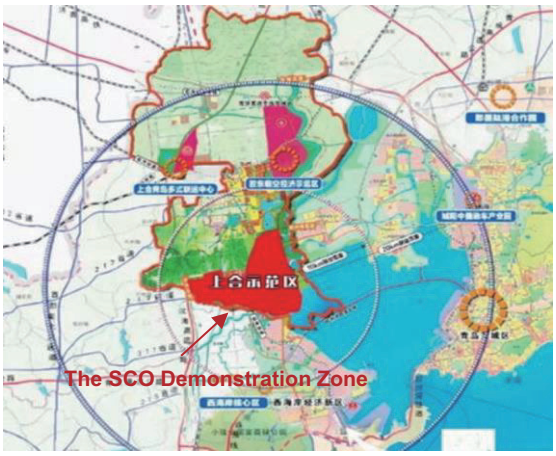
industrial parks in Jiaozhou, such as the Qingdao Jiaozhou Bay National Demonstration Logistics Park (青島膠州灣國家級示範物流園), the National Jiaodong Airport Economic Demonstration Zone (國家級膠東臨空經濟示範區) and the SCO Demonstration Zone.

According to the "14th Five-Year Plan" of the PRC government and Jiaozhou Municipal Government, it is believed that Jiaozhou will play a key role in enhancing the commercial attractiveness and industrial upgrade in the SCO Demonstration Zone, and linking cities in Shandong peninsula with other foreign countries.

Overview of the SCO Demonstration Zone

The establishment of the SCO Demonstration Zone was announced at the SCO Qingdao Summit (上海合作組織青島峰會) held in 2018. According to its construction layout, the SCO Demonstration Zone is centred in one core zone which is surrounded by several linkage zones. The core zone of the SCO Demonstration Zone is located in Jiaozhou with a total area of approximately 61.1 square kilometres, including the Jiaozhou ETD Zone, which was established in 1992 and was upgraded to a state-level development zone in 2012, of 36.7 square kilometres and a planned new district spanning 24.4 square kilometres. It has a coastline of 25 kilometres, a well-preserved ecological wetland environment and an abundance of ecological and landscape resources. The SCO Demonstration Zone is reachable within 15 minutes from Qingdao's transportation hub, and is equipped with a well-developed transportation system covering airport, railways, expressways and seaports, such as Jiaozhou Bay Bridge (膠州灣跨海大橋), Qingdao Qianwan Port (青島前灣港) and Qingdao Jiaodong International Airport (青島膠東國際機場), among others.

The following map shows the location of the SCO Demonstration Zone:



The SCO Demonstration Zone intends to accelerate the development of five centres located therein, namely a modern trading centre, an international logistics centre, a maritime technology cooperation centre, an investment cooperation centre and a business and cultural tourism centre. Furthermore, as announced by PRC President Xi at the SCO Qingdao Summit, the SCO Demonstration Zone serves as an economic and trading platform for members of the Shanghai Cooperation Organisation and is an important step in implementing the "One Belt, One Road" strategies of the PRC government.

COMPETITIVE STRENGTHS

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

A major platform of the Jiaozhou Municipal Government to develop the SCO Demonstration Zone

The Issuer is a major investment and financing platform of the Jiaozhou Municipal Government, focusing on the development of the SCO Demonstration Zone. It is beneficially controlled by the Jiaozhou Municipal Government through Jiaozhou Municipal State-owned Assets Service Centre (膠州市國有資產服務中心)(formerly known as the Jiaozhou SASAC). Infrastructure construction has been the Group's core business since its establishment. In terms of total assets as at 31 December 2020, the Issuer is the largest state-owned company in Jiaozhou. As at 31 December 2020, the Group has invested in aggregate approximately RMB20 billion in its infrastructure construction projects. Over the years, the Group has undertaken and completed a large number of projects of strategic importance to the SCO Demonstration Zone, including municipal roads, tunnels, transportation hubs, bridges and river improvement. For example, as commissioned by the Jiaozhou Municipal Government, the Group established a joint venture with Shandong Hi-speed Construction Management Co., Ltd. (山東高速建設管理集團) to construct the Jinan – Qingdao Expressway Middle Line Project (濟青高速中線項目), from which the Group will derive toll fees in the 25 years after its completion, and the East-west Transportation Corridor Project (東西大通道項目). As at the date of this Offering Circular, the Group is a major entity commissioned by the Jiaozhou Municipal Government to undertake primary land development in the SCO Demonstration Zone. As at 31 December 2020, there were approximately 0.8 million square metres of land available for development or under development by the Group, which the Group believes satisfies its business needs for its primary land development business for the next three to five years. The Group believes the value of such land will continue to increase with the implementation of overall development strategies in the SCO Demonstration Zone.

By leading the development of major infrastructure projects in the SCO Demonstration Zone, the Group has not only accumulated experience in the development and management of large scale projects, but has also consolidated its position as a key entity to implement the Jiaozhou Municipal Government's blueprint for developing the SCO Demonstration Zone and further align its business with the interest of the Jiaozhou Municipal Government and the SCO Demonstration Zone.

The Group believes that its participation in the development of the SCO Demonstration Zone also exposes it to information about city planning and enables it to explore business opportunities with great potential. As a key participant of the city construction and state-owned assets management in the SCO Demonstration Zone, the Issuer is well positioned to leverage its experience in city development relating to the SCO Demonstration Zone and the geographic advantage in Jiaozhou to capitalise on the growth potential of the SCO Demonstration Zone and to develop its business. See "*Overview of Jiaozhou and the SCO Demonstration Zone*".

Support from the Jiaozhou Municipal Government

The support from the PRC government and local governments has been key to the Group's success in carrying out the development of capital-intensive and large-scale city construction projects. As a result of the Group's state-owned background and in recognition of the strategic importance of the Group's business and operations to the SCO Demonstration Zone, the Group has received, and expects to continue to receive, various kinds of support from the Jiaozhou Municipal Government.

The Group has historically received financial support from the Jiaozhou Municipal Government and other governmental agencies to enhance its capability to execute large-scale and capital-intensive infrastructure projects. For the years ended 31 December 2018, 2019 and 2020, government grants received by the Group amounted to approximately RMB430.0 million, RMB261.0 million and RMB438.0 million, respectively. The Jiaozhou Municipal Government has historically injected high-quality assets in Jiaozhou into the Group to support its daily business operations. For example, in 2020,

the Jiaozhou Municipal Government allocated the water-use right of Ruyi Lake（如意湖）and Yuejin River（躍進河）with a total area of 3.5 million square metres and an estimated total value of RMB4 billion to the Group, and the Group has generated operating revenue by leasing the water-use right to other third parties. The Jiaozhou Municipal Government also assigns projects to the Group from time to time to support its business operation and expansion. Some of these construction projects are linked to businesses in emerging industries that present new opportunities and great growth potential, such as high-tech business incubators and high-end manufacture parks.

The continued support from the PRC government and the Jiaozhou Municipal Government has been critical to the ability of the Group in operating and investing in capital-intensive and large-scale infrastructure construction, and in further expanding its business operations to strengthen its competitive position.

A diversified business portfolio with steady revenue resources

The Group has a diversified business portfolio. Since its inception, it has historically focused on infrastructure construction in the Jiaozhou ETD Zone, and is currently focusing on the development of the SCO Demonstration Zone. In recent years, the Group has actively sought to diversify its business portfolio to generate new sources of income. In 2018, the Group started to undertake primary land development in the SCO Demonstration Zone as commissioned by the Jiaozhou Municipal Government, to transform barren land into a condition ready for secondary real property development. In 2019, the Group expanded its business into trading and, currently, its trading products primarily include metals, frozen seafood, grain and oil. Leveraging the desirable living environment in Jiaozhou with convenient transportation solutions and improving public recreational and cultural facilities, in 2019, the Group further commenced the construction of its real property development projects including residential housing and commercial properties in the SCO Demonstration Zone. In response to the Jiaozhou Municipal Government's plans to develop and increase the commercial attractiveness of the SCO Demonstration Zone, the Group currently is also actively participating in industrial investment and cultural tourism projects in the SCO Demonstration Zone. Compared to a business model with only one focus, the diversified portfolio enhances the Group's capability to mitigate market risks and also enjoy a steady revenue stream.

Diversified financing channels

The Group has access to diversified financing channels to fund its project development, such as bank loans and issuances of debt securities in domestic capital markets. According to the Jiaozhou Municipal State-owned Assets Service Centre, as at 31 December 2020, the Issuer's financing cost represents the lowest among all state-owned companies in Jiaozhou. Different sources of capital enable the Group to better manage its credit risk by optimising the maturity profile of its outstanding debts and securing low-cost capital if available. The Group maintains stable relationships with a number of reputable commercial banks and other financial institutions in China. As at 31 December 2020, the Group had credit facilities in aggregate of approximately RMB37.4 billion, of which approximately RMB19.4 billion had not been utilised. In addition, the Group had raised capital by issuing corporate bonds, medium-term notes and private placement notes in the domestic capital market. The Group has been exploring other financing channels for low-cost capital to further enhance its diversified financing structure, such as issuance of bonds in the international capital markets.

Sound corporate governance implemented by a dedicated management team

The Group has established a sound and effective corporate governance structure which is in line with modern corporate practices. Its corporate governance system covers occupational safety, risk management and capital management. The Group has set up 11 departments (i.e. asset management, comprehensive management, finance, financing management, engineering management, industrial development, planning and design, quotation and contracting, inspection and audit, project management and relations between the party and the general public) to oversee different aspects of the Group's daily operations.

The Group's senior management team has extensive experience in the management of large state-owned enterprises and companies operating in the same business sectors as the Group. See "*Directors, Supervisor and Senior Management*". The Group's senior management and the government regularly conduct in-depth discussion over the key investment projects. Under the sound leadership of its management team, the Group has successful achieved its growth objectives over the years.

BUSINESS STRATEGIES

The Group aims to continue to focus on the development of the SCO Demonstration Zone. To achieve its goal, the Group intends to implement the following strategies:

Continue to focus on the development of the SCO Demonstration Zone under innovative business models

The Group plans to leverage the strategic location of Jiaozhou and continue to focus on municipal infrastructure construction and development in the SCO Demonstration Zone. By participating in and successfully delivering a large number of municipal infrastructure construction projects over the years, the Group has proven its strong capabilities and established a market-leading position in Jiaozhou and, particularly, the SCO Demonstration Zone. Going forward, the Group will continue to focus on undertaking city infrastructure construction projects in the SCO Demonstration Zone. With its extensive industry and execution experience, the Group believes that it will continue to play a key role in executing the Jiaozhou Municipal Government's city development plans.

The Group intends to explore innovative models to participate in the public infrastructure projects in the evolving PRC regulatory environment, with a view to further enhance its dominant market position in the infrastructure construction field. For example, to implement the PRC government's rural development policy, the Group has undertaken a project to rebuild four counties in the southeast of Jiaozhou and a hospital construction project for Qingdao University. Aligned with the construction planning in the SCO Demonstration Zone, the Group undertakes several functional infrastructure construction projects, such as the SCO Youth Entrepreneurship Centre Project（上合國家青年創業中心）, to create an international demonstration zone favouring business innovation and entrepreneurship and to upgrade the urban service industry within the SCO Demonstration Zone. The Group currently carries out its development and construction through a well-rounded industry chain model, pursuant to which the Group participates in the entire construction and development process covering primary land development, infrastructure construction, business development and industrial investment. The Group is developing Licha County（里岔鎮）, Jiulong Community（九龍街道）and Jiaoxi Community（膠西街道）in Jiaozhou under such business model. The Group believes that these undertakings will help to further strengthen its market position as a leading infrastructure developer in the SCO Demonstration Zone.

Enhance the commercial attractiveness of the SCO Demonstration Zone

The Group intends to continue to lead the development of the SCO Demonstration Zone. As an important platform to promote international cooperation, the SCO Demonstration Zone is expected to play an increasingly important role in promoting the development of the local economy, transportation and logistics. It is expected that the PRC government and the Jiaozhou Municipal Government will continue to focus on the development of the infrastructure and ancillary facilities to enhance the commercial appeal of the SCO Demonstration Zone and promote business activities within it. The Group will continue to carry on its mission to construct infrastructure in the SCO Demonstration Zone, increase its investment and operations in other businesses and sectors which the Issuer believes will present greater growth potential, and capture additional business opportunities arising from the development of the SCO Demonstration Zone.

Further diversify the Group's business portfolio and create new sources of income

While focusing on infrastructure construction as its core business, the Group will continue to actively seek opportunities to grow other businesses to achieve optimal diversification. As at the date of this Offering Circular, the Group has diversified its business operation into six segments, namely (i) infrastructure construction; (ii) primary land development; (iii) property investment and operation; (iv) trading; (v) property development; and (vi) miscellaneous. The Group intends to undertake following the expansion efforts to further diversify its business:

- *Property investment and operation:* In addition to property leasing, the Group established Qingdao Jiaozhou Bay City Property Management Co., Ltd.(青島膠州灣城市物業經營有限公司) in August 2017. It is primarily responsible for providing commercial advertisement services in the SCO Demonstration Zone.

- *Trading:* The Group currently conducts domestic and international trading through Qingdao Jiaofa International Trading Co., Ltd.(青島膠發國際貿易有限公司). Leveraging increasing business opportunities and convenient transportation and logistics in the SCO Demonstration Zone, the Group plans to increase its trading volume of bulk commodities with companies located in other SCO countries.

- *Property development:* Other than residential properties in the SCO Demonstration Zone, the Group also intends to develop industrial parks and provide comprehensive city development services in the SCO Demonstration Zone.

- *Industrial investment:* As at the date of this Offering Circular, the Group has participated in seven funds, in which it acts as a limited partner with an aggregate investment amount of approximately RMB1.6 billion. Through its investments in the funds, the Group aims to support the development of technology and other emerging industries in the SCO Demonstration Zone.

- *Cultural tourism:* In line with the rural revitalisation strategy of the PRC government, the Group plans to further expand into the rural tourism industry through various projects in Jiaozhou. Together with Qingdao Tourism Group Co., Ltd.(青島旅遊集團有限公司), the Group plans to develop and promote tourism in the SCO countries and the countries covered in the PRC government's Belt and Road Initiative.

The Group believes a diversified business portfolio minimises the risk of business concentration and the fluctuation of its overall earnings as a result of changes in industrial conditions and policies. The Group intends to diversify its sources of revenue and cash flows to achieve sustainable growth.

Adhere to prudent financial management policies with stringent risk control

The Group believes that a prudent financial management system can reduce operational and financial risks and help achieve long-term sustainable growth. As such, the Group will continue to improve its financial management system by implementing a stringent financial reporting and control system to comply with legal and regulatory requirements. The Group will also maintain prudent investment policies that aim to achieve a balance between assets and liabilities, between investment return and risk-taking, and between principal business and other ancillary businesses. The Group strives to prudently manage its finances while fulfilling investment and development needs to drive its profitability.

Explore new financing channels

The Group has traditionally funded its business operation and working capital through bank loans and issuances of medium-term notes, corporate bonds and private placement notes in the domestic capital markets. With its state-owned background, the Group has maintained long-term relationships with several commercial banks and other financial institutions in the PRC, including China Construction Bank, Bank of China, Agricultural Bank of China, and Bank of Communication, among others. In

addition, the Group is also actively participating in the international capital markets with a view to reduce financing costs and maintaining an optimal financing structure, including issuances of offshore bonds. The Group intends to explore and employ new financing channels to secure funding on more favourable terms to better support the financing needs of the Group's projects.

Enhance management capability and improve corporate governance structure

The Group will continue to improve and streamline its management structure, so as to strengthen its capabilities in terms of corporate management and internal control. The Group considers effective management at all organisational levels and among members of the Group to be critical to optimising its overall operational efficiency. Managerial mechanisms will be put in place to regulate the tendering and bidding procedure and cooperation among various operational units. The Group may also improve its corporate governance structure by further adjusting its organisational structure and re-allocating the functions among departments.

HISTORY AND DEVELOPMENT

The following table sets out the landmark events during the history and development of the Group:

2007	On 21 November 2007, the Issuer was established by the Qingdao Jiaozhou Bay Industrial Park Management Committee (青島膠州灣工業園管理委員會), Jiaozhou Financial Investment Centre (膠州市財政投資中心) and Qingdao Jiaozhou New City Construction Development Co., Ltd. (青島市膠州新城建設發展有限公司), with an initial registered capital of RMB200 million.
2009	On 18 March 2009, Qingdao Jiaozhou Bay Industrial Park Management Committee (青島膠州灣工業園管理委員會) transferred all of its 75 per cent. equity interest in the Issuer to Qingdao Jiaozhou Bay Industrial Base Management Committee (青島膠州灣產業基地管理委員會), whose name was changed to Jiaozhou Industrial New Area Management Committee (膠州市產業新區管理委員會) in 2011.
2013	On 6 December 2013, according to the Jiao Guo Guan Fa [2013] No. 4 document (膠國管發[2013]4號文件) issued by Jiaozhou State-owned (Group) Assets Management Committee, the shareholders of Jiaozhou Industrial New Area Management Committee (膠州市產業新區管理委員會) transferred in aggregate 75 per cent. equity interest in the Issuer to the Jiaozhou ETD Zone Management Committee.
2014	On 18 September 2014, the Issuer issued RMB1.15 billion 6.33 per cent. domestic corporate bonds with a tenor of seven years.
2017	In July 2017, Dagong Global Credit Rating Co,. Ltd. assigned to the Issuer a corporate credit rating of "AA+".
2018	On 26 April 2018, the Issuer issued RMB0.8 billion 5.88 per cent. medium-term notes with a tenor of five years. On 14 June 2018, the Issuer issued U.S.$120 million 6.5 per cent. bonds due in 2021, representing the first offshore bonds issued by the Group. In October 2018, Lianhe Ratings Global Limited assigned to the Issuer a corporate rating of "AA+".

	On 23 November 2018, the Issuer issued RMB0.8 billion 5.00 per cent. medium-term notes with a tenor of five years.
2019	On 17 January 2019, according to Jiao Guo Zi Wei [2018] No. 39 document (膠國資委[2018]39號文件), in aggregate 100.0 per cent. equity interest in the Issuer held by the Jiaozhou Municipal Financial Investment Centre (膠州市財政投資中心), the Jiaozhou ETD Zone Management Committee and Qingdao Jiaozhou New City Construction Development Co., Ltd. (青島市膠州新城建設發展有限公司) was transferred to the Jiaozhou SASAC. On 23 January 2019, the Issuer changed its name from Qingdao Jiaozhou Bay Development Co., Ltd. (青島膠州灣發展有限公司) to Qingdao Jiaozhou Bay Development Group Co., Ltd. (青島膠州灣發展集團有限公司) and increased its registered capital from RMB200 million to RMB2 billion. On 23 May 2019, the Jiaozhou SASAC's name was changed to the Jiaozhou Municipal State-owned Assets Service Centre (膠州市國有資產服務中心). On 28 June 2019, the Issuer issued U.S.$300 million 5.8 per cent. bonds due 2022.
2020	In November 2020, the Group partnered with several well-known domestic investment companies, such as Geely Technology Group Co., Ltd. (吉利科技集團有限公司) and Qingdao Huatong State-owned Assets Operation (Group) Co., Ltd. (青島華通國有資本運營(集團)有限責任公司), to establish seven industrial investment funds, focusing on investing in intelligent technology and information technology industries. In December 2020, the Group acquired 40.0 per cent. equity interest in Shandong Hi-speed Private Capital Management Co., Ltd. (山東高速民間資本管理有限公司).
2021	In May 2021, the Group established the Qilu Qianhai (Qingdao) New Kinetic Energy Fund (齊魯前海(青島)新動能基金) with Qianhai Ark Asset Management Co., Ltd. (前海方舟資產管理有限公司) and Qingdao West Coast Development Co., Ltd. (青島西海岸發展集團), with an investment amount of RMB300 million. In May 2021, the Group injected RMB220 million in Shandong Hi-speed Private Capital Management Co., Ltd. (山東高速民間資本管理有限公司) to increase its capital. In May 2021, the Issuer was assigned a corporate rating of BBB- by Fitch with a stable outlook, being the first company in Jiaozhou who has obtained an investment grade rating assigned by international rating agencies. In August 2021, Jiaozhou SASAC transferred 100 per cent. equity interest in Qingdao Xinlong Highway Construction Engineering Co., Ltd. (青島鑫隆公路建設工程有限公司) to the Issuer.

RECENT DEVELOPMENT

Additional Indebtedness since 31 December 2020

Since 31 December 2020, the Group has incurred additional indebtedness to replenish its working capital, to finance its business development and for other general corporate purposes. In January 2021, the Issuer issued RMB600 million 4.18 per cent. medium-term notes due 2024 under its RMB1,000 million medium-term notes programme. In March 2021, the Issuer issued RMB800 million 4.55 per cent. private placement notes due 2024. In April 2021, the Issuer issued RMB350 million 3.42 per cent. short-term financing paper with a tenor of 365 days, RMB300 million 4.70 per cent. bonds due 2024 and RMB200 million 5.10 per cent. bonds due 2023. In June 2021, the Issuer issued USD200,000,000 3.40 per cent. bonds due 2024 and RMB900 million 4.37 per cent. private placement notes due 2024. In September 2021, the Issuer issued RMB700 million 2.97 per cent. super short-term commercial paper due 2022. In November 2021, the Issuer issued RMB600 million 3.95 per cent. private placement notes due 2026. In December 2021, the Issuer issued RMB1,000 million 3.95 per cent. private placement notes due 2026 and RMB1,500 million 3.99 per cent. corporate bonds due 2026. In January 2022, the Issuer issued RMB200 million 5.52 per cent. bonds with a tenor of 518 days and RMB100 million 5.50 per cent. bonds due 2023.

Quarterly Financial Results of the Group as at and for the Nine Months Ended 30 September 2021

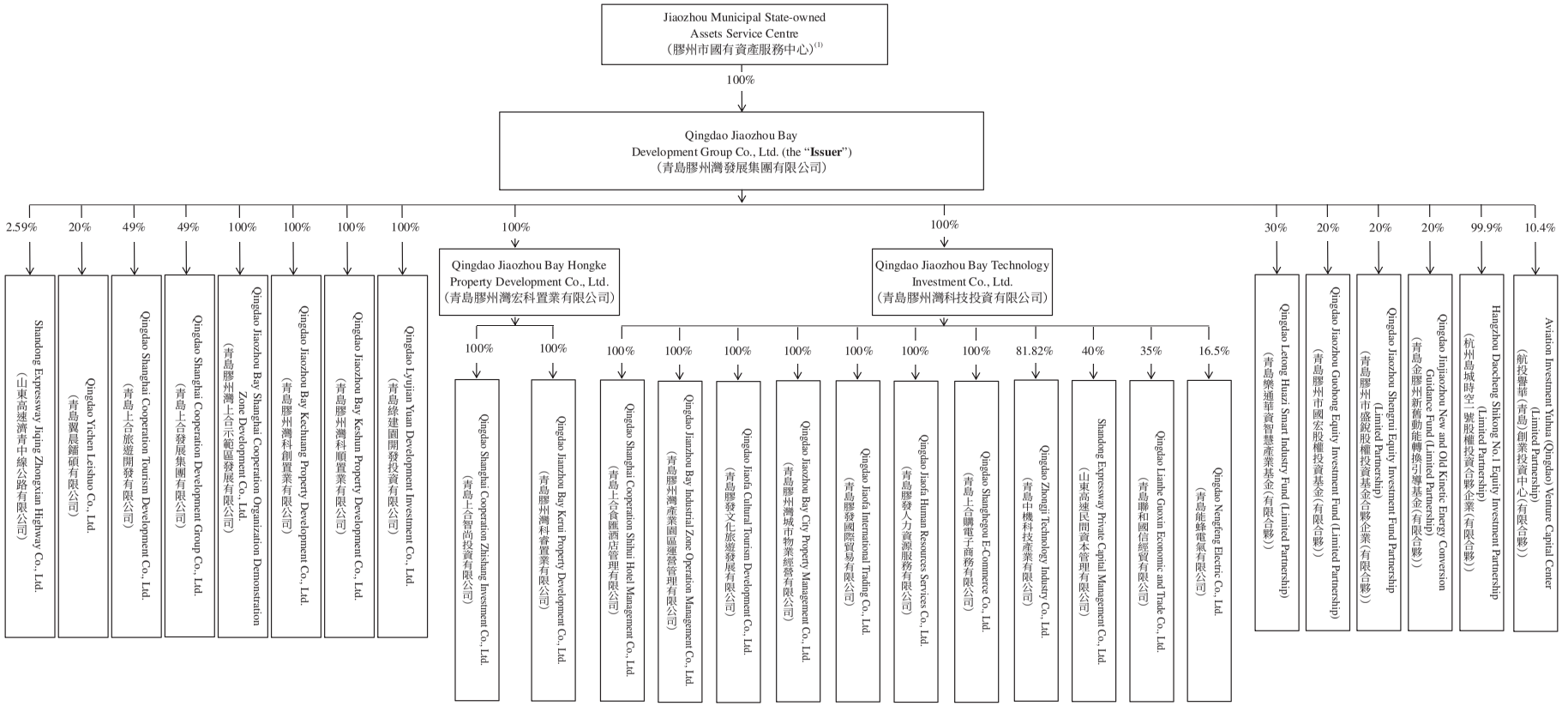
On 28 October 2021, the Group published its 2021 Q3 Interim Financial Statements on the website of the Shanghai Clearing House, which were not subject to an audit or review. The financial information in the 2021 Q3 Interim Financial Statements may differ from future audited or reviewed information and the 2021 Q3 Interim Financial Statements should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review. The 2021 Q3 Interim Financial Statements should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2021. The 2021 Q3 Interim Financial Statements have not been included in, and do not constitute part of, this Offering Circular. See "*Risk Factors – Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular.*"

For the nine months ended 30 September 2021, the Group recorded a stable increase in its total operating revenue and net profit as compared to the same period in 2020. The Group's total operating costs for the nine months ended 30 September 2021, including its operating costs incurred in its main businesses and financial expenses, increased correspondingly.

As at 30 September 2021, the Group's total assets increased as compared to the balance as at 1 January 2021, which was mainly due to increases in cash and cash equivalents. As at 30 September 2021, total liabilities of the Group increased as compared to the balance as at 1 January 2021, which was primarily attributable to increases in short-term loans, accounts advanced from customers, long-term loans, bonds payable and payables due after one year incurred to meet the Group's increasing capital needs as it continued to expand and grow its business.

CORPORATE STRUCTURE

The following chart presents a simplified structure of the Group and the shareholding of the Issuer as at 31 December 2020:



Note:

(1) Pursuant to the Reply to the Adjustment of the Division-to-Section Level Administrative Departments of the Jiaozhou Municipal Government (Qing Bian Ban Zi [2019] No. 28)(關於膠州市承擔行政職能處科級事業單位機構調整的批復)(青編辦字 [2019] 28號) issued on 25 April 2019, the name of Jiaozhou Municipal State-owned Assets Supervision and Administration Committee (膠州市國有資產監督管理辦公室) was changed to Jiaozhou Municipal State-owned Assets Service Centre (膠州市國有資產服務中心).

DESCRIPTION OF THE GROUP'S BUSINESS

The Group has historically played an important role in the development of the SCO Demonstration Zone. At material times since its establishment, the Group has focused on municipal and infrastructure construction in the SCO Demonstration Zone. In 2019, the Group further expanded its business into trading and property development to diversify its business operation and create new sources of income.

The Group currently operates six business segments, namely (i) infrastructure construction; (ii) primary land development; (iii) property investment and operation; (iv) trading; (v) property development; and (vi) miscellaneous.

Infrastructure Construction

Overview

Infrastructure construction has been the Group's core business since its establishment. The Group has historically played an important role in the construction of infrastructure in the Jiaozhou ETD Zone, and is currently focusing on the development of the SCO Demonstration Zone. Over the years, the Group has undertaken and completed a large number of projects of strategic importance to the SCO Demonstration Zone, including municipal roads, tunnels, transportation hubs, bridges and river improvement. The Group constructs its infrastructure projects mainly through the Issuer.

For the years ended 31 December 2018, 2019 and 2020, the Group's operating revenue generated from its infrastructure construction business was RMB248.2 million, RMB343.5 million and RMB257.2 million, respectively, representing 49.0 per cent., 40.6 per cent. and 16.8 per cent. of the Group's total operating revenue for the same periods. For the years ended 31 December 2018, 2019 and 2020, the Group's gross operating profit generated from infrastructure construction was RMB12.8 million, RMB20.7 million and RMB15.5 million, respectively, accounting for 12.2 per cent., 14.6 per cent. and 8.1 per cent. of the Group's total gross operating profits for the same periods.

Business model

The Group carries out its infrastructure development projects in the SCO Demonstration Zone under the ''build-and-transfer'' model. Details of the infrastructure projects to be developed by the Group (such as the scope of work, estimated investment amount and estimated buyback amount for a number of projects) are normally set out in the Master Agreement entered into between the Group and the Finance Bureau of Jiaozhou in 2008. According to the Master Agreement, the Group develops relevant projects as the project owner and sells the projects to the Finance Bureau of Jiaozhou after construction has been completed.

Set forth below are key commercial terms of the Master Agreement:

Projects	Infrastructure projects to be developed by the Group primarily relate to the development of infrastructure in the SCO Demonstration Zone, with an aggregate investment amount of approximately RMB10.0 billion. The Finance Bureau of Jiaozhou will notify the Group of the specific projects to be developed as well as the project specifications.
Primary responsibility . . .	The Group is responsible for leading and coordinating the development of each project and obtaining the necessary funding for the construction. The Finance Bureau of Jiaozhou is responsible for obtaining the preliminary approval on each project to be developed and is responsible for buyback of the project upon completion.

Completion examination and acceptance	The Group should provide the Finance Bureau of Jiaozhou with a complete set of documents regarding the completion of the relevant projects according to applicable PRC laws and regulations. The Finance Bureau of Jiaozhou agrees to arrange project examination within 28 days after it receives the documents from the Group, and will issue an acceptance decision, or any feedback regarding the relevant projects, within 14 days thereafter. The Finance Bureau of Jiaozhou is deemed to accept the relevant projects and deemed to have issued an acceptance certificate if it does not arrange project examination within 28 days after it receives the documents from the Group, or if the Finance Bureau of Jiaozhou provides no feedback within 14 days after it receives the project documents.
Buyback amount	The total buyback amount represents the aggregate of (i) the construction costs, financing and other development-related expenses incurred by the Group and (ii) profit of the Group which is equal to a specified percentage of the amount described under (i). Construction costs and financing and other development-related expenses are subject to the audit arranged by the Finance Bureau of Jiaozhou.
Payment of buyback amount	The Finance Bureau of Jiaozhou agrees to pay: • 30 per cent. of the buyback amount within ten days after the project completion examination and acceptance certificate is issued; • 30 per cent. of the buyback amount within seven days of the date falling on the last day of 12 months after the project completion examination and acceptance certificate is issued; and • 40 per cent. of the buyback amount within seven days of the date falling on the last day of 24 months after the project completion examination and acceptance certificate is issued. Interest starts to accrue on the outstanding buyback amount after the project completion examination and acceptance certificate is issued and is payable together with the buyback amount in accordance with the above timetable.
Warranties	The Group provides warranties in respect of the quality of the projects it develops and delivers within two years after they are completed and delivered (or another period as specified in the relevant contract).
Other obligations of the Group	The Group agrees, among others: • to be responsible for securing sufficient capital to finance the project construction; • to accept the supervision of the auditors commissioned by the Finance Bureau of Jiaozhou;

- to assist the Finance Bureau of Jiaozhou in the application for all necessary approvals, permits and certificates relating to relevant projects;

- to carry out the construction in accordance with the agreed timetable;

- to report the construction progress, construction costs and expense and other project information to the Finance Bureau of Jiaozhou on a monthly basis; and

- to make necessary adjustments to the development plan of the relevant projects in accordance with the requests of the Finance Bureau of Jiaozhou (provided that any additional costs and expenses arising from such adjustments are paid by the Finance Bureau of Jiaozhou).

On 28 December 2017, the Group, the Jiaozhou ETD Zone Management Committee and the Finance Bureau of Jiaozhou entered into a supplemental agreement to the Master Agreement. Pursuant to this supplemental agreement, the Jiaozhou ETD Zone Management Committee acknowledged that, as at the date of the supplemental agreement, the total amount of the outstanding buyback amount payable to the Group was RMB6.8 billion, and it agreed with the Group that RMB3.5 billion of the outstanding buyback amount would be paid by instalments within five years from 2018 through 2022. The Group will further enter into other supplemental agreements to the Master Agreement with the Jiaozhou ETD Zone Management Committee and the Finance Bureau of Jiaozhou after 2022 to confirm the buyback plan in the future.

The table below sets out the payment schedule agreed between the Group, the Jiaozhou ETD Zone Management Committee and the Finance Bureau of Jiaozhou:

Year	**Buyback Amount**
	(RMB in millions)
2018	600.0
2019	800.0
2020	700.0
2021	700.0
2022	700.0
Subsequent to 2022	2,709.0
Total	**6,209.0**

Operating revenue reported under this business segment primarily represents the buyback amounts the Finance Bureau of Jiaozhou pays to the Group relating to the projects the Group completed under the Master Agreement. During the three years ended 31 December 2020, the Group received in total approximately RMB2,073 million in relation to project buyback from the Jiaozhou ETD Zone Management Committee, as authorised by the Finance Bureau of Jiaozhou.

Project construction

The Group engages third-party construction companies to carry out the construction of its infrastructure construction projects through its standardised public tender process in accordance with applicable PRC laws and regulations. When selecting contractors, the Group considers a number of factors such as the reputation of the contractors, track record in similar projects, creditworthiness, technical capabilities, proposed construction blueprint and price. These construction companies carry out various types of work, including foundation digging, construction, equipment installation, internal decoration and various

engineering work. The quality and timeliness of the construction is usually warranted by contract. In the event of a delay or poor workmanship, the Group may require the construction contractor to rectify the defect or pay a penalty.

Project description

As at 31 December 2020, the Group had completed infrastructure projects with a total estimated investment amount of approximately RMB6,515 million under the Infrastructure Construction Master Project (基礎設施總項目).

Below is a summary of details of the Infrastructure Construction Master Project as at 31 December 2020:

			Investment Plan				
Project Name	Estimated Total Investment Amount	Invested Amount	2021	2022	2023	Estimated Total Buyback Amount	Payment Received
			(RMB in millions)				
Infrastructure Construction Master Project (基礎設施總項目)	9,958	6,515	500	500	600	11,551	3,058

Primary land development

Overview

The Group is a major entity commissioned by the Jiaozhou Municipal Government to undertake primary land development in the SCO Demonstration Zone. It commenced the development of primary land in 2018. The Group engages in a wide range of development and construction activities that transform barren land into a condition ready for secondary real property development, involving land clearance, demolition of buildings, relocation and resettlement of residents, construction of networks of electricity, water, transportation, telecommunications, sewerage, gas and heat. The Group conducts its primary land development business primarily through the Issuer. As at 31 December 2020, there were approximately 0.8 million square metres of land available for development or under development by the Group, which the Group believes satisfies its business needs in this segment for the next three to five years.

For the year ended 31 December 2020, the Group's operating revenue generated from its primary land development business was RMB283.1 million, representing 18.5 per cent. of the Group's total operating revenue. For the year ended 31 December 2020, the Group's gross operating profit generated from primary land development was RMB22.1 million, accounting for 11.5 per cent. of the Group's total gross operating profits. The Group did not record any operating revenue from its primary land development business in 2018 and 2019 because procedures relating to land grants in the relevant periods had not been fully completed by the end of 2018 and 2019, respectively.

Business model

The Group carries out primary land development projects according to the primary land development and operation authorisation agreement (土地一級開發整理封閉運作授權協議) entered into with the Jiaozhou Municipal Government in November 2018. The Group's primary land development process generally includes (i) primary land development by the Group (including demolition of buildings and relocation and resettlement of residents), and (ii) grant of land use rights by invitation to tender, public land auction, or listing-for-sale to real property developers. The Group funds its primary land development activities with its operating cash flow and capital provided by external sources of funding, such as bank loans.

The Group charges land development fee for its services rendered in primary land development. The amount of the land development fee covers the Group's development costs, which comprise design fees, maintenance fees, demolition fees and relocation compensation, and the Group's profit for that project,

representing 15.0 per cent. of the Group's development costs. The Jiaozhou Municipal Government regularly inspects and evaluates the construction status and pays the land development fee to the Group on an instalment basis according to its land development budget and the land development progress, and such land development fee constitutes the operating revenue of the Group's primary land development business.

Project description

During the three years ended 31 December 2020, the Group had not completed any primary land development project. As at 31 December 2020, the Group was developing land with a total site area of approximately 4.7 million square metres. The following table sets forth the particulars of primary land development projects under construction as at 31 December 2020:

No.	Project	Site area	Estimated total investment	Invested amount
		(sq.m.)	*(RMB in millions)*	
1.	Shijiazhuang Project（匙家莊項目）	666,667	2,000	1,300
2.	Wangjiatan Area（王家灘片區）	800,000	910	510
3.	Dongxiying Area（東西營片區）	3,245,333	2,600	980
	Total	**4,712,000**	**5,510**	**2,790**

Property Investment and Operation

Overview

The Group engages in the property investment and operation business through the Issuer and its subsidiary, Qingdao Jiaozhou Bay Technology Investment Co., Ltd.（青島膠州灣科技投資有限公司）. It leases and manages (i) properties owned by the Group; and (ii) properties previously constructed by the Group under an agency construction agreement entered into between the Issuer and the Jiaozhou ETD Zone Management Committee, and allocated to the Group by the Jiaozhou ETD Zone Management Committee for nil consideration after completion of construction. Properties leased and managed by the Group include commercial properties, office buildings and industrial plants.

As at 31 December 2020, the Group has invested in aggregate approximately RMB3 billion to construct its leasable property with a gross floor area of approximately 564,190 square metres, including approximately 495,441 square metres of office buildings and approximately 68,750 square metres of commercial properties. For the years ended 31 December 2018, 2019 and 2020, the Group's operating revenue from its property investment and operation business was RMB245.8 million, RMB257.6 million and RMB257.0 million, respectively, representing 48.6 per cent., 30.4 per cent. and 16.8 per cent. of the Group's total operating revenue for the same periods. For the years ended 31 December 2018, 2019 and 2020, the Group's operating gross profit from its property investment and operation business was RMB86.7 million, RMB128.1 million and RMB110.3 million, respectively, representing 82.2 per cent., 90.5 per cent. and 57.4 per cent. of the Group's total operating gross profit for the same periods.

Business model

The Group from time to time constructs commercial properties, office buildings and other public facilities such as schools and industrial parks in the SCO Demonstration Zone. The Group funds the construction of such property projects through its own working capital. After the construction has been completed, the Group typically will enter into a lease agreement with the Jiaozhou Municipal Government or its subordinated governmental authorities in relation to each leasable property it operates. According to the terms of the lease agreements the Group has entered into with the Jiaozhou ETD Zone Management Committee, the Group receives an annual rental fee to be paid by the Jiaozhou ETD Zone Management Committee, which equals 8.0 per cent. of the Group's actual investment amount in the project. Starting from 1 January 2018, the annual rental fee to be paid by the Jiaozhou ETD Zone Management Committee has been increased to 10.0 per cent. of the Group's actual investment amount in the project. Once the construction of such property has been completed and relevant construction audit

report has been issued, the Group will be able to adjust the rental fee according to the audit result of its actual investment. The Group's operating revenue recorded from this business segment primarily represents the annual rental fee received from the Jiaozhou ETD Zone Management Committee.

In addition, in December 2020, the SCO Demonstration Zone Management Committee transferred the water-use right of Jin Lake (金湖), Ruyi Lake (如意湖) and Yuejin River (躍進河) with an estimated total value of RMB4 billion to the Group for nil consideration, and starting from January 2021, the Group leased the water-use right to third parties including Qingdao Shanghe Development Group Co., Ltd. (青島上合發展集團有限公司) for annual rental fees.

Description of leased properties

The following table sets forth the details of the Group's major leased properties as at 31 December 2020.

No.	Property	Leasable GFA	Leased GFA	Lease term	Average rent per square metre
		(sq.m.)	*(sq.m.)*		*(RMB per day)*
1.	Jiaozhou Bay Industry New Area Venture Building Project (膠州灣產業新區創業大廈項目)	64,404	64,404	2017.1.1 – 2026.12.31	1.61
2.	Jiaozhou Bay Industrial New District Management Building Project – Ruyi Hubei District Management Building (膠州灣產業新區管理樓項目-如意湖北區管理樓)	1,851	1,851	2017.1.1 – 2026.12.31	2.63
3.	Jiaozhou Bay Industrial New District Management Building Project – Ruyi Hunan District Management Building (膠州灣產業新區管理樓項目-如意湖南區管理樓)	2,546	2,546	2018.7.1 – 2026.6.30	0.51
4.	Xi'an Jiaotong University Qingdao Research Institute Project (西安交大青島研究院工程項目)(1)	154,445	154,445	2017.1.1 – 2026.12.31	1.14
5.	Xi'an Jiaotong University Middle School Engineering Project (西安交大附中工程工程項目)(1)	56,841	56,841	2017.1.1 – 2026.12.31	1.11
6.	High-tech Business Incubator Project (高新技術企業孵化器工程項目)(1)	43,500	43,500	2017.1.1 – 2026.12.31	0.88
7.	High-End Equipment Manufacturing Industry Park – Pilot Area (高端裝備製造產業園-先導區)(1)	72,391	72,391	2017.1.1 – 2026.12.31	0.77
	Total	**395,926**	**395,926**		

Note:

(1) The project was constructed by the Group under an agency construction agreement. In January 2017, the Jiaozhou ETD Zone transferred the ownership of these projects to the Group for nil consideration.

– *Xi'an Jiaotong University Qingdao Research Institute Project* (西安交大青島研究院工程項目)

This project is located in the Jiaozhou Industrial New Area (膠州市產業新區), which is located in the central area of the SCO Demonstration Zone. The main construction works included research and development, or R&D laboratories, classrooms and lecture halls, apartments for senior R&D personnel, production workshops and supporting facilities. This project has a total construction area of approximately 154,445 square metres. The Jiaozhou Industrial New Area was integrated into the "Six Regions and Four Districts of Qingdao City" in 2008. Situated on the western coast of Jiaozhou Bay, it has become an R&D hotspot with great potential. In order to further accelerate the development of the Jiaozhou Industrial New Area and to provide strong technology and talent support for the future development of Jiaozhou and the rest of Qingdao, the Qingdao Jiaozhou Bay Technology Investment Co., Ltd. (青島膠州灣科技投資有限公司) initiated the Xi'an Jiaotong University Qingdao Research Institute Project.

The construction of this project will not only further enhance the ability of Qingdao and Jiaozhou to independently innovate and cultivate high-level talent, which will help transform the trajectory of Qingdao's economic growth, but also deliver high-level scientific research achievements and provide strong intellectual support for Qingdao's knowledge and technological innovation industries.

– *Xi'an Jiaotong University Middle School Engineering Project*(西安交大附中工程項目)

This project is located in the SCO Demonstration Zone. The main construction works include classrooms and lecture halls, cultural and recreational centres, R&D laboratories, student dormitories and supporting facilities. This project has a total construction area of approximately 56,741.8 square metres, of which the above-ground construction area is approximately 52,086.8 square metres and the underground construction area is approximately 4,655 square metres.

This project will play an important role in upgrading public facilities in the SCO Demonstration Zone, as well as improving the quality of education in Jiaozhou.

– *High-tech Business Incubator Project*(高新技術企業孵化器工程項目)

The high-tech enterprise incubator project covers a site area of approximately 104,000 square metres, with a total construction area of approximately 44,000 square metres. The main construction works include ten industrial plants and their supporting facilities, such as water supply and drainage, greening and other amenities.

Phase I of the project involves four steel structure industrial plants each, with a construction area of 3,400 square metres. Phase II involves two steel structure industrial plants and four concrete structure industrial plants.

– *High-end Equipment Manufacturing Industry Park – Pilot Area*(高端裝備製造產業園—先導區)

This project is located in the northern district of the Jiaozhou Industrial New Area. The main construction works include multi-purpose buildings and supporting facilities. This project has a site area of approximately 128,083.3 square metres and a total construction area of approximately 72,313.8 square metres.

This project was constructed to achieve "corporate concentration, industrial agglomeration and land conservation". With a superior investment environment, professional service quality and a good industrial development platform to attract a large number of high-end enterprises, this project will continue to play an active role in promoting the overall development of the SCO Demonstration Zone. The project has provided support to businesses in the service industries in surrounding areas and will provide entrepreneurial opportunities for university graduates and re-employment opportunities for laid-off workers. It will also promote scientific and technological innovation, optimise the local industrial structure and drive the economic transformation of Jiaozhou.

Description of properties for future leasing

The following table sets forth the particulars of the Group's recently completed public service projects as at the date of this Offering Circular. These completed public service projects have not been leased and the Group intends to enter into lease agreements with the relevant governmental authorities in the near future.

No.	Project	Approximate Total Investment	Approximate Total GFA
		(RMB in millions)	*(sq.m.)*
1.	Junior High School Project in the SCO Demonstration Zone (上合示範區初中項目)	350	48,000
2.	Primary School Project in the SCO Demonstration Zone (上合示範區小學項目)	260	35,000
3.	Kindergarten Project in the SCO Demonstration Zone (上合示範區幼兒園項目)	70	9,000
4.	Community Business Service Centre Project (社區商業服務中心項目)	60	7,000
5.	Special Service Fire Station Project (特勤消防站項目)	60	6,000
	Total	**800**	**105,000**

Description of properties under construction

The following table sets forth the particulars of the Group's multi-purpose property projects under construction as at the date of this Offering Circular.

No.	Project	Estimated Total Planned Investment	Estimated Total GFA
		(RMB in millions)	*(sq.m.)*
1.	SCO International Exchange Centre (上合國際交流中心項目)	990	81,000
2.	SCO Enterprise Demonstration Park Project (上合企業示範園項目)	800	91,000
3.	SCO Cross-border E-commerce Innovation Park Project (上合跨境電商創業園項目)	520	63,000
4.	SCO Business Centre (上合商務中心項目)	1,235	82,000
5.	SCO Youth Entrepreneurship Centre Project (上合國家青年創業中心)	2,100	180,000
6.	Sino-French International Salon (中法國際客廳)	200	15,388
7.	Central Business District Underground Parking Complex (中央商務區地下停車場綜合體)	472	65,500
	Total	**6,317**	**577,388**

Trading

Overview

The Group expanded its business into trading in May 2019. As at the date of this Offering Circular, the Group's trading business mainly includes sales of metals, frozen seafood, grain and oil. For the years ended 31 December 2019 and 2020, operating revenue generated from the Group's trading business was RMB157.6 million and RMB609.7 million, respectively, representing 18.6 per cent. and 39.9 per cent. of the Group's operating revenue for the same periods. The Group conducts its trading business through its wholly-owned subsidiary, Qingdao Jiaofa International Trading Co., Ltd. (青島膠發國際貿易有限公司).

Business model

The Group's trading business involves the purchase of commodities from suppliers and on-selling them to its customers, primarily construction companies and trading companies located in Qingdao. The type and volume of goods purchased by the Group from its suppliers depend on orders placed by its downstream customers. Such transaction arrangement enables the Group to minimise inventory risk.

Upon receiving an order placed by its customer, the Group will purchase commodities as specified in such order from its suppliers. The Group typically requires its customers to pay an advance deposit to the Group in an amount as set out in the trading agreement. The Group then purchases the ordered goods from upstream suppliers. Generally the Group will make payments to relevant suppliers immediately after the receipt of required goods without any credit period. Such fast settlement mechanism with suppliers better ensures that the Group obtains preferential prices from its upstream suppliers to avoid the risk of price fluctuations.

The Group is responsible for the delivery of commodities to its customers and the insurance to cover the risk of loss or damage during the carriage. The Group normally settles with its downstream customers on a payment-after-delivery basis and upon confirmation of delivery and examination by its customers, the Group will initiate the payment process with its downstream customers. The Group generally grants a credit period of two to six months to its customers.

The Group funds its trading business primarily through its operating cashflow. Operating revenue reported under this business segment primarily represents the payments received from the downstream customers for the goods procured by the Group.

Suppliers

The table below sets forth the Group's top five suppliers for its trading business by transactional amount and the percentage of the total transactional amount of each for the periods indicated.

	Year ended 31 December			
	2019		2020	
	Amount	Per cent. of total	Amount	Per cent. of total
	(RMB in millions, except for percentages)			
Supplier A	50.3	38.8	111.8	16.7
Supplier B	18.8	14.5	100.1	15.0
Supplier C	16.3	12.6	80.4	12.0
Supplier D	9.4	7.2	80.3	12.0
Supplier E	5.5	4.2	60.4	9.0
Total	**129.7**	**77.3**	**668.2**	**64.7**

Customers

The table below sets forth the Group's top five customers for its trading business by transactional amount and the percentage of the total transactional amount of each for the periods indicated.

	Year ended 31 December			
	2019		2020	
	Amount	Per cent. of total	Amount	Per cent. of total
	(RMB in millions, except for percentages)			
Customer A	44.3	32.3	120.3	17.8
Customer B	28.1	20.5	100.1	14.8
Customer C	27.7	20.2	90.3	13.3
Customer D	23.9	17.4	80.1	11.8
Customer E	12.0	8.7	20.2	3.0
Total	**137.2**	**99.1**	**677.2**	**60.7**

Property development

Overview

Leveraging the desirable living environment in Jiaozhou with convenient transportation solutions and growing number of public cultural and recreational facilities, the Group began to engage in a variety of real property development projects including the construction of residential housing and commercial properties in 2019.

For the years ended 31 December 2019 and 2020, the Group's operating revenue generated from its property development was RMB63.7 million and RMB16.0 million, respectively, representing 7.5 per cent. and 1.0 per cent. of its total operating revenue for the same periods. The Group carries out its property development projects through its subsidiary Qingdao Jiaozhou Bay Hongke Property Co., Ltd.(青島膠州灣宏科置業有限公司), which holds the Qualification Certificate of Real Estate Development(房地產開發企業資質證書)issued by the Urban and Rural Construction Committee of Qingdao(青島市城鄉建設委員會). As at 31 December 2020, the Group has obtained residential and commercial land use rights with a total site area of approximately 1.1 million square metres.

Business Model

The Group primarily develops residential properties for homebuyers in search of a better quality of life in Jiaozhou. The Group's property development process involves site selection and market positioning, land acquisition, financing of property developments, design, property construction, marketing and promotion, pre-sales, sales, payment and mortgage financing and after-sales services. The Group obtains the land use rights through the public bidding, auction and listing process, and engages contractors for the construction of most of its property developments. As at 31 December 2020, the Group's land bank was concentrated in Jiaozhou. The Group intends to carry out its property development projects in line with the Jiaozhou Municipal Government's development strategies.

To ensure the quality of construction, the Group's construction contracts set out specific quality requirements in which, for example, the Group requires its contractors to provide performance guarantees and a detailed construction plan. After the Group obtains the pre-sale permit for a property, it develops its sales strategies and arranges for the distribution and sale of the properties by itself or through sales agents.

Consistent with industry practice, the Group typically enters into purchase contracts with customers while properties are still under development, after satisfying the conditions for pre-sales. The Group does not recognise any operating revenue from the pre-sales of its property until the development of such property is completed and payment for such property has been made in full by relevant customer. Before the delivery of a pre-sold property upon the completion of development, deposits and purchase price or portions thereof received from the Group's customers are recorded as advances from customers under current liabilities on the Group's balance sheet.

The Group typically funds the development of its property through its working capital, pre-sale proceeds and external funding such as bank loans. When the Group obtains external funding, lenders will generally require the Group to pledge the Group's land use rights as security for the land on which the relevant property will be developed.

Project Description

As at 31 December 2020, the Group had completed one property development project, namely Guanlan Wenyuan Phase I(觀瀾文苑一期), with a total gross floor area of approximately 51,600 square metres. The following table sets forth the particulars of Guanlan Wenyuan Phase I(觀瀾文苑一期) as at 31 December 2020.

Project	Location	Site area	Total GFA	GFA sold	Total investment	Payment received
			(sq.m.)		*(RMB in millions)*	
Guanlan Wenyuan Phase I (觀瀾文苑一期)	Jiaozhou	29,283	51,564	14,009	300	132

As at 31 December 2020, the Group had one property development project under construction, namely Guanlan Wenyuan Phase II(觀瀾文苑二期), with an estimated total investment of approximately RMB350 million. The following table sets forth the particulars of Guanlan Wenyuan Phase II(觀瀾文苑二期) as at 31 December 2020.

Project	Location	Site area	Total GFA	GFA sold	Estimated total investment
		(sq.m.)		*(RMB in millions)*	
Guanlan Wenyuan Phase II(觀瀾文苑二期)	Jiaozhou	23,277	65,187	23,411	350

Miscellaneous

Overview

The Group's miscellaneous business includes industrial investment, cultural tourism and other businesses. For the years ended 31 December 2018, 2019 and 2020, operating revenue generated from the Group's miscellaneous business was RMB12.3 million, RMB24.1 million and RMB106.0 million, respectively, representing 2.4 per cent., 2.8 per cent. and 6.9 per cent. of the Group's operating revenue for the relevant periods.

The following table sets forth a breakdown of the operating revenue from each sub-category of the Group's miscellaneous business for the periods indicated:

	Year ended 31 December					
	2018		2019		2020	
	Amount (RMB'000)	Per cent. of total	Amount (RMB'000)	Per cent. of total	Amount (RMB'000)	Per cent. of total
Industrial investment	–	–	–	–	283.0	0.3
Cultural tourism	–	–	163.2	0.7	–	–
Other businesses						
– Service to government	12,211.6	99.4	15,223.6	63.2	44,418.1	41.9
– Property income	72.8	0.6	292.5	1.2	418.4	0.4
– Labour outsourcing	–	–	4,257.7	17.7	34,318.5	32.4
– Sales of product	–	–	–	–	1,403.5	1.3
– Interest income	–	–	4,148.7	17.2	25,169.1	23.7
Total	**12,284.4**	**100.0**	**24,085.8**	**100.0**	**106,010.6**	**100.0**

Industrial investment

The Group commenced its industrial investment business in 2020 in response to the Jiaozhou Municipal Government's plans to attract investments and high-value projects in emerging industries. The Group's industrial investment primarily includes the formation of funds with other companies and equity investments. As at the date of this Offering Circular, the Group has participated in seven funds, in which it acts as a limited partner with an aggregate investment amount of approximately RMB1.6 billion.

Cultural tourism

To improve the living conditions within the SCO Demonstration Zone and increase its commercial attractiveness, the Group started to operate restaurants and provide catering services in 2020. Its SCO Shihui Restaurant (上合食匯酒店) was opened in 2020 with comprehensive catering services. The restaurant is also attached to serviced apartments operated by the Group. As at the date of this Offering Circular, the SCO Business Centre (上合商務中心) is under construction by the Group, and it is expected to serve as a hospitality and leisure complex upon completion. Furthermore, the Group is engaged to participate in the construction and operation of Yanghe Project (洋河項目), which sits at the foot of Ai Mountain (艾山) featuring hotels and rural cultural tourism exhibition centres.

Other businesses

According to the Jiaozhou ETD Zone Management Committee Government Purchased Services Agreement (膠州經濟技術開發區管委會政府購買服務合同) entered into by the Issuer and the Jiaozhou ETD Zone Management Committee in March 2018, the Group provides services to the Jiaozhou ETD Zone Management Committee such as property management services, maintenance of office equipment and operation of restaurant for its staff members. The Issuer provides property management services for its own commercial properties through its subsidiary, Qingdao Jiaozhou Bay City Property Operation Co., Ltd. (青島膠州灣城市物業經營有限公司). Qingdao Jiaofa Human Resources Services Co., Ltd. (青島膠發人力資源服務有限公司), another subsidiary of the Issuer, is primarily responsible for labour outsourcing and providing consulting services in relation to human resources in the SCO Demonstration Zone.

Occupational Safety

The Group regards occupational health and safety as one of its important corporate and social responsibilities. The Group has implemented guidelines setting out the responsibilities of its safety officers. The Group has established a variety of internal rules and operating procedures for work safety, accident handling and safety training. In particular, the Group has promulgated and enforced the "Safety Measures for Construction Safety", "Safety and Civilised Construction Quality Management System" and other internal laws and regulations. As at the date of this Offering Circular, the Group had not experienced any material safety incidents.

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 Issuer is not aware of any environmental proceedings or investigations to which any member of the Group is or might become a party.

Insurance

The contractors engaged in most of the Group's construction projects are required to obtain contractors all-risk and third-party liability insurance. Such policies generally extend for the entire contract period, including the maintenance period following completion of the project. In addition, the Group 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 amounts that 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 the date of the Offering Circular, the Group has 146 employees.

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 the relevant PRC authorities. The Group also makes contributions to an employee housing fund according to applicable PRC regulations. 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

The Group may from time to time be involved in disputes and legal proceedings arising in the ordinary course of its business. To the best of the Issuer's knowledge, there are no current litigation or arbitration proceedings against the Group or any of its directors as at the date of this Offering Circular that could have a material adverse effect on its financial condition or results of operations.

Directors

The board of directors of the Issuer consists of six members, including a chairman and five directors. Each director of the Issuer is appointed for a term of three years, which is renewable upon re-appointment or re-election. The board of directors is primarily responsible for determining business plans and investment proposals.

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

Name	Year of Birth	Position
Lu Wei (逯衛)	1977	Chairman of the board of directors
Li Jianfei (李健飛)	1976	Director and General Manager
Liu Zhenqing (劉振清)	1981	Director and Deputy General Manager
Zhu Bingqiang (朱炳強)	1974	Director and Deputy General Manager
Li Quanwen (李全文)	1971	Director and Deputy General Manager
Wang Yanan (王亞男)	1979	Director and Chief Financing Management Officer

Mr. Lu Wei has been the director of the Issuer since January 2019 and has been the Chairman of the board of directors of the Issuer since November 2021. Mr. Lu previously served as the deputy chief and the chief of the finance department, a member of the party committee and the deputy director of Qingdao Jiaozhou Bay Industrial Park Management Committee (青島膠州灣工業園管委會), the deputy director of the management committee and a member of the party committee of Qingdao Jiaozhou Bay Industrial Base (青島膠州灣產業基地), the deputy director of the management committee and a member of the party committee of Qingdao New Industrial Zone (青島市產業新區). He also served as the deputy director of the service centre of Jiaozhou Economic and Technology Development Zone (膠州經濟技術開發區). Mr. Lu obtained his bachelor's degree in economics from Shandong Academy of Governance in July 2005 and his master's degree in business management from Xinjiang University of Finance and Economics in July 2017.

Mr. Li Jianfei has been the director of the Issuer since November 2021 and has been the general manager of the Issuer since May 2021. Mr. Li previously served as a staff member and the section chief of the Finance Bureau of Jiaozhou (膠州市財政局), the director of Jiaozhou Medical Insurance Management Centre (膠州市醫療保險管理中心) and the deputy general manager of the Issuer. Mr. Li obtained his bachelor's degree in taxation from Shandong University of Finance in July 1999.

Mr. Liu Zhenqing has been the director of the Issuer since November 2021 and has been the deputy general manager of the Issuer since December 2020. Mr. Liu previously served as the chief of the operation section and the operation manager of China Petroleum Seventh Construction Co., Ltd. (中國石油天然氣第七建設有限公司). Mr. Liu obtained his bachelor's degree from the business school of Jilin University.

Mr. Zhu Bingqiang has been the director of the Issuer since November 2021 and has been the deputy general manager of the Issuer since December 2020. Mr. Zhu previously served as the chief of Jiaozhou Municipal Management Office (膠州市政管理處), the chief of Jiaozhou New City Management Committee (膠州市新城管委會), the deputy general manager of Qingdao Jiaozhou New City Construction Development Co., Ltd. (青島膠州市有限公司) and the deputy director of Jiaozhou Planning Bureau (膠州市規劃局). Mr. Zhu has obtained a college degree.

Mr. Li Quanwen has been the director of the Issuer since November 2021 and has been the deputy general manager of the Issuer since August 2019. Mr. Li previously served as the section chief and the deputy director of the government investment audit centre of Jiaozhou Audit Bureau (膠州市審計局). He previously obtained the awards of the bidding evaluation expert of construction projects in Shandong

province, the procurement evaluation expert of the People's Government of Shandong Province and the bidding evaluation expert of water conservancy projects and transportation projects in Qingdao. He also serves as the adviser of the Working Group of Finance of Jiaozhou (膠州市金融工作領導小組) and the associate professor of Qingdao Institute of Technology (青島工學院). Mr. Li is a senior engineer and holds the qualification of first-grade constructor. Mr. Li obtained his bachelor's degree in engineering from Shandong Institute of Architecture Engineering (currently known as Shandong University of Architecture).

Ms. Wang Yanan has been the director of the Issuer since November 2021 and the chief financing management officer of the Issuer since December 2016. She previously served as director of the Finance Department of Qingdao Huadong Calcium Co., Ltd. (青島華東製鈣有限公司). Ms. Wang obtained her bachelor's degree from Qingdao University (青島大學) in 2004.

Supervisor

The supervisor of the Issuer is responsible for monitoring financial matters and overseeing the actions of the directors and the management of the Issuer.

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

Name	Year of Birth	Position
Lv Bochao (呂伯超)	1981	Supervisor

Mr. Lv Bochao has been the supervisor of the Issuer since May 2021. Mr. Lv previously served as a cashier, an accountant, the chief accountant and the financial officer of the finance department of Shandong Lineng Group Co., Ltd. (山東里能集團有限公司), the director of the financial section of Feicheng Mining Group Liangbaosi Energy Co., Ltd. (肥城礦業集團梁寶寺能源有限責任公司) and the project manager of the financing department, the deputy director and the director of the industrial development department of the Issuer. Mr. Lv obtained his bachelor's degree in accounting from China Central Radio and TV University in 2007.

Senior Management

The general manager of the Issuer is responsible for overseeing the day-to-day management of the Issuer's business and operations.

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

Name	Year of Birth	Position
Li Jianfei (李健飛)	1976	Director and General Manager
Liu Zhenqing (劉振清)	1981	Director and Deputy General Manager
Zhu Bingqiang (朱炳強)	1974	Director and Deputy General Manager
Li Quanwen (李全文)	1971	Director and Deputy General Manager
Wang Yanan (王亞男)	1979	Director and Chief Financing Management Officer
Fan Yuze (樊譽澤)	1989	Chief Financial Officer
Sun Peng (孫鵬)	1979	Deputy General Manager and Secretary of the Discipline and Inspection Committee

Mr. Li Jianfei has been the general manager of the Issuer since May 2021. For Mr. Li's biography, see "*– Directors*" above.

Mr. Liu Zhenqing has been the deputy general manager of the Issuer since December 2020. For Mr. Liu's biography, see "– *Directors*" above.

Mr. Zhu Bingqiang has been the deputy general manager of the Issuer since December 2020. For Mr. Zhu's biography, see "– *Directors*" above.

Mr. Li Quanwen has been the deputy general manager of the Issuer since August 2019. For Mr. Li's biography, see "– *Directors*" above.

Ms. Wang Yanan has been the chief financing management officer of the Issuer since December 2016. For Ms. Wang's biography, see "– *Directors*" above.

Mr. Fan Yuze has been the chief financial officer of the Issuer since December 2016. Mr. Fan previously served as the financial assistant of Qingdao Haida Holdings Co., Ltd.(青島海達控股有限公司) and the financial manager of the Issuer. Mr. Fan obtained his bachelor's degree in accounting from Tianjin University of Commerce in July 2014.

Mr. Sun Peng has been the secretary of the discipline and inspection committee of the Issuer of the Issuer since January 2020 and has been the deputy general manager of the Issuer since March 2020. Mr. Sun previously served as deputy director of the Distance Education Centre of the Organisation Department of the Jiaozhou Municipal Committee(膠州市委組織部遠程教育中心), and director of the Organisation Department of the Jiaozhou Municipal Discipline and Inspection Committee(膠州市紀委組織部) and the deputy general manager of the Issuer. Mr. Sun obtained his bachelor's degree from the Naval Submarine Academy of the People's Liberation Army of China(中國人民解放軍海軍潛艇學院) in 2001.

Corporate Governance

The Issuer has established and implemented an effective corporate governance structure. It has adopted a flat organizational structure and set up 11 departments at the Issuer level to be jointly led by the general manager to promote its operational efficiency and to optimise its management structure. These 11 departments include asset management, comprehensive management, finance, financing management, engineering management, industrial development, planning and design, quotation and contracting, inspection and audit, project management and relations between the party and the general public.

The primary duties of the 11 departments are set forth as follows:

- the asset management department is principally responsible for managing the operation and changes in holdings of assets, stocks, properties and its respective certificates, managing the registration of properties, establishing asset management system, formulating and implementing the asset optimization or liquidation plan;

- the comprehensive management department is principally responsible for organizing administrative conferences, meetings and major events, managing internal document and company chops, human resources, IT, staff training and legal documentation;

- the finance department is principally responsible for implementing audit policies, plans and strategies, organizing periodic financial audits, preparing profit distribution plans, coordinating the budget and governmental funding with the municipal and regional branches of the Ministry of Finance, evaluating the internal control system, assisting the implementation of asset management and reorganization initiatives;

- the financing management department is principally responsible for formulating plans for equity investment and financing, managing the investment projects, expanding financing channels and maintaining the relationship with domestic and international financial institutions;

- the engineering management department is principally responsible for managing the entire construction project process and evaluating the state of completion of each project;

- the industrial development department is principally responsible for the review of investment institutions, implementation of review guidelines, management of the shareholding and operation of projects, participation in the fund management committee and reporting on the use of funds to the management committee and relevant governmental authorities;

- the planning and design department is principally responsible for the initial planning, design and review of construction projects, the application for construction project permits and licences, supervision and investigation of construction projects, evaluating the state of completion of the construction projects;

- the quotation and contracting department is principally responsible for the cost estimates, tending and bidding for projects, contract drafting, signing and execution, cost control and payment of projects and record- and book-keeping of contracts;

- the inspection and audit department is principally responsible for conducting evaluation and assessment over the Group's responsibility allocation system, performing auditing and supervision and conducting anti-corruption inspections;

- the project management department is principally responsible for leading and coordinating the project construction process, the construction of projects with definitive design plans and monitoring the status of projects under construction; and

- the department responsible for relations between the party and the general public is principally responsible for the daily management of the party committee, building the integrity and incorruptibility of the party and the foundational work of the party organisations.

In addition, the Issuer has put in place a comprehensive internal control system comprising sub-systems covering various operational aspects, including corporate governance, human resources, data information, business control, budget management, accounting management, financing management, external investment, external guarantees, connected transactions, internal supervision and control, emergency management and information disclosure.

PRC REGULATION

This section is a high-level overview of the principal PRC laws and regulations which are relevant to the issue of the Bonds by the Group's business and operations. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations, nor does it intend to be an exhaustive list of all the principal laws and regulations affecting the Group.

The PRC Legal System

China's legal system covers laws that fall under seven categories and three different levels. The seven categories are the Constitution and Constitution-related, civil and commercial, administrative, economic, social, and criminal laws and the law on lawsuit and non-lawsuit procedures. The three different levels are state laws, administrative regulations and local statutes. In general, court judgments do not constitute binding precedents. However, certain court judgments are used for the purposes of judicial reference and guidance.

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

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC and the Standing Committee of the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul administrative rules, regulations, directives and orders. The People's Congresses or their standing committees of the comparatively larger cities may, in light of the specific local conditions and actual needs, formulate local regulations, provided that they do not contradict the PRC Constitution, the national laws, the administrative regulations and the local regulations of their respective provinces or autonomous regions, and they shall submit the regulations to the standing committees of the people's congresses of the provinces or autonomous regions for approval before implementation.

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

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

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

The PRC Judicial System

Under the PRC Constitution and the Law of Organisation of the People's Courts, the PRC Judicial System is made up of the Supreme People's Court, the local courts, military courts and other special court. The local courts are comprised of the basic courts, the intermediate courts and the higher courts.

The basic courts are organised into civil, criminal, administrative and other divisions. The intermediate courts are organised into divisions similar to those of the basic courts, and are further organised into other special divisions, such as the intellectual property division. The higher level courts supervise the basic and intermediate courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all other courts. The Supreme People's Court has established circuit courts to accept relevant cases within the regions under their circuit jurisdictions. Circuit courts are hearing organs dispatched by the Supreme People's Court. The judgments, rulings and decisions rendered by circuit courts are judgments, rulings and decisions by the Supreme People's Court.

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

The Civil Procedure Law of the PRC, which was adopted on 9 April 1991, amended on 28 October 2007, 31 August 2012, 27 June 2017 and 24 December 2021, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant is domiciled. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff 's or the defendant's place of residence, the place of execution or implementation of the contract, the place of the object of the contract or otherwise connected with the contract or its performance.

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

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

basic legal principles of the PRC, or damage its sovereignty or security, or is not in the interests of the society and public at large, the PRC court will not recognise and enforce the judgment made by a foreign court.

Main Regulatory Authorities and Contents of Supervision

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

- Ministry of Housing and Urban-Rural Development of the PRC (the "**MOHURD**") (formerly Ministry of Construction of the PRC, the "**MOC**") and the competent local departments of MOHURD at various levels are responsible for the comprehensive supervision over the construction industry as well as real estate development qualifications. Such management mainly includes: management of the competency and qualification of market players, approval and verification of the qualifications of various construction enterprises for access to the market, examination and approval of occupational qualifications of individuals in the construction industry, supervision over and management of construction projects, and establishment of industrial standards.

- Ministry of Transport of the PRC (the "**MOT**") and the competent local departments of the MOT at various levels are responsible for the construction projects of ports, airports and highways nationwide.

- NDRC and the local development and reform commissions at various levels are responsible for the investment planning, examination and approval of city infrastructure construction projects.

- Ministry of Ecology and Environment of the PRC (former State Environmental Protection Administration, the "**SEPA**") and the competent local departments of environmental protection at various levels are responsible for the environmental protection management of construction projects.

Regulation on fiscal debts of local governments

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

On 21 September 2014, Circular 43 was promulgated by the State Council. Circular 43 aims to regulate the financing system of local governments and presents four channels. In accordance with Circular 43, financing platforms shall no longer serve the fiscal financing functions or incur new government debts. Public interest projects may be funded by the PRC government through issuing government bonds since the new Budget Law of the PRC, which took effect on 29 December 2018, empowers local governments to issue government bonds and carry out public interest projects with the capital generated, such as city infrastructure construction which may be operated independently by social investors or jointly by the PRC government and social investors through the establishment of special purpose companies. Social investors or such special purpose companies shall invest in accordance with market-oriented principles and may be funded by, among other market-oriented approaches, bank loans, enterprise bonds, project revenue bonds and asset-backed securitisation. Social investors or the special purpose companies shall bear the obligation to pay off such debts and the PRC government shall not be liable for any of the social investors' or special purpose companies' debts. Circular 43 also sets forth the general principles of dealing with existing debts of financing platforms. Based on the auditing results of such debts run by the local governments, the existing debts that should be repaid by the local governments shall be identified, reported to the State Council for approval, and then included in the budget plan of local governments.

On 11 May 2015, Notice on Forwarding the Opinion of the MOF, the PBOC and the CBIRC on the Proper Solution of the Follow-up Financing Issues for Projects under Construction of Financing Platform of Local Governments (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台公司在建項目後續融資問題意見的通知)("**Circular 40**") was promulgated by the General Office of the State Council of the PRC. In accordance with Circular 40, local governments at all levels and banking financial institutions shall properly deal with follow-up financing issues for projects under construction of financing platform companies. Projects under construction refer to projects that have started construction upon the completion of examination, approval or filing procedures in accordance with the relevant regulations by competent investment authorities before the date on which Circular 43 was promulgated.

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

- Support stock financing needs for projects under construction. Local governments at all levels and banking financial institutions shall ensure the orderly development of projects under construction. For the loans to the projects under construction of financing platform companies, if the loan contracts with legal effect had been signed before 31 December 2014 and the loans had been granted but the contracts have not yet expired, banking financial institutions shall, under the premise of fully controlling risks and implementing credit conditions, continue to grant loans as agreed in the contracts, and shall not call in loans in advance, delay or suspend the granting of loans.

- Regulate increment financing for projects under construction. Local governments at all levels shall pay close attention to the incremental financing needs which are expected to be given for the projects under construction of the financing platform companies, and shall, under the premise of compliance with laws and regulations and standard administration, make overall arrangements for various kinds of capital such as fiscal capital and social capital and ensure the continuation and completion of projects under construction. For the projects under construction of financing platform companies for which the loan amount in the contracts that have been signed fails to meet the construction needs, if it is suitable for them to adopt a government and social capital cooperation mode, they shall prioritise the adaptation of such a mode to make up the construction needs. If they are in compliance with the relevant PRC regulations without any other funding sources for construction, but the PRC government and social capital cooperation mode is not suitable temporarily, the increment financing needs shall be incorporated into government budget management and solved through issuing government bonds by local governments as required by law and the relevant regulations.

- Administer in an effective and proper manner to follow-up financing for projects under construction. Banking financial institutions shall carefully check the destinations of the loans, and focus on supporting the projects under construction of financing platform companies such as farmland water conservancy facilities, affordable housing projects and urban railway systems etc.

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

On 28 March 2018, MOF announced the MOF Circular, pursuant to which the offering circular for any local state-owned enterprise's bond issuance should not include any explicit or implied suggestion of government credit support, such as inclusion of the revenue and expenditure of the local government or its debt levels, and should not make misleading marketing of the bond by reference to the local government's credit, and shall clearly state in the offering circular that the local government only bears limited liability to the extent of its amount of contribution in such a state-owned enterprise, and that the debt should be repaid by the local state-owned enterprise itself. On 11 May 2018, the Joint Circular was released which reiterates the PRC government's position to isolate the debt of local government financing vehicles from the relevant local government and to control the increase of the local governments' debt. The Joint Circular requires companies that plan to borrow medium and long-term foreign debt to establish a sound and standardized corporate governance structure, management decision-making mechanism and financial management system. It further requires that the assets owned by such companies should be of good quality and clear ownership and it is forbidden to use public interest assets to be included in corporate assets.

Regulation on real estate developers

Establishment of a real estate developer

Under the Law of the PRC on Administration of Urban Real Estate (中華人民共和國城市房地產管理法) ("**Urban Real Estate Law**"), which was promulgated by the Standing Committee of the National People's Congress on 1 January 1995 and was last amended and became effective on 1 January 2020, a "real estate developer" refers to an enterprise which engages in the development and sale of real estate for profit-making purposes. Urban Real Estate Law, together with the Regulations on Administration of Development of Urban Real Estate (城市房地產開發經營管理條例) ("**Development Regulations**"), which was promulgated by the State Council on July 20, 1998 and last amended on 19 November 2020, stipulate that a real estate developer must meet the following requirements: (1) registered capital must be RMB1 million or more; and (2) it must employ four or more full-time real estate or construction professionals and two or more full-time accounting officers, each of whom must hold the relevant qualification certificate.

Qualifications of a real estate developer

Pursuant to the Provisions on Administration of Qualifications of Real Estate Developers (房地產開發企業資質管理規定) ("**Provisions on Administration of Qualifications**"), last amended by MOHURD on 13 December 2018 and became effective on 22 December 2018, a real estate developer shall apply for registration of its qualifications. An enterprise is not permitted to engage in the development and sale of properties without a qualification classification certificate. The construction administration authorities of the State Council are responsible for monitoring the qualifications of all real estate developers nationwide, and local real estate development authorities at or above the county level are responsible for monitoring the qualifications of local real estate developers. The Provisions on Administration of Qualifications divide real estate developers into four classes.

Class 1 qualifications are subject to approval of the construction administration authorities of the State Council, while Class 2, 3 or 4 qualifications are regulated by the construction administration authorities at the provincial level. A Class 1 real estate developer is not restricted with respect to the scale of its real estate projects and may undertake a real estate development nationwide. A real estate developer with Class 2 or lower qualifications may only undertake a project with a gross floor area of less than 250,000 square metres. The business scope of a developer with Class 2 or lower qualifications is determined by the construction administration authorities at the provincial level.

Under the Provisions on Administration of Qualifications, the real estate development authorities will examine applications for registration of qualifications submitted by real estate developers from different aspects including the registered capital and financial condition of developers, lengths of time they have conducted real estate development business, the number of professionals they employ, performance and operating results from past real estate operations and their quality control systems. The qualification examination authority will grant the qualification certificate of the relevant class to the real estate developer that passes the qualification examination. A real estate developer shall only conduct the real estate development pursuant to the approved class of qualification.

Regulations on land and the development of real estate projects

Land grants

In April 1988, the NPC passed an amendment to the Constitution of the PRC. The amendment allowed the transfer of land use rights for value to prepare for reforms of the legal regime governing the use of land and transfer of land use rights. In December 1988, the Standing Committee of the NPC amended the Land Administration Law of the PRC（中華人民共和國土地管理法）to permit the transfer of land use rights for value.

Under the Provisional Regulations of the People's Republic of China on Grant and Transfer of the Land Use Rights of State-owned Urban Land（中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例）implemented by the State Council on 19 May 1990 and was amended on 29 November 2020, a system of grant and transfer of the right to use state-owned land was adopted. A land user shall pay land premium to the government as consideration for the grant of the right to use a land site within a certain term, and the land user may transfer, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the Urban Real Estate Law, the land administration authority under the local government of the relevant city or county shall enter into a grant contract with the land user to provide for the grant of land use rights. The land user shall pay the land premium as provided by the grant contract. The Development Regulations provide that the land use rights for a land parcel intended for real estate development shall be obtained through grant except for land use rights which may be obtained through appropriation pursuant to PRC laws or the stipulations of the State Council.

Under the Regulations regarding the Grant of State-Owned Land Use Rights by Way of Public Bidding, Auction and Listing Procedure（招標拍賣掛牌出讓國有土地使用權規定）issued by the MLR on 9 May 2002 and implemented on 1 July 2002 (the "**2002 Regulations**") and revised on 28 September 2007 with the name Regulations regarding the Grant of State-Owned Construction Land Use Rights by Way of Public Bidding, Auction and Listing Procedure（招標拍賣掛牌出讓國有建設用地使用權規定）(the "**2007 Regulations**") effective on 1 November 2007, land for industry (except land for mining), commercial use, tourism, entertainment and commercial residential properties, and land for which there are two or more intended users must be granted by way of the public bidding, auction and listing procedure. A number of measures in the 2007 Regulations ensure such grants of land use rights for commercial purposes are conducted openly and fairly. For instance, the local land and resources administration authorities must take into account various social, economic and planning considerations when deciding on the use of a certain piece of land, and its decision regarding land use designation is subject to the approval of the local government. The grantee shall apply for land registration and obtain the land use rights certificate upon full payment of the land premium for the land according to the land grant contract. In the event that the land premium for the land is not paid in full, the grantee will not

receive the land use rights certificate. In addition, the announcement of public bidding, auction and listing procedure must be made 20 days prior to the date on which such competitive process begins. Further, the 2007 Regulations stipulate that for listings on a land exchange, the time period for accepting bids must be no less than ten days. Following the 2002 Regulations, the MLR and the Ministry of Supervision (now known as the National Supervisory Commission) issued the Notice on Continuing the Review of the Implementation of the Grant of Land Use Rights for Commercial Uses By Soliciting Public Bidding, Auction and Listing Procedure on a Land Exchange（關於繼續開展經營性土地使用權招標拍賣出讓情況執法監察工作的通知）on 31 March 2004, which requires all local land administration authorities to strictly enforce the 2002 Regulations. In addition, the MLR and the Ministry of Supervision required that beginning from 31 August 2004, no land use rights for commercial uses granted by way of agreement shall be dealt with due to reasons stemming from historical legal legacy issues. In the Urgent Notice of the General Office of the State Council on Intense Regulation and Rectification of the Land Market and Strict Administration of Land（國務院辦公廳關於深入開展土地市場治理整頓嚴格土地管理的緊急通知), issued by the General Office of the State Council on 29 April 2004, the approval process for the change of use from agricultural land to non-agricultural land for development was suspended for a certain period so that the PRC government could rectify irregularities in land development in China. On 13 May 2011, the MLR implemented the Opinions on Upholding and Improving the System for the Transfer of Land by Public Bidding, Auction and Listing Procedure（國土資源部關於堅持和完善土地招標拍賣掛牌出讓制度的意見), which provides, among other things (i) how to correctly implement the land grant policy through the public bidding, auction and listing procedure; (ii) an explanation of improvements in the transparency of the public bidding, auction and listing procedure for housing land; (iii) an explanation of adjustments and improvements to the land grant policy through the public bidding, auction and listing procedure; (iv) promotion of online operation of the grant of land use rights; and (v) improvement in contracts for land grants through the public bidding, auction and listing procedure.

On 1 August 2003, the MLR implemented the Regulations on the Grant of State-owned Land Use Rights by Agreement（協議出讓國有土地使用權規定), According to which if there is only one interested entity interested in using the land, the land use rights (excluding profit-oriented land for commercial use, tourism, entertainment and commercial residential properties etc.) may be granted by way of agreement. If two or more entities are interested in the land use rights to be granted, such land use rights shall be granted by means of public bidding, auction and listing.

The Measures on the Administration of Reserved Land（土地儲備管理辦法), implemented by the MOF, the PBOC and the MLR and CBIRC on 3 January 2018, define "reserved land" and stipulate the administrative, regulatory and implementing procedures involved with the management, planning, allocation, use, development, capital expenditure and supply of reserved land. The measures clarify that land must be reserved in accordance with the relevant land programs or plans, and that in determining land reserves priority must be given to land included in state inventories which is unused, unoccupied or under-utilised.

On 18 November 2009, the MOF, the MLR, the PBOC, the National Audit Office and the Ministry of Supervision issued the Notice on Further Strengthening the Land Grant Revenue and Expenditure Management（關於進一步加強土地出讓收支管理的通知）jointly, which stipulates:

- The land and resources administration authorities at municipality and county level must specify the land transfer price, rent and the total sum of the allocated land price, payment time and payment mode in the state-owned land grant contract, lease contract and letter of decision on appropriation. If the land use conditions have been changed upon approval according to law, land and resources administration authorities at municipality and county level must specify the additional price of the land that shall be paid in the land grant and lease contracts and the payer shall pay the sum of money as stipulated by the contract. If a unit or individual fails to pay up the land price as

required, the land and resources administration authorities at municipality and county level must neither approve nor issue the state-owned land use rights certificate nor issue any severed certificate according to the proportion of the land price paid.

- In principle, the term for paying the full land grant price by instalments agreed between the land and resources administration authorities at municipality and county level and land transferee pursuant to law shall not exceed one year. The proportion of first payment shall not be less than 50.0 per cent. of the total land grant price.

Planning of construction projects

On 1 January 2008, the Standing Committee of the NPC implemented the PRC City and Countryside Planning Law (中華人民共和國城鄉規劃法) which was amended on 24 April 2015 and 23 April 2019, pursuant to which a construction planning permit must be obtained from the relevant urban and rural planning government authorities at municipality and county level or the township government designated by the government of the province, autonomous region, or centrally-administered municipality for building any structure, fixture, road, pipeline or other engineering project within an urban or rural planning area. After obtaining the construction works planning permit, a construction project developer shall apply for a construction work permit from the housing and urban-rural development authorities under the government at the county or a higher level where the project is located in accordance with the Measures for the Administration of Construction Permit for Construction Projects (建築工程施工許可管理辦法) implemented by MOHURD on 25 October 2014 and last amended on 30 March 2021, unless the measures provide otherwise. According to the Notice Regarding Strengthening and Regulating the Administration of Newly-commenced Projects (國務院辦公廳關於加強和規範新開工項目管理的通知) issued by the General Office of the State Council on 17 November 2007, before commencement of construction, all kinds of investment projects shall fulfil certain conditions, including, among others, compliance with national industrial policies, development construction plans, land supply policy and market access standards, completion of all approval, examination and filing procedures, compliance with zoning plans in terms of siting and layout, completion of proper land use procedures and obtaining proper environmental valuation approvals, completion of energy saving evaluation and examination and completion of construction work commencement permits or construction start-up reports.

In accordance with the Development Regulations and the Regulation on the Quality Management of Construction Projects (建設工程質量管理條例)("**Quality Management Regulations**") implemented by the State Council on 30 January 2000 and amended on 7 October 2017 and 23 April 2019, the Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and City Infrastructure (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) implemented by MOHURD on 4 April 2000 and amended on 19 October 2009 and the Rules for the Confirmation of the Completion of Housing Construction and City Infrastructure Projects (房屋建築和市政基礎設施工程竣工驗收規定) implemented by MOHURD on 2 December 2013, after the completion of construction of a project, the construction project must undergo inspection and receive the relevant approvals from local authorities which include approvals from planning bureau, police and fire authorities and environmental protection authorities.

Lease of buildings

The Administration Measures for Commodity Housing Tenancy (商品房屋租賃管理辦法) was issued on 1 December 2010 and came into effect on 1 February 2011. The parties to a real estate lease shall go through the lease registration formalities with the competent construction (real estate) administration authorities of the centrally-administered municipality, city or county where the housing is located, within 30 days after the lease contract is signed. Failure to comply with above provision, there will be a fine below RMB1,000 on individuals who fail to make corrections within the specified time limit, and a fine between RMB1,000 and RMB10,000 on units which fail to make corrections within the specified time limit.

Real estate registration

According to the Interim Regulations on Real Estate Registration（不動產登記暫行條例）("**Interim Regulations**") issued by the State Council on 24 November 2014 and effective on 1 March 2015, and was amended on 24 March 2019, which amendment became effective on the same date, the PRC applies a uniform registration system over real estate. Under this system, ownership of buildings and land use right shall be registered in accordance with the provisions of the Interim Regulations. If registration is applied by reasons of transfer or settlement of mortgage, the application for registration shall be made jointly by both parties. However, the first registration application for the real estate without registration record could be filed by either party involved. Any interested party could apply to inquire about and obtain the real estate registration materials in accordance with the law. The real estate registration authorities shall provide the information as required. Furthermore, the Interim Regulations confirmed that various types of real estate ownership certificates issued prior to the implementation of the Interim Regulations shall remain valid.

The Implementing Rules of the Interim Regulations on Real Estate Registration（不動產登記暫行條例實施細則）(the "**Implementing Rules**") was implemented by MLR on 1 January 2016 and was amended on 24 July 2019. The Implementing Rules stipulate that after first filing the application for real estate registration, the real estate registration authority shall perform a site inspection. The owners and interested parties may inquire about and obtain the relevant real estate registration information. The Implementing Rules also clarify that real estate registration information shall be managed by the relevant real estate registration authorities, which shall establish a real estate registration information management system and an information safety and confidentiality system. No individual or entity shall disclose such real estate registration information.

Regulation on idle land

The Notice on Promoting the Saving and Intensive Use of Land（國務院關於促進節約集約用地的通知）, issued by the State Council on 3 January 2008, aims at optimising the utilisation of land. It provides that if a piece of land has been idle for two years or more, it must be taken back without any compensation resolutely and rearranged for other uses; if a piece of land has been idle for more than one year but less than two years, the real estate developer shall pay the idle land surcharge at 20 per cent. of the land grant premium.

Bidding and tendering management

Bidding and tendering for various construction projects have been provided for in the Bidding and Tendering Law of the PRC（中華人民共和國招標投標法）promulgated by the Standing Committee of the NPC on 30 August 1999 which became effective on 1 January 2000 and was amended on 27 December 2017, Regulation on the Implementation of the Bidding and Tendering Law of the PRC（中華人民共和國招標投標法實施條例）promulgated by the State Council on 20 December 2011 which became effective on 1 February 2012 and was amended on 1 March 2017 and 2 March 2019 and which amendment became effective on the same date, Measures for the Construction Bidding and Tendering of Construction Projects（工程建設項目施工招標投標辦法）jointly promulgated by NDRC, MOC, MOR, MOT, Ministry of Information Industry of the PRC, Ministry of Water Resources of the PRC, and Civil Aviation Administration of China promulgated on 8 March 2003 which became effective on 1 May 2003 and was amended on 11 March 2013 and which amendment became effective on 1 May 2013, Administrative Measures for the Bidding and Tendering of Design of Construction Projects（建築工程設計招標投標管理辦法）issued by MOHURD on 24 January 2017 and became effective on 1 May 2017 and Administrative Measures for the Bidding and Tendering of Housing Construction and City 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 13 March 2019, which amendment became effective on the same date.

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

The process of bidding and tendering consists of five stages including bid invitation, tendering, bid opening, bid evaluation and bid award. The principles of openness, fairness, fair competition and principle of honesty and credibility 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 Measures for the Construction Bidding and Tendering of Construction Projects, if any project that should undergo bidding as required by law fails to go through the bidding process or the bidding process 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 1.0 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 directly 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(一)）issued by the Supreme People's Court of the PRC on 29 December 2020 and which became effective on 1 January 2021, 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 be deemed void.

Quality management

Laws and regulations on project quality mainly include Construction Law of the PRC（建築法）which became effective on 1 March 1998 and amended on 22 April 2011 which amendment became effective on 1 July 2011 and was amended on 23 April 2019, which amendment became effective on the same date, Quality Management Regulations（建設工程質量管理條例）which became effective on 30 January 2000 and amended on 23 April 2019, which amendment became effective on the same date, 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 1 April 2021 and became effective on the same date, Administrative Measures for Completion Acceptance Record of Building Construction and City Infrastructure Projects（房屋建築和市政基礎設施工程竣工驗收備案管理辦法）issued by MOHURD on 19 October 2009 and became effective on the same date, Measures for Quality Warranty of Building Construction Projects（房屋建築工程質量保修辦法）issued by MOC on 30 June 2000 and became effective on the same date, Regulations on the Construction of Port Projects（港口工程建設管理規定）promulgated by MOT on 15 January 2018 which became effective on 1 March 2018 and was amended on 28 November 2018, which amendment became effective on the same date, 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 its implementation rules（公路工程竣(交)工驗收辦法實施細則）which was promulgated on 27 January 2010 and Measures for the Management of Construction Project Quality Deposits（建設工程質量保證金管理辦法）issued by the MOHURD and the Ministry of Finance on 20 June 2017 and became effective on 1 July 2017.

According to the Quality Management Regulations, all the building, surveying, designing, construction and supervision units shall be responsible for the quality of 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 PRC (中華人民共和國環境保護法) amended by the Standing Committee of the NPC on 24 April 2014 which became effective on 1 January 2015, Law on Environmental Impact Assessment of the PRC (中華人民共和國環境影響評價法) promulgated by the Standing Committee of the NPC on 28 October 2002 which became effective on 1 September 2003 and last amended on 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 the State Council on 29 November 1998 and became effective on the same date and amended on 16 July 2017. The Ministry of Ecology and Environment of the PRC (the "**MEE**") supervises environmental protection work in the PRC and establishes national standards for the discharge of pollutants. Each of the local environmental protection bureaus is responsible for the environmental protection work within their respective jurisdictions.

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 with respect to construction projects. After the completion of a construction project, the competent administrative department of environmental protection will undergo an environmental protection acceptance process and assess whether the construction project has met the requirements for environmental protection.

Air pollution

The Air Pollution Prevention Law (大氣污染防治法), promulgated on 29 April 2000 by the Standing Committee of the NPC, which became effective on 1 September 2000 and was amended on 26 October 2018 and became effective on the same date, establishes the legal framework for air pollution prevention in the PRC. The MEE formulates national air quality standards. Each of the local environmental protection bureaus is authorised to regulate air pollution within each of their respective jurisdictions by formulating specific local standards and may impose penalties for violation.

Water pollution

The Water Pollution Prevention Law (中華人民共和國水污染防治法), promulgated on 11 May 1984 by the Standing Committee of the NPC, which became effective on 1 November 1984, and last amended on 27 June 2017, establishes the legal framework for water pollution prevention in the PRC. The MEE formulates national waste discharge standards. Enterprises that discharge waste into water shall pay a treatment fee. Each of the local environmental protection bureaus is authorised to regulate water pollution within each of its respective jurisdictions by formulating more specific local standards, and may impose penalties for violation, including suspending operations.

Noise pollution

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

Construction projects

The Environmental Impact Appraisal Law of the PRC (中華人民共和國環境影響評價法), promulgated by the Standing Committee of the NPC on 28 October 2002, which became effective on 1 September 2003, and was amended on 29 December 2018, which amendment became effective on the same date, and the Administrative Regulations on Environmental Protection of Construction Projects (建設項目環境保護管理條例), promulgated by the State Council on 29 November 1998, which became effective on 29 November 1998 and was amended on 16 July 2017, require enterprises planning construction projects to engage qualified professionals to provide assessment reports on the environmental impact of such projects. The assessment report shall be filed with and approved by the relevant environmental protection bureau prior to the commencement of any construction work. The construction project shall not commence operation, unless inspected and approved by the relevant environmental protection bureau.

Labour

Employment contracts

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

Employee funds

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

Regulations on work safety

According to the Work Safety Law of the PRC (中華人民共和國安全生產法) effective from 1 November 2002 and last amended on 1 June 2021 and became effective on 1 September 2021, if anything relating to work safety shall be subject to examination and approval according to the provisions of the relevant laws and regulations (including approval, verification, permission, registration, certification, granting licences, and etc.), the departments responsible for work safety supervision and administration must carry out the examination and approval by strictly following the relevant laws and regulations as well as the conditions and procedures for safe production as required by national or industrial standards. In the event that the administrative department in charge of examination and

approval discovers or receives reports that any entity has unlawfully engaged in relevant activities without obtaining approval or without passing the examinations for acceptance, it shall revoke the unlawful act without delay and handle the case according to the law.

Regulation on the issuance of foreign bonds

Pursuant to the NDRC Circular, which was promulgated by the NDRC and became effective on 14 September 2015, where domestic enterprises and overseas enterprises controlled by them or their overseas branches issue foreign debts, which are debt instruments of no less than one year tenor that are denominated in domestic currency or foreign currency with the capital repaid and interest paid as agreed, including bonds issued overseas and long and medium-term international commercial loans, the enterprises shall apply to the NDRC for dealing with the formalities of record-filing and registration before issuance. The NDRC shall decide whether to accept such application within five working days upon the receipt of the application and provide the Record-filing and Registration Certification of Issuance of Foreign Debts by Enterprises within seven working days after acceptance. The enterprises shall submit the issuance information to the NDRC within 10 working days after the completion of each issuance.

Regulation on the foreign exchange administration

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

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.

Hong Kong

Withholding Tax

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

Profits Tax

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

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

(i) 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;

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

(iii) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

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

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

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

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

Stamp Duty

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

PRC

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

EIT and IIT

Pursuant to the EIT Law, the IIT Law and the implementation regulations in relation to both the EIT Law and the IIT Law, PRC income tax at a rate of 10 per cent. or 20 per cent. is normally applicable to PRC-source income derived by non-resident enterprises or individuals, respectively, subject to adjustment by applicable treaty. As the Issuer is a PRC resident enterprise for tax purposes, interest paid to non-resident Bondholders may be regarded as PRC-sourced, and therefore be subject to PRC income tax at a rate of 10 per cent. for non-resident enterprise Bondholders and at a rate of 20 per cent. for non-resident individual Bondholders (or a lower treaty rate, if any).

Such income tax shall be withheld by the Issuer that is acting as the obligatory withholder and such PRC enterprise shall withhold the tax amount from each payment or payment due. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non-PRC resident enterprise Bondholders.

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by enterprise holders would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, under the IIT Law, any individual who has no domicile and does not live within the territory of the PRC or who has no domicile but has lived within the territory of China for less than 183 days cumulatively within a tax year shall pay individual income tax for any income obtained within the PRC. There is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such

income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Tax Arrangement, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

VAT

Under Circular 36 which introduced a new VAT from 1 May 2016 to replace business tax, VAT is applicable where the entities or individuals provide services within the PRC. The revenues generated from the provision of taxable sale of services by entities and individuals, such as financial services, shall be subject to PRC VAT if the seller or buyer of the services is within the PRC. In the event that non-PRC entities or individuals do not have a business establishment in the PRC, the purchaser of services shall act as the withholding agent. According to the Explanatory Notes to Sale of Services, Intangible Assets and Real Property attached to Circular 36, financial services refer to the business activities of financial and insurance operation, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments, and the VAT rate is 6 per cent.. Accordingly, the interest and other interest like earnings received by a non-PRC resident Bondholder from the Issuer is likely to be subject to PRC VAT at the rate of 6 per cent., and consequently, the Issuer will be obligated to withhold VAT of 6 per cent. and certain surcharges on payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals. And as the withholding agent, the Issuer shall calculate the withholding tax according to the following formula: withholding tax = price paid by the purchaser ÷ (1 + tax rate) × tax rate. According to the Circular of the State Council on the Unification of the System of Urban Maintenance and Construction Tax (the "**UMCT**") and Education Surcharges (the "**Education Surcharges**") for Domestic and Foreign Enterprises and Individual (Guofa [2010] No. 35)(國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), foreign-invested enterprises, foreign enterprises and foreign individuals will be subject to the UMCT and Education Surcharges effective from 1 December 2010. Therefore, while withholding VAT, domestic issuers should withhold UMCT and Education Surcharges on the basis of VAT tax. The rates of UMCT is 7 per cent. and the tax rate for Education Surcharges is 3 per cent. According to the Circular of Shandong Province on the Adjustment of the Scope and Standard of Local Education Surcharges ("**Local Education Surcharges**") (Luzhengzi [2010] No. 307)(山東省人民政府關於調整地方教育費附加徵收範圍和標準有關問題的通知) and Circular of Office of the People's Government of Shandong on Further Clarifying and Standardizing Government Funds and Administrative Fees (Luzhengbanzi [2017] No.83)(山東省人民政府辦公廳關於進壹步清理規範政府性基金和行政事業性收費的通知), while withholding VAT, domestic issuers should withhold Local Education Surcharges and local foundation for water works surcharges on the basis of VAT tax. The tax rate for Local Education Surcharges is 2 per cent. and the tax rate for local foundation for water works surcharges is 0.5 per cent.. Therefore, the amount of interest payable by the Issuer to any non-PRC resident Bondholder may be subject to certain local levies of 12.5 per cent. of the VAT payment, so consequently the combined rate of the VAT and such local levies would be around 6.75 per cent.. However, there is uncertainty as to whether gains derived from a sale or exchange of Bonds consummated outside of the PRC between non-PRC resident Bondholders will be subject to PRC VAT. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties. However, despite the withholding of the PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to holders of the Bonds so that holders of the Bonds would receive the full amount of the scheduled payment, as further set out in "*Terms and Conditions*".

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.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Hong Kong and the PRC) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change.

Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment". Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Bonds, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Joint Lead Managers dated 25 February 2022 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, 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.

	Principal amount of the Bonds to be subscribed
	U.S.$
Central Wealth Securities Investment Limited	84,000,000
China Galaxy International Securities (Hong Kong) Co., Ltd	82,000,000
TFI Securities and Futures Limited	10,000,000
Industrial Bank Co., Ltd. Hong Kong Branch	60,000,000
China Zheshang Bank Co., Ltd. (Hong Kong Branch)	5,000,000
Luso International Banking Limited	5,000,000
Zhongtai International Securities Limited	5,000,000
Huatai Financial Holdings (Hong Kong) Limited	5,000,000
Shenwan Hongyuan Securities (H.K.) Limited	5,000,000
Guoyuan Capital (Hong Kong) Limited	5,000,000
CMBC Securities Company Limited	2,000,000
Haitong Bank, Macau Branch	2,000,000
Haitong International Securities Company Limited	2,000,000
DBS Bank Ltd.	2,000,000
CMB Wing Lung Bank Limited	2,000,000
Bank of China Limited	2,000,000
Hua Xia Bank Co., Limited Hong Kong Branch	2,000,000
ABCI Capital Limited	2,000,000
China International Capital Corporation Hong Kong Securities Limited	2,000,000
Guotai Junan Securities (Hong Kong) Limited	2,000,000
CNCB (Hong Kong) Capital Limited	2,000,000
Orient Securities (Hong Kong) Limited	2,000,000
CMB International Capital Limited	2,000,000
China CITIC Bank International Limited	2,000,000
China Industrial Securities International Brokerage Limited	2,000,000
SunRiver International Securities Group Limited	2,000,000
Huaan Securities (Hong Kong) Brokerage Limited	Nil
Tensant Securities Limited	2,000,000
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 and/or its 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 and/or its 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 an investor for its own account and may take up Bonds in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the Bonds being "offered" should be read as including any offering of the Bonds to the 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 its 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 the Issuer or its subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions 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, any of the Joint Lead Managers appointed and acting in its capacity as a 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 Bonds is made and, if begun, may be ended at any time, but must end after a limited period. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Stabilising Manager.

General

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

No action has been or will be taken in any jurisdiction by the Issuer or the 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 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 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 in such jurisdiction.

United States

The Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Bonds are being offered and sold outside the United States in reliance on Regulation S.

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

United Kingdom

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

(e) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

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

Hong Kong

Each of the Joint Lead Managers has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to 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 under the SFO.

The People's Republic of China

Each of the Joint Lead Managers has represented, warranted and undertaken 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 Hong Kong and the Macau Special Administrative Region or Taiwan), except as permitted by the applicable laws of the PRC.

Singapore

Each of the Joint Lead Managers has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead Managers has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the 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 the Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

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

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

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and 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:

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

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

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

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

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

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

Japan

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

Macau

The Bonds have not been and will not be promoted, distributed, sold or delivered in Macau, or any document relating to the Bonds be distributed or circulated in Macau, except under the terms of and in compliance with the Macau Financial System Act and Guidelines no. 009/B/2019-DSB/AMCM and any other laws in Macau that may apply to the offer and sale of the Bonds in Macau. The Bonds have not been and will not be registered or otherwise authorised for public offer under the Financial System Act of Macau and Guidelines no. 009/B/2019-DSB/AMCM, thus may not be offered or sold in Macau, unless such offer is made by Macau licensed entities according to the Macau Financial System Act and upon their communication to the Macau Monetary Authority and the MOX, in observation of the guidelines and recommendations issued by the Macau local regulatory authority from time to time.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

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

In making an investment decision, each investor must rely upon its own examination of the Issuer, the terms of the offering and other disclosure contained herein. Each investor should consult its own professional advisers for an understanding 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.

Accounting Year

Under the PRC GAAP, the accounting year shall run from 1 January to 31 December.

IFRS requires financial statements to be presented at least annually. However, it does not specify the start or end of the financial reporting period and permits an entity to change its reporting date.

Reversal of an Impairment Loss

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

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

Classification of Expenses in the Income Statement/Statement of Comprehensive Income

Under the PRC GAAP, expenses must be classified based on their function in the income statement.

Under IFRS, enterprises may classify expenses either based on the nature of the expenses or their function in the statement of comprehensive income, depending on which format is considered reliable and more relevant.

Related Party Disclosures

Under PRC GAAP, government-related entities are not treated as related parties.

Under IFRS, government-related entities are still treated as related parties.

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.

GENERAL INFORMATION

1. **Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 243548390 and ISIN XS2435483909.

2. **LEI:** The Issuer's Legal Entity Identifier ("**LEI**") is 5493008XGDB5UPDJ4K56.

3. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of the Bonds 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 shareholder of the Issuer dated 28 September 2021 and a resolution of the executive director of the Issuer dated 28 September 2021.

4. **No Material and Adverse Change:** There has been no material adverse change in the condition (financial or other), prospects, results of operations, business, properties or general affairs of the Issuer or the Group since 31 December 2020.

5. **Litigation:** None of the Issuer or any other member of the Group is involved in any litigation or arbitration proceedings which could have a material and adverse effect on their businesses, results of operations and financial condition nor is the Issuer aware that any such proceedings are pending or threatened.

6. **Available Documents:** Copies of the Issuer's audited consolidated financial statements as at and for the years ended 31 December 2019 and 2020, the Trust Deed and the Agency Agreement relating to the Bonds will be available for inspection from the Issue Date at the Issuer's registered office at No.1 of Changjiang Road, Jiaozhou Economic and Technology Development Zone, Jiaozhou, Shandong, China, and (to the extent that the Issuer has provided the foregoing to the Trustee) following prior written request and proof of holding and identity to the satisfaction of the Trustee at the principal place of business of the Trustee at all reasonable times during normal business hours (being 9.00 a.m. (Hong Kong time) to 3.00 p.m. (Hong Kong time)), so long as any Bond is outstanding.

7. **Financial Statements:** The consolidated financial statements of the Issuer as at and for the years ended 31 December 2019 and 2020, which are included elsewhere in this Offering Circular, have been audited by CAAP, as stated in its reports appearing herein.

8. **Listing of Bonds:** Applications will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in the Bonds by way of debt issue to Professional Investors only and such permission is expected to become effective on or about 4 March 2022.

   Application will be made to the MOX for the listing of the Bonds by way of debt issues to MOX Professional Investors only and such permission is expected to become effective on or about 4 March 2022. Admission to the listing of the Bonds on the MOX shall not be taken as an indication of the merits of the Issuer or the Bonds.

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China Audit Asia Pacific Certified Public Accountants (Special General Partnership)

AUDIT REPORT

QINGDAO JIAOZHOU BAY DEVELOPMENT GROUP CO., LTD.
FINANCIAL STATEMENTS AND REPORT OF THE AUDITORS
FOR THE YEAR ENDED 31 December 2019

BEIJING CHINA

Important Notice

The attached financial statements have been translated from the statutory financial statements prepared in accordance with the Accounting Standards for Business Enterprises in China (the "PRC GAAP"). In the event of any differences in interpreting the financial statements, the Chinese version shall prevail.

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Audit Report

China Audit Asia Pacific Shen Zi (2020) No. 020295

To Qingdao Jiaozhou Bay Development Group Co., Ltd.:

I. Auditor's Opinion

We have audited the financial statements of Qingdao Jiaozhou Bay Development Limited (hereinafter referred to as 'Jiaozhou Bay Development Limited'), which comprises the consolidated and company balance sheet as of 31 December 2019, and the consolidated and company income statement, the consolidated and company cash flow statement and the consolidated and company statement of changes in owner's equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects and give a true and fair view of the consolidated and company financial position of Jiaozhou Bay Development Limited as of 31 December 2019 and of its consolidated and company operating results and cash flows for the year then ended.

II. Basis for opinions

We have conducted our audit in accordance with the Chinese Auditing Standards issued by the Chinese Institute of Certified Public Accountants. Our responsibilities under those standards are further described in the responsibilities of certified public accountants for the audit of the financial statements section of the auditors' report. We are independent of Jiaozhou Bay Development Limited in accordance with the ethical codes of Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the codes. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Responsibilities of the management and governing bodies for the financial statements

The management of Jiaozhou Bay Development Limited is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Accounting Standards for Business Enterprises, and also for designing, implementing and maintaining the internal control system as necessary such that the financial statements are free from material misstatement, whether due to fraud or error.

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

The governing bodies are responsible for overseeing the financial reporting process of Jiaozhou Bay Development Limited.

IV. Responsibilities of certified public accountants for the audit of the financial statements

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

As part of an audit in accordance with the auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also performed the following works:

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

B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

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

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

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

We communicated with the governing bodies regarding, among other matters, the planned scope and timing of the audit and the significant audit findings, including any significant deficiencies in internal control that they identify during the audit.

China Audit Asia Pacific
Certified Public Accountants
(Special General Partnership)

PRC Certified Public Accountant:

(Project Partner)

PRC Certified Public Accountant:

Beijing, China

April 25, 2020

Consolidated Balance Sheet

Prepared by: Qingdao Jiaozhou Bay Development Group Co., Ltd.

Currency: Rmb

Items	Notes	Balance as of December 31,2019	Balance as of December 31,2018	Items	Notes	Balance as of December 31,2019	Balance as of December 31,2018
Current Assets:				**Current Liabilities:**			
Cash and cash equivalents	8.1	1,620,251,704.22	1,183,254,174.99	Short-term loans	8.15	1,061,898,000.00	657,530,000.00
Financial assets measured at fair value through profit or loss for the current period				Financial liabilities measured at fair value through profit or loss for the current period			
Derivative financial assets				Derivative financial liabilities			
Notes receivable				Notes payable			
Accounts receivable	8.2	152,798,968.70	86,473,838.00	Accounts payable	8.16	1,132,425,203.35	4,096,507,082.70
Advances to suppliers	8.3	1,957,866,395.41	3,044,140,249.86	Accounts advanced from customers	8.17	112,414,495.52	56,861,935.00
Other receivables	8.4	7,507,283,588.91	3,747,825,593.66	Salary and wages payable	8.18	176,763.20	
Inventories	8.5	18,578,311,279.34	19,412,942,774.64	Taxes and dues payable	8.19	460,618,464.19	362,392,555.03
Held for sale assets				Other payables	8.20	134,669,449.86	92,079,910.61
Non-current assets due within one year				Held for sale debt			
Other current assets	8.6	80,154,965.58	38,571,457.33	Non-current liabilities due within one year	8.21	1,775,801,909.97	2,430,035,181.64
Total Current Assets		29,896,666,902.16	27,513,208,088.48	Other current liabilities	8.22	350,000,000.00	
Non-current Assets:				**Total Current Liabilities**		5,028,004,286.09	7,695,406,664.98
Available-for-sale financial assets	8.7			**Non-current liabilities:**			
Held-to-maturity investment				Long-term loans	8.23	4,736,750,000.00	5,423,250,000.00
Long-term accounts receivable				Bonds payable	8.24	8,726,099,665.63	3,355,507,646.66
Long-term equity investments	8.7	403,884.80	429,255.13	Bonds payable-Preferred Stock			
Investment Properties	8.8	1,621,824,322.71	1,585,286,840.71	Bonds payable-Perpetual debt			
Fixed assets at net book value	8.9	312,716,732.21	333,927,151.57	Payables due after one year	8.25	1,046,610,037.91	1,128,256,167.65
Construction in progress	8.10	1,013,355,111.88	600,800,279.63	Long-term employee benefits payable			
Live stock assets				Provisions			
Oil and gas assets				Deferred income			
Intangible assets	8.11	111,219,846.24	101,664,724.38	Deferred income tax liabilities	8.26	1,094,272.50	3,459,463.52
Capitalized research and development expenses				Other non-current liabilities			
Goodwill				**Total Non-current Liabilities**		14,510,553,976.04	9,910,473,277.83
Long-term prepaid assets				**Total Liabilities**		19,538,558,262.13	17,605,879,942.81
Deferred income tax assets	8.12	130.00		**Owners'/Shareholders' Equity:**			
Other non-current assets	8.13	39,093,997.36	53,248,509.30	Paid in capital	8.27	1,200,000,000.00	200,000,000.00
Total Non-current Assets		3,098,614,025.20	2,675,356,760.72	Other equity instruments			
				Other equity instruments-Preferred Stock			
				Other equity instruments-Perpetual debt			
				Capital surplus	8.28	10,513,674,671.40	10,731,623,513.00
				Less: Retained stock			
				Other comprehensive income			
				Special reserve			
				Surplus reserve	8.29	136,265,177.89	100,000,000.00
				Undistributed profit	8.30	1,601,236,209.90	1,546,661,433.63
				Equity attributable to parent company		13,451,176,059.19	12,578,284,946.63
				*Minority interests		5,546,606.04	4,399,959.76
				Total Owners'/Shareholders' Equity		13,456,722,665.23	12,582,684,906.39
Total Assets		32,995,280,927.36	30,188,564,849.20	**Total Liabilities & Owners' Equity**		32,995,280,927.36	30,188,564,849.20

Legal Representative: Financial controller: Head of the financial department:

Consolidated Income Statement

Prepared by: Qingdao Jiaozhou Bay Development Group Co., Ltd. Currency: Rmb

Items	Notes	Amount fot the year 2019	Amount fot the year 2018
I. Operating revenue	8.31	846,481,774.94	506,314,073.81
Less: Operating costs	8.31	704,819,094.87	400,815,559.10
Sales tax and surcharges	8.32	147,752,438.63	194,084,029.05
Selling expenses	8.33	12,021,413.19	6,948,684.93
General and administrative expenses	8.34	64,121,597.79	78,989,265.23
Research and development expenses	8.35		6,000,000.00
Financial expenses	8.36	23,962,813.65	7,386,056.94
Including: Interest expense		322,804.70	134,357.41
Interest income		11,247,439.25	3,268,546.84
Add: Miscellaneous incomes	8.37	261,032,966.15	430,000,000.00
Investment income (loss expressed with "-")	8.38	-25,370.33	-3,591,156.07
Including:Income from associates and joint ventures			-255,502.67
Income from changes in fair value (loss expressed with "-")			
Impairment of assets(loss expressed with "-")		-520.00	
Disposal of assets	8.39	2,985,918.73	97,685.29
II. Operating profit/loss (loss expressed with "-")		157,797,411.36	238,597,007.78
Add:Non-operating income	8.40	20,725.09	30,728.24
Less:Non-operating expenses	8.41	2,342,682.43	1,625,288.01
III. Profit/loss before income tax		155,475,454.02	237,002,448.01
Less:Income tax	8.42	63,488,853.58	69,276,492.06
IV. Net profit/loss (loss expressed with "-")		91,986,600.44	167,725,955.95
1. Classification by ownership:			
Net profit attributable to parent company		90,839,954.16	168,645,777.94
Profit/loss attributable to minority share-holders		1,146,646.28	-919,821.99
2. Classification by business continuity:			
Continuous operation Profit/loss		91,986,600.44	167,725,955.95
Terminate the operation Profit/loss			
V. Each component of other comprehensive income, net of income tax effect			
1. Other comprehensive income which will not be reclassified subsequently to profit or loss			
1.1 As a result of remeasurement of net defined benefit plan liability or asset			
1.2 Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss			
2. Other comprehensive income which will be reclassified subsequently to profit or loss when specific conditions are met			
2.1 Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss when specific conditions are met			
2.2 Gains or losses arising from changes in fair value of available-for-sale financial assets			
2.3 Gains or losses arising from reclassification of held-to-maturity investments as available-for-sale financial assets			
2.4 The effective hedging portion of gains or losses arising from cash flow hedging instruments			
2.5 Translation differences arising on translation of foreign currency financial statements			
2.6 Others			
VI. Total comprehensive earning		91,986,600.44	167,725,955.95
Total comprehensive income attributable to parent company		90,839,954.16	168,645,777.94
*Total comprehensive income attributable to minority share-holders		1,146,646.28	-919,821.99
VII. Earning Per Share			
1.Primary earnings per share			
2.Diluted earnings per share			

已审会计报表
中审亚太会计师事务所（特殊普通合伙）

Legal Representative: Financial controller: Head of the financial department:

Consolidated Cash Flow Statement

Prepared by: Qingdao Jiaozhou Bay Development Group Co., Ltd. Currency: Rmb

Items	Notes	Amount fot the year 2019	Amount fot the year 2018
I. Cash Flows From Operating Activities			
Cash received from sale of goods or rendering of services		1,112,786,216.58	775,128,452.05
Refund of tax and levies		750.00	
Other cash received relating to operating activities		1,295,380,822.71	1,404,487,404.01
Sub-total of cash inflows from operating activties	8.43	2,408,167,789.29	2,179,615,856.06
Cash paid for goods and services		2,651,527,271.90	1,863,708,393.08
Cash paid to and on behalf of employees		13,224,905.59	9,118,060.68
Payments of all types of taxes		179,842,038.05	220,973,391.55
Other cash paid relating to operating activities		3,571,186,659.95	2,147,019,009.60
Sub-total of cash outflows from operating activties		6,415,780,875.49	4,240,818,854.91
Net cash flows from operating activities		-4,007,613,086.20	-2,061,202,998.85
II. Cash Flows From Investing Activities			
Cash received from recovery of investments			9,796,023.84
Cash received from returns on investments			
Net cash received from disposal of fixed assets, intangible assets & other long-term assets			97,685.29
Net cash from disposal of Subsidiary and other operating entitie			
Other cash received relating to investing activities			
Sub-total of cash inflows from investing activities		-	9,893,709.13
Cash paid to acquire fixed assets, intangible assets & other long-term assets		399,567,447.79	366,744,727.12
Cash paid to acquire investments			
Net cash obtained from subsidiary and other operating entities			
Other cash payments relating to investing activities		3,003,200.67	
Sub-total of cash outflows from investing activities		402,570,648.46	366,744,727.12
Net cash flows from investing activities		-402,570,648.46	-356,851,017.99
III.Cash Flows From Financing Activities			
Cash received from capital contribution			
Cash received from borrowings		1,566,898,000.00	1,948,063,000.00
Cash received from issuing bonds		5,955,958,775.40	2,864,401,635.70
Other cash received relating to financing activities			
Sub-total cash flows from financing activities		7,522,856,775.40	4,812,464,635.70
Cash repayments of amounts borrowed		2,583,582,725.26	1,534,500,000.00
Cash payments for interest expenses and distribution of dividends or profit			
Other cash payments relating to financing activities		109,979,970.96	575,935,806.47
Sub-total cash flows from financing activities		2,693,562,696.22	2,110,435,806.47
Net cash flows from financing activities		4,829,294,079.18	2,702,028,829.23
IV. Effect of Foreign Exchange Rate Changes On Cash		17,887,184.71	-5,200,107.91
V. Net Increase/(Decrease) In Cash And Cash Equivalents	8.43	436,997,529.23	278,774,704.48
Add: Cash and cash equivalents at the beginning of the year		1,183,254,174.99	904,479,470.51
VI.Cash and cash equivalents at the end of the year		1,620,251,704.22	1,183,254,174.99

已审会计报表

Legal Representative: Financial controller: Head of the financial department:

Consolidated Statement of Changes in owner's Equity

Prepared by: Qingdao Jiaozhou Bay Development Group Co., Ltd.

Currency: Rmb

Items	Amount for the year 2019										
	Paid in capital	Other equity instruments		Capital surplus	Less: Treasury Stock	Other comprehensive income	Special reserve	Surplus Reserve	Undistributed Profits	Minority interests	Total owner's equity
		Preferred Stock	Perpetual debt								
I. Closing balance last year	200,000,000.00			10,731,623,513.00				100,000,000.00	1,546,661,433.63	4,399,959.76	12,582,684,906.39
Add:Change in accounting policy											
Corrections of prior period errors											
Business combinations under common control											
Others											
II. Opening balance this year	200,000,000.00			10,731,623,513.00				100,000,000.00	1,546,661,433.63	4,399,959.76	12,582,684,906.39
III. Fluctuation amount this year (decrease expressed with "-")	1,000,000,000.00			-217,948,841.60				36,265,177.89	54,574,776.27	1,146,646.28	874,037,758.84
1.Total comprehensive income									90,839,954.16	1,146,646.28	91,986,600.44
2. Capital paid in and reduced by owners	1,000,000,000.00			-217,948,841.60							782,051,158.40
2.1. Ordinary shares paid by shareholders	1,000,000,000.00										1,000,000,000.00
2.2. Capital paid by holders of other equity instruments											
2.3. Amount of share-based payments recognised in owners' equity											
2.4.Others				-217,948,841.60							-217,948,841.60
3.Profit distribution								36,265,177.89	-36,265,177.89		
3.1.Appropriation of surplus reserve								36,265,177.89	-36,265,177.89		
3.2.Distribution to owners (shareholders)											
3.3.Others											
4.Internal transfer of owners' equity											
4.1.Capital surplus to increase capital											
4.2.Surplus reserve to increase capital											
4.3.Surplus reserve making up losses											
4.4 Undistributed profits transferred to capital (or equity)											
4.5. Set the benefit plan change amount to carry forward retained earnings											
4.6.Others											
5.Appropriation and use of special reserve											
5.1.Appropriation of special reserve											
5.2.Use of special reserve											
6.Others											
IV.Closing balance this year	1,200,000,000.00			10,513,674,671.40				136,265,177.89	1,601,236,209.90	5,546,606.04	13,456,722,665.23

Legal Representative:

Financial controller:

Head of the financial department:

Consolidated Statement of Changes in owner's Equity

Prepared by: Qingdao Jiaozhou Bay Development Group Co., Ltd.

Currency: Rmb

Items	Amount for the year 2018											
	Paid in capital	Other equity instruments			Capital surplus	Less: Treasury Stock	Other comprehensive income	Special reserve	Surplus Reserve	Undistributed Profits	Minority interests	Total owner's equity
		Preferred Stock	Perpetual debt	Others								
I. Closing balance last year	200,000,000.00				10,731,251,713.00				100,000,000.00	1,378,015,655.69	5,319,781.75	12,414,587,150.44
Add: accounting policy change												
Corrections of prior period errors												
Business combinations under common control												
Others												
II. Opening balance this year	200,000,000.00				10,731,251,713.00				100,000,000.00	1,378,015,655.69	5,319,781.75	12,414,587,150.44
III. Fluctuation amount this year (decrease expressed with "-")					371,800.00					168,645,777.94	-919,821.99	168,097,755.95
1.Total comprehensive income										168,645,777.94	-919,821.99	167,725,955.95
2. Capital paid in and reduced by owners					371,800.00							371,800.00
2.1. Ordinary shares paid by shareholders												
2.2. Capital paid by holders of other equity instruments												
2.3. Amount of share-based payments recognised in owners' equity												
2.4.Others					371,800.00							371,800.00
3.Profit distribution												
3.1.Appropriation of surplus reserve												
3.2.Distribution to owners (shareholders)												
3.3.Others												
4.Internal transfer of owners' equity												
4.1.Capital surplus to increase capital												
4.2.Surplus reserve to increase capital												
4.3.Surplus reserve making up losses												
4.4 Undistributed profits transferred to capital (or equity)												
4.5. Set the benefit plan change amount to carry forward retained earnings												
4.6.Others												
5.Appropriation and use of special reserve												
5.1.Appropriation of special reserve												
5.2.Use of special reserve												
6.Others												
IV.Closing balance this year	200,000,000.00				10,731,623,513.00				100,000,000.00	1,546,661,433.63	4,399,959.76	12,582,684,906.39

Legal Representative:

Financial controller:

Head of the financial department:

Balance Sheet

Prepared by: Qingdao Jiaozhou Bay Development Group Co., Ltd.

Currency: Rmb

Items	Notes	Balance as of December 31,2019	Balance as of December 31,2018	Items	Notes	Balance as of December 31,2019	Balance as of December 31,2018
Current Assets:				**Current Liabilities:**			
Cash and cash equivalents		1,110,684,921.89	1,013,574,708.45	Short-term loans		100,000,000.00	
Financial assets measured at fair value through profit or loss for the current period				Financial liabilities measured at fair value through profit or loss for the current period			
Derivative financial assets				Derivative financial liabilities			
Notes receivable				Notes payable			
Accounts receivable				Accounts payable		1,098,604,297.94	4,056,355,228.84
Advances to suppliers		1,915,943,167.00	3,034,570,249.86	Accounts advanced from customers		59,426.20	
Other receivables	14.1	5,331,438,135.99	3,492,229,951.12	Salary and wages payable			
Inventories		14,087,758,170.55	14,423,935,044.01	Taxes and dues payable		391,770,192.57	317,124,930.09
Held for sale assets				Other payables		1,721,600,800.56	4,738,978,524.52
Non-current assets due within one year				Held for sale debt			
Other current assets			249,459.78	Non-current liabilities due within one year		618,376,452.24	1,061,090,231.64
Total Current Assets		22,445,824,395.43	21,964,559,413.22	Other current liabilities		350,000,000.00	
Non-current Assets:				**Total Current Liabilities**		4,280,411,169.51	10,173,548,915.09
Available-for-sale financial assets				**Non-current liabilities:**			
Held-to-maturity investment				Long-term loans		294,000,000.00	98,000,000.00
Long-term accounts receivable				Bonds payable		8,726,099,665.63	3,355,507,646.66
Long-term equity investments	14.2	2,034,403,884.80	2,382,330,355.13	Bonds payable-Preferred Stock			
Investment Properties		373,433,264.36	373,760,590.61	Bonds payable-Perpetual debt			
Fixed assets at net book value		199,620,063.78	211,278,404.53	Payables due after one year		387,490,617.92	544,103,514.68
Construction in progress		161,782,021.50	76,608,926.43	Long-term employee benefits payable			
Live stock assets				Provisions			
Oil and gas assets				Deferred income			
Intangible assets				Deferred income tax liabilities			
Capitalized research and development expenses				Other non-current liabilities			
Goodwill				**Total Non-current Liabilities**		9,407,590,283.55	3,997,611,161.34
Long-term prepaid assets				**Total Liabilities**		13,688,001,453.06	14,171,160,076.43
Deferred income tax assets				**Owners'/Shareholders' Equity:**			
Other non-current assets		3,886,536.01	3,886,536.01	Paid in capital		1,200,000,000.00	200,000,000.00
Total Non-current Assets		2,773,125,770.45	3,047,864,812.71	Other equity instruments			
				Other equity instruments-Preferred Stock			
				Other equity instruments-Perpetual debt			
				Capital surplus		8,504,874,611.04	9,177,841,826.66
				Less: Retained stock			
				Other comprehensive income			
				Special reserve			
				Surplus reserve		136,265,177.89	100,000,000.00
				Undistributed profit		1,689,808,923.89	1,363,422,322.84
				Total Owners'/Shareholders' Equity		11,530,948,712.82	10,841,264,149.50
Total Assets		25,218,950,165.88	25,012,424,225.93	**Total Liabilities & Owners' Equity**		25,218,950,165.88	25,012,424,225.93

Legal Representative: 逯卫

Financial controller:

Head of the financial department:

Income Statement

Prepared by: Qingdao Jiaozhou Bay Development Group Co., Ltd.

Currency: Rmb

Items	Notes	Amount fot the year 2019	Amount fot the year 2018
I. Operating revenue	14.3	794,538,798.11	702,422,346.01
Less: Operating costs	14.3	457,327,136.93	408,101,260.54
Sales tax and surcharges		114,915,596.72	106,614,187.84
Selling expenses		2,483,761.29	3,158,040.84
General and administrative expenses		41,291,310.17	34,243,805.98
Research and development expenses			
Financial expenses		10,959,030.21	8,321,106.63
Including: Interest expense			
Interest income		9,779,810.36	2,152,186.64
Impairment of assets			
Add: Miscellaneous incomes		241,032,966.15	100,000,000.00
Investment income (loss expressed with "-")	14.4	-3,506,764.05	-3,591,156.07
Including:Income from associates and joint ventures			-255,502.67
Income from changes in fair value (loss expressed with "-")			
Impairment of assets(loss expressed with "-")			
Disposal of assets			
II. Operating profit/loss (loss expressed with "-")		405,088,164.89	238,392,788.11
Add:Non-operating income		500.20	30,000.08
Less:Non-operating expenses		1,886,293.17	63,781.42
III. Profit/loss before income tax		403,202,371.92	238,359,006.77
Less:Income tax		40,550,592.98	34,677,264.12
IV. Net profit/loss (loss expressed with "-")		362,651,778.94	203,681,742.65
Including: Continuous operation Profit/loss		362,651,778.94	203,681,742.65
Terminate the operation Profit/loss			
V. Each component of other comprehensive income, net of income tax effect			
1. Other comprehensive income which will not be reclassified subsequently to profit or loss			
1.1 As a result of remeasurement of net defined benefit plan liability or asset			
1.2 Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss			
2. Other comprehensive income which will be reclassified subsequently to profit or loss when specific conditions are met			
2.1 Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss when specific conditions are met			
2.2 Gains or losses arising from changes in fair value of available-for-sale financial assets			
2.3 Gains or losses arising from reclassification of held-to-maturity investments as available-for-sale financial assets			
2.4 The effective hedging portion of gains or losses arising from cash flow hedging instruments			
2.5 Translation differences arising on translation of foreign currency financial statements			
2.6 Others			
VI. Total comprehensive earning		362,651,778.94	203,681,742.65

已审会计报表
中审亚太会计师事务所(特殊普通合伙)

Legal Representative: Financial controller: Head of the financial department:

Cash Flow Statement

Prepared by: Qingdao Jiaozhou Bay Development Group Co., Ltd. Currency: Rmb

Items	Notes	Amount fot the year 2019	Amount fot the year 2018
I. Cash Flows From Operating Activities			
Cash received from sale of goods or rendering of services		733,176,477.09	650,053,958.80
Refund of tax and levies			
Other cash received relating to operating activities		2,821,718,096.91	3,096,994,633.43
Sub-total of cash inflows from operating activties		3,554,894,574.00	3,747,048,592.23
Cash paid for goods and services		2,057,802,127.65	149,708,737.90
Cash paid to and on behalf of employees		10,632,284.43	7,629,370.68
Payments of all types of taxes		131,661,408.10	112,701,865.05
Other cash paid relating to operating activities		6,744,321,988.71	2,822,172,590.82
Sub-total of cash outflows from operating activties		8,944,417,808.89	3,092,212,564.45
Net cash flows from operating activities		-5,389,523,234.89	654,836,027.78
II. Cash Flows From Investing Activities			
Cash received from recovery of investments			9,796,023.84
Cash received from returns on investments			
Net cash received from disposal of fixed assets, intangible assets & other long-term assets			
Net cash from disposal of Subsidiary and other operating entitie			
Other cash received relating to investing activities			
Sub-total of cash inflows from investing activities		-	9,796,023.84
Cash paid to acquire fixed assets, intangible assets & other long-term assets		105,326,691.78	
Cash paid to acquire investments			
Net cash obtained from subsidiary and other operating entities		34,000,000.00	1,700,000,000.00
Other cash payments relating to investing activities			
Sub-total of cash outflows from investing activities		139,326,691.78	1,700,000,000.00
Net cash flows from investing activities		-139,326,691.78	-1,690,203,976.16
III.Cash Flows From Financing Activities			
Cash received from capital contribution			
Cash received from borrowings		320,000,000.00	
Cash received from issuing bonds		5,955,958,775.40	2,864,401,635.70
Other cash received relating to financing activities			
Sub-total cash flows from financing activities		6,275,958,775.40	2,864,401,635.70
Cash repayments of amounts borrowed		572,000,000.00	587,000,000.00
Cash payments for interest expenses and distribution of dividends or profit			
Other cash payments relating to financing activities		95,885,820.00	456,139,033.70
Sub-total cash flows from financing activities		667,885,820.00	1,043,139,033.70
Net cash flows from financing activities		5,608,072,955.40	1,821,262,602.00
IV. Effect of Foreign Exchange Rate Changes On Cash		17,887,184.71	-5,200,107.91
V. Net Increase/(Decrease) In Cash And Cash Equivalents		97,110,213.44	780,694,545.71
Add: Cash and cash equivalents at the beginning of the year		1,013,574,708.45	232,880,162.74
VI.Cash and cash equivalents at the end of the year		1,110,684,921.89	1,013,574,708.45

已审会计报表 中审亚太会计师事务所（特殊普通合伙）

Legal Representative: Financial controller: Head of the financial department:

Statement of Changes in Owner's Equity

Prepared by: Qingdao Jiaozhou Bay Development Group Co., Ltd.

Currency: Rmb

Items	Amount for the year 2019										
	Paid in capital	Other equity instruments			Capital surplus	Less: Treasury Stock	Other comprehensive income	Special reserve	Surplus Reserve	Undistributed Profits	Total owner's equity
		Preferred Stock	Perpetual debt	Others							
I. Closing balance last year	200,000,000.00				9,177,841,826.66				100,000,000.00	1,363,422,322.84	10,841,264,149.50
Add:Change in accounting policy											
Corrections of prior period errors											
Others											
II. Opening balance this year	200,000,000.00				9,177,841,826.66				100,000,000.00	1,363,422,322.84	10,841,264,149.50
III. Fluctuation amount this year (decrease expressed with "-")	1,000,000,000.00				-672,967,215.62				36,265,177.89	326,386,601.05	689,684,563.32
1.Total comprehensive income										362,651,778.94	362,651,778.94
2. Capital paid in and reduced by owners	1,000,000,000.00				-672,967,215.62						327,032,784.38
2.1. Ordinary shares paid by shareholders	1,000,000,000.00										1,000,000,000.00
2.2. Capital paid by holders of other equity instruments											
2.3. Amount of share-based payments recognised in owners' equity											
2.4.Others					-672,967,215.62						-672,967,215.62
3.Profit distribution									36,265,177.89	-36,265,177.89	
3.1.Appropriation of surplus reserve									36,265,177.89	-36,265,177.89	
3.2.Distribution to owners (shareholders)											
3.3.Others											
4.Internal transfer of owners' equity											
4.1.Capital surplus to increase capital											
4.2.Surplus reserve to increase capital											
4.3.Surplus reserve making up losses											
4.4 Undistributed profits transferred to capital (or equity)											
4.5. Set the benefit plan change amount to carry forward retained earnings											
4.6.Others											
5.Appropriation and use of special reserve											
5.1.Appropriation of special reserve											
5.2.Use of special reserve											
6 Others											
IV.Closing balance this year	1,200,000,000.00				8,504,874,611.04				136,265,177.89	1,689,808,923.89	11,530,948,712.62

Legal Representative:

Financial controller:

Head of the financial department:

Statement of Changes in Owner's Equity

Prepared by: Qingdao Jiaozhou Bay Development Group Co., Ltd.

Currency: Rmb

Items	Amount for the year 2018										
	Paid in capital	Other equity instruments			Capital surplus	Less: Treasury Stock	Other comprehensive income	Special reserve	Surplus Reserve	Undistributed Profits	Total owner's equity
		Preferred Stock	Perpetual debt	Others							
I. Closing balance last year	200,000,000.00				9,177,507,300.00				100,000,000.00	1,159,740,580.19	10,637,247,880.19
Add: Change in accounting policy											
Corrections of prior period errors											
Others											
II. Opening balance this year	200,000,000.00				9,177,507,300.00				100,000,000.00	1,159,740,580.19	10,637,247,880.19
III. Fluctuation amount this year (decrease expressed with "-")					334,526.66					203,681,742.65	204,016,269.31
1.Total comprehensive income										203,681,742.65	203,681,742.65
2. Capital paid in and reduced by owners					334,526.66						334,526.66
2.1. Ordinary shares paid by shareholders											
2.2. Capital paid by holders of other equity instruments											
2.3. Amount of share-based payments recognised in owners' equity											
2.4.Others					334,526.66						334,526.66
3.Profit distribution											
3.1.Appropriation of surplus reserve											
3.2.Distribution to owners (shareholders)											
3.3.Others											
4.Internal transfer of owners' equity											
4.1.Capital surplus to increase capital											
4.2.Surplus reserve to increase capital											
4.3.Surplus reserve making up losses											
4.4 Undistributed profits transferred to capital (or equity)											
4.5. Set the benefit plan change amount to carry forward retained earnings											
4.6.Others											
5.Appropriation and use of special reserve											
5.1.Appropriation of special reserve											
5.2.Use of special reserve											
6.Others											
IV.Closing balance this year	200,000,000.00				9,177,841,826.66				100,000,000.00	1,363,422,322.84	10,841,264,149.50

Legal Representative:

Financial controller:

Head of the financial department:

QINGDAO JIAOZHOU BAY DEVELOPMENT GROUP CO., LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2019

(Unless otherwise specified in the notes, the currency unit shall be RMB)

1. General information

Qingdao Jiaozhou Bay Development Group Co., Ltd. (hereinafter referred to as 'the Company'), was approved to be established on November 21, 2007 by the CPC Jiaozhou Municipal Committee "Notice of the Decision of the Standing Committee of the CPC Jiaozhou Municipal Committee" ([2007] No. 12). The Jiaozhou Financial Investment Center, Jiaozhou Industrial New Area Management Committee, and Qingdao Jiaozhou New City Construction Development Co., Ltd. have invested RMB 30 million, RMB 150 million and RMB 20 million respectively, with a registered capital of RMB 200 million.

In 2013, According to the Jiao Guo Guan FA[2013]No.4 document "Review on the Transfer of State-owned Equity of Qingdao Jiaozhou Bay Development Co., Ltd." and "Transferred Capital Contribution Agreement of Qingdao Jiaozhou Bay Development Co., Ltd." issued by Jiaozhou State-owned (Group) Assets Management Committee, the shareholders of Jiaozhou Industrial New Area Management Committee transferred all of its 75 per cent equity interests in the Qingdao Jiaozhou Bay Development Co., Ltd. to the Jiaozhou Economic Technological Development Zone Management Committee.

In 2019, According to the Jiao Guo Zi Wei[2018]No.39 document "Review on the Transfer of State-owned Equity of Qingdao Jiaozhou Bay Development Co., Ltd." and "Transferred Capital Contribution Agreement of Qingdao Jiaozhou Bay Development Co., Ltd." issued by Jiaozhou State-owned Assets Management Committee, the shareholders of Jiaozhou State-owned (Group) Assets Management Committee ,Jiaozhou Industrial New Area Management Committee, Qingdao Jiaozhou New City Construction Development Co., Ltd. transferred all of its 100 per

cent equity interests in the Qingdao Jiaozhou Bay Development Co., Ltd. to the Jiaozhou State-owned Assets Supervision and Administration Office. After the change of rights, Jiaozhou State-owned Assets Supervision and Administration Office held 100% equity of the company. On May 3, 2019, Jiaozhou State-owned Assets Supervision and Administration Office was changed to Jiaozhou State-owned Assets Service Center.

Registration Number: 370281018022400; Registered Capital: RMB 200 million. Legal representative: Lu Wei; Accommodation: No. 1, Changjiang Road, Jiaozhou Economic and Technological Development Zone, Jiaozhou Bay Industrial Base, Jiaozhou, Qingdao, Shandong Province.

Scope of business: investment in enterprises, enterprise management and management planning, investment management consulting, real estate development, infrastructure investment; wholesale, retail, construction materials, water conservancy construction. (Projects that are subject to approval according to law may not be allowed to carry out business activities until approved by the relevant department).

Qingdao Jiaozhou Bay Development Co., Ltd. was changed to Qingdao Jiaozhou Bay Development Group Co., Ltd. on January 23, 2019.

2. Basis of preparation of the financial statements

The Company's financial statements are based on going concern assumption, as well as the actual transactions and events, in accordance with the regulations of the "The Accounting Standards for Business Enterprises - Basic Standards" and the specific accounting standards promulgated by the Ministry of Finance (herein after collectively referred to as "The Accounting Standards for Business Enterprises"), and also based on the following important accounting policies and accounting estimates.

3. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statement prepared by the Company follows the requirements of the Enterprise Accounting Standards, and it truly and completely reflects the financial status of the Company as of 31 December 2019 and the operating results and cash flow for the year 2019 and other relevant information.

4. Explanation of important accounting policies and accounting estimates

4.1 Accounting period

The Company's accounting year starts on 1 January and ends on 31 December.

4.2 Recording currency

The recording currency is the Renminbi (RMB).

4.3 Cash and Cash equivalents

Cash and cash equivalents include the cash in hand and deposits held at call with bank.

Cash equivalents represent short-term (mostly maturity in three month) and highly liquid investments which are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value.

4.4 Foreign Currency Operation and Translation of Statements

(1) Foreign currency translation

Foreign currency transactions are translated into RMB using the exchange rates prevailing on the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets.

Non-monetary items that are measured at historical cost in a foreign currency

should be translated into RMB using the spot exchange rate on the transaction date. Non-monetary items that are measured at fair value in a foreign currency should be translated into RMB using the spot exchange rates on the date when the fair value was determined, and the exchange differences between the translated bookkeeping currency amount and the original bookkeeping base currency amount is treated as a change in fair value (including exchange rate changes). Should be recognized in the profit or loss for the period or recognized as other comprehensive income and included in capital reserve.

(2) Translation of foreign currency financial statements

If the Company's holding subsidiaries, joint ventures, associates, etc., don't use the same bookkeeping currency as the Company's, they need to translate the foreign currency financial statements, and then perform accounting and consolidation of financial statements.

Assets and liabilities items in the balance sheet are translated at the spot exchange rate on the balance sheet date. Owner's equity items save for "undistributed profit" items, are translated at the spot exchange rate at the time of occurrence. Income and expense items in the income statement are translated using the spot exchange rate on the transaction date. The translation difference of the foreign currency financial statements resulting from translation is shown below in the other comprehensive income of the owner's equity items in the balance sheet.

Foreign currency cash flow is determined according to a systematic and reasonable method, using the spot exchange rate on the transaction date. The impact of exchange rate changes on cash is separately presented in the cash flow statement.

When disposing of overseas operations, the foreign currency translation differences related to the overseas operations are all transferred to the profit or loss of the current period of disposal according to the proportion of disposal of the foreign operations.

4.5 Accounting treatment of business combinations under common control and not under common control

(1) Business combinations involving enterprises under common control

If the merger of the long-term equity investment formed by the business combination under the same control is used for the payment of cash, the transfer of non-cash assets or the assumption of debt as the merger consideration, the Company shall acquire the consolidated financial statement of the ultimate controlling party according to the acquired party on the merger day. The share of book value of net assets is the initial investment cost of long-term equity investment. If the book value of net assets of the merged party on the merger date is negative, the cost of long-term equity investment shall be determined by zero. If the merged party is controlled by the ultimate controlling party through mergers of companies not under the same control before being merged, the initial investment cost of the long-term equity investment of the combining party shall also include the relevant amount of goodwill. The difference between the initial investment cost of a long-term equity investment and the cash paid, the non-cash assets transferred, and the carrying amount of the debt assumed shall be adjusted to the capital reserve (capital premium or equity premium); capital reserve (capital premium or share premium If the balance of the balance sheet is less than offset, it will offset the surplus reserve and undistributed profits in turn. If the merging party issues an equity instrument as a merger consideration, the total par value of the shares issued shall be taken as the share capital, the difference between the initial investment cost of the long-term equity investment and the total par value of the shares issued, and the capital reserve (capital premium or share premium) shall be adjusted. If the capital reserve (capital premium or share premium) is insufficient to offset, it will offset the surplus reserve and undistributed profits in turn.

Aggregate expenses, such as auditing, legal services, evaluation and consulting, and other related management expenses incurred by the merging party shall be

recorded in the profits and losses of the current period. Transaction costs that are directly related to the issuance of equity instruments as merger considerations are written off against capital reserve (share capital premium). If capital reserve (share capital premium) is insufficient to offset, surplus reserves and undistributed profits are offset in turn. Transaction costs directly related to the issuance of debt instruments as merger considerations are included in the initial confirmation amount of debt instruments.

If a business combination under the same control is implemented step by step through multiple transactions and belongs to a package transaction, the merging party shall treat each transaction as a transaction that obtains control rights for accounting treatment. If it is not a "package deal", in the financial statements of the parent company, the merger date calculated on the proportion of shares held on the merger date shall have the share of the owner's equity in the book of the merged party as the initial investment cost. The initial investment cost and the original long-term investment cost and the difference between the book value of equity investment and the book value of the new consideration payment for further shares on the merger date shall be adjusted to the capital reserve (share capital premium). If the capital reserve is insufficient to offset, the retained earnings shall be written off.

In the consolidated financial statements, the long-term equity investment held by the combining party prior to the completion of the merger, the relevant profit and loss and other comprehensive recognitions have been recognized between the date of acquisition and the date on which the merger and the mergee are in the same ultimate control and the merger date. Changes in income and other owners' equity shall be offset against the retained earnings at the beginning of the period of the comparative statements or the current profits and losses.

(2) Business combinations involving enterprises not under common control

For a business combination not under common control, the merger cost is the sum of the assets paid by the purchaser to obtain control over the acquiree, the liabilities incurred or assumed, and the fair value of the equity securities issued. Expenses such as auditing, legal services, assessment and consulting, and other related administrative expenses incurred by the purchaser for the business combination shall be recorded in the current profit or loss when incurred. The transaction costs of the equity instruments or debt instruments issued by the buyer as merger considerations shall be included in the initial confirmation amount of equity instruments or debt instruments.

The identifiable assets, liabilities and contingent liabilities acquired by the acquiree that are not under the same control and meet the recognition criteria are measured at fair value on the acquisition date. The difference between the buyer's merger cost and the fair value of the identifiable net assets of the acquiree obtained during the merger is reflected in the goodwill value. Where the purchaser's cost of the merger is less than the fair value of the identifiable net assets of the acquiree acquired during the merger, the difference between the combined costs after review is still less than the fair value of the identifiable net assets of the acquiree obtained in the merger is included in the business of the current period foreign income.

If the merger of companies under different control is achieved step by step through multiple transactions, in the financial statements of the parent company, the sum of the book value of the equity investment held by the purchased party before the purchase date and the new investment cost on the purchase date shall be taken as the investment. The initial investment cost.

In the consolidated financial statements, the equity of the purchased party held before the acquisition date is re-measured at the fair value of the equity at the acquisition date. The difference between the fair value and its book value is included in the current investment income; it is held before the acquisition date. If the equity of

the purchased party involves other comprehensive income, the other comprehensive income related to it shall be converted into the investment income of the current period on the purchase date, except for other comprehensive income that cannot be reclassified into the current profit or loss.

The company uses the sum of the fair value of the equity on the acquisition date and the fair value of the consideration paid for the newly purchased equity at the purchase date held by the purchase date as the combination cost, which is calculated based on the proportion of shares held by the purchaser on the purchase date. The acquirer's share of the fair value of the identifiable net assets of the acquiree on the date of purchase shall be compared to determine the goodwill that should be recognized on the date of acquisition or the amount that should be included in the profit or loss of the current period of the combination.

4.6 Preparation of Consolidated Financial Statements

(1) The Company includes all its subsidiaries (including the separate entities controlled by the Company) in the scope of the consolidated financial statements, including the companies controlled by the Company, the detachable parts of the invested units, and the structured entities.

(2) Uniform parent-subsidiary company's accounting policies, consolidated parent company's balance sheet date and accounting period

If the accounting policies or accounting periods adopted by the subsidiaries and the Company are inconsistent, when preparing the consolidated financial statements, necessary adjustments shall be made to the subsidiaries' financial statements in accordance with the Company's accounting policies or accounting periods.

(3) Consolidated financial statement offsets

The consolidated financial statements are based on the balance sheets of the parent company and its subsidiaries, which offset the internal transactions between the

parent company and its subsidiaries. The share of the owner's equity in the subsidiaries that does not belong to the parent company is treated as minority shareholder equity in the owner's equity item of the consolidated balance sheet as "minority shareholder equity".

The long-term equity investment held by a subsidiary company by the parent company is treated as a treasury stock of the enterprise group. As a deduction of the owner's equity, it is listed under the item "Subtract: Treasury Stocks" under the owner's equity item in the consolidated balance sheet.

(4) Acquired subsidiary's accounting treatment

For a subsidiary acquired under a business combination under the same control, it is deemed that the enterprise's merger has occurred since the time when the ultimate controlling party began to implement control, and its assets, liabilities, operating results, and cash flows are included in the consolidated financial statements from the beginning of the merger period. For subsidiaries acquired under a business combination not under common control, when preparing the consolidated financial statements, individual financial statements are adjusted based on the fair value of the identifiable net assets on the acquisition date.

4.7 Accounting treatment of step-by-step disposal of equity in subsidiaries with losing control

(1) Accounting treatment methods for the step-by-step disposal of equity with losing control in the parent company's financial statements and consolidated financial statements that are not part of the "package deal"

For each transaction before the loss of control, the difference between the sale proceeds and the book value of the disposal of long-term equity investment in the financial statements of the parent company shall be included in the current investment income. In the consolidated financial statements, the difference between the disposal proceeds (or fair value of consideration) and the attributable share of the subsidiary

company's identifiable net assets calculated continuously corresponding to the disposed interests should transferred to the shareholders' equity (capital reserve – capital premium or share premium); and if the balance of capital reserve is not sufficient to be offset, the retained earnings should be adjusted.

For the transaction that the control is lost, if it can no longer exercise control, joint control, or significant influence over the invested entity, in the financial statements of the parent company, the remaining stock rights shall be changed according to the criteria for recognition and measurement of financial instruments. The difference between the fair value and the book value of the day should be transferred to the current investment income.

For the transaction that the control is lost, if the remaining equity after disposal can implement join control or significant influence on the original subsidiary, the parent company's financial statement shall be accounted for in accordance with the relevant provisions of the relevant cost method and equity method. In the consolidated financial statements, as to remaining equity, fair value on the date of losing control should be used for re-measurement. The difference between the amounts of the consideration obtained for disposal of the equity plus the fair value of the remaining equity and the attributable share of the net assets of subsidiary calculated based on the original shareholding ratio since the acquisition date should be recorded into the investment income of current period when enterprise loses its control. Other comprehensive income related to the equity investment in the original subsidiary company should be recognized as the investment income of current period when the enterprise loses its control.

(2) Accounting treatment methods for the step-by-step disposal of equity with losing control in the parent company's financial statements and consolidated financial statements that are part of the "package deal"

For the "package deal", each transaction is accounted for as a transaction that

handles the subsidiary and loses control. In the parent company's financial statements, the difference between the book value of each disposal price and the disposal investment is recognized as the current investment income. In the consolidated financial statements, for each transaction before the loss of control, the difference between the disposal price and the portion of the carrying amount of the net assets corresponding to the disposition investment that was continuously calculated by the subsidiary from the acquisition date is recognized as other comprehensive income. In the event of losing control, it is transferred to the profit and loss of the current losing control.

4.8 Financial instruments

(1) Classification and confirmation of financial instruments

Financial assets are classified on initial recognition as: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. The classification of financial assets other than receivables depends on the Company's and its subsidiary's intentions and ability to hold financial assets. When financial liabilities are initially recognized, they are classified as financial liabilities at fair value through profit or loss and other financial liabilities.

When the Company becomes a party to a financial instrument contract, it is recognized as a financial asset or a financial liability.

(2) Measurement of financial instruments

The initial recognition of the Company's financial assets or financial liabilities is measured at fair value.

Subsequent measurement and classification are carried out: Financial assets at fair value through profit or loss, available-for-sale financial assets and financial liabilities at fair value through profit or loss are measured at fair value; held-to-maturity

investments, loans and receivables and other financial liabilities are measured at amortized cost; equity instrument investments that are not quoted in an active market and whose fair value cannot be reliably measured are linked to the equity instrument and must be settled by delivery of the equity instrument. Derivative financial assets or derivative financial liabilities are measured at cost; financial guarantee contracts that are not designated as financial liabilities measured at fair value through profit or loss are not designated or measured at fair value through profit or loss. The loan commitments with a loan interest that is lower than the market interest rate shall be subsequently measured at the higher of the following two amounts after initial recognition. The amount determined in accordance with the Accounting Standards for Enterprises No. 13 Contingency Plan shall be the initial confirmation amount that is deducted in accordance with the "Accounting Standard for Business Enterprises No. 14 – Revenue" . The balance of the accumulated amortization is determined.

The gains or losses arising from changes in the fair value of the Company's financial assets or financial liabilities subsequent to measurement, except for those related to hedging, are treated as follows: ① Financial assets or financial liabilities measured at fair value through profit or loss. Gains or losses arising from changes in fair value are recorded in profit or loss from changes in fair value; interest or cash dividends earned during the asset holding period are recognized as investment income; at the time of disposal, the actual amount received and the initial credited amount that are between the difference is recognized as investment income, and at the same time, the fair value change gains and losses are adjusted. ② Changes in fair value of available-for-sale financial assets are recorded in other comprehensive income; interest calculated using the effective interest method during the holding period is included in investment income; cash dividends from available-for-sale equity instrument investments are declared when the investee declares dividends. Including investment income; At the time of disposal, the difference between the actual amount received and the book value after deducting the accumulated amount of fair value changes originally

recorded in other comprehensive income is recognized as investment income.

The Company's method of recognizing the fair value of financial assets and financial liabilities: if there is a financial instrument with an active market, the fair value is determined by the quoted price in an active market; if there is no financial instrument in an active market, the valuation technique is used to determine its fair value. Valuation techniques mainly include market law, income method and cost method.

(3) Confirmation basis and measurement method of financial assets transfer

The confirmation basis for the transfer of financial assets of the Company: Almost all risks and rewards on the ownership of financial assets were transferred, or neither transferred nor retained almost all risks and rewards on the ownership of financial assets, but gave up control of the financial assets. The recognition of the financial asset should be terminated.

The measurement of the company's financial assets transfer: Financial assets meet the derecognizing conditions and the measurement of financial assets transfer should be carried out. The book value of the transferred financial assets and the consideration received due to the transfer and the fair value that was originally directly included in the capital reserve should be measured. The difference in the sum of the cumulative amount of changes is included in the profit or loss for the current period.

If the partial transfer of financial assets satisfies the derecognizing conditions, the book value of the transferred financial assets as a whole shall be apportioned between the derecognized part and the unconfirmed part in accordance with their respective relative fair value, and the book value of the derecognized part will be the difference between the sum of the consideration received in the derecognizing part and the cumulative amount of the changes in the fair value that has been directly included in the capital reserve is included in the profit or loss for the current period.

(4) Termination conditions for confirmation of financial liabilities

The conditions for the termination of the financial liabilities of the Company: if all or part of the current obligations of the financial liabilities has been released, the financial liabilities or part thereof shall be derecognized.

(5) Impairment of financial assets

The termination company conducts impairment check on the book value of financial assets other than financial assets measured at fair value through profit or loss on the balance sheet date. If the objective evidence indicates that the financial assets are impaired, the financial assets should be on impairment test to make provision for impairment based on the test results.

The Company conducts impairment tests on individual financial assets that are individually significant; the individual financial assets with insignificant amounts are individually tested for impairment or included in a portfolio of financial assets with similar credit risk characteristics of impairment testing. Individually tested financial assets that have not been impaired (including financial assets that are individually significant and insignificant) are included in the portfolio of financial assets with similar credit risk characteristics, and then tested for impairment. Financial assets that have been individually recognized for impairment losses are not included in the portfolio of financial assets with similar credit risk characteristics for impairment testing.

When held-to-maturity investments, loans, and receivables are impaired, their carrying amount is written down to the present value of estimated future cash flows. The write-down amount is recognized as impairment loss and is charged to profit or loss for the current period. When an available-for-sale financial asset is impaired, the accumulative loss that was originally recorded in other comprehensive income and is caused by a decline in fair value is transferred out and credited to the current profit or loss. The cumulative loss that is transferred is the initial acquisition cost deduction for

the asset. After the balance recovering the principal and amortized amount, the current fair value and the impairment loss that has been included in profit or loss.

The criteria for determining the impairment of various available-for-sale financial assets of the Company include the following:

① Issuer or debtor has serious financial difficulties;

② The debtor violated the terms of the contract, such as the default or overdue payment of interest or principal;

③ The creditor makes concessions to debtors who have financial difficulties due to economic or legal considerations;

④ Debtors are likely to close down or perform other financial restructuring;

⑤ The financial assets of the issuer cannot continue to be traded in an active market due to major financial difficulties;

⑥ If it is not possible to identify whether the cash flow of an asset in a group of financial assets has decreased, but based on an overall assessment of the publicly available data, it is found that the estimated future cash flows of the group of financial assets since the initial recognition have been reduced and can be measured, such as the gradual deterioration of the debtor's ability to pay for the group of financial assets, or the increase in the unemployment rate in the country or region where the debtor is located, the apparent decrease in the price of collateral in the region where it is located, and the downturn in the industry in which it is located;

⑦ The significant and unfavorable changes have taken place in the technology, market, economic or legal environment in which the issuer of equity instruments operates, so that the equity instrument investors may not be able to recover the investment costs;

⑧ Serious or non-temporary decline in the fair value of equity instrument

investment;

⑨ Other objective evidence showing impairment of financial assets.

For equity instrument investment, the Company determines the specific quantitative criteria for the "serious" or "non-temporary" decline in its fair value, the method for calculating the cost, the method for determining the fair value at the end of the period, and the determination basis for the period of continued decline:

Specific quantitative criteria for "serious" decline in fair value	The fall in fair value at the end of the period relative to cost has reached or exceeded 50%.
Specific quantitative criteria for "non-transitory" decline in fair value	Decrease for 12 consecutive months.
Cost method	At the time of acquisition, the sum of the payment consideration (deducting cash dividends that have been declared but not yet issued or bond interest that have reached the interest payment period but have not yet been received) and the related transaction costs are taken as investment costs.
Determination of fair value at the end of the period	Financial instruments that have an active market are determined by the quoted price in an active market; if there is no financial instrument in an active market, the fair value is determined using valuation techniques.
Determination basis for continued decline	A continuous decline or a rebound rate of less than 20% in the duration of the downward trend, and rebound duration of no more than 6 months are considered as continuing periods of decline.

(6) Reclassification of financial assets

Unexpired held-to-maturity investments are reclassified as available-for-sale financial assets:

① There are no available financial resources to continuously provide financial support for the investment in financial assets so that the investment in financial assets can be held to maturity;

② Management has no intention to hold until maturity;

③ It is difficult to hold the financial assets to maturity due to restrictions of laws and administrative regulations or other reasons;

④ Others indicate that the Company does not have the ability to hold the

financial assets until maturity.

Reclassification of significant unexpired held-to-maturity investments as available-for-sale financial assets subject to the approval of the board of directors.

4.9 Receivables

The Company's receivables comprise receivables, long-term receivable and other receivables. The provision for impairment of the receivable is established at the difference between the carrying amount of the receivable and the present value of the estimated future cash flows if there is evidence to show that there is an impairment loss in the balance sheet.

(1) The individually significant amount and individual provision for bad debts of receivables:

The basis of judgment or standard for individually significant amount	The receivable should be more than 1 million on the balance sheet
The provision for individually significant amount and individually bad debts	According to the difference between the carrying amount of the receivable and the present value of the estimated future cash flows

(2) In combination, using aging analysis method as follows:

Aging	The proportion of accounts receivable (%)	The proportion of other receivables (%)
Within 1year	0	0
1 - 2 years	5	5
2 - 3 years	7	7
3 - 4 years	10	10
4 - 5 years	50	50
Over 5 years	100	100

(3) Collecting receivables for bad debt provision according to individual recognition method:

After the receivables are classified according to the nature of the payments, the proportion of bad debts for each risk portfolio is determined as follows:

Item	Combination of different risk characteristics			
	Government and related departments	Deposit and employee's reserve loan	Internal company	Unexpired accounts
Accounts receivable	0%	0%	0%	0%
Other receivables	0%	0%	0%	0%

Receivables are government and related departments, because the government and relevant departments have very low default risk, so no provision for bad debts is made; deposits and employee's backup loans are funds that must be advanced by the Company's operations. Due to the extremely low default risk of the government and related departments, accounts receivable from the government and relevant department are not provided for bad debts. The standby fund management system and the employee turnover process control have a very low risk of forming bad debts, so no provision for bad debts is made; the Company's subsidiaries' ability to control the operations and financial decisions of each subsidiary and thus form bad debts The risk is extremely low and no provision for bad debts is made; for the Company's loans to other units, the remuneration for the use of funds and the repayment period are stipulated, and the funds status of the relevant units are monitored before the expiration date, and the funds can be recovered at any time if a possible breach of contract is found. Therefore, provision for bad debts is not provided for the time being.

(4) Receivables that are not individually significant but are individually provisioned for bad debts:

Reason for single provision for bad debts	Account receivables aged over 3 years and there is an objective evidence that they have been impaired
Bad debt preparation method	Confirmation based on the difference between the book value and the present value of expected future cash flow

4.10 Inventories

(1) Classification of inventories

Inventory includes development costs, project construction, low-value consumables, etc.

(2) Measurement method upon dispatch

Inventories are measured at the weighted average method when dispatched.

(3) Provision method of inventory depreciation reserve

At the balance sheet date, inventories are measured at the lower of cost and net realizable value, and provision for inventory depreciation is made for individual inventory items. However, for inventory with a large number of low unit prices, provision for inventory devaluation is made according to the inventory category.

(4) Inventory system

The perpetual inventory system is adopted for inventories of the Company.

(5) Amortization method of revolving materials

Low-cost consumables and packaging materials are amortized by using the one-off amortization method.

4.11 Long-term equity investment

(1) Determination of initial investment cost

① For the long-term equity investment obtained from a business combination, determine its initial investment cost in accordance with Note 4.5;

② The long-term equity investment obtained by cash payment, the initial investment cost is the purchase price actually paid;

③ The long-term equity investment obtained by issuing equity securities, the initial investment cost is the fair value of the issuance of equity securities;

④ For the long-term equity investment obtained through debt restructuring, the initial investment cost shall be determined in accordance with the relevant provisions of the "Accounting Standards for Business Enterprises No. 12 - Debt Restructuring";

⑤ The long-term equity investment obtained through the exchange of non-monetary assets, the initial investment cost shall be determined in accordance with the relevant provisions of the standard.

(2) Subsequent measurement and recognition of profit and loss

The long-term equity investment that the investor can control the invested entity should be accounted for using the cost method. For long-term equity investments that are accounted for using the cost method, except for the addition or withdrawal of investments, the book value generally does not change. When the declared profit or cash dividend is calculated, the investment income shall be recognized.

The investor's long-term equity investment in associates and joint ventures is accounted for using the equity method. Investors' equity investments in associates, some of which are indirectly held by venture capital institutions, mutual funds, trust companies, or similar entities including investment-linked insurance funds, whether or not the above entities have significant influence on this part of the investment, Investors can follow the relevant provisions of Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments. The investment options indirectly held are measured at fair value and their changes are recorded in profit or loss, and equity is used for the rest Law accounting. For the long-term equity investment accounted for using the equity method, the investment income shall be recognized and the long-term equity investment shall be adjusted in accordance with the share of the net profit or loss realized by the investee. When the declared profit or cash dividend is calculated, the book value of the long-term equity investment should be reduced accordingly.

(3) Conversion of accounting method for long-term equity investment

Fair value measurement-to-equity equity accounting: Previously held equity investments (without control, joint control, or significant influence) of the invested entity are accounted for in accordance with the criteria for the recognition and measurement of financial instruments, resulting from additional investment and other reasons. If the proportion of shares held rises and joint control or significant influence can be exerted on the invested entity, the investor shall increase the fair value of the original equity investment determined in accordance with the criteria for the recognition and measurement of financial instruments to obtain the increase in the conversion to the equity method. The fair value of the consideration shall be paid for the investment as the initial investment cost calculated by the equity method.

Fair value measurement or equity method accounting: The equity investment originally held by the investor that does not have control, joint control, or significant influence over the investee in accordance with the criteria for the recognition and measurement of financial instruments, or the original holding If there are long-term equity investments in joint ventures or joint ventures that can exercise control over the invested entity due to additional investment or other reasons, the long-term equity investment resulting from the merger of the relevant companies shall be subject to accounting treatment.

Equity method accounting conversion Fair value measurement: Long-term equity investment that originally held a common control or significant influence on the invested entity, and the proportion of shares held down due to partial disposal, etc., can no longer be subject to common control or significant influence on the invested entity. In addition, the remaining equity investment shall be accounted for in accordance with the criteria for recognition and measurement of financial instruments. The difference between the fair value and the book value of the Company for the purpose of the loss of joint control or significant influence shall be included in the current profit or loss.

Cost method to equity method:

① As a result of the disposal of investment, etc., which results in a significant change in the investee's ability to implement control or joint control with other investors, the long-term equity investment cost that should be derecognized shall be carried forward according to the proportion of the investment to be disposed. Then compare the cost of the remaining long-term equity investment with the share of the fair value of the identifiable net assets of the investee when calculating the original investment according to the remaining shareholding ratio. If the former is greater than the latter, it belongs to the goodwill part reflected in the investment price, and does not adjust. The book value of long-term equity investment; if the former is less than the latter, adjust the retained earnings while adjusting the cost of long-term equity investment.

② As the proportion of shares held by the other investor to the Company's subsidiary is reduced, and the shareholding ratio of the Company is reduced, thus losing control but capable of implementing joint control or exerting significant influence, in the individual financial statements, the long-term equity investment should be from the cost method conversion to equity method accounting. First of all, in accordance with the new shareholding ratio, it is confirmed that the atomic company's share of the increase in net assets due to capital increase and share expansion should be recognized by the Company, and the difference between the original book value of the long-term equity investment corresponding to the decline in the proportion of shareholdings that should be carried forward. Into the current profit and loss; then, in accordance with the new shareholding ratio is the same as when the investment was obtained using the equity method of accounting adjustments. In the consolidated financial statements, accounting should be carried out in accordance with the relevant provisions of Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements.

(4) The basis for determining joint control and significant influence on the invested company

1) The basis for determining common control over the invested entity: It means that the activities that have a significant impact on the return of an arrangement must be determined through the unanimous consent of the parties that share control rights, which including the sale and purchase of goods or services, the management of financial assets, the purchase and disposal of assets, research and development activities, and financing activities.

2) The basis for determining the significant influence on the invested entity: When holding 20% to 50% of the voting right capital of the invested entity, it has a significant impact. Or less than 20%, but one of the following conditions has a significant impact:

① To be represented on the board of directors or similar authority of the invested entity;

② Participate in the policy development process of the invested entity;

③ Send management personnel to the invested unit;

④ The invested company relies on the technical or technical information of the investment company;

⑤ Important transactions occur with the investee.

(5) Impairment test method and withdrawal method of impairment provision

On the balance sheet date, the Company checks whether there is any sign of possible impairment on the long-term equity investment inspection. When there is any indication of impairment, it should conduct an impairment test to confirm the recoverable amount and reduce the recoverable amount less than the book value part.

After the value is prepared, the impairment loss will be withdrawn and will not be reversed in the subsequent accounting period.

The recoverable amount is determined based on the higher one between the net fair value of the long-term equity investment sale and the present value of the estimated future cash flow.

4.12 Investment properties

(1) The type and measurement mode of investment properties

The types of investment properties of the Company: leased land use rights, leased buildings, land use rights held and prepared for transfer after appreciation.

The Company's investment properties are initially measured at cost, and subsequent measurement is conducted using the cost model.

(2) Use cost model accounting policy

The buildings leased in the investment real estate of the Company are depreciated using the straight-line method. The specific accounting policies are the same as those for fixed assets. Land use rights leased in investment real estate, and land use rights held and prepared for transfer after appreciation are amortized using the straight-line method. The specific accounting policies are the same as those of intangible assets.

At the balance sheet date, the Company checks whether there is any indication that the investment real estate may be impaired. If there is any indication of impairment, an impairment test should be conducted to confirm the recoverable amount, and the recoverable amount should be less than the book value. Value preparation, once the accrual loss is made, it will not be transferred back in the future accounting period.

4.13 Fixed assets

(1) Recognition criteria of fixed assets

Fixed assets refer to tangible assets that are held for the purpose of producing goods, providing labor service, renting or business management, and have a useful life of more than one fiscal year. Also confirm when the following conditions are met:

① The economic benefits associated with the fixed assets are likely to flow into the Company;

② The cost of this fixed asset can be reliably measured.

(2) Fixed asset classification and depreciation methods

The fixed assets of the Company are mainly divided into: buildings, machinery and equipment, electronic equipment, Motor vehicles, etc.; the depreciation method adopts the average method of years. According to the nature and use of various types of fixed assets, determine the useful life and estimated net residual value of fixed assets. At the end of the year, review the useful life, estimated net residual value, and depreciation method of fixed assets. If there is a difference from the original estimate, make corresponding adjustments. Except for the fixed assets that have been fully depreciated and continue to be used, and the land that is separately accounted for, the Company depreciates all fixed assets.

Item	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings	20 years	5 %	4.75%
Machinery	5 -10 years	5 %	9.5% to 19%
Motor vehicles	5 years	5 %	19%
Electronic equipment	5 years	5 %	19%

(3) Impairment test method of fixed assets and withdrawal method of impairment provision

On the balance sheet date, the Company checks whether there is any sign of possible impairment on the fixed assets. If there is any indication of impairment, it

should conduct an impairment test to confirm the recoverable amount and make a devaluation based on the recoverable amount less than the book value. Preparation, once the provision for impairment loss is made, it will not be returned in subsequent accounting periods.

(4) Identification basis and pricing method of financing lease fixed assets

Recognition basis for financing leased fixed assets: In essence, leases that transfer all risks and rewards related to ownership of assets. The specific determination is based on one or more of the following conditions: ① At the expiration of the lease term, the ownership of the leased asset is transferred to the lessee; ② The lessee has the option to purchase the leased asset and the purchase price is expected to be significantly lower The fair value of the leased asset when the exercise of the option is exercised, so that the lessee will be able to reasonably determine that the lessee will exercise this option at the beginning of the lease. ③ Even if the ownership of the asset is not transferred, the lease period accounts for the majority of the useful life of the leased asset; ④ The present value of the minimum lease payment on the lease start date is almost equal to the fair value of the leased asset on the lease start date; ⑤ The leased asset is of a special nature and can only be used by the lessee if no major alteration is made.

The valuation method of financing leased fixed assets: The initial valuation of fixed assets financed by lease is the entry value of the fair value of the leased assets at the beginning of the lease period and the lower current value of the minimum lease payments;

Subsequent valuation of fixed assets financed by lease is subject to depreciation and allowances for depreciation consistent with its own set of fixed assets.

4.14 Construction in progress

(1) Category of construction in progress

The Company's projects under construction are divided into self-operated construction and outbound construction.

(2) Standards and timing for carrying forward fixed assets under construction in progress

The Company's construction in progress is carried forward to fixed assets when the project is completed and ready for use. Judgment criteria for the intended use status should meet one of the following conditions:

① The physical construction (including installation) of fixed assets has been fully completed or substantially completed;

② Construction in progress has been trial production or trial operation, and the results indicate that the assets can operate normally or can produce stable products stably, or the trial run results indicate that they can operate normally or operate;

③ The amount of expenditure on the fixed assets that were constructed is little or almost no longer occurring;

④ The fixed assets purchased or constructed have reached the design or contract requirements, or are basically in line with the design or contract requirements.

(3) Impairment test method and accrual method for impairment of construction in progress

On the balance sheet date, the Company checks whether there is any sign of possible impairment on the construction in progress. When there is any indication of impairment, it should conduct impairment test to confirm the recoverable amount, and reduce the recoverable amount less than the book value. After the value is prepared, the impairment loss will be withdrawn and will not be reversed in the subsequent accounting period.

The recoverable amount of construction in progress is determined based on both the net amount of the fair value of the assets minus the disposal expenses and the present value of the expected future cash flow of the assets.

4.15 Borrowing costs

(1) The principle of capitalization of borrowing costs

The borrowing costs incurred by the Company can be directly attributable to the acquisition, construction or production of assets that meet the conditions for capitalization and be capitalized and included in the cost of the relevant assets. Other borrowing costs, when incurred, are recognized as expenses based on the amount incurred into the current profit and loss. Assets eligible for capitalization refer to fixed assets, investment real estate, inventory, and other assets that require a considerable amount of time for acquisition, construction, or production to be ready for use or sale.

(2) Capitalization amount calculation method

Capitalization period: The period from the time when the borrowing costs begin to be capitalized to when the capitalization ceases. The period of suspension of capitalization of borrowing costs is not included.

Suspension of capitalization period: In the event of abnormal interruptions in the acquisition, construction, or production process and the interruption lasts for more than 3 months, the capitalization period of the borrowing costs shall be suspended.

Calculation of capitalization amount: ① Borrowing of special borrowings shall be based on the actual interest expenses incurred in the current period of the specific borrowings, less the amount of interest income that has been used to deposit the undisbursed borrowing funds into the bank or the investment income obtained for the temporary investment; ② Occupied general loans shall be determined by multiplying the weighted average of the assets expenditure of the accumulative assets expenditure exceeding the special loans by the capitalization rate of the general

borrowings. The capitalization rate shall be the weighted average interest rate of general loans; ③ if there is any discount or premium on the loans, the actual interest rate method determines the amount of discount or premium that should be amortized during each accounting period, and adjusts the amount of interest for each period.

The actual interest rate method is based on the actual interest rate of borrowings to calculate the amortized discount or premium or interest expense. The actual interest rate is the future cash flow of the loan during the expected period of existence, discounted to the interest rate used for the current book value of the loan.

4.16 Intangible assets

(1) Recognition conditions of intangible assets

The Company's intangible assets are initially measured at cost. The intangible assets purchased are based on actual payment and related expenses as actual costs. For intangible assets invested by investors, the actual cost is determined according to the value stipulated in the investment contract or agreement. However, if the contract or agreement stipulates that the value is not fair, the actual cost shall be determined based on the fair value. The cost of self-developed intangible assets is the total amount of expenditure incurred before reaching the intended use.

Subsequent measurement of intangible assets of the Company is as follows: ① Intangible assets with limited useful life are amortized using the straight-line method. At the end of the year, the useful life and amortization method of intangible assets are reviewed. If there are differences with the original estimates, the Corresponding adjustments. ② Intangible assets with indefinite useful lives are not amortized, but at the end of the year, the useful life is reviewed. When there is conclusive evidence that the useful life is limited, the estimated useful life is amortized using the straight-line method.

(2) Life Expectancy of Intangible Assets with Limited Service Life

Asset classification	Expected service life(years)	Basis
Land use rights	40 years	Useful life

At the end of each year, the service life and amortization method of intangible assets with limited service life are reviewed.

(3) Judgment basis for uncertain service life

The Company will not be able to foresee the period for which the asset brings economic benefits to the Company, or the intangible assets with indefinite useful lives, etc., as intangible assets with an indefinite useful life.

Judgment basis for the uncertainty of useful life: ① It originates from contractual rights or other legal rights, but there is no definite useful life for contractual provisions or legal provisions; ② It is still impossible to judge whether intangible assets will be brought to the Company due to the situation of the same industry or the argumentation of relevant experts in the period of economic benefits.

At the end of each year, the review of the useful life of intangible assets with an indefinite useful life mainly takes a bottom-up approach, and the relevant departments of intangible assets are used for basic review to assess whether there is a change in the judgment basis for indefinite useful life.

(4) Impairment test method of intangible assets and withdrawal method of impairment provision

At the balance sheet date, the Company checks whether there is any indication that the intangible assets may be impaired. When there is any indication of impairment, an impairment test should be conducted to confirm the recoverable amount, and the receivable amount should be reduced if the recoverable amount is lower than the book value. After preparation, once the impairment loss is withdrawn, it will not be reversed in the subsequent accounting period.

The recoverable amount of intangible assets is determined based on both the net amount of the fair value of the assets minus the disposal expenses and the present value of the expected future cash flow of the assets.

(5) The specific standards for the research phase and development phase of internal research and development projects, as well as the specific criteria for expenditures in the development phase that meet the capitalization conditions

Expenditure for research and development projects during the research phase of an internal research and development project is included in profit or loss for the current period when incurred. Expenses in the development phase that meet both of the following conditions are recognized as intangible assets: ① The intangible assets are completed so that they can be used or sold technically It is feasible; ② It has the intention to complete the use of the intangible assets and to use or sell it; ③ The ways in which the intangible assets generate economic benefits, including the ability to prove that the products produced using the intangible assets exist in the market or the intangible assets themselves exist in the market. Assets will be used internally and can prove their usefulness; ④ Have sufficient technical, financial and other resources to support the development of the intangible assets and have the ability to use or sell the intangible assets; ⑤ Attribution Expenditure during the development phase of this intangible asset can be reliably measured.

Divide the specific criteria for the research phase and development phase of internal research and development projects: The planned investigation phase for acquiring new technologies and knowledge should be identified as the research phase, which is characterized by planning and exploratory; Prior to commercial production or use, the application of research results or other knowledge to a plan or design to produce new or substantially improved materials, devices, products, etc., should be identified as a development phase. The characteristics of sexuality and the possibility of forming results are large.

4.17 Long-term prepaid assets

The company's long-term prepaid assets refer to various expenses that have been paid, but the benefit period is more than one year (excluding one year). Long-term prepaid assets are amortized in installments according to the benefit period of the expense items. If the long-term prepaid assets item cannot benefit the future accounting period, all the amortized value of the item that has not been amortized shall be transferred to the current profit and loss.

4.18 Salary and wages payable

Employee compensation refers to various forms of remuneration or compensation given by an enterprise to obtain services provided by employees or to terminate labor relations. Employee compensation includes short-term compensation, post-employment welfare, Dismissal welfare, and other long-term employee welfare.

The short-term remuneration of the Company specifically includes: wages, bonuses, allowances and subsidies for employees, staff welfare, medical insurance premiums, social insurance premiums, maternity insurance and other social insurance premiums, housing accumulation funds, trade union funds and employee education funds, short-term paid absences. Short-term profit-sharing plans, non-monetary benefits, and other short-term compensation. The Company's post-employment benefits refer to various forms of remuneration and benefits provided by the Company after the employees retire or with the Company in order to obtain the services provided by the employees, except for short-term remuneration and dismissal benefits. Termination of benefits means that the Company terminates the labor relationship with the employees before the employee's labor contract expires, or compensates the employees for encouraging the employees to accept the reduction. The Company's other long-term employee benefits refer to all employee compensation except short-term remuneration, post-employment benefits, and dismissal benefits, including

long-term paid absences, long-term disability benefits, and long-term profit-sharing plans.

(1) Accounting treatment of short-term remuneration

During the accounting period provided by the employees for the Company, the Company recognizes the actual short-term remuneration as a liability, which is included in the current profit or loss or the cost of related assets.

(2) Accounting treatment of post-employment welfare

Post-employment welfare is divided into defined contribution plans and defined benefit plans.

① During the accounting period in which the employee provides services for the Company, the Company shall recognize the deposit amount calculated according to the defined contribution plan as a liability and include it in the current profit or loss or the related asset cost.

② The accounting treatment for the defined benefit plan usually includes the following steps:

A. Based on the expected cumulative welfare unit approach, using unbiased and consistent actuarial assumptions to estimate demographic variables and financial variables, etc., measure the obligations arising from the defined benefit plans and determine the period of time for which the related obligations are to be attributed;

B. If there are assets in the defined benefit plan, the deficit or surplus formed by the current value of the defined benefit plan assets minus the fair value of the defined benefit plan assets shall be recognized as a net debt or net assets of the defined benefit plan. If there is a surplus in the defined benefit plan, the net assets of the beneficiary plan shall be measured based on the lower of the defined benefit plan's surplus and the asset cap. The asset cap refers to the present value of the economic benefits that the

Company can obtain from the defined benefit plan refund or reduce the future contribution to the defined benefit plan.

C. At the end of the period, the employees' compensation costs arising from the defined benefit plans are recognized as service costs, net interest on the net liabilities or net assets of the defined beneficiary plan, and changes in net liabilities or net assets of the defined beneficiary plan, including services. The net interest on the net liabilities or net assets of the cost and defined benefit plan is included in the current profit or loss or the cost of related assets. Changes in the net liabilities or net assets of the premeasured beneficiary plan are included in other comprehensive income, and are included in subsequent accounting periods. It is not allowed to transfer back to profit or loss, but these amounts confirmed in other comprehensive income can be transferred within the range of equity;

D. Confirmation of a settlement gain or loss at the settlement of a defined benefit plan.

(3) Accounting treatment of dismissal welfare

If the Company provides dismissal benefits to its employees, it shall recognize the employees' remuneration liabilities arising from the dismissal benefits at the earliest of the following dates, and shall be included in the current profits and losses: ① The Company cannot unilaterally withdraw the dismissal benefits provided by the dissolution of the labor relationship plan or the reduction proposal; ② When the Company confirms the costs or expenses related to the reorganization involving payment of dismissal benefits.

(4) Accounting treatment of other long-term employee welfare

If the other long-term welfare provided by the Company to its employees meet the conditions of the defined contribution plan, it shall be accounted for in accordance with the defined contribution plan; in addition to other long-term welfare, it shall be

accounted for in accordance with the defined benefit plan, and the defined benefit plan shall be re-measured. Changes in net liabilities or net assets are included in other comprehensive income and are not allowed to be transferred back to profit or loss in the subsequent accounting period. When the original defined benefit plan ends, the part originally included in other comprehensive income should be carried forward to the equity within the scope of equity distribute profits. The termination of the plan means that the plan no longer exists, that is, the Company has dismissed all future obligations arising from the plan.

4.19 Bonds payable

The non-convertible corporate bonds issued by the Company are treated as liabilities according to the actual amount received (net of relevant transaction fees); the difference between the actual amount received for bond issuance and the total face value of the bonds is used as bond premium or discount, and the bonds During the subsistence period, the amortization will be based on the coupon rate at the time of interest accrual, and will be handled in accordance with the handling principle of borrowing costs.

The convertible corporate bonds issued by the Company will be separated from the liability and equity components at the time of initial recognition and processed separately. First, confirm the fair value of the liability component and use it as its initial confirmation amount, and then determine the amount of the initial recognition of the equity component according to the total issued price of the convertible corporate bond (net of related transaction fees) after deducting the initial confirmation amount of the liability component.

4.20 Revenue

4.20.1 General principles for the Company and subsidiaries to recognize revenue:

(1) Sales of goods:

① The Company has transferred the substantial risks and rewards of ownership of the goods to the buyer; ② The Company neither retains continuous management rights associated with ownership of the goods sold, nor conduct effective control over the goods sold; ③ It is probable that the amount of revenue can be measured reliably; ④ The related economic benefits are likely to flow into the Company; ⑤ The relevant costs that have occurred or will occur can be measured reliably.

(2) Rendering of service

If the outcome of services provided can be reliably measured on the balance sheet date, revenue from rendering of service is recognized at the percentage-of-completion method.

If the outcome of services provided cannot be reliably measured on the balance sheet date, it shall be treated based on different circumstances as below:

① If the service costs incurred are expected to be fully recoverable, the amounts equal to the labor costs incurred shall be recognized as revenues and the equivalent amounts of labor costs shall be carried forward;

② If the service costs incurred are not expected to be fully recoverable, the labor costs incurred are recognized in profit or loss for the current period and the revenues shall not be recognized.

(3) Transfer of right to use assets

When economic benefit related to the transaction is probably to flow into the Company and the relevant revenue can be reliably measured, the revenue from transfer of assets use right is recognized as follows in different circumstances:

(4) The amount of interest income, which is determined by the time when others use the monetary funds of the Company and the effective interest rate.

4.20.2 Specific methods of revenue recognition

（1）Infrastructure construction revenue

For the business that provides the build and operation transfer mode (BOT) to participate in the construction of public infrastructure, the company confirms the relevant revenue and expenses for the construction services provided during the construction of the project in accordance with the Accounting Standards for <Business Enterprises No. 15 - Construction Contract>; After the completion of the facility, the income and expenses related to the follow-up business services shall be confirmed in accordance with< the Accounting Standards for Business Enterprises No. 14 – Revenue>.

（2）Lease revenue and property revenue

The lease revenue /property revenue of the company shall be confirmed when the relevant rent has been received or the evidence of receipt is obtained according to the lease date agreed upon in the contract and agreement (with the consideration of the rent-free period) and the rent amount.

（3）Sales revenue of commercial housing

When the sales revenue of commercial housing of our company has been completed and passed the inspection and acceptance of the developed products, we have signed a sales contract for installment receivables and fulfilled the obligations stipulated in the contract, and the related economic interests are likely to flow in, and when the cost of the developed products can be reliably measured, we shall determine the amount of revenue according to the fair value of the contract or agreement price receivable; and the contract or agreement price receivable shall be with it. The difference between fair values shall be amortized by the actual interest rate method during the period of the contract or agreement, and shall be included in the profits and losses of the current period.

4.21 Construction contract

When the results of the construction contract can be reliably estimated, the contract revenue and contract expenses are recognized on the balance sheet date in accordance with the percentage of completion method. The schedule of completion of the contract is determined by the proportion of the contract work that has been completed to the total expected workload of the contract.

A reliable estimate of the outcome of a construction contract means that: (1) the total contract revenue can be reliably measured; (2) the economic benefits associated with the contract are likely to flow into the Company; (3) the actual contract costs can be clearly distinguished and Reliable measurement; (4) The completion of the contract and the cost to be incurred for the completion of the contract can be reliably determined.

If the results of a construction contract cannot be reliably estimated but the cost of the contract can be recovered, the contract revenue is recognized on the basis of the actual contractual cost that can be recovered. The contract cost is recognized as the contract expense in the period when it occurred; if the contract cost cannot be recovered, it is immediately confirmed as a contract fee, no contract revenue is recognized. If the uncertainties that make the results of the construction contract unable to be reliably estimated cease to exist, the income and expenses related to the construction contract shall be determined according to the percentage of completion method.

4.22 Government grants

(1) Types of government grants

The government subsidy means the monetary assets or non-monetary assets (but not the capital invested by the government as the owner) obtained by the Company

from the government for free, and is mainly divided into two types of government subsidy related to assets and government subsidy related to income types of.

(2) Accounting for government grants

Government subsidies related to assets are recognized as deferred income, and are evenly distributed within the useful life of the relevant assets and recorded in the profits and losses of the current period; government grants measured at nominal amounts are directly charged to profit or loss for the current period. The government subsidies related to income are handled in the following cases respectively: ① For the compensation of related expenses or losses in the future period of the enterprise, it shall be recognized as deferred income, and shall be included in the current profit and loss during the period of confirming the relevant expenses; ② If any related expenses or losses have occurred, they shall be directly charged to the current profit or loss.

Government grants related to the Company's daily activities are included in other income or write down related costs in accordance with the substance of the economic business. Government subsidies that are not related to daily activities are included in non-operating income and expenses.

(3) Specific criteria for distinguishing government grants related to assets and government grants related to income

The government subsidy obtained by the Company and used for construction or other forms of long-term assets is recognized as a government subsidy related to the assets.

The government grants obtained by the Company other than government subsidies related to assets are recognized as government subsidies related to income.

If the government document does not clearly specify the target of the subsidy, the government subsidy shall be divided into the judgment basis related to the assets or related to the income:

① If the government document specifies the specific project for which the subsidy is targeted, the relative proportion of the amount of expenditure that forms the asset and the amount of expense that is included in the expense shall be divided according to the budget of the specific project, and the division ratio shall be in each balance sheet. The review shall be conducted on a daily basis, and changes shall be made when necessary; ② The government documents shall only make general statements about the use, and if no specific items are specified, they shall be used as government subsidies related to income

(4) Amortization method of deferred income related to government subsidies and confirmation method of amortization period

The government grants related to the assets obtained by the Company are recognized as deferred income. From the time when the relevant assets are available for use, the deferred income is amortized into the current profits and losses according to the estimated useful life of the relevant assets.

(5) Confirmation time of government subsidies

Government grants measured in accordance with the amount receivable shall be confirmed when there is conclusive evidence at the end of the period that they are able to meet the relevant conditions stipulated in the financial support policy and are expected to receive financial support funds.

Except for government subsidies measured according to the amount of receivables, other government grants are recognized when they actually receive the subsidies.

4.23 Deferred income tax assets and deferred income tax liabilities

Confirmation of deferred income tax assets and deferred income tax liabilities of the Company:

(1)According to the difference between the book value of assets and liabilities and their tax bases (if the items not confirmed as assets and liabilities can be determined based on the tax law basis, the tax base is determined as the difference), as expected The applicable tax rate during the period of repossessing the asset or paying off the liability is calculated and recognized as deferred income tax assets or deferred income tax liabilities.

(2) The recognition of deferred income tax assets is limited to the amount of taxable income that may be obtained to offset deductible temporary differences. On the balance sheet date, if there is conclusive evidence that it is probable that sufficient taxable income will be available to offset the deductible temporary difference in the future, the deferred income tax assets that have not been recognized in the previous accounting period shall be recognized. If it is very likely that sufficient taxable income will not be available to offset deferred income tax assets in the future, the carrying amount of deferred income tax assets shall be reduced.

(3) Deferred tax liabilities are recognized for taxable temporary differences related to investments in subsidiaries and associates, unless the Company is able to control the timing of the reversal of the temporary difference and the temporary difference is unlikely to be in the foreseeable future will turn back. For deductible temporary differences related to investments in subsidiaries and associates, when the temporary difference is likely to be reversed in the foreseeable future, it is likely to obtain taxable income that can be used to offset deductible temporary differences in the future. At the time of payment, deferred income tax assets are recognized.

4.24 Lease

If the lease terms substantially transfer all risks and rewards related to the ownership of the leased asset to the lessee, the lease is a finance lease, and other leases are operating leases.

5. Notes to changes in accounting policies and accounting estimates and corrections of accounting errors

5.1 Changes in accounting policies

Content and reasons for changes in accounting policies	Approval procedure	Name and amount of affected report items
"Notes receivable and accounts receivable" is divided into "notes receivable" and "accounts receivable"	Board approval	Accounts receivable: an increase of 86,473,838.00 Bills and accounts receivable: decrease by 86,473,838.00
"Notes payable and accounts payable" is divided into "notes payable" and "accounts payable"	Board approval	Accounts payable: an increase of 4,096,507,082.70 Bills payable and accounts payable: decrease by 4,096,507,082.70
(3) The portion of the "deferred income" amortization period of other non-current assets projects that has only one year or less than one year, or the portion expected to be amortized within one year (including one year), is still listed in the project , Not transferred to the "non-current assets due within one year" project	Board approval	Other non-current assets: increase by 2,552,866.26 Other current assets: decrease by 2,552,866.26

5.2 Adjustment for changes in accounting estimates

There were no changes in accounting estimates for the Company this year.

5.3 Corrections of significant accounting errors

There was no correction of significant accounting errors in the current year.

6. Taxes

6.1 Major tax types and tax rates applicable to the Company

Item	Specific tax rates
Value-added tax (VAT)	13%、9%、6%、5%

Item	Specific tax rates
Urban maintenance and construction tax	7%
Education surcharges	3%
Local education surcharges	2%
Enterprise income tax	25%
Land use tax	RMB 8/m²

6.2 Tax benefits and approvals

According to the "Notice on the Treatment of Enterprise Income Tax for Special Purpose Financial Funds" (caishui [2011] No. 70) issued jointly by the Ministry of Finance and the State Administration of Taxation, the company obtains fiscal funds from the financial departments of the local people's governments at or above the country level. The fiscal funds that should be included total income and not included in the taxable income and the tax payable.

7. Business combinations and consolidated financial statements

No.	Name of enterprise	Level	Type of enterprise	Registered place	Business nature	Paid-in capital	Shareholding ratio (%)	Voting ratio enjoyed	Method
1	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	2	Domestic non-financial enterprises	Jiaozhou,Qingdao	Foreign investment with its own funds, development of high-tech achievements, technology transfer, infrastructure construction, construction and leasing of housing construction, corporate management consulting services, hotel management, mudflats, cofferdams and supporting construction, water conservancy construction。	1,500,000,000.00	100.00	100.00	Investment establishment
2	Qingdao Zhongji Technology Industry Co., Ltd.	3	Domestic non-financial enterprises	Jiaozhou,Qingdao	Incubator investment, operation, management; SME investment and services; research, development and sales of new technologies and new products; technical services and transactions。	110,000,000.00	81.82	81.82	Business mergers not under common control
3	Qingdao Jiaozhou Bay City Property Management Co., Ltd.	3	Domestic non-financial enterprises	Jiaozhou,Qingdao	Foreign investment with its own funds (Without the approval of the financial regulatory authority, it must not engage in financial services such as deposits, financing guarantees, and wealth management services); property management services, house leasing, municipal engineering construction, greening projects,	30,000,000.00	100.00	100.00	Investment establishment

No.	Name of enterprise	Level	Type of enterprise	Registered place	Business nature	Paid-in capital	Shareholding ratio (%)	Voting ratio enjoyed	Method
					lighting projects; design, Acting to produce and publish domestic advertisements; state-owned assets operation and maintenance.				
4	Qingdao Green Building Development and Investment Co., Ltd.	3	Domestic non-financial enterprises	Jiaozhou,Qingdao	Foreign investment and enterprise management consulting with its own funds(without the approval of the financial regulatory authority, it is not allowed to engage in financial services such as deposits, financing guarantees, and wealth management services); industrial park operation management, municipal public facilities management and maintenance; urban infrastructure construction Property management services; landscaping, sewage pipeline installation and repair; billboard production and installation; wholesale and retail: building materials, decorative materials.	200,000,000.00	100.00	100.00	Investment establishment
5	Qingdao Jiaofa Human Resources Service Co., Ltd.	3	Domestic non-financial enterprises	Jiaozhou,Qingdao	Labor dispatch, human resources, human resources information consulting services, professional intermediary services; property management services, cleaning services, business management consulting, business information consulting (without the approval of	100,000,000.00	100	100	Investment establishment

No.	Name of enterprise	Level	Type of enterprise	Registered place	Business nature	Paid-in capital	Shareholding ratio (%)	Voting ratio enjoyed	Method
					the financial regulatory authority, it is not allowed to engage in financial services such as deposits, financing guarantees, and wealth management services), wholesale, retail: daily necessities, office supplies, household appliances, Wujinjiaodian, electronic products, computers and auxiliary equipment, ordinary mechanical and electrical equipment, metal materials (excluding precious metals), construction materials, furniture, general Labor protection supplies, communication equipment (excluding satellite ground receiving equipment).				
6	Qingdao Jiaofa Cultural Tourism Development Co., Ltd.	3	Domestic non-financial enterprises	Jiaozhou,Qingdao	Conference and exhibition display services; tourism information consulting services; corporate image design; cultural and art exchange activities; car rental; school bus rental; design, production, agency publishing domestic advertising business; investment development and management of tourism-related projects; general mechanical and electrical equipment rental (not Including	100,000,000.00	100	100	Investment establishment

No.	Name of enterprise	Level	Type of enterprise	Registered place	Business nature	Paid-in capital	Shareholding ratio (%)	Voting ratio enjoyed	Method
					special equipment); real estate leasing; development and operation of tourism service supporting facilities; corporate marketing planning; property management services; hotel management services. (Projects that must be approved in accordance with law can only be operated after approval by the relevant department)				
7	Qingdao Jiaofa International Trading Co., Ltd.	3	Domestic non-financial enterprises	Jiaozhou,Qingdao	Jiaozhou,Qingdao Wholesale and retail: complete sets of high- and low-voltage power equipment, wire and cable, building materials, metal materials (excluding precious metals), steel, wood, stone, mineral products, decorative materials, Wujinjiaodian, plastic products, handicrafts, daily use Department store; retail: primary agricultural products, aquatic products, frozen aquatic products, fresh meat, frozen meat, pre-packaged food, bulk food, dairy products; import and export of goods and technology (projects prohibited by national laws and regulations shall not be operated, and laws and regulations restrict (Operation can be	100,000,000.00	100	100	Investment establishment

No.	Name of enterprise	Level	Type of enterprise	Registered place	Business nature	Paid-in capital	Shareholding ratio (%)	Voting ratio enjoyed	Method
					operated only after obtaining a license); operating other general business items that can be operated without administrative approval. (Projects that need to be approved according to law can only be operated after approval by the relevant departments)				
8	Qingdao Jiaozhou Bay Kechuang Property Co., Ltd.	2	Domestic non-financial enterprises	Jiaozhou,Qingdao	Foreign investment in real estate projects with its own funds (without the approval of the financial regulatory authority, it is not allowed to engage in financial services such as deposits, financing guarantees, and wealth management services); real estate development and management, house decoration and decoration engineering, real estate agency services, home sales agents, housing Leasing; landscaping engineering, earthwork design, construction; wholesale and retail: building materials, decorative materials	100,000,000.00	100.00	100.00	Investment establishment
9	Qingdao Jiaozhou Bay Kerui Property Co., Ltd.	2	Domestic non-financial enterprises	Jiaozhou,Qingdao	Foreign investment in real estate projects with its own funds (without the approval of the financial regulatory authority, it is not allowed to engage in financial services such as deposits,	100,000,000.00	100.00	100.00	Investment establishment

No.	Name of enterprise	Level	Type of enterprise	Registered place	Business nature	Paid-in capital	Shareholding ratio (%)	Voting ratio enjoyed	Method
					financing guarantees, and wealth management services); real estate development and management, house decoration and decoration engineering, real estate agency services, home sales agents, housing Leasing; landscaping engineering, earthwork design, construction; wholesale and retail: building materials, decorative materials				
10	Qingdao jiaozhou Bay Keshun Property Co., Ltd.	2	Domestic non-financial enterprises	Jiaozhou,Qingdao	Foreign investment in real estate projects with its own funds (without the approval of the financial regulatory authority, it is not allowed to engage in financial services such as deposits, financing guarantees, and wealth management services); real estate development and management, house decoration and decoration engineering, real estate agency services, home sales agents, housing Leasing; landscaping project, earthwork design, construction; wholesale and retail: building materials, decorative materials	100,000,000.00	100.00	100.00	Investment establishment
11	Qingdao Jiaozhou Bay	2	Domestic non-financia	Jiaozhou,Qingdao	Foreign investment in real estate projects with its own funds (without the approval of the	100,000,000.00	100.00	100.00	Investment establishment

No.	Name of enterprise	Level	Type of enterprise	Registered place	Business nature	Paid-in capital	Sharehol ding ratio (%)	Voting ratio enjoyed	Method
	Hongke Property Co., Ltd.		l enterprises		financial regulatory authority, it is not allowed to engage in financial services such as deposits, financing guarantees, and wealth management services); real estate development and management, house decoration and decoration engineering, real estate agency services, home sales agents, housing Leasing; landscaping project, earth and stone project design and construction; wholesale and retail: building materials, decorative materials				
12	Qingdao Jiaozhou Bay Shanghai Cooperation Organization Demonstration Zone Development Co., Ltd.	2	Domestic non-financia l enterprises	Jiaozhou,Q ingdao	Foreign investment and enterprise management consulting with its own funds(without the approval of the financial regulatory authority, it is not allowed to engage in financial services such as deposits, financing guarantees, and wealth management services); industrial park operation management, municipal public facilities management and maintenance; urban infrastructure construction Property management services; landscaping, sewage pipeline installation and repair; billboard production and installation; wholesale and	1,000,000,000.00	100.00	100.00	Investment establishment

No.	Name of enterprise	Level	Type of enterprise	Registered place	Business nature	Paid-in capital	Sharehol ding ratio (%)	Voting ratio enjoyed	Method
					retail: building materials, decorative materials.				

There are 3 new additions in the scope of this period: Qingdao Jiaofa Human Resources Service Co., Ltd.、Qingdao Jiaofa Cultural Tourism Development Co., Ltd.、Qingdao Jiaofa International Trading Co., Ltd., and the number of free transfers decreased by 2 households: Qingdao Jiaozhou Bay Ketou Property Co., Ltd.and Qingdao Jiaozhou Bay Kerong Property Co., Ltd.

8. Explanation to material items of financial statements (all amount expressed in RMB)

Unless otherwise specified, the following notes indicate "amount incurred in previous period" refers to amount for the 2018, "amount incurred in current period" refers to amount for the 2019.

8.1 Cash and cash equivalents

Item	Balance as of December 31, 2019	Balance as of December 31, 2018
Cash in hand	487,799.99	757,466.92
Bank deposit	1,619,763,904.23	1,182,496,708.07
Other monetary funds		
Total	1,620,251,704.22	1,183,254,174.99
Including: total amount of deposits abroad		

Note: The Company does not have any restrictions on the use of mortgages, pledges, or freezes, and deposits abroad, with potential recovery risks.

8.2 Accounts receivable

8.2.1 Breakdowns of accounts receivable

Category	Amount as of December 31, 2019			
	Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)
I. Accounts Receivable with significant single amount and provision for bad debts made on a single basis				
II. Accounts Receivable with provision for bad debts accrued by portfolio with credit risk features	152,798,968.70	100.00		
Including: Aging analysis method	66,187,031.48	43.32		
Individual identification method	86,611,937.22	56.68		
III. Accounts Receivable with insignificant single amount but individual provision for bad debts				
Total	152,798,968.70	100.00		

(Continual)

Category	Amount as of December 31, 2018			
	Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)
I. Accounts Receivable with significant single amount and provision for bad debts made on a single basis				
II. Accounts Receivable with provision for bad debts accrued by portfolio with credit risk features	86,473,838.00	100.00		
Including: Aging analysis method				
Individual identification method	86,473,838.00	100.00		
III. Accounts Receivable with insignificant single amount but individual provision for bad debts				
Total	86,473,838.00	100.00		

8.2.2 Accounts Receivable for bad debt made with combination

(1) Accounts Receivable subject to provision for bad debts made with aging analysis method

Aging	Amount as of December 31, 2019			Amount as of December 31, 2018		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	66,187,031.48	100.00				
1 - 2 years						
2 - 3 years						
3 - 4years						
4 - 5 years						
Over 5 years						
Total	66,187,031.48	100.00				

(2) Important Accounts Receivable to provision for bad debts made with individual identification method

Name of debtor	Amount as of December 31, 2019	Nature of payment
Jiaozhou ETDZ Management Committee	86,473,838.00	Lease account
Jiaozhou Licha Town People's Government	67,299.22	Labor dispatch account
Jiaozhou Ligezhuang Town People's Government	70,800.00	Labor dispatch account

Name of debtor	Amount as of December 31, 2019	Nature of payment
Total	86,611,937.22	——

8.3 Advances to suppliers

8.3.1 Presentation of advances to suppliers by aging

Aging	Amount as of December 31, 2019		
	Book balance		Provision for bad debts
	Amount	Proportion (%)	
Within 1 year	1,946,396,122.41	99.41	
1 - 2 years (inclusive)			
2 - 3 years (inclusive)			
3 - 4 years (inclusive)	11,470,273.00	0.59	
4 - 5 years (inclusive)			
Over 5 years			
Total	1,957,866,395.41	100.00	

(Continued)

Aging	Amount as of December 31, 2018		
	Book balance		Provision for bad debts
	Amount	Proportion (%)	
Within 1 year	69,976.86		
1 - 2 years (inclusive)			
2 - 3 years (inclusive)	11,470,273.00	0.38	
3 - 4 years (inclusive)	3,032,600,000.00	99.62	
4 - 5 years (inclusive)			
Over 5 years			
Total	3,044,140,249.86	100.00	

8.3.2 Advances to suppliers with large amount and aging of over one year

Name of debtor	Balance as of December 31, 2019	Aging	Nature of payment
Machinery Research Institute	9,570,000.00	3-4years: RMB 9,570,000.00	Unsettled equipment payments
Total	9,570,000.00	——	——

8.4 Other receivables

Item	Balance as of December 31, 2019	Balance as of December 31, 2018
Interest receivable	50,614,573.97	
Other receivables	7,456,669,014.94	3,747,825,593.66
Total	7,507,283,588.91	3,747,825,593.66

8.4.1 Interest receivable

Borrower	Balance as of December 31, 2019	Balance as of December 31, 2018
Qingdao Jiaozhou Bay Ketou Property Co., Ltd.	49,857,197.26	
Qingdao Jiaozhou Bay Kerong Property Co., Ltd.	757,376.71	
Total	50,614,573.97	

8.4.2 Other receivables

8.4.1.1 Breakdowns of Other receivables

Category	Amount as of December 31, 2019			
	Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
I. Other receivables with significant single amount and provision for bad debts made on a single basis				
II. Other receivables with provision for bad debts accrued by portfolio with credit risk features	7,456,669,534.94	100.00	520.00	0.00001
Including: Aging analysis method	3,054,644.29	0.04	520.00	0.01702
Individual identification method	7,453,614,890.65	99.96		
III. Other receivables with insignificant single amount but individual provision for bad debts				
Total	7,456,669,534.94	100.00	520.00	0.00001

(Continued)

Category	Amount as of December 31, 2018

	Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
I. Other receivables with significant single amount and provision for bad debts made on a single basis				
II. Other receivables with provision for bad debts accrued by portfolio with credit risk features	3,747,825,593.66	100.00		
Including: Aging analysis method	10,400.00			
Individual identification method	3,747,815,193.66	100.00		
III. Other receivables with insignificant single amount but individual provision for bad debts				
Total	3,747,826,593.66	100.00		

8.4.1.2 Other receivables subject to provision for bad debts made with aging analysis method

Aging	Amount as of December 31, 2019			Amount as of December 31, 2018		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	3,044,244.29	99.66		10,400.00	100.00	
1 - 2 years	10,400.00	0.34	520.00			
2 - 3 years						
3 - 4 years						
4 - 5 years						
Over 5 years						
Total	3,054,644.29	100.00	520.00	10,400.00	100.00	

8.4.1.3 Other receivables subject to provision for bad debts made with individual identification method

Name of debtor	Book balance	Nature of payment
Jiao zhou ETDZ Management Committee	3,662,562,502.60	Current Account
Jiao zhou Economic and Technological Development Zone Finance Bureau	2,122,828,795.28	Current Account
Jiao zhou Financial Bureau	587,660,964.62	Current Account

Name of debtor	Book balance	Nature of payment
Qingdao Jiaozhou Bay Ketou Property Co., Ltd.	595,000,000.00	Current Account
Qingdao Jiao zhou Bay New City Construction Development Co., Ltd.	140,000,000.00	Current Account
Qingdao Jinjiaozhou Asset Management Co., Ltd.	138,400,000.00	Current Account
Qingdao Shaohai Investment Development Co., Ltd.	70,000,000.00	Current Account
Ping An International Financial Leasing Co., Ltd	36,500,000.00	Margin
Jiaozhou Licha Town People's Government	30,000,000.00	Current Account
International Far Eastern Leasing Co., Ltd.	32,435,000.00	Margin
Qingdao Jiaozhou Bay Kerong Property Co., Ltd.	20,000,000.00	Current Account
Bangyin Financial Leasing Co., Ltd.	6,000,000.00	Margin
Bohai International Trust Co., Ltd.	4,000,000.00	Margin
AVIC International Leasing Co., Ltd.	3,600,000.00	Margin
Sinopharm Holding (China) Financial Leasing Co., Ltd.	3,000,000.00	Margin
Everbright Xinglong Trust Co., Ltd.	1,000,000.00	Margin
Employee loan and Reserve fund	627,628.15	Employee loan and Reserve fund
Total	7,453,614,890.65	——

8.4.1.4 Top five other receivables in terms of their balance as of December 31, 2019collected by the debtor

Name of debtor	Book balance
Jiao zhou ETDZ Management Committee	3,662,562,502.60
Jiao zhou Economic and Technological Development Zone Finance Bureau	2,122,828,795.28
Jiao zhou Financial Bureau	587,660,964.62
Qingdao Jiaozhou Bay Ketou Property Co., Ltd.	595,000,000.00
Qingdao Jiao zhou Bay New City Construction Development Co., Ltd.	140,000,000.00
Total	7,108,052,262.50

8.5 Inventories

8.5.1 Breakdowns of Inventory category

Item	Amount as of December 31, 2019		
	Book balance	Provision for impairment	Book value
Development Cost	12,933,676,528.60		12,933,676,528.60
Project construction	5,388,457,012.55		5,388,457,012.55

Development Product	256,177,738.19		256,177,738.19
Total	18,578,311,279.34		18,578,311,279.34

(Continued)

Item	Amount as of December 31, 2018		
	Book balance	Provision for impairment	Book value
Development Cost	13,757,088,623.38		13,757,088,623.38
Project construction	5,655,854,151.26		5,655,854,151.26
Development Product			
Total	19,412,942,774.64		19,412,942,774.64

8.5.2 Project construction details

Item	Amount as of December 31, 2018	Increased in current period	the amount of interest capitalization	Decreased in current period	Amount as of December 31, 2019
Project cost	6,193,129,678.56	322,761,087.32	40,676,035.45		6,515,890,765.88
Project gross profit	987,467,222.70	51,641,773.97			1,039,108,996.67
Project Settlement	-1,524,742,750.00	-641,800,000.00			-2,166,542,750.00
Total	5,655,854,151.26	-267,397,138.71	40,676,035.45		5,388,457,012.55

8.6 Other current assets

Item	Balance as of December 31, 2019	Balance as of December 31,2018
Deferred income		2,552,866.26
Prepaid corporate income tax	335.68	1,027.91
Personal income tax negative reclassification		5,279.51
Deductible input tax	75,950,104.92	36,012,283.65
Prepaid value-added tax	4,204,524.98	
Total	80,154,965.58	38,571,457.33

8.7 Long-term equity investments

8.7.1 Classification of long-term equity investments

Item	Balance as of December 31, 2018	Increased in current period	Decreased in current period	Balance as of December 31, 2019
Investment in subsidiaries				
Investment in joint ventures				

Item	Balance as of December 31, 2018	Increased in current period	Decreased in current period	Balance as of December 31, 2019
Investment in associates	429,255.13		25,370.33	403,884.80
Sub-total	429,255.13		25,370.33	403,884.80
Less: provision for impairment of long-term equity investments				
Total	429,255.13		25,370.33	403,884.80

8.7.2 Breakdowns of long-term equity investments

Investee	Accounting method	Shareholding ratio (%)	Proportion of voting rights (%)	Investment cost	Balance as of December 31, 2018	Additional investment	Reduced investment
I. Subsidiaries							
II. Joint ventures							
III. Associates				1,200,000.00	429,255.13		
1. Qingdao Eurasia Economic and Trade Cooperation Industrial Park Consulting Service Co., Ltd.	equity method	40	40	1,200,000.00	429,255.13		
Total	—	—	—	1,200,000.00	429,255.13		

(Continued)

Investee	Profit or loss on investments recognized under the equity method	Adjustments to other comprehensive income	Changes in other equities	Cash dividends or profit declared to be distributed	Provision for impairment	Others	Balance as of December 31, 2019	Balance of provision for impairment as of December 31, 2019

Investee	Profit or loss on investments recognized under the equity method	Adjustments to other comprehensive income	Changes in other equities	Cash dividends or profit declared to be distributed	Provision for impairment	Others	Balance as of December 31, 2019	Balance of provision for impairment as of December 31, 2019
I. Subsidiaries								
I. Joint ventures								
II. Associates	-25,370.33						403,884.80	
1. Qingdao Eurasia Economic and Trade Cooperation Industrial Park Consulting Service Co., Ltd.	-25,370.33						403,884.80	
Total	-25,370.33						403,884.80	

8.8 Investment properties

Item	Buildings and constructions	Land use right	Construction in progress	Total
I. Total original book value				
1.Balance as of December 31, 2018	1,625,810,102.14	112,557,633.44		1,738,367,735.58
2. Increased in this period	108,000,410.52	13,533,109.87		121,533,520.39
（1）Outsourcing				
（2）Inventory \ Fixed assets \ Construction in progress transferred in	107,485,016.58	13,112,388.63		120,597,405.21
（3）Other transfers	515,393.94	420,721.24		936,115.18
3.Decreased in this period				
（1）Disposal				
（2）Other transfers				
4. Balance as of December 31, 2019	1,733,810,512.66	126,090,743.31		1,859,901,255.97
II. Accumulated depreciation and accumulated amortization				
1.Balance as of December 31, 2018	148,016,461.37	5,064,433.50		153,080,894.87
2. Increased in this period	81,136,907.52	3,859,130.87		84,996,038.39
（1）Accrual or amortization	81,136,907.52	2,793,702.02		83,930,609.54
（2）Other transfers		1,065,428.85		1,065,428.85
3. Decreased in this period				
（1）Disposal				
（2）Other transfers				
4. Balance as of December 31, 2019	229,153,368.89	8,923,564.37		238,076,933.26
III. Impairment preparation				
1.Balance as of December 31, 2018				
2. Increased in this period				
（1）Accrual				
3. Decreased in this period				
（1）Disposal				
（2）Other transfers				
4. Balance as of December 31,2019				
IV. Total book value				
1.Book value on December 31, 2019	1,504,657,143.77	117,167,178.94		1,621,824,322.71
2.Book value on December 31, 2018	1,477,793,640.77	107,493,199.94		1,585,286,840.71

8.9Fixed assets

Item	Balance as of December 31, 2019	Balance as of December 31, 2018

Item	Balance as of December 31, 2019	Balance as of December 31, 2018
Fixed assets	312,716,732.21	333,927,151.57
Total	312,716,732.21	333,927,151.57

8.9.1 Breakdowns of fixed assets

Item	Buildings and constructions	Machinery equipment	Transportation facilities	Electronic equipment	Total
I. Total original book value					
1. Balance as of December 31, 2018	343,957,918.50	47,316,710.00	7,034,654.30	5,871,126.71	404,180,409.51
2. Increase in 2019			515,150.43	261,697.68	776,848.11
(1) Outsourcing			515,150.43	261,697.68	776,848.11
(2) Construction in progress transferred in					
(3) Increased corporate mergers					
3. Decrease in 2019					
(1) Disposal or Scrap					
(2) Decreased corporate mergers					
4. Balance as of December 31, 2019	343,957,918.50	47,316,710.00	7,549,804.73	6,132,824.39	404,957,257.62
II. Total accumulated depreciation					
1. Balance as of December 31, 2018	51,401,738.13	9,599,430.47	6,456,836.08	2,795,253.26	70,253,257.94
2. Increase in 2019	16,469,676.14	4,489,281.60	86,505.17	941,804.56	21,987,267.47
(1) Accrual	16,469,676.14	4,489,281.60	86,505.17	941,804.56	21,987,267.47
3. Decrease in 2019					
(1) Disposal or Scrap					
(2) Decreased corporate mergers					
4. Balance as of December 31, 2019	67,871,414.27	14,088,712.07	6,543,341.25	3,737,057.82	92,240,525.41
III. Total provisions for impairment of fixed assets					
1. Balance as of December 31, 2018					
2. Increase in 2019					
(1) Accrual					

Item	Buildings and constructions	Machinery equipment	Transportation facilities	Electronic equipment	Total
3. Decrease in 2019					
(1) Disposal or Scrap					
(2) Decreased corporate mergers					
4. Balance as of December 31, 2019					
IV. Total book value					
1.Book value on December 31, 2019	276,086,504.23	33,227,997.93	1,006,463.48	2,395,766.57	312,716,732.21
2.Book value on December 31, 2018	292,556,180.37	37,717,279.53	577,818.22	3,075,873.45	333,927,151.57

8.10 Construction in progress

Item	Balance as of December 31, 2019	Balance as of December 31, 2018
Construction in progress	1,013,355,111.88	600,800,279.63
Total	1,013,355,111.88	600,800,279.63

8.10.1 Construction in progress

Item	Balance as of December 31, 2019			Balance as of December 31, 2018		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
1.Yuehai Huating Community Project				1,828,520.00		1,828,520.00
2. Jiaozhou Economic and Technological Development Zone Wetland Surrounding Industry Planning Project	2,970,000.00		2,970,000.00	2,970,000.00		2,970,000.00
3. Conceptual Planning for Wetland Restoration in Jiaozhou Economic and Technological Development Zone	1,400,000.00		1,400,000.00	1,400,000.00		1,400,000.00
4. Jiaozhou Bay Industry New District Venture Building Renovation Project				15,381,639.01		15,381,639.01
5. Harmony Avenue, Tao he Road Municipal Infrastructure Project	68,856,129.97		68,856,129.97	55,028,767.42		55,028,767.42
6. Weihe Road Greening Project	18,337,629.50		18,337,629.50			

Item	Balance as of December 31, 2019			Balance as of December 31, 2018		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
7. Nongshim Food 35kvLine Entry Project	844,004.75		844,004.75			
8. Backfilling Earthwork and Dynamic Ramming Project in Shanghe demonstration area	13,908,004.31		13,908,004.31			
9. Cable pipeline project of Shangde Avenue (Luanhe Road-High Speed South), Jiaozhou Economic and Technological Development Zone	754,628.69		754,628.69			
10. Reproduce New Materials 35KV Incoming Line Project	523,889.56		523,889.56			
11. 10kv power line project in Jiaozhou Economic and Technological Development Zone, North Section of Jiaotong University Avenue, Innovation Building Road, etc.	6,479,872.74		6,479,872.74			
12. 35KV Power Line Project in Central Business District	3,350,563.05		3,350,563.05			
13. Roads and greening projects such as Liuyanghe Road and Chuangye Avenue in the Shanghe Demonstration Zone	5,196,178.19		5,196,178.19			

Item	Balance as of December 31, 2019			Balance as of December 31, 2018		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
14. West Extension of Xiangjiang Road (High Speed-Railway) and Greening Projects of No.1 and No.2 Roads	5,392,666.08		5,392,666.08			
15. China-Shanghe Demonstration Area Backfilling Earthwork and Dynamic Compaction Project Backfilling Area One and Three	17,762,545.96		17,762,545.96			
16. Backfilling earthwork of the China-Shanghe demonstration area and backfill area 2 project of the dynamic ramming project	1,387,874.58		1,387,874.58			
17. Design and construction integration project of Shanghai Hop sign	1,683,696.95		1,683,696.95			
18. China-Shanghai Cooperation Organization Local Economic Cooperation Demonstration Zone Rural Habitat Environment Improvement Project	190,866.91		190,866.91			
19. Nine branch projects such as the Yellow River branch road and Xingfu Street	8,295,926.56		8,295,926.56			

Item	Balance as of December 31, 2019			Balance as of December 31, 2018		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
20. Comprehensive project of underground parking lot in central business district	3,337,282.35		3,337,282.35			
21. Jiaozhou Economic and Technological Development Zone Jinze Street, Changjiang First Road, Changjiang Second Road, Financial Avenue, Chengming Street Road Project	353,854.92		353,854.92			
22. 35kv power line project in central business district	169,811.32		169,811.32			
23. Jinze Street, Changjiang First Road, Changjiang Second Road Project	18,800.97		18,800.97			
24. 2#, 4#, 5#, 6# Water System Ditch Project	495,152.63		495,152.63			
25. Shanghe is a 10kv spinning machine line reconstruction project of Luohe Road in the demonstration area	72,641.51		72,641.51			
26.Qingdao Preschool Teacher Education Project	422,413,693.43		422,413,693.43	374,081,181.57		374,081,181.57
27.Community Service Center Project	24,138,608.92		24,138,608.92	1,768,597.05		1,768,597.05
28.Boai Street Kindergarten Project	29,051,934.11		29,051,934.11	1,372,479.02		1,372,479.02

Item	Balance as of December 31, 2019			Balance as of December 31, 2018		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
29.Huanghe Road Primary School Project	104,031,440.85		104,031,440.85	21,226.42		21,226.42
30.Development Zone Junior High School Project	86,086,893.56		86,086,893.56	25,471.70		25,471.70
31. Shanghai cross-border e-commerce center project	34,986,658.61		34,986,658.61			
32.Special Mission Fire Station Project	600,738.47		600,738.47	195,831.87		195,831.87
33.SCO Training Center Project	5,357,693.46		5,357,693.46	149,999.42		149,999.42
34. Xi'an Jiaotong University Qingdao Research Institute Project – Affiliated Facilities	70,796,688.19		70,796,688.19	25,081,365.26		25,081,365.26
35. Xi'an Jiaotong University Middle School Engineering Project – Affiliated Facilities	28,626,308.93		28,626,308.93	25,924,649.86		25,924,649.86
36. High-tech Business Incubator Project – Affiliated Facilities	18,143,597.75		18,143,597.75	7,904,698.79		7,904,698.79
37.Pilot Area Project– Affiliated Facilities	23,652,185.98		23,652,185.98	7,630,284.00		7,630,284.00
38. Environmental Signage Project of Shanghe Demonstration Zone	3,686,648.12		3,686,648.12			

Item	Balance as of December 31, 2019			Balance as of December 31, 2018		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
39. High-end equipment manufacturing incubator project				80,035,568.24		80,035,568.24
Total	1,013,355,111.88		1,013,355,111.88	600,800,279.63		600,800,279.63

8.10.2 Changes of significant construction in progress in current period

Project name	Budget	Balance as of December 31, 2018	Current Increase	Amount of transfer-in fixed assets	Other decreases	Balance as of December 31, 2019
1.Yuehai Huating Community Project		1,828,520.00			1,828,520.00	
2. Jiaozhou Economic and Technological Development Zone Wetland Surrounding Industry Planning Project		2,970,000.00				2,970,000.00
3. Conceptual Planning for Wetland Restoration in Jiaozhou Economic and Technological Development Zone		1,400,000.00				1,400,000.00
4. Jiaozhou Bay Industry New District Venture Building Renovation		15,381,639.01	2,283,029.46	17,664,668.47		

Project name	Budget	Balance as of December 31, 2018	Current Increase	Amount of transfer-in fixed assets	Other decreases	Balance as of December 31, 2019
Project						
5. Harmony Avenue, Tao he Road Municipal Infrastructure Project		55,028,767.42	13,827,362.55			68,856,129.97
6. Weihe Road Greening Project			18,337,629.50			18,337,629.50
7. Nongshim Food 35kvLine Entry Project			844,004.75			844,004.75
8. Backfilling Earthwork and Dynamic Ramming Project in Shanghe demonstration area			13,908,004.31			13,908,004.31
9. Cable pipeline project of Shangde Avenue (Luanhe Road-High Speed South), Jiaozhou Economic and Technological Development Zone			754,628.69			754,628.69
10. Reproduce New Materials 35KV Incoming Line Project			523,889.56			523,889.56
11. 10kv power line project in Jiaozhou Economic and Technological Development Zone, North Section of Jiaotong University Avenue, Innovation Building Road, etc.			6,479,872.74			6,479,872.74

Project name	Budget	Balance as of December 31, 2018	Current Increase	Amount of transfer-in fixed assets	Other decreases	Balance as of December 31, 2019
12. 35KV Power Line Project in Central Business District			3,350,563.05			3,350,563.05
13. Roads and greening projects such as Liuyanghe Road and Chuangye Avenue in the Shanghe Demonstration Zone			5,196,178.19			5,196,178.19
14. West Extension of Xiangjiang Road (High Speed-Railway) and Greening Projects of No.1 and No.2 Roads			5,392,666.08			5,392,666.08
15. China-Shanghe Demonstration Area Backfilling Earthwork and Dynamic Compaction Project Backfilling Area One and Three			17,762,545.96			17,762,545.96
16. Backfilling earthwork of the China-Shanghe demonstration area and backfill area 2 project of the dynamic ramming project			1,387,874.58			1,387,874.58
17. Design and construction integration project of Shanghai Hop sign			1,683,696.95			1,683,696.95

Project name	Budget	Balance as of December 31, 2018	Current Increase	Amount of transfer-in fixed assets	Other decreases	Balance as of December 31, 2019
18. China-Shanghai Cooperation Organization Local Economic Cooperation Demonstration Zone Rural Habitat Environment Improvement Project			190,866.91			190,866.91
19. Nine branch projects such as the Yellow River branch road and Xingfu Street			8,295,926.56			8,295,926.56
20. Comprehensive project of underground parking lot in central business district			3,337,282.35			3,337,282.35
21. Jiaozhou Economic and Technological Development Zone Jinze Street, Changjiang First Road, Changjiang Second Road, Financial Avenue, Chengming Street Road Project			353,854.92			353,854.92
22. 35kv power line project in central business district			169,811.32			169,811.32
23. Jinze Street, Changjiang First Road, Changjiang Second Road			18,800.97			18,800.97

Project name	Budget	Balance as of December 31, 2018	Current Increase	Amount of transfer-in fixed assets	Other decreases	Balance as of December 31, 2019
Project						
24. 2#, 4#, 5#, 6# Water System Ditch Project			495,152.63			495,152.63
25. Shanghe is a 10kv spinning machine line reconstruction project of Luohe Road in the demonstration area			72,641.51			72,641.51
26.Qingdao Preschool Teacher Education Project		374,081,181.57	48,332,511.86			422,413,693.43
27.Community Service Center Project		1,768,597.05	22,370,011.87			24,138,608.92
28.Boai Street Kindergarten Project		1,372,479.02	27,679,455.09			29,051,934.11
29.Huanghe Road Primary School Project		21,226.42	104,010,214.43			104,031,440.85
30.Development Zone Junior High School Project		25,471.70	86,061,421.86			86,086,893.56
31. Shanghai cross-border e-commerce center project			34,986,658.61			34,986,658.61
32.Special Mission Fire Station Project		195,831.87	404,906.60			600,738.47
33.SCO Training Center Project		149,999.42	5,207,694.04			5,357,693.46

Project name	Budget	Balance as of December 31, 2018	Current Increase	Amount of transfer-in fixed assets	Other decreases	Balance as of December 31, 2019
34. Xi'an Jiaotong University Qingdao Research Institute Project – Affiliated Facilities		25,081,365.26	45,715,322.93			70,796,688.19
35. Xi'an Jiaotong University Middle School Engineering Project – Affiliated Facilities		25,924,649.86	2,701,659.07			28,626,308.93
36. High-tech Business Incubator Project – Affiliated Facilities		7,904,698.79	10,238,898.96			18,143,597.75
37.Pilot Area Project– Affiliated Facilities		7,630,284.00	16,021,901.98			23,652,185.98
38. Environmental Signage Project of Shanghe Demonstration Zone			3,686,648.12			3,686,648.12
39. High-end equipment manufacturing incubator project		80,035,568.24	9,784,779.87	89,820,348.11		
Total		600,800,279.63	521,868,368.83	107,485,016.58	1,828,520.00	1,013,355,111.88

(Continued)

Project name	Accumulative capitalization amount of interest	Including: capitalization amount of interest in current period	Capitalization rate of interest in in current period (%)	Source of funds
1.Yuehai Huating Community Project				Self-owned funds

Project name	Accumulative capitalization amount of interest	Including: capitalization amount of interest in current period	Capitalization rate of interest in in current period (%)	Source of funds
2. Jiaozhou Economic and Technological Development Zone Wetland Surrounding Industry Planning Project				Self-owned funds
3. Conceptual Planning for Wetland Restoration in Jiaozhou Economic and Technological Development Zone				Self-owned funds
4. Jiaozhou Bay Industry New District Venture Building Renovation Project				Self-owned funds
5. Harmony Avenue, Tao he Road Municipal Infrastructure Project				Self-owned funds
6. Weihe Road Greening Project				Self-owned funds
7. Nongshim Food 35kvLine Entry Project				Self-owned funds
8. Backfilling Earthwork and Dynamic Ramming Project in Shanghe demonstration area				Self-owned funds
9. Cable pipeline project of Shangde Avenue (Luanhe Road-High Speed South), Jiaozhou Economic and Technological Development Zone				Self-owned funds
10. Reproduce New Materials 35KV Incoming Line Project				Self-owned funds
11. 10kv power line project in Jiaozhou				Self-owned funds

Project name	Accumulative capitalization amount of interest	Including: capitalization amount of interest in current period	Capitalization rate of interest in in current period (%)	Source of funds
Economic and Technological Development Zone, North Section of Jiaotong University Avenue, Innovation Building Road, etc.				
12. 35KV Power Line Project in Central Business District				Self-owned funds
13. Roads and greening projects such as Liuyanghe Road and Chuangye Avenue in the Shanghe Demonstration Zone				Self-owned funds
14. West Extension of Xiangjiang Road (High Speed-Railway) and Greening Projects of No.1 and No.2 Roads				Self-owned funds
15. China-Shanghe Demonstration Area Backfilling Earthwork and Dynamic Compaction Project Backfilling Area One and Three				Self-owned funds
16. Backfilling earthwork of the China-Shanghe demonstration area and backfill area 2 project of the dynamic ramming project				Self-owned funds
17. Design and construction integration project of Shanghai Hop sign				Self-owned funds
18. China-Shanghai Cooperation Organization Local Economic Cooperation				Self-owned funds

Project name	Accumulative capitalization amount of interest	Including: capitalization amount of interest in current period	Capitalization rate of interest in in current period (%)	Source of funds
Demonstration Zone Rural Habitat Environment Improvement Project				
19. Nine branch projects such as the Yellow River branch road and Xingfu Street				Self-owned funds
20. Comprehensive project of underground parking lot in central business district				Self-owned funds
21. Jiaozhou Economic and Technological Development Zone Jinze Street, Changjiang First Road, Changjiang Second Road, Financial Avenue, Chengming Street Road Project				Self-owned funds
22. 35kv power line project in central business district				Self-owned funds
23. Jinze Street, Changjiang First Road, Changjiang Second Road Project				Self-owned funds
24. 2#, 4#, 5#, 6# Water System Ditch Project				Self-owned funds
25. Shanghe is a 10kv spinning machine line reconstruction project of Luohe Road in the demonstration area				Self-owned funds
26.Qingdao Preschool Teacher Education Project				Self-owned funds
27.Community Service Center Project				Self-owned funds

Project name	Accumulative capitalization amount of interest	Including: capitalization amount of interest in current period	Capitalization rate of interest in in current period (%)	Source of funds
28.Boai Street Kindergarten Project				Self-owned funds
29.Huanghe Road Primary School Project				Self-owned funds
30.Development Zone Junior High School Project				Self-owned funds
31. Shanghai cross-border e-commerce center project				Self-owned funds
32.Special Mission Fire Station Project				Self-owned funds
33.SCO Training Center Project				Self-owned funds
34. Xi'an Jiaotong University Qingdao Research Institute Project – Affiliated Facilities				Self-owned funds
35. Xi'an Jiaotong University Middle School Engineering Project – Affiliated Facilities				Self-owned funds
36. High-tech Business Incubator Project – Affiliated Facilities				Self-owned funds
37.Pilot Area Project– Affiliated Facilities				Self-owned funds
38. Environmental Signage Project of Shanghe Demonstration Zone				Self-owned funds
39. High-end equipment manufacturing incubator project				Self-owned funds
Total			——	——

8.11 Intangible assets

Item	Software	Land use right	Patent right	Trademark right	Total
I. Total original cost					
1. Balance as of December 31, 2018		105,077,647.77			105,077,647.77
2. Increase in 2019		48,921,774.32			48,921,774.32
(1) Outsourcing		48,921,774.32			48,921,774.32
(2) Internal R&D					
(3) Increased corporate mergers					
3. Decrease in 2019		40,543,913.53			40,543,913.53
(1) Disposal		27,431,524.90			27,431,524.90
(2) Other transfers		13,112,388.63			13,112,388.63
4. Balance as of December 31, 2019		113,455,508.56			113,455,508.56
II. Total accumulated amortization					
1. Balance as of December 31, 2018		3,412,923.39			3,412,923.39
2. Increase in 2019		1,813,524.98			1,813,524.98
(1) Accrual		1,813,524.98			1,813,524.98
3. Decrease in 2019		2,990,786.05			2,990,786.05
(1) Disposal		1,925,357.20			1,925,357.20
(2) Other transfers		1,065,428.85			1,065,428.85
4. Balance as of December 31, 2019		2,235,662.32			2,235,662.32
III. Total provision for impairment					
1. Balance as of December 31, 2018					
2. Increase in 2019					
(1) Accrual					
3. Decrease in 2019					
(1) Disposal					
4. Balance as of December 31, 2019					

IV. Total book value					
1.Book value on December 31, 2019		111,219,846.24			111,219,846.24
2.Book value on December 31, 2018		101,664,724.38			101,664,724.38

8.12 Deferred income tax assets

Item	Balance as of December 31, 2019		Balance as of December 31, 2018	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Impairment of assets	520.00	130.00		
Total	520.00	130.00		

8.13 Other non-current assets

Item	Balance as of December 31, 2019	Balance as of December 31,2018
Deferred income	39,093,997.36	51,860,794.72
Deductible input tax		1,387,714.58
Total	39,093,997.36	53,248,509.30

8.14 Assets with restricted ownership

Item	Certificate No.	Mortgagee	Balance as of December 31, 2019	Mortgage due date
Assets used for mortgage				
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2009) No. 15-258	China Agricultural Development Bank Jiaozhou Branch	150,666,742.00	2020.08.23
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2009) No. 15-259	China Agricultural Development Bank Jiaozhou Branch	150,666,742.00	2020.08.23
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2009) No. 15-260	China Agricultural Development Bank Jiaozhou Branch	150,666,742.00	2020.08.23
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2009) No. 15-257	China Agricultural Development Bank Jiaozhou Branch	150,666,742.00	2020.08.23
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2009) No. 15-253	China Agricultural Development Bank Jiaozhou Branch	150,666,742.00	2020.08.23
Jiaozhou City West 7th Road West and North 13th Road North Land Use Rights	Jiao Guo Yong (2012) No. 15-7	China Agricultural Development Bank Jiaozhou Branch	23,873,911.07	2025.08.26
Yinghai Town Wangjiatan Village East	Jiao Guo Yong (2010) No. 15-129	2013 Qingdao Jiaozhou Bay	150,666,742.00	2021.09.22

Item	Certificate No.	Mortgagee	Balance as of December 31, 2019	Mortgage due date
Land Use Rights		Development Group Co., Ltd. All bondholders of corporate bonds		
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2010) No. 15-130	2013 Qingdao Jiaozhou Bay Development Group Co., Ltd. All bondholders of corporate bonds	150,666,742.00	2021.09.22
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2010) No. 15-131	2013 Qingdao Jiaozhou Bay Development Group Co., Ltd. All bondholders of corporate bonds	150,666,742.00	2021.09.22
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2010) No. 15-132	2013 Qingdao Jiaozhou Bay Development Group Co., Ltd. All bondholders of corporate bonds	150,666,742.00	2021.09.22
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2010) No. 15-133	2013 Qingdao Jiaozhou Bay Development Group Co., Ltd. All bondholders of corporate bonds	150,666,742.00	2021.09.22
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2010) No. 15-134	2013 Qingdao Jiaozhou Bay Development Group Co., Ltd. All bondholders of corporate bonds	150,666,742.00	2021.09.22
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2010) No. 15-135	2013 Qingdao Jiaozhou Bay Development Group Co., Ltd. All bondholders of corporate bonds	150,666,742.00	2021.09.22
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2010) No. 15-136	2013 Qingdao Jiaozhou Bay Development Group Co., Ltd. All bondholders of corporate bonds	150,666,742.00	2021.09.22

Item	Certificate No.	Mortgagee	Balance as of December 31, 2019	Mortgage due date
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2010) No. 15-137	2013 Qingdao Jiaozhou Bay Development Co., Ltd. All bondholders of corporate bonds	150,666,742.00	2021.09.22
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2010) No. 15-138	2013 Qingdao JiaozhouBay Development Co., Ltd. All bondholders of corporate bonds	150,666,742.00	2021.09.22
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2010) No. 15-139	2013 Qingdao Jiaozhou Bay Development Co., Ltd. All bondholders of corporate bonds	150,666,742.00	2021.09.22
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2010) No. 15-140	2013 Qingdao Jiaozhou Bay Development Co., Ltd. All bondholders of corporate bonds	150,666,742.00	2021.09.22
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2010) No. 15-141	2013 Qingdao Jiaozhou Bay Development Group Co., Ltd. All bondholders of corporate bonds	150,666,742.00	2021.09.22
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2010) No. 15-142	2013 Qingdao Jiaozhou Bay Development Group Co., Ltd. All bondholders of corporate bonds	150,666,742.00	2021.09.22
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2010) No. 15-143	2013 Qingdao Jiaozhou Bay Development Group Co., Ltd. All bondholders of corporate bonds	150,666,742.00	2021.09.22

Item	Certificate No.	Mortgagee	Balance as of December 31, 2019	Mortgage due date
Wisdom Jiaozhou Information Building Office Building (Note 1)	Jiao GuoYong (2012) No. 15-7 State-owned Land Use Rights Certificate; Jiaozhou City Planning Bureau: Landmark No. 37JG202-036 License No. (N00034734); Jiaozhou City Planning Bureau: Landmark No. 37JG202-036 License No. (GC00120473)	China Agricultural Development Bank Jiaozhou Branch	341,621,108.67	2025.08.26
Incubator plant	Lu (2016) Jiaozhou City Real Property No. 0002800	China Agricultural Development Bank Jiaozhou Branch	138,727,602.01	2025.12.19
Jiaozhou City Industrial New Area Land Use Rights	Jiao Guo Yong (2013) No. 15-42	Industrial and Commercial Bank of China Jiaozhou Branch	81,705,697.57	2021.07.09
Jiaozhou City Industrial New Area Land Use Rights	Jiao Guo Yong (2013) No. 15-43	Industrial and Commercial Bank of China Jiaozhou Branch	81,705,697.57	2021.07.09
Jiaozhou City Industrial New Area Land Use Rights	Jiao Guo Yong (2013) No. 15-44	Industrial and Commercial Bank of China Jiaozhou Branch	81,705,697.57	2021.07.09
Jiaozhou City Industrial New Area Land Use Rights	Jiao Guo Yong (2013) No. 15-45	Industrial and Commercial Bank of China Jiaozhou Branch	81,705,697.57	2021.07.09

Item	Certificate No.	Mortgagee	Balance as of December 31, 2019	Mortgage due date
Jiaozhou City Industrial New Area Land Use Rights	Jiao Guo Yong (2013) No. 15-46	Industrial and Commercial Bank of China Jiaozhou Branch	81,705,697.57	2021.07.09
Jiaozhou Economic Development Zone Land Use Rights	Lu (2018) Jiaozhou City Real Property No. 0022381	China Agricultural Development Bank Jiaozhou Branch	236,707,831.20	2025.8.26
Jiaozhou Economic Development Zone Land Use Rights	Lu (2018) Jiaozhou City Real Property No. 0022385	China Agricultural Development Bank Jiaozhou Branch	212,115,841.60	2034.8.18
Total			4,374,909,622.40	

	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	107,121,893.32	9.45	57,834,653.86	1.41
1 - 2 years	21,062,505.59	1.86	119,599,200.00	2.92
2 - 3 years	999,990,804.44	88.31	1,150,441,300.70	28.08
3 - 4years	4,250,000.00	0.38	2,768,631,928.14	67.59
4 - 5 years				
Over 5 years				
Total	1,132,425,203.35	100.00	4,096,507,082.70	100.00

8.16.1 Significant accounts payable with aging of over one year

Name of creditor	Balance as of December 31, 2019	Aging	Reason for outstanding
Jiaozhou ETDZ Management Committee	985,755,228.84	2-3 years RMB 985,755,228.84	Failure in meeting settlement conditions
China Construction Sixth Bureau Civil Engineering Co., Ltd.	16,000,000.00	2-3 years RMB 16,000,000.00	Unsettled project payments
Total	1,001,755,228.84		——

8.17 Advances from customers

项 目	Balance as of December 31, 2019	Balance as of December 31, 2018
House sales	102,784,264.32	56,861,935.00
Other	575.00	
Rental income	59,426.20	
Labor dispatch income	9,570,230.00	
Total	112,414,495.52	56,861,935.00

8.18 Salary and wages payable

Item	Balance as of December 31, 2018	Increase in current period	Decrease in current period	Balance as of December 31, 2019
Short-term compensation		15,518,560.97	15,363,348.48	155,212.49
Post-employment welfare		2,084,430.63	2,062,879.92	21,550.71
Total		17,602,991.60	17,426,228.40	176,763.20

8.18.1 Short-term compensation

8.15 Short-term loans

Item	Balance as of December 31, 2019	Balance as of December 31, 2018
Guaranteed borrowings	1,061,898,000.00	657,530,000.00
Total	1,061,898,000.00	657,530,000.00

8.15.1Guaranteed borrowings

Borrower	Lender	Borrowing amount	Period	Guarantor
Qingdao Jiaozhou Bay Development Group Co., Ltd.	Everbright Xinglong Trust Co., Ltd.	100,000,000.00	2019.9.27-2020.8.27	Qingdao Jiaozhou Urban Development Investment Co., Ltd.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Industrial Bank Co., Ltd. Qingdao Jiaozhou Branch	242,380,000.00	2019.1.16-2020.1.15	Qingdao Jiaozhou Bay Development Group Co., Ltd.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Industrial And Commercial Bank of China Jiaozhou Branch	19,998,000.00	2019.1.29-2020.1.28	Qingdao Jiaozhou Bay Development Group Co., Ltd.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Qingdao Rural Commercial Bank Co., Ltd. JiaozhouFuan	100,000,000.00	2019.6.28-2020.6.27	Qingdao Jiaozhou Bay Development Group Co., Ltd. Qingdao Jiaozhou Urban Development Investment Co., Ltd.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Qingdao Rural Commercial Bank Co., Ltd.	200,000,000.00	2019.11.19-2020.11.18	Qingdao Shaohai Water Resources Development Co., Ltd.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Qingdao Bank Jiaozhou Branch	199,520,000.00	2019.10.24-2020.10.25	Qingdao Jiaozhou Bay Development Group Co., Ltd.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	China Agricultural Bank Jiaozhou Branch Sub-branch	200,000,000.00	2019.9.26-2020.9.25	Qingdao Shaohai Water Resources Development Co., Ltd. Qingdao Jiaozhou Bay Development Group Co., Ltd.
Total		1,061,898,000.00		——

8.16 Accounts payable

Aging	Balance as of December 31, 2019	Balance as of December 31, 2018

Item	Balance as of December 31, 2018	Increase in current period	Decrease in current period	Balance as of December 31, 2019
I. Wages, bonus, allowances and subsidies		10,928,090.77	10,873,266.95	54,823.82
II. Employee welfare		2,177,329.72	2,177,329.72	
III. Social insurance premiums		1,170,402.22	1,158,301.55	12,100.67
Including: 1. Basic medical insurance premiums		980,908.53	970,767.02	10,141.51
2. Work-related injury insurance premiums		22,293.37	22,062.88	230.49
3.Maternity insurance premiums		167,200.32	165,471.65	1,728.67
4.Othesr				
IV. Housing provident funds		938,328.00	850,040.00	88,288.00
V. Labor union expenditures and employee education funds		304,410.26	304,410.26	
VI. Short-term paid absences				
VII. Short-term profit sharing plan				
VIII. Other short-term paid				
Total		15,518,560.97	15,363,348.48	155,212.49

8.18.2 Post-employment welfare

Item	Balance as of December 31, 2018	Increase in current period	Decrease in current period	Balance as of December 31, 2019
1. Basic endowment insurance		2,006,403.81	1,985,659.81	20,744.00
2. Unemployment insurance		78,026.82	77,220.11	806.71
Total		2,084,430.63	2,062,879.92	21,550.71

8.19 Taxes and dues payable

Item	Balance as of December 31, 2019	Balance as of December 31, 2018
Business tax	22,624,954.55	22,624,954.55
Value-added tax (VAT)	66,558,927.33	35,662,980.77
Enterprise income tax	350,511,962.51	285,253,184.68
Urban maintenance and construction tax	6,439,196.30	4,106,529.73
Land use tax	2,373,214.15	3,725,516.25
Education surcharges	4,759,058.90	2,933,235.5

Item	Balance as of December 31, 2019	Balance as of December 31, 2018
Local Water Conservancy Fund	390,016.36	121,013.54
Individual income tax		70.76
House property tax	6,961,134.09	7,790,589.20
Land Value Added Tax		174,480.05
Total	460,618,464.19	362,392,555.03

8.20 Other payables

Item	Balance as of December 31, 2019	Balance as of December 31, 2018
Interest payable	130,938,808.75	85,962,175.34
Other payables	3,730,641.11	6,117,735.27
Total	134,669,449.86	92,079,910.61

8.20.1 Interest payable

Item	Balance as of December 31, 2019	Balance as of December 31,2018
Interest payable on corporate bonds	120,055,264.49	72,035,521.95
Interest payable on long-term borrowings and short-term borrowings	10,883,544.26	13,926,653.39
Total	130,938,808.75	85,962,175.34

8.20.2 Other payables

8.20.2.1 Presentation of other payables by aging

Item	Balance as of December 31, 2019	Balance as of December 31,2018
Within 1 year	3,237,281.11	6,117,735.27
1 - 2 years (inclusive)	493,360.00	
2 - 3 years (inclusive)		
3 - 4 years (inclusive)		
4 - 5 years (inclusive)		
Over 5 years		
Total	3,730,641.11	6,117,735.27

8.21 Non-current liabilities maturing within one year

Item	Balance as of December 31, 2019	Balance as of December 31,2018
Long-term borrowings maturing within one year	984,500,000.00	1,577,500,000.00
Bonds payable maturing within one year	230,000,000.00	230,000,000.00
Long-term payables maturing within one year	561,301,909.97	622,535,181.64
Other long-term liabilities maturing within one year		
Total	1,775,801,909.97	2,430,035,181.64

8.22 Other current liabilities

Item	Balance as of December 31, 2019	Balance as of December 31,2018
Short-term financing bill 19	350,000,000.00	
Total	350,000,000.00	

8.23 Long-term loans

Item	Balance as of December 31, 2019	Balance as of December 31,2018
Pledged loan	980,000,000.00	2,160,000,000.00
Mortgage loan	1,718,250,000.00	2,125,750,000.00
Guaranteed loan	3,023,000,000.00	2,715,000,000.00
Less: Long-term borrowings maturing within one year	984,500,000.00	1,577,500,000.00
Total	4,736,750,000.00	5,423,250,000.00

8.23.1 Pledge loan

Borrower	Lender	Borrowing amount	Period	Mortgages/Pledges, Guarantors
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	China Construction Bank Jiaozhou Branch	980,000,000.00	2019/1/3-2028/12/21	Pledge of accounts receivable
Total		980,000,000.00	——	——

8.23.2 Mortgage loan

Borrower	Lender	Borrowing amount	Period	Mortgages/Pledges, Guarantors

Borrower	Lender	Borrowing amount	Period	Mortgages/Pledges, Guarantors
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Agriculture Development Bank of China Jiaozhou Branch	1,030,250,000.00	2015/8/27-2025/8/26 2019/4/3-2025/8/26	Qingdao Jiaozhou Bay Development Group Co., Ltd. is a mortgagor, and the mortgages are the land use right of Jiaoguo yong (2012) No. 15-7 and the land use right of Jiaoguo yong (2012) No. 15-8; Qingdao Jiaozhou Bay Development Group Co., Ltd. is a mortgager. The collateral was smart Jiaozhou Information Building (formerly known as the Pioneer Building) office building; Qingdao Jiaozhou Bay Keshun Property Co., Ltd. is a mortgagor, and the mortgages are the land use right of Lu (2018) Jiaozhou City Real Property No. 0022381;Qingdao Jiaozhou Bay Technology Investment Co., Ltd. was a pledgor, and the pledges for the government's financial allocation was RMB 2,404,475,000; Qingdao Jiaozhou Bay Development Group Co., Ltd. as a guarantor.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Industrial And Commercial Bank of China Jiaozhou Branch	160,000,000.00	2015/7/14-2021/6/10	Land use right certificate number: land use rights of Jiaoguoyong (2013) No. 15-42, Jiaoguoyong (2013) No. 15-43, Jiaoguoyong (2013) No. 15-44, Jiaoguoyong (2013) No. 15-45, Jiaoguoyong (2013) No. 15-46.

Borrower	Lender	Borrowing amount	Period	Mortgages/Pledges, Guarantors
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Agriculture Development Bank of China Jiaozhou Branch	510,000,000.00	2017/12/22-2025/12/19	The mortgages are the land use rights and construction on the ground (real estate) of Lu (2016) Jiaozhou City Real Property No. 0002800; Qingdao Jiaozhou Bay Development Group Co., Ltd. as a guarantor.
Qingdao Jiaozhou Bay Development Group Co., Ltd.	Agriculture Development Bank of China Jiaozhou Branch	10,000,000.00	2010.08.26-2020.08.23	Land Certificate: Jiaoguoyong (2009) No. 15-258, Jiaoguoyong (2009) No. 15-259, Jiaoguoyong (2009) No. 15-260, Jiaoguoyong (2009) No. 15-257 , Jiaoguoyong (2009) No.15-253.
Qingdao Jiaozhou Bay Development Group Co., Ltd.	Agriculture Development Bank of China Jiaozhou Branch	8,000,000.00	2010.08.26-2020.08.23	Land Certificate: Jiaoguoyong (2009) No. 15-258, Jiaoguoyong (2009) No. 15-259, Jiaoguoyong (2009) No. 15-260, Jiaoguoyong (2009) No. 15-257, Jiaoguoyong (2009) 15-253.
Total	——	1,718,250,000.00	——	——

8.23.3 Guaranteed loan

Borrower	Lender	Borrowing amount	Period	Guarantors

Borrower	Lender	Borrowing amount	Period	Guarantors
Qingdao Jiaozhou Bay Development Group Co., Ltd.	Huaxia Bank Qingdao Branch	80,000,000.00	2016.01.08—2021.01.03	Qingdao Jiaozhou Urban Development Investment Co., Ltd.
Qingdao Jiaozhou Bay Development Group Co., Ltd.	Hengfeng Bank Qingdao Fuzhou Road branch	198,000,000.00	2019.4.26— 2022.4.26	Qingdao Jiaozhou Urban Development Investment Co., Ltd.
Qingdao Jiaozhou Bay Development Group Co., Ltd.	Xiamen International Bank Co., Ltd. Shanghai Branch	20,000,000.00	2019.5.28— 2021.5.28	Qingdao Jiaozhou Urban Development Investment Co., Ltd.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Shanghai Pudong Development Bank Jiaozhou Branch	75,000,000.00	2017/1/3-2020/1/2	Qingdao Shaohai Investment Development Co., Ltd.; Qingdao Jiaozhou Bay Development Group Co., Ltd.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Agricultural Development Bank of China Jiaozhou Branch	300,000,000.00	2016/2/19-2026/2/18	Qingdao Jiaozhou Bay Development Group Co., Ltd.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Industrial And Commercial Bank of China Jiaozhou Branch	440,000,000.00	2016/4/30-2025/12/5	Qingdao Jiaozhou Bay Development Group Co., Ltd.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Industrial And Commercial Bank of China Jiaozhou Branch	440,000,000.00	2016/7/31-2024/12/15	Qingdao Jiaozhou Bay Development Group Co., Ltd.

Borrower	Lender	Borrowing amount	Period	Guarantors
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Industrial And Commercial Bank of China Jiaozhou Branch	270,000,000.00	2017/3/25-2026/12/15	Qingdao Jiaozhou Bay Development Group Co., Ltd.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Bohai International Trust Co., Ltd.	300,000,000.00	2017/12/21-2020/12/21	Qingdao Jiaozhou Bay Development Group Co., Ltd.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Industrial And Commercial Bank of China Jiaozhou Branch	80,000,000.00	2019-1-26-2021/1/26	Qingdao Jiaozhou Bay Development Group Co., Ltd.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Bank of Communications Qingdao Jiaozhou branch	420,000,000.00	2016/6/21-2026/6/21	Qingdao Shaohai Investment Development Co., Ltd.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Bank of China Jiaozhou branch	400,000,000.00	2016/12/19-2033/12/28	Qingdao Jiaozhou Urban Development Investment Co., Ltd.
Total	——	3,023,000,000.00	——	——

8.24 Bonds payable

8.24.1 Bonds payable

Item	Balance as of December 31 2019	Balance as of December 31,2018
14 Jiaozhou Development Bond	228,898,436.31	457,711,195.38
18 Jiaozhou Bay PPN001	494,574,318.62	498,939,064.90
18 Jiaozhou Bay MTN001	791,647,972.11	797,889,560.07
18 Jiaozhou Bay MTN002	791,675,884.27	797,959,142.66

Item	Balance as of December 31 2019	Balance as of December 31,2018
JZBD B2016	824,305,403.79	803,008,683.65
19 Jiaozhou Bay PPN001	497,285,714.41	
JZBD B2106-2	546,039,131.57	
19LujiaofaZR001	496,532,321.23	
19LujiaofaZR002	496,534,721.74	
19LujiaofaZR003	496,532,321.23	
19Jiaozhou Bay MTN001	692,121,824.13	
JZBD B2206	2,072,630,773.53	
19LujiaofaZR004	297,320,842.69	
Total	8,726,099,665.63	3,355,507,646.66

8.24.2 Increase/decrease in bonds payable

Bond name	Par value	Date of issue	Term of bond	Amount issued	Balance as of December 31, 2018
14 Jiaozhou Development Bond	1,150,000,000.00	2014-9-22	7 years	1,150,000,000.00	687,711,195.38
18 Jiaozhou Bay PPN001	500,000,000.00	2018-5-25	3 years	500,000,000.00	498,939,064.90
18 Jiaozhou Bay MTN001	800,000,000.00	2018-4-25	5 years	800,000,000.00	797,889,560.07
18 Jiaozhou Bay MTN002	800,000,000.00	2018-11-23	5 years	800,000,000.00	797,959,142.66
JZBD B2016	837,144,000.00	2018-6-14	3 years	837,144,000.00	803,008,683.65
19 Jiaozhou Bay PPN001	500,000,000.00	2019-1-14	3 years	500,000,000.00	
JZBD B2106-2	558,096,000.00	2018-12-14	3 years	558,096,000.00	
19LujiaofaZR001	500,000,000.00	2019-2-22	3 years	500,000,000.00	
19LujiaofaZR002	500,000,000.00	2019-3-20	3 years	500,000,000.00	
19LujiaofaZR003	500,000,000.00	2019-3-26	3 years	500,000,000.00	
19Jiaozhou Bay MTN001	700,000,000.00	2019-4-3	5 years	700,000,000.00	
JZBD B2206	2,092,860,000.00	2019-6-28	3 years	2,092,860,000.00	
19LujiaofaZR004	300,000,000.00	2019-12-23	3 years	300,000,000.00	
Total	9,738,100,000.00			9,738,100,000.00	3,585,507,646.66

Bond name	Par value	Date of issue	Term of bond	Amount issued	Balance as of December 31, 2018
Less: Bond balance due within one year					230,000,000.00
Total	9,738,100,000.00			9,738,100,000.00	3,355,507,646.66

(Continued)

Bond name	Bond issued in current period	Interest withdrawn by par value	Premium and discount amortization	Repayment in current period	Balance as of December 31, 2019
14 Jiaozhou Development Bond		8,376,410.96	1,187,240.93	230,000,000.00	458,898,436.31
18 Jiaozhou Bay PPN001		20,712,328.77	-4,364,746.28		494,574,318.62
18 Jiaozhou Bay MTN001		31,961,424.66	-6,241,587.96		791,647,972.11
18 Jiaozhou Bay MTN002		4,164,383.56	-6,283,258.39		791,675,884.27
JZBD B2016		2,676,116.07	21,296,720.14		824,305,403.79
19 Jiaozhou Bay PPN001	496,100,000.00	24,281,506.85	1,185,714.41		497,285,714.41
JZBD B2106-2	540,249,581.29	1,774,381.30	5,789,550.28		546,039,131.57
19LujiaofaZR001	495,500,000.00		1,032,321.23		496,532,321.23
19LujiaofaZR002	495,500,000.00		1,034,721.74		496,534,721.74
19LujiaofaZR003	495,500,000.00		1,032,321.23		496,532,321.23
19Jiaozhou Bay MTN001	690,900,000.00	25,664,876.71	1,221,824.13		692,121,824.13
JZBD B2206	2,068,943,738.06		3,687,035.47		2,072,630,773.53
19LujiaofaZR004	297,300,000.00	443,835.61	20,842.69		297,320,842.69
Total	5,579,993,319.35	120,055,264.49	20,598,699.62	230,000,000.00	8,956,099,665.63
Less: Bond balance due within one year					230,000,000.00
Total	5,579,993,319.35	120,055,264.49	20,598,699.62	230,000,000.00	8,726,099,665.63

8.25 Payables due after one year

Item	Balance as of December 31, 2019	Balance as of December 31, 2018

Item	Balance as of December 31, 2019	Balance as of December 31, 2018
Payables due after one year	576,790,037.91	858,256,167.65
Government grants payable	469,820,000.00	270,000,000.00
Total	1,046,610,037.91	1,128,256,167.65

8.25.1 Payables due after one year

Item	Balance as of December 31, 2019	Balance as of December 31, 2018
Ping An International Finance Leasing Co., Ltd.	224,665,105.45	411,756,140.98
International Far Eastern Leasing Co., Ltd.	199,789,126.29	282,374,310.35
Shandong Huitong Financial Leasing Co., Ltd.	180,323,612.72	346,626,903.91
International Far Eastern Leasing Co., Ltd.	58,814,700.67	78,449,979.73
Bangyin Financial Leasing Co., Ltd.	177,988,560.27	
Sinopharm Holding (China) Financial Leasing Co., Ltd.	217,241,616.78	247,147,623.24
China Aviation International Leasing Co., Ltd.	80,000,000.00	120,000,000.00
Unconfirmed financing charges	-730,774.30	-5,563,608.92
Less: the portion due within one year	561,301,909.97	622,535,181.64
Total	576,790,037.91	858,256,167.65

8.25.2 Government grants payable

Item	Balance as of December 31, 2019	Balance as of December 31, 2018
Underground parking complex project in central business district	149,820,000.00	
Qingdao Preschool Teacher Education Project	320,000,000.00	270,000,000.00
Total	469,820,000.00	270,000,000.00

8.26 Deferred income tax liabilities

Item	Balance as of December 31, 2019		Balance as of December 31, 2018	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities

Item	Balance as of December 31, 2019		Balance as of December 31, 2018	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Assets appraisal value added of business combinations under non-same control	4,377,090.00	1,094,272.50	13,837,854.08	3,459,463.52
Total	4,377,090.00	1,094,272.50	13,837,854.08	3,459,463.52

8.27 Paid in capital

Name of investor	Balance as of December 31, 2018		Increase in current period	Decrease in current period	Balance as of December 31, 2019	
	Investment amount	Proportion (%)			Investment amount	Proportion
Jiaozhou ETDZ Management Committee	150,000,000.00	75.00		30,000,000.00		
Jiaozhou Municipal Financial Investment Center	30,000,000.00	15.00		20,000,000.00		
Qingdao Jiaozhou New City Construction Development Co., Ltd.	20,000,000.00	10.00		150,000,000.00		
Jiaozhou State-owned Assets Service Center			1,200,000,000.00		1,200,000,000.00	100.00
Total	200,000,000.00	100.00	1,200,000,000.00	200,000,000.00	1,200,000,000.00	100.00

Note 1: According to Jiao State-owned Assets Supervision and Administration Commission [2018] No. 39 issued by Jiaozhou State-owned Assets Supervision and Administration Commission, "Response for the free transfer of the equity of Qingdao Jiaozhou Bay Development Group Co., Ltd." and "Shareholder Transfer Agreement of Qingdao Jiaozhou Bay Development Group Co., Ltd." 》, Jiaozhou Financial Investment Center, Jiaozhou New Industrial Zone Management Committee and Qingdao Jiaozhou New City Construction and Development Co., Ltd. transferred the state-owned equity of Qingdao Jiaozhou Bay Development Group Co., Ltd. to Jiaozhou State-owned Assets Supervision and Administration Office free of charge.

On May 3, 2019, Jiaozhou State-owned Assets Supervision and Administration Office was changed to Jiaozhou State-owned Assets Service Center.

Note 2: According to Jiao Cai ZiZi [2019] No. 8 document of "Approval for Increasing the Registered Capital of Qingdao Jiaozhou Bay Development Group Co., Ltd.", Jiaozhou Finance Bureau and Jiaozhou State-owned Assets Service Center, it was agreed that RMB 1 billion of government replacement bonds will be used as equity capital, and Jiaozhou State-owned Assets Service as an investor inject 1 billion yuan of registered capital into the company.

8.28 Capital surplus

Item	Balance as of December 31, 2018	Increase in current period	Decrease in current period	Balance as of December 31, 2019
1. Capital (share capital) premium				
2. Other capital reserves	10,731,623,513.00		217,948,841.60	10,513,674,671.40
Total	10,731,623,513.00		217,948,841.60	10,513,674,671.40

Note: According to the "Reply of Jiaozhou State-owned Assets Supervision and Administration Commission on the free transfer of the equity of Qingdao Jiaozhou Wanke Investment Real Estate Co., Ltd. and Qingdao Jiaozhou Wanke Rong Real Estate Co., Ltd." (Jiao State-owned Assets Supervision and Administration Commission [2019] No. 59), Qingdao The equity of Jiaozhou Wanke Investment Real Estate Co., Ltd. and Qingdao Jiaozhou Wanke Rong Real Estate Co., Ltd. was transferred to Qingdao Jiaozhou Urban Development Investment Co., Ltd. for free, according to which the capital reserve was reduced by RMB 217,948,841.60 .

8.29Surplus reserve

Item	Balance as of December 31, 2018	Increase in current period	Decrease in current period	Balance as of December 31, 2019
Statutory surplus reserve	100,000,000.00	36,265,177.89		136,265,177.89
Discretionary surplus reserve				
Enterprise development fund				
Other				
Total	100,000,000.00	36,265,177.89		136,265,177.89

Note: The Company draws a statutory surplus reserve fund according to 10% of the annual net profit, and no longer withdraws when the cumulative amount of the statutory surplus reserve reaches 50% of the share capital.

8.30 Undistributed profit

Item	Amount in current period	Amount in previous period
Beginning balance in the current year	1,546,661,433.63	1,378,015,655.69
Increase in the current year	90,839,954.16	168,645,777.94
Including: Transferred-in net profit in the current year	90,839,954.16	168,645,777.94
Other adjustment factors		
Decrease in the current period	36,265,177.89	
Including: surplus reserves withdrawn in the current year	36,265,177.89	
General risk reserves withdrawn in the current year		
Transfer to capital		
Other decreases		
Ending balance in the current year	1,601,236,209.90	1,546,661,433.63

8.31 Operating revenue and operating costs

Item	Amount incurred in current period		Amount incurred in previous period	
	Revenue	Cost	Revenue	Cost
1.Main business	842,169,835.12	704,819,094.87	506,314,073.81	400,815,559.10

Item	Amount incurred in current period		Amount incurred in previous period	
	Revenue	Cost	Revenue	Cost
Infrastructure construction	343,488,863.57	322,761,087.32	248,221,455.88	235,382,415.06
Property leasing and management	257,632,109.28	129,482,854.79	245,808,245.80	159,068,054.80
Government purchase service	15,223,584.91	17,680,623.22	12,211,556.60	6,216,332.74
Property income	292,515.11	2,243,405.94	72,815.53	148,756.50
Trade income	157,561,991.63	153,307,489.78		
Sales of commercial housing income	63,713,033.06	74,807,477.28		
Labor dispatch income	4,257,737.56	4,536,156.54		
2. Other business	4,311,939.82			
Interest income	4,148,746.44			
Ticket income	163,193.38			
Total	846,481,774.94	704,819,094.87	506,314,073.81	400,815,559.10

8.32 Sales tax and surcharges

Item	Amount incurred in current period	Amount incurred in previous period
Urban maintenance and construction tax	4,236,475.17	4,643,498.27
Education surcharges	1,975,308.09	1,990,070.70
Land use tax	8,921,863.24	20,685,047.23
Stamp duty	1,875,215.26	2,512,633.97
House property tax	25,082,184.73	24,425,333.86
Land value increment tax	104,037,384.79	138,176,635.65
Local education surcharges	1,210,442.91	1,326,713.79
Local Water Conservancy Fund	412,184.44	322,355.58
Vehicle and vessel tax	1,380.00	1,740.00
Total	147,752,438.63	194,084,029.05

8.33 Selling expenses

Item	Amount incurred in current period	Amount incurred in previous period
Advertising expenses	5,663,298.99	3,166,240.84
Depreciation expense	40,432.05	18,153.59
Operating expenses	5,334,998.04	3,078,243.57
Property expenses	883,002.85	317,036.36
Administrative expense	93,381.26	288,208.68
Other	6,300.00	80,801.89
Total	12,021,413.19	6,948,684.93

8.34General and administrative expenses

Item	Amount incurred in current period	Amount incurred in previous period
Administrative expense	6,951,480.59	2,896,873.95
Entertainment expense	88,395.00	77,049.00
Travel expense	376,591.48	590,486.52
Depreciation expense	24,426,614.20	24,654,754.00
Communication expense	328,620.19	295,774.68
Utilities	476,178.05	4,327,692.97
Maintenance expense	1,422,544.09	1,367,804.77
Vehicle expense	406,459.32	959,802.37
Wages	7,882,776.74	5,844,041.00
Employee welfare	2,138,389.72	804,444.77
Provident Fund	850,038.00	709,060.00
Social insurance premiums	1,973,036.94	1,686,786.22
Other	10,709,004.30	3,014,795.91
Intermediation services fee& Consultant expense	4,988,762.41	30,840,930.69
Amortization of intangible assets	719,876.89	820,996.69
Advertising fee	67,700.00	12,800.00
Employee education expenses	315,129.87	85,171.69
Total	64,121,597.79	78,989,265.23

8.35 Research and development expenses

Item	Amount incurred in current period	Amount incurred in previous period
Research and development expenses		6,000,000.00
Total		6,000,000.00

8.36 Financial expenses

Item	Amount incurred in current period	Amount incurred in previous period
Interest expense	322,804.70	134,357.41
Less: interest income	11,247,439.25	.3,268,546.84
Net interest expense	-10,924,634.55	-3,134,189.43
Exchange losses		
Less: exchange gains	-19,345,374.39	-10,181,961.49
Net exchange loss	19,345,374.39	10,181,961.49
Bank charges	247,922.85	338,284.88
Other	15,294,150.96	
Total	23,962,813.65	7,386,056.94

8.37 Miscellaneous incomes

Item	Amount incurred in current period	Amount incurred in previous period
Government grants	240,000,000.00	430,000,000.00
Beautiful village construction funds	10,000,000.00	
Thousands of expert subsidies	11,000,000.00	
Job maintenance subsidies	32,966.15	
Total	261,032,966.15	430,000,000.00

8.38 Investment income

Source for investment income	Amount incurred in current period	Amount incurred in previous period
Investment income from long-term equity investments calculated under the equity method	-25,370.33	-255,502.67
Investment income from disposal of long-term equity investment		-3,335,653.40
Total	-25,370.33	-3,591,156.07

8.39 Disposal of assets

Item	Amount incurred in current period	Amount incurred in previous period	Amount included in current
Disposal of assets	2,985,918.73	97,685.29	97,685.29
Total	2,985,918.73	97,685.29	97,685.29

8.40 Non-operating income

Item	Amount incurred in current period	Amount incurred in previous period
Accept donation	1,425.00	
Penalty Incomes	5,208.09	30,000.08
VAT exemption	14,092.00	
Other		728.16
Total	20,725.09	30,728.24

8.41 Non-operating expenses

Item	Amount incurred in current period	Amount incurred in previous period
Tax late fees and fines	1,658.77	216,197.10
External donation	2,197,493.89	1,409,090.91
Arbitration compensation	143,529.77	
Total	2,342,682.43	1,625,288.01

8.42 Income tax expenses

Item	Amount incurred in current period	Amount incurred in previous period
Current income tax expenses	65,854,174.60	69,352,567.93
Deferred income tax expenses	-2,365,321.02	-76,075.87
Total	63,488,853.58	69,276,492.06

8.43 Consolidated Statement of Cash Flows

Indirect cash flow

Item	Amount incurred in current period	Amount incurred in previous period
1. Net profit adjusted to cash flow from operating activities:		
Net profit	91,986,600.44	167,725,955.95
Plus: Provision for assets impairment	520.00	
Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of productive biological assets	104,574,430.87	104,453,850.33
Amortization of intangible assets	1,813,524.98	1,243,134.04
Amortization of long-term deferred expenses		
Losses from disposal of fixed assets,	-2,985,918.73	-97,685.29

Item	Amount incurred in current period	Amount incurred in previous period
intangible assets and other long-term assets ("-" for gains)		
Losses from write-off of fixed assets ("-" for gains)		
Losses from changes in fair value ("-" for gains)		
Financial expenses ("-" for gains)	322,804.70	
Investment loss ("-" for gains)	25,370.33	3,591,156.07
Decrease in the deferred income tax assets ("-" for increase)	-130.00	
Increase in deferred income tax liabilities ("-" for decrease)	-2,365,191.02	-76,075.87
Decrease in inventories ("-" for increase)	122,696,018.18	-1,218,615,932.52
Decrease in operating receivables ("-" for increase)	953,046,723.96	-3,874,765,757.53
Increase in operating payables ("-" for decrease)	-5,276,727,839.91	2,755,338,355.97
Others		
Net cash flows from operating activities	-4,007,613,086.20	-2,061,202,998.85
2. Significant investing and financing activities not involving cash inflow and outflow:		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under finance leases		
3. Net changes in cash and cash equivalents:		
Ending balance of cash	1,620,251,704.22	1,183,254,174.99
Less: Beginning balance of cash	1,183,254,174.99	904,479,470.51
Plus: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increases in cash and cash equivalents	436,997,529.23	278,774,704.48

Breakdowns of cash and cash equivalents

Item	Amount incurred in current period	Amount incurred in previous period
I. Cash	1,620,251,704.22	1,183,254,174.99
Including: Cash on hand	487,799.99	757,466.92
Unrestricted bank deposit	1,619,763,904.23	1,182,496,708.07
Other unrestricted monetary funds		
II. Other unrestricted monetary funds		
Including: bond investments maturing within three months		
III. Balance of cash and cash equivalents at the end of the year	1,620,251,704.22	1,183,254,174.99

9. Contingencies

9.1 Internal guarantee

Unit: RMB ten thousand

No.	Guarantor	Guarantee object		Guarantee method	Guaranteed matter	Anti-guarantee method	Guaranteed amount
		Name	Nature of business				
1	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	150,000.00
2	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	68,000.00
3	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	60,000.00
4	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	50,000.00
5	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co. Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	50,000.00
6	Qingdao Jiaozhou Bay Development Group Co.,	Qingdao Jiaozhou Bay Technology	Limited liability company	Collateral Security	Loan guarantee	No	50,000.00

No.	Guarantor	Guarantee object		Guarantee method	Guaranteed matter	Anti-guarantee method	Guaranteed amount
		Name	Nature of business				
	Ltd.	Investment Co., Ltd.					
7	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Collateral Security	Loan guarantee	No	45,000.00
8	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	40,000.00
9	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co.,Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	40,000.00
10	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	20,000.00
11	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	13,998.34
12	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	11,000.00

No.	Guarantor	Guarantee object		Guarantee method	Guaranteed matter	Anti-guarantee method	Guaranteed amount
		Name	Nature of business				
13	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	10,000.00
14	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	25,979.80
Total							633,978.14

9.2 External guarantee

Unit: RMB ten thousand

No.	Guarantor	Guarantee object		Guarantee method	Guaranteed matter	Anti-guarantee method	Guaranteed amount
		Name	Nature of business				
1	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jinjiaozhou Asset Management Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	150,000.00
2	Qingdao Jiaozhou Bay Development	Qingdao Jiaozhou Urban Development	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	70,000.00

No.	Guarantor	Guarantee object		Guarantee method	Guaranteed matter	Anti-guarantee method	Guaranteed amount
		Name	Nature of business				
	Group Co., Ltd.	Investment Co., Ltd.					
3	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Urban Development Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	70,000.00
4	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Urban Development Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	50,000.00
5	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Shaohai Water Development Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	40,500.00
6	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Urban Development Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	30,000.00
7	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou New City Construction Development Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	30,000.00
8	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou New City Construction Development Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	30,000.00
9	Qingdao Jiaozhou	Qingdao Jiaozhou	Limited liability	Joint responsibility	Loan	No	30,000.00

No.	Guarantor	Guarantee object		Guarantee method	Guaranteed matter	Anti-guarantee method	Guaranteed amount
		Name	Nature of business				
	Bay Development Group Co., Ltd.	Urban Development Investment Co., Ltd.	company	guarantee	guarantee		
10	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Shaohai Water Development Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	24,375.00
11	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Urban Development Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	20,000.00
12	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Urban Development Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	20,000.00
13	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Urban Development Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	15,000.00
14	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Urban Development Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	14,000.00
15	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Shaohai Water Development Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	13,000.00

No.	Guarantor	Guarantee object		Guarantee method	Guaranteed matter	Anti-guarantee method	Guaranteed amount
		Name	Nature of business				
16	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Urban Development Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	12,000.00
17	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Shaohai Water Development Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	11,000.00
18	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Shaohai Water Development Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	10,000.00
19	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Shaohai Water Development Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	10,000.00
20	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Qucheng Waterworks Engineering Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	10,000.00
21	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Urban Development Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	8,000.00
22	Qingdao Jiaozhou Bay Development	Qingdao Jiaozhou Urban Development	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	2,800.00

No.	Guarantor	Guarantee object		Guarantee method	Guaranteed matter	Anti-guarantee method	Guaranteed amount
		Name	Nature of business				
	Group Co., Ltd.	Investment Co., Ltd.					
23	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Jiaozhou Second Middle School	Institution		Loan guarantee	No	670.00
Total							671,345.00

10. Non-adjustment events occurring after the balance sheet date

There were no significant events after balance sheet date that required to be disclosed.

11. Related parties and related party transactions

11.1 The Company's parent company

Name of the parent company	Address of registration	Business nature	Shareholding ratio of the parent company in the Company (%)	Voting ratio of the parent company in the Company (%)
Jiaozhou State-owned Assets Service Center	Qingdao Jiaozhou City	Legal person	100.00	100.00

Note: Jiaozhou State-owned Assets Supervision and Administration Office was renamed Jiaozhou State-owned Assets Service Center.

11.2 See the Note 7 for the information on the subsidiaries of the Company

11.3 The joint ventures and associates of the Company

Name of invested company	connection relation	Unified Social Credit Code
Qingdao Eurasia Economic and Trade Cooperation Industrial Park Consulting Service Co., Ltd.	associates	91370281MA3CCF6LXP

12. Commitments

There were no commitment events that required to be disclosed as of December 31, 2019.

13. Other significant Events

There were no other significant events that required to be disclosed as of December 31, 2019.

14. Notes of relevant items of the parent company's financial statements

14.1 Other receivables

Item	Balance as of December 31, 2019	Balance as of December 31, 2018
Interest receivable	156,992,699.53	73,091,558.23
Other receivables	5,174,445,436.46	3,419,138,392.89

Item	Balance as of December 31, 2019	Balance as of December 31, 2018
Total	5,331,438,135.99	3,492,229,951.12

14.1.1 Breakdowns of Interest receivable

Item	Balance as of December 31, 2019	Balance as of December 31, 2018
Interest on Group Funds Borrowing	156,992,699.53	73,091,558.23
合 计	**156,992,699.53**	73,091,558.23

14.1.2 Other receivables

14.1.2.1 Breakdowns of other receivables

Category	Amount as of December 31, 2019			
	Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)
I. Other receivables with significant single amount and provision for bad debts made on a single basis				
II. Other receivables with provision for bad debts accrued by portfolio with credit risk features	5,174,445,436.46	100.00		
Including: Aging analysis method	3,002,684.72	0.06		
Individual identification method	5,171,442,751.74	99.94		
III. Other receivables with insignificant single amount but individual provision for bad debts				
Total	5,174,445,436.46	100.00		

(Continued)

Category	Amount as of December 31, 2018			
	Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)
I. Other receivables with significant single amount and provision for bad debts made on a single basis				

Category	Amount as of December 31, 2018			
	Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)
II. Other receivables with provision for bad debts accrued by portfolio with credit risk features	3,419,138,392.89	100.00		
Including: Aging analysis method				
Individual identification method	3,419,138,392.89	100.00		
III. Other receivables with insignificant single amount but individual provision for bad debts				
Total	3,419,138,392.89	100.00		

14.1.2.2 Other receivables with provision for bad debts made by the aging analysis method

Aging	Amount as of December 31, 2019			Amount as of December 31, 2018		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Proportion (%))		Amount	Proportion (%))	
Within 1 year	3,002,684.72	100.00				
1 - 2 years						
2 - 3 years						
3 - 4 years						
5 - 5 years						
Over 5 years						
Total	3,002,684.72	100.00				

14.1.2.3 Other receivables subject to provision for bad debts made with individual identification method

Name of debtor	Book balance	Nature of payment
Jiao zhou ETDZ Management Committee	1,445,023,308.13	Current Account
Qingdao Jiaozhou Bay Kechuang Property Co., Ltd.	846,700,775.00	Current Account
Jiao zhou Economic and Technological Development Zone Finance Bureau	833,809,127.61	Current Account
Jiaozhou Financial Bureau	587,660,964.62	Current Account
Qingdao Jiaozhou Bay Kerui Property Co., Ltd.	531,000,000.00	Current Account

Name of debtor	Book balance	Nature of payment
Qingdao Jiaozhou Bay Ketou Property Co., Ltd.	260,000,000.00	Current Account
Qingdao Jiaozhou Bay Keshun Property Co., Ltd.	226,500,000.00	Current Account
Qingdao Jiao zhou Bay New City Construction Development Co., Ltd.	140,000,000.00	Current Account
Qingdao Jiaozhou Bay Hongke Property Co., Ltd.	117,000,000.00	Current Account
Qingdao Shaohai Investment and Development Co., Ltd.	70,000,000.00	Current Account
Ping An International Financial Leasing Co., Ltd	36,500,000.00	Margin
Li cha Town Finance Office	30,000,000.00	Current Account
International Far Eastern Leasing Co., Ltd.	26,000,000.00	Margin
Qingdao Jiaozhou Bay Kerong Property Co., Ltd.	20,000,000.00	Current Account
Everbright Xinglong Trust Co., Ltd.	1,000,000.00	Margin
Employee loan and Reserve fund	248,576.38	Employee loan and Reserve fund
Total	5,171,442,751.74	——

14.1.2.4 Top five other receivables in terms of ending balance collected by the debtor

Name of debtor	Book balance
Jiao zhou ETDZ Management Committee	1,445,023,308.13
Qingdao Jiaozhou Bay Kechuang Property Co., Ltd.	846,700,775.00
Jiao zhou Economic and Technological Development Zone Finance Bureau	833,809,127.61
Jiaozhou Financial Bureau	587,660,964.62
Qingdao Jiaozhou Bay Kerui Property Co., Ltd.	531,000,000.00
Total	4,244,194,175.36

14.2 Long-term equity investments

14.2.1 Classification of long-term equity investments

Item	Balance as of December 31, 2018	Increased in current period	Decreased in current period	Balance as of December 31, 2019
Investment in subsidiaries	2,381,901,100.00	328,547,509.34	676,448,609.34	2,034,000,000.00

Item	Balance as of December 31, 2018	Increased in current period	Decreased in current period	Balance as of December 31, 2019
Investment in joint ventures				
Investment in associates	429,255.13		25,370.33	403,884.80
Sub-total	2,382,330,355.13	328,547,509.34	676,473,979.67	2,034,403,884.80
Less: provision for impairment of long-term equity investments				
Total	2,382,330,355.13	328,547,509.34	676,473,979.67	2,034,403,884.80

14.2.2 Break downs of long-term equity investments

Investee	Accounting method	Shareholding ratio (%) in the investee	Proportion of voting rights (%)	Investment cost	Balance as of December 31, 2018	Additional investment	Reduced investment
I. Subsidiaries				2,381,901,100.00	2,381,901,100.00	328,547,509.34	676,448,609.34
1.Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Cost method	100.00	100.00	1,600,000,000.00	1,600,000,000.00		
2. Qingdao Jiaozhou Bay Kerui Property Co., Ltd.	Cost method	100.00	100.00	100,000,000.00	100,000,000.00		
3.Qingdao Jiaozhou Bay Kechuang Property Co., Ltd.	Cost method	100.00	100.00	100,000,000.00	100,000,000.00		
4.Qingdao Jiaozhou Bay Ketou Property Co., Ltd.	Cost method	100.00	100.00	100,000,000.00	100,000,000.00		100,000,000.00
5.Qingdao Jiaozhou Bay Keshun Property Co., Ltd.	Cost method	100.00	100.00	100,000,000.00	100,000,000.00		
6.Qingdao Jiaozhou Bay Kerong Property Co., Ltd.	Cost method	100.00	100.00	281,901,100.00	281,901,100.00	294,547,509.34	576,448,609.34
7. Qingdao Jiaozhou Bay Hongke Property Co., Ltd.	Cost method	100.00	100.00	100,000,000.00	100,000,000.00		
8.Qingdao Jiaozhou Bay Shanghe Demonstration Zone						34,000,000.00	

Investee	Accounting method	Shareholding ratio (%) in the investee	Proportion of voting rights (%)	Investment cost	Balance as of December 31, 2018	Additional investment	Reduced investment
Development Co., Ltd.							
II. Joint ventures							
III. Associates				1,200,000.00	429,255.13		
1. Qingdao Eurasia Economic and Trade Cooperation Industrial Park Consulting Service Co., Ltd.	Equity method	40.00	40.00	1,200,000.00	429,255.13		
Total				2,383,101,100.00	2,382,330,355.13	328,547,509.34	676,448,609.34

(Continued)

Investee	Profit or loss on investments recognized under the equity method	Adjustments to other comprehensive income	Changes in other equities	Cash dividends or profit declared to be distributed	Provision for impairment	Others	Balance as of December 31, 2019	Balance of provision for impairment as of December 31, 2019
I. Subsidiaries							2,034,000,000.00	
1.Qingdao Jiaozhou Bay Technology Investment Co., Ltd.							1,600,000,000.00	
2. Qingdao Jiaozhou Bay Kerui							100,000,000.00	

Investee	Profit or loss on investments recognized under the equity method	Adjustments to other comprehensive income	Changes in other equities	Cash dividends or profit declared to be distributed	Provision for impairment	Others	Balance as of December 31, 2019	Balance of provision for impairment as of December 31, 2019
Property Co., Ltd.								
3.Qingdao Jiaozhou Bay Kechuang Property Co., Ltd.							100,000,000.00	
4.Qingdao Jiaozhou Bay Ketou Property Co., Ltd.								
5.Qingdao Jiaozhou Bay Keshun Property Co., Ltd.							100,000,000.00	
6.Qingdao Jiaozhou Bay Kerong Property Co., Ltd.								
7. Qingdao Jiaozhou Bay Hongke Property Co., Ltd.							100,000,000.00	
8.Qingdao Jiaozhou Bay Shanghe Demonstration Zone Development Co., Ltd.							34,000,000.00	
II. Joint ventures								
III. Associates	-25,370.33						403,884.80	

Investee	Profit or loss on investments recognized under the equity method	Adjustments to other comprehensive income	Changes in other equities	Cash dividends or profit declared to be distributed	Provision for impairment	Others	Balance as of December 31, 2019	Balance of provision for impairment as of December 31, 2019
1. Qingdao Eurasia Economic and Trade Cooperation Industrial Park Consulting Service Co., Ltd.	-25,370.33						403,884.80	
Total	-25,370.33						2,034,403,884.80	

14.3 Operating revenue and operating costs

Item	Amount incurred in current period		Amount incurred in previous period	
	Revenue	Cost	Revenue	Cost
Main business	434,865,340.66	385,357,254.24	361,821,258.30	339,320,440.76
Infrastructure construction	343,488,863.57	322,761,087.32	248,221,455.88	235,382,415.06
Property leasing and management	76,152,892.18	44,915,543.70	101,388,245.82	97,721,692.96
Government purchase service	15,223,584.91	17,680,623.22	12,211,556.60	6,216,332.74
Other business	359,673,457.45	71,969,882.69	340,601,087.71	68,780,819.78
Interest income	79,152,020.09		68,954,300.22	
Land disposal	280,521,437.36	71,969,882.69	271,646,787.49	68,780,819.78
Total	794,538,798.11	457,327,136.93	702,422,346.01	408,101,260.54

14.4 Investment income

Source for investment income	Amount incurred in current period	Amount incurred in previous period
Investment income from long-term equity investments calculated under the equity method	-25,370.33	-255,502.67
Investment income from disposal of long-term equity investment	-3,481,393.72	-3,335,653.40
Total	-3,506,764.05	-3,591,156.07

15. Approval of Financial Statements

The Financial statements have been approved by Board of Directors.

Qingdao Jiaozhou Bay Development Group Co., Ltd.

April 25, 2020

统一社会信用代码

91110108061301173Y

营业执照

(副 本)(6-2)

扫描二维码登录"国家企业信用信息公示系统"了解更多登记、备案、许可、监管信息

名　　称　中审亚太会计师事务所(特殊普通合伙)

类　　型　特殊普通合伙企业

执行事务合伙人　郝树平

经营范围　审查企业会计报表、出具审计报告；验证企业资本，出具验资报告；办理企业合并、分立、清算事宜中的审计业务，出具有关报告；基本建设年度财务决算审计；代理记账；会计咨询、税务咨询、管理咨询、会计培训；法律、法规规定的其他业务。（企业依法自主选择经营项目，开展经营活动；依法须经批准的项目，经相关部门批准后依批准的内容开展经营活动；不得从事本市产业政策禁止和限制类项目的经营活动。）

中审亚太会计师事务所(特殊普通合伙)

成立日期　2013年01月18日

合伙期限　2013年01月18日 至 长期

主要经营场所　北京市海淀区复兴路47号天行建商务大厦20层2206

登记机关　北京市海淀区市场监督管理局

2019 年 10 月 22 日

国家企业信用信息公示系统网址：http://www.gsxt.gov.cn

市场主体应当于每年1月1日至6月30日通过国家企业信用信息公示系统报送公示年度报告。

国家市场监督管理总局监制

会计师事务所

执业证书

名　　称：中审亚太会计师事务所（特殊普通合伙）

首席合伙人：郝树平

主任会计师：

经营场所：北京市海淀区复兴路47号天行建商务大厦20层2206

组织形式：特殊普通合伙

执业证书编号：11010170

批准执业文号：京财会许可[2012]0084号

批准执业日期：2012年09月28日

证书序号：0011854

说　明

1、《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。

2、《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。

3、《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。

4、会计师事务所终止或执业许可注销的，应当向财政部门交回《会计师事务所执业证书》。

发证机关：北京市财政局

二〇一九年五月八日

中华人民共和国财政部制

证书编号：
No. of Certificate 310000125227

批准注册协会：
Authorized Institute of CPAs 北京注册会计师协会

发证日期：
Date of Issuance 2015 年 11 月 17 日

年度检验登
Annual Renewal Regi

姓名：裘月明

本证书经检验合 证书编号：310000125227

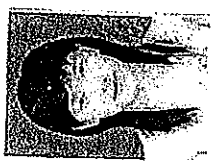
This certificate is valid for another year after

CPA注册资格证书 BICPA 2017

CPA注册资格证书 BICPA 2016

年 月 日

姓 名 Full name 裘月明
性 别 Sex 女
出生日期 Date of birth 1986-11-18
工作单位 Working unit 德勤华永会计师事务所（特殊普通合伙）北京分所
身份证号码 Identity card No. 11022219861116572X



THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS 中国注册会计师协会

姓名 Full name 曾云
性别 Sex 男
出生日期 Date of birth 1976年10月24日
工作单位 Working unit 天职波普会计师事务所
身份证号码 Identity card No. 513030197610245017

注册会计师工作单位变更情况登记
Registration of a Change of Working Unit by a CPA

同意转出
Agree to be transferred from

同意转入
Agree to be transferred in

转入协会盖章
Stamp of the transferee Institute of CPAs

2013年3月3日

NOTES

1. When practising, the CPA shall show the client this certificate when necessary.
2. This certificate shall be exclusively used by the holder. No transfer or alteration shall be allowed.
3. The CPA shall return the certificate to the competent Institute of CPAs when the CPA stops conducting statutory business.
4. In case of loss, the CPA shall report to the competent Institute of CPAs immediately and go through the procedure of reissue after making an announcement of loss on the newspaper.

年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.

2013

110002400025

证书编号：
No. of Certificate

北京注册会计师协会
Beijing Institute of CPAs

发证日期：2002年11月28日
Date of Issuance

THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

中国注册会计师协会

2017

2016

2015

证书序号：000401

会计师事务所
证券、期货相关业务许可证

经财政部、中国证券监督管理委员会审查，批准

中审亚太会计师事务所（特殊普通合伙）

执行证券、期货相关业务。

首席合伙人：郝树平

证书号：22

发证时间：二〇一一年一月二十日

证书有效期至：二〇二一年一月二十日

China Audit Asia Pacific Certified Public Accountants (Special General Partnership)

AUDIT REPORT

QINGDAO JIAOZHOU BAY DEVELOPMENT GROUP CO., LTD.
FINANCIAL STATEMENTS AND REPORT OF THE AUDITORS
FOR THE YEAR ENDED 31 December 2020

BEIJING CHINA

Contents

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Audit Report

China Audit Asia Pacific Shen Zi (2021) No. 020187

To Qingdao Jiaozhou Bay Development Group Co., Ltd.:

I. Auditor's Opinion

We have audited the financial statements of Qingdao Jiaozhou Bay Development Group Limited（hereinafter referred to as 'Jiaozhou Bay Development Limited'), which comprises the consolidated and company balance sheet as of 31 December 2020, and the consolidated and company income statement, the consolidated and company cash flow statement and the consolidated and company statement of changes in owner's equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects and give a true and fair view of the consolidated and company financial position of Jiaozhou Bay Development Limited as of 31 December 2020 and of its consolidated and company operating results and cash flows for the year then ended.

II. Basis for opinions

We have conducted our audit in accordance with the Chinese Auditing Standards issued by the Chinese Institute of Certified Public Accountants. Our responsibilities under those standards are further described in the responsibilities of certified public accountants for the audit of the financial statements section of the auditors' report. We are independent of Jiaozhou Bay Development Limited in accordance with the ethical codes of Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the codes. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Responsibilities of the management and governing bodies for the financial statements

The management of Jiaozhou Bay Development Limited is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Accounting Standards for Business Enterprises, and also for designing, implementing and maintaining the internal control system as necessary such that the financial statements are free from material misstatement, whether due to fraud or error.

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

The governing bodies are responsible for overseeing the financial reporting process of Jiaozhou Bay Development Limited.

IV. Responsibilities of certified public accountants for the audit of the financial statements

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

As part of an audit in accordance with the auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also performed the following works:

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

B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

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

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

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

We communicated with the governing bodies regarding, among other matters, the planned scope and timing of the audit and the significant audit findings, including any significant deficiencies in internal control that they identify during the audit.

China Audit Asia Pacific
Certified Public Accountants
(Special General Partnership)

PRC Certified Public Accountant:
(Project Partner)

PRC Certified Public Accountant:

Beijing, China

March 31, 2021

Consolidated Balance Sheet

As at 31,December,2020

Prepared by: Qingdao Jiaozhou Bay Development Group Co., Ltd.

Currency: Rmb

Items	Notes	Balance as of December 31,2020	Balance as of December 31,2019	Items	Notes	Balance as of December 31,2020	Balance as of December 31,2019
Current Assets:				**Current Liabilities:**			
Cash and cash equivalents	8.1	1,875,339,961.66	1,620,251,704.22	Short-term loans	8.17	1,099,436,510.00	1,061,898,000.00
Financial assets measured at fair value through profit or loss for the current period				Financial liabilities measured at fair value through profit or loss for the current period			
Derivative financial assets				Derivative financial liabilities			
Notes receivable				Notes payable	8.18	104,998,925.19	
Accounts receivable	8.2	525,135,077.89	152,798,968.70	Accounts payable	8.19	112,034,486.00	1,132,425,203.35
Advances to suppliers	8.3	753,292,103.85	1,957,866,395.41	Accounts advanced from customers	8.20	297,797,335.53	112,414,495.52
Other receivables	8.4	7,209,790,490.49	7,507,283,588.91	Salary and wages payable	8.21		176,763.20
Inventories	8.5	20,461,333,632.17	18,578,311,279.34	Taxes and dues payable	8.22	550,567,871.05	460,618,464.19
Held for sale assets				Other payables	8.23	199,223,258.70	134,669,449.86
Non-current assets due within one year				Held for sale debt			
Other current assets	8.6	123,151,441.74	80,154,965.58	Non-current liabilities due within one year	8.24	3,293,238,991.78	1,775,801,909.97
Total Current Assets		30,948,042,707.80	29,896,666,902.16	Other current liabilities	8.25	1,199,298,630.14	350,000,000.00
Non-current Assets:				**Total Current Liabilities**		6,856,596,008.39	5,028,004,286.09
Available-for-sale financial assets	8.7	1,240,000,000.00		**Non-current liabilities:**			
Held-to-maturity investment				Long-term loans	8.26	7,238,230,000.00	4,736,750,000.00
Long-term accounts receivable	8.8	15,000,000.00		Bonds payable	8.27	8,903,074,252.35	8,726,099,665.63
Long-term equity investments	8.9	333,943,317.77	403,884.80	Bonds payable-Preferred Stock			
Investment Properties	8.10	1,540,155,381.40	1,621,824,322.71	Bonds payable-Perpetual debt			
Fixed assets at net book value	8.11	301,092,411.49	312,716,732.21	Payables due after one year	8.28	855,740,064.43	1,046,610,037.91
Construction in progress	8.12	2,047,084,556.94	1,013,355,111.88	Long-term employee benefits payable			
Live stock assets				Provisions			
Oil and gas assets				Deferred income	8.29	327,666,666.67	
Intangible assets	8.13	4,097,992,249.35	111,219,846.24	Deferred income tax liabilities	8.30	1,069,673.55	1,094,272.50
Capitalized research and development expenses				Other non-current liabilities			
Goodwill				**Total Non-current Liabilities**		17,325,780,657.00	14,510,553,976.04
Long-term prepaid assets				**Total Liabilities**		24,182,376,665.39	19,538,558,262.13
Deferred income tax assets	8.14	182.00	130.00	**Owners'/Shareholders' Equity:**			
Other non-current assets	8.15	36,541,131.09	39,093,997.36	Paid in capital	8.31	1,200,000,000.00	1,200,000,000.00
Total Non-current Assets		9,611,809,230.04	3,098,614,025.20	Other equity instruments			
				Other equity instruments-Preferred Stock			
				Other equity instruments-Perpetual debt			
				Capital surplus	8.32	13,090,873,371.40	10,513,674,671.40
				Less: Retained stock			
				Other comprehensive income			
				Special reserve			
				Surplus reserve	8.33	170,042,447.94	136,265,177.89
				Undistributed profit	8.34	1,910,745,136.22	1,601,236,209.90
				Equity attributable to parent company		16,371,660,955.56	13,451,176,059.19
				*Minority interests		5,814,316.89	5,546,606.04
				Total Owners'/Shareholders' Equity		16,377,475,272.45	13,456,722,665.23
Total Assets		40,559,851,937.84	32,995,280,927.36	**Total Liabilities & Owners' Equity**		40,559,851,937.84	32,995,280,927.36

Legal Representative: Financial controller: Head of the financial department:

Consolidated Income Statement

Amount for the year 2020

Prepared by: Qingdao Jiaozhou Bay Development Group Co., Ltd. Currency: Rmb

Items	Notes	Amount fot the year 2020	Amount fot the year 2019
I. Operating revenue	8.35	1,529,002,952.35	846,481,774.94
Less: Operating costs	8.35	1,336,955,726.94	704,819,094.87
Sales tax and surcharges	8.36	46,185,905.18	147,752,438.63
Selling expenses	8.37	11,660,081.72	12,021,413.19
General and administrative expenses	8.38	62,285,990.13	64,121,597.79
Research and development expenses			
Financial expenses	8.39	-227,635,493.70	23,962,813.65
Including: Interest expense		2,882,905.74	322,804.70
Interest income		9,710,267.93	11,247,439.25
Add: Miscellaneous incomes	8.40	138,215,798.25	261,032,966.15
Investment income (loss expressed with "-")	8.41	295,432.97	-25,370.33
Including:Income from associates and joint ventures			
Income from changes in fair value (loss expressed with "-")			
Impairment of assets(loss expressed with "-")	8.42	-208.00	-520.00
Disposal of assets	8.43		2,985,918.73
II. Operating profit/loss (loss expressed with "-")		438,061,765.30	157,797,411.36
Add:Non-operating income	8.44	14,758,390.03	20,725.09
Less:Non-operating expenses	8.45	2,033,000.08	2,342,682.43
III. Profit/loss before income tax		450,787,155.25	155,475,454.02
Less:Income tax	8.46	107,233,248.03	63,488,853.58
IV. Net profit/loss (loss expressed with "-")		343,553,907.22	91,986,600.44
1. Classification by ownership:			
Net profit attributable to parent company		343,286,196.37	90,839,954.16
Profit/loss attributable to minority share-holders		267,710.85	1,146,646.28
2. Classification by business continuity:			
Continuous operation Profit/loss		343,553,907.22	91,986,600.44
Terminate the operation Profit/loss			
V. Each component of other comprehensive income, net of income tax effect			
1. Other comprehensive income which will not be reclassified subsequently to profit or loss			
1.1 As a result of remeasurement of net defined benefit plan liability or asset			
1.2 Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss			
2. Other comprehensive income which will be reclassified subsequently to profit or loss when specific conditions are met			
2.1 Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss when specific conditions are met			
2.2 Gains or losses arising from changes in fair value of available-for-sale financial assets			
2.3 Gains or losses arising from reclassification of held-to-maturity investments as available-for-sale financial assets			
2.4 The effective hedging portion of gains or losses arising from cash flow hedging instruments			
2.5 Translation differences arising on translation of foreign currency financial statements			
2.6 Others			
VI. Total comprehensive earning		343,553,907.22	91,986,600.44
Total comprehensive income attributable to parent company		343,286,196.37	90,839,954.16
*Total comprehensive income attributable to minority share-holders		267,710.85	1,146,646.28
VII. Earning Per Share			
1.Primary earnings per share			
2.Diluted earnings per share			

Legal Representative: Financial controller: Head of the financial department:

Consolidated Cash Flow Statement

Amount for the year 2020

Prepared by: Qingdao Jiaozhou Bay Development Group Co., Ltd. Currency: Rmb

Items	Notes	Amount fot the year 2020	Amount fot the year 2019
I. Cash Flows From Operating Activities			
Cash received from sale of goods or rendering of services		2,128,644,519.57	1,112,786,216.58
Refund of tax and levies			750.00
Other cash received relating to operating activities		6,256,321,251.27	1,295,380,822.71
Sub-total of cash inflows from operating activties		8,384,965,770.84	2,408,167,789.29
Cash paid for goods and services		2,541,279,706.39	2,651,527,271.90
Cash paid to and on behalf of employees		13,399,038.62	13,224,905.59
Payments of all types of taxes		63,007,585.39	179,842,038.05
Other cash paid relating to operating activities		7,986,829,461.69	3,571,186,659.95
Sub-total of cash outflows from operating activties		10,604,515,792.09	6,415,780,875.49
Net cash flows from operating activities	8.47	-2,219,550,021.25	-4,007,613,086.20
II. Cash Flows From Investing Activities			
Cash received from recovery of investments			
Cash received from returns on investments			
Net cash received from disposal of fixed assets, intangible assets & other long-term assets			
Net cash from disposal of Subsidiary and other operating entitie			
Other cash received relating to investing activities			
Sub-total of cash inflows from investing activities			
Cash paid to acquire fixed assets, intangible assets & other long-term assets		1,193,373,752.87	399,567,447.79
Cash paid to acquire investments		1,570,625,822.84	
Net cash obtained from subsidiary and other operating entities			
Other cash payments relating to investing activities			3,003,200.67
Sub-total of cash outflows from investing activities		2,763,999,575.71	402,570,648.46
Net cash flows from investing activities		-2,763,999,575.71	-402,570,648.46
III.Cash Flows From Financing Activities			
Cash received from capital contribution		300,000,000.00	
Cash received from borrowings		5,014,916,510.00	1,566,898,000.00
Cash received from issuing bonds		3,600,000,000.00	5,955,958,775.40
Other cash received relating to financing activities			
Sub-total cash flows from financing activities		8,914,916,510.00	7,522,856,775.40
Cash repayments of amounts borrowed		3,670,524,726.04	2,583,582,725.26
Cash payments for interest expenses and distribution of dividends or profit		2,535,385.41	
Other cash payments relating to financing activities		12,550,000.00	109,979,970.96
Sub-total cash flows from financing activities		3,685,610,111.45	2,693,562,696.22
Net cash flows from financing activities		5,229,306,398.55	4,829,294,079.18
IV. Effect of Foreign Exchange Rate Changes On Cash		-268,544.15	17,887,184.71
V. Net Increase/(Decrease) In Cash And Cash Equivalents	8.47	245,488,257.44	436,997,529.23
Add: Cash and cash equivalents at the beginning of the year		1,620,251,704.22	1,183,254,174.99
VI.Cash and cash equivalents at the end of the year		1,865,739,961.66	1,620,251,704.22

Legal Representative: Financial controller: Head of the financial department:

Consolidated Statement of Changes in owner's Equity

Amount for the year 2020

Prepared by: Qingdao Jiaozhou Bay Development Group Co., Ltd.

Currency: Rmb

Items	Amount for the year 2020										
	Paid in capital	Other equity instruments		Capital surplus	Less: Treasury Stock	Other comprehensive income	Special reserve	Surplus Reserve	Undistributed Profits	Minority interests	Total owner's equity
		Preferred Stock	Perpetual debt								
I. Closing balance last year	1,200,000,000.00			10,513,674,671.40				136,265,177.89	1,601,236,209.90	5,546,606.04	13,456,722,665.23
Add:Change in accounting policy											
Corrections of prior period errors											
Business combinations under common control											
Others											
II. Opening balance this year	1,200,000,000.00			10,513,674,671.40				136,265,177.89	1,601,236,209.90	5,546,606.04	13,456,722,665.23
III. Fluctuation amount this year (decrease expressed with "-")				2,577,198,700.00				33,777,270.05	309,508,926.32	267,710.85	2,920,752,607.22
1.Total comprehensive income									343,286,196.37	267,710.85	343,553,907.22
2. Capital paid in and reduced by owners				2,577,198,700.00							2,577,198,700.00
2.1. Ordinary shares paid by shareholders											
2.2. Capital paid by holders of other equity instruments											
2.3. Amount of share-based payments recognised in owners' equity											
2.4.Others				2,577,198,700.00							2,577,198,700.00
3.Profit distribution								33,777,270.05	-33,777,270.05		
3.1.Appropriation of surplus reserve								33,777,270.05	-33,777,270.05		
3.2.Distribution to owners (shareholders)											
3.3.Others											
4.Internal transfer of owners' equity											
4.1.Capital surplus to increase capital											
4.2.Surplus reserve to increase capital											
4.3.Surplus reserve making up losses											
4.4 Undistributed profits transferred to capital (or equity)											
4.5. Set the benefit plan change amount to carry forward retained earnings											
4.6.Others											
5.Appropriation and use of special reserve											
5.1.Appropriation of special reserve											
5.2.Use of special reserve											
6.Others											
IV.Closing balance this year	1,200,000,000.00			13,090,873,371.40				170,042,447.94	1,910,745,136.22	5,814,316.89	16,377,475,272.45

Legal Representative:

Financial controller:

Head of the financial department:

Consolidated Statement of Changes in owner's Equity

Amount for the year 2019

Prepared by: Qingdao Jiaozhou Bay Development Group Co., Ltd.

Currency: Rmb

Items	Amount for the year 2019											
	Paid in capital	Other equity instruments			Capital surplus	Less: Treasury Stock	Other comprehensive income	Special reserve	Surplus Reserve	Undistributed Profits	Minority interests	Total owner's equity
		Preferred Stock	Perpetual debt	Others								
I. Closing balance last year	200,000,000.00				10,731,623,513.00				100,000,000.00	1,546,661,433.63	4,399,959.76	12,582,684,906.39
Add: accounting policy change												
Corrections of prior period errors												
Business combinations under common control												
Others												
II. Opening balance this year	200,000,000.00				10,731,623,513.00				100,000,000.00	1,546,661,433.63	4,399,959.76	12,582,684,906.39
III. Fluctuation amount this year (decrease expressed with "-")	1,000,000,000.00				-217,948,841.60				36,265,177.89	54,574,776.27	1,146,646.28	874,037,758.84
1.Total comprehensive income										90,839,954.16	1,146,646.28	91,986,600.44
2. Capital paid in and reduced by owners	1,000,000,000.00				-217,948,841.60							782,051,158.40
2.1. Ordinary shares paid by shareholders	1,000,000,000.00											1,000,000,000.00
2.2. Capital paid by holders of other equity instruments												
2.3. Amount of share-based payments recognised in owners' equity												
2.4.Others					-217,948,841.60							-217,948,841.60
3.Profit distribution									36,265,177.89	-36,265,177.89		
3.1.Appropriation of surplus reserve									36,265,177.89	-36,265,177.89		
3.2.Distribution to owners (shareholders)												
3.3.Others												
4.Internal transfer of owners' equity												
4.1.Capital surplus to increase capital												
4.2.Surplus reserve to increase capital												
4.3.Surplus reserve making up losses												
4.4 Undistributed profits transferred to capital (or equity)												
4.5. Set the benefit plan change amount to carry forward retained earnings												
4.6.Others												
5.Appropriation and use of special reserve												
5.1.Appropriation of special reserve												
5.2.Use of special reserve												
6.Others												
IV.Closing balance this year	1,200,000,000.00				10,513,674,671.40				136,265,177.89	1,601,236,209.90	5,546,606.04	13,456,722,665.23

Legal Representative:

Financial controller:

Head of the financial department:

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Balance Sheet

As at 31,December,2020

Prepared by: Qingdao Jiaozhou Bay Development Group Co., Ltd.

Currency: Rmb

Items	Notes	Balance as of December 31,2020	Balance as of December 31,2019	Items	Notes	Balance as of December 31,2020	Balance as of December 31,2019
Current Assets:				**Current Liabilities:**			
Cash and cash equivalents		1,320,722,513.94	1,110,684,921.89	Short-term loans			100,000,000.00
Financial assets measured at fair value through profit or loss for the current period				Financial liabilities measured at fair value through profit or loss for the current period			
Derivative financial assets				Derivative financial liabilities			
Notes receivable				Notes payable			
Accounts receivable	14.1	9,384,956.00		Accounts payable		34,100,169.07	1,098,604,297.94
Advances to suppliers		683,561,296.30	1,915,943,167.00	Accounts advanced from customers			59,426.20
Other receivables	14.2	6,398,474,150.78	5,331,438,135.99	Salary and wages payable			
Inventories		15,902,570,858.46	14,087,758,170.55	Taxes and dues payable		455,888,580.59	391,770,192.57
Held for sale assets				Other payables		4,056,574,761.46	1,721,600,800.56
Non-current assets due within one year				Held for sale debt			
Other current assets				Non-current liabilities due within one year		2,268,888,471.38	618,376,452.24
Total Current Assets		24,314,713,775.48	22,445,824,395.43	Other current liabilities		1,199,298,630.14	350,000,000.00
Non-current Assets:				**Total Current Liabilities**		8,014,750,612.64	4,280,411,169.51
Available-for-sale financial assets		1,240,000,000.00		**Non-current liabilities:**			
Held-to-maturity investment				Long-term loans		1,889,000,000.00	294,000,000.00
Long-term accounts receivable				Bonds payable		8,903,074,252.35	8,726,099,665.63
Long-term equity investments	14.3	2,630,186,392.25	2,034,403,884.80	Bonds payable-Preferred Stock			
Investment Properties		353,826,678.80	373,433,264.36	Bonds payable-Perpetual debt			
Fixed assets at net book value		187,974,275.08	199,620,063.78	Payables due after one year		306,390,646.99	387,490,617.92
Construction in progress		787,545,945.24	161,782,021.50	Long-term employee benefits payable			
Live stock assets				Provisions			
Oil and gas assets				Deferred income		27,666,666.67	
Intangible assets		3,968,912,869.37		Deferred income tax liabilities			
Capitalized research and development expenses				Other non-current liabilities			
Goodwill				**Total Non-current Liabilities**		11,126,131,566.01	9,407,590,283.55
Long-term prepaid assets				**Total Liabilities**		19,140,882,178.65	13,688,001,453.06
Deferred income tax assets				**Owners'/Shareholders' Equity:**			
Other non-current assets		3,642,355.74	3,886,536.01	Paid in capital		1,200,000,000.00	1,200,000,000.00
Total Non-current Assets		9,172,088,516.48	2,773,125,770.45	Other equity instruments			
				Other equity instruments-Preferred Stock			
				Other equity instruments-Perpetual debt			
				Capital surplus		10,982,073,311.04	8,504,874,611.04
				Less: Retained stock			
				Other comprehensive income			
				Special reserve			
				Surplus reserve		170,042,447.94	136,265,177.89
				Undistributed profit		1,993,804,354.33	1,689,808,923.89
				Total Owners'/Shareholders' Equity		14,345,920,113.31	11,530,948,712.82
Total Assets		33,486,802,291.96	25,218,950,165.88	**Total Liabilities & Owners' Equity**		33,486,802,291.96	25,218,950,165.88

Legal Representative: Financial controller: Head of the financial department:

Income Statement

Amount for the year 2020

Prepared by: Qingdao Jiaozhou Bay Development Group Co., Ltd. Currency: Rmb

Items	Notes	Amount fot the year 2020	Amount fot the year 2019
I. Operating revenue	14.4	677,313,151.93	794,538,798.11
Less: Operating costs	14.4	542,590,728.53	457,327,136.93
Sales tax and surcharges		10,381,409.84	114,915,596.72
Selling expenses		735,568.83	2,483,761.29
General and administrative expenses		42,450,719.10	41,291,310.17
Research and development expenses			
Financial expenses		-228,988,139.96	10,959,030.21
Including: Interest expense		3,828,595.90	
Interest income		8,084,599.25	9,779,810.36
Impairment of assets			
Add: Miscellaneous incomes		107,706,320.95	241,032,966.15
Investment income (loss expressed with "-")	14.5	-217,492.55	-3,506,764.05
Including:Income from associates and joint ventures			
Income from changes in fair value (loss expressed with "-")			
Impairment of assets(loss expressed with "-")			
Disposal of assets			
II. Operating profit/loss (loss expressed with "-")		417,631,693.99	405,088,164.89
Add:Non-operating income		2,000.00	500.20
Less:Non-operating expenses		2,033,000.00	1,886,293.17
III. Profit/loss before income tax		415,600,693.99	403,202,371.92
Less:Income tax		77,827,993.50	40,550,592.98
IV. Net profit/loss (loss expressed with "-")		337,772,700.49	362,651,778.94
Including: Continuous operation Profit/loss		337,772,700.49	362,651,778.94
Terminate the operation Profit/loss			
V. Each component of other comprehensive income, net of income tax effect			
1. Other comprehensive income which will not be reclassified subsequently to profit or loss			
1.1 As a result of remeasurement of net defined benefit plan liability or asset			
1.2 Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss			
2. Other comprehensive income which will be reclassified subsequently to profit or loss when specific conditions are met			
2.1 Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss when specific conditions are met			
2.2 Gains or losses arising from changes in fair value of available-for-sale financial assets			
2.3 Gains or losses arising from reclassification of held-to-maturity investments as available-for-sale financial assets			
2.4 The effective hedging portion of gains or losses arising from cash flow hedging instruments			
2.5 Translation differences arising on translation of foreign currency financial statements			
2.6 Others			
VI. Total comprehensive earning		337,772,700.49	362,651,778.94

Legal Representative: Financial controller: Head of the financial department:

Cash Flow Statement

Amount for the year 2020

Prepared by: Qingdao Jiaozhou Bay Development Group Co., Ltd. Currency: Rmb

Items	Notes	Amount fot the year 2020	Amount fot the year 2019
I. Cash Flows From Operating Activities			
Cash received from sale of goods or rendering of services		1,250,190,765.19	733,176,477.09
Refund of tax and levies			
Other cash received relating to operating activities		8,650,957,359.74	2,821,718,096.91
Sub-total of cash inflows from operating activties		9,901,148,124.93	3,554,894,574.00
Cash paid for goods and services		1,760,731,069.83	2,057,802,127.65
Cash paid to and on behalf of employees		10,602,499.04	10,632,284.43
Payments of all types of taxes		9,009,206.03	131,661,408.10
Other cash paid relating to operating activities		10,076,798,150.89	6,744,321,988.71
Sub-total of cash outflows from operating activties		11,857,140,925.79	8,944,417,808.89
Net cash flows from operating activities		-1,955,992,800.86	-5,389,523,234.89
II. Cash Flows From Investing Activities			
Cash received from recovery of investments			
Cash received from returns on investments			
Net cash received from disposal of fixed assets, intangible assets & other long-term assets			
Net cash from disposal of Subsidiary and other operating entitie			
Other cash received relating to investing activities			
Sub-total of cash inflows from investing activities			
Cash paid to acquire fixed assets, intangible assets & other long-term assets		735,819,276.78	105,326,691.78
Cash paid to acquire investments		1,608,400,000.00	34,000,000.00
Net cash obtained from subsidiary and other operating entities			
Other cash payments relating to investing activities			
Sub-total of cash outflows from investing activities		2,344,219,276.78	139,326,691.78
Net cash flows from investing activities		-2,344,219,276.78	-139,326,691.78
III.Cash Flows From Financing Activities			
Cash received from capital contribution		300,000,000.00	
Cash received from borrowings		2,150,000,000.00	320,000,000.00
Cash received from issuing bonds		3,600,000,000.00	5,955,958,775.40
Other cash received relating to financing activities			
Sub-total cash flows from financing activities		6,050,000,000.00	6,275,958,775.40
Cash repayments of amounts borrowed		1,530,281,786.16	572,000,000.00
Cash payments for interest expenses and distribution of dividends or profit			
Other cash payments relating to financing activities		9,200,000.00	95,885,820.00
Sub-total cash flows from financing activities		1,539,481,786.16	667,885,820.00
Net cash flows from financing activities		4,510,518,213.84	5,608,072,955.40
IV. Effect of Foreign Exchange Rate Changes On Cash		-268,544.15	17,887,184.71
V. Net Increase/(Decrease) In Cash And Cash Equivalents		210,037,592.05	97,110,213.44
Add: Cash and cash equivalents at the beginning of the year		1,110,684,921.89	1,013,574,708.45
VI.Cash and cash equivalents at the end of the year		1,320,722,513.94	1,110,684,921.89

Legal Representative: Financial controller: Head of the financial department:

Statement of Changes in Owner's Equity

Amount for the year 2020

Prepared by: Qingdao Jiaozhou Bay Development Group Co., Ltd.

Currency: Rmb

Items	Amount for the year 2020										
	Paid in capital	Other equity instruments			Capital surplus	Less: Treasury Stock	Other comprehensive income	Special reserve	Surplus Reserve	Undistributed Profits	Total owner's equity
		Preferred Stock	Perpetual debt	Others							
I. Closing balance last year	1,200,000,000.00				8,504,874,611.04				136,265,177.89	1,689,808,923.89	11,530,948,712.82
Add:Change in accounting policy											
Corrections of prior period errors											
Others											
II. Opening balance this year	1,200,000,000.00				8,504,874,611.04				136,265,177.89	1,689,808,923.89	11,530,948,712.82
III. Fluctuation amount this year (decrease expressed with "-")					2,477,198,700.00				33,777,270.05	303,995,430.44	2,814,971,400.49
1.Total comprehensive income										337,772,700.49	337,772,700.49
2. Capital paid in and reduced by owners					2,477,198,700.00						2,477,198,700.00
2.1. Ordinary shares paid by shareholders											
2.2. Capital paid by holders of other equity instruments											
2.3. Amount of share-based payments recognised in owners' equity											
2.4.Others					2,477,198,700.00						2,477,198,700.00
3.Profit distribution									33,777,270.05	-33,777,270.05	
3.1.Appropriation of surplus reserve									33,777,270.05	-33,777,270.05	
3.2.Distribution to owners (shareholders)											
3.3.Others											
4.Internal transfer of owners' equity											
4.1.Capital surplus to increase capital											
4.2.Surplus reserve to increase capital											
4.3.Surplus reserve making up losses											
4.4 Undistributed profits transferred to capital (or equity)											
4.5. Set the benefit plan change amount to carry forward retained earnings											
4.6.Others											
5.Appropriation and use of special reserve											
5.1.Appropriation of special reserve											
5.2.Use of special reserve											
6.Others											
IV.Closing balance this year	1,200,000,000.00				10,982,073,311.04				170,042,447.94	1,993,804,354.33	14,345,920,113.31

Legal Representative:

Financial controller:

Head of the financial department:

Statement of Changes in Owner's Equity

Amount for the year 2019

Prepared by: Qingdao Jiaozhou Bay Development Group Co., Ltd.

Currency: Rmb

Items	Amount for the year 2019										
	Paid in capital	Other equity instruments			Capital surplus	Less: Treasury Stock	Other comprehensive income	Special reserve	Surplus Reserve	Undistributed Profits	Total owner's equity
		Preferred Stock	Perpetual debt	Others							
I. Closing balance last year	200,000,000.00				9,177,507,300.00				100,000,000.00	1,363,422,322.84	10,840,929,622.84
Add:Change in accounting policy											
Corrections of prior period errors											
Others											
II. Opening balance this year	200,000,000.00				9,177,507,300.00				100,000,000.00	1,363,422,322.84	10,840,929,622.84
III. Fluctuation amount this year (decrease expressed with "-")	1,000,000,000.00				-672,967,215.62				36,265,177.89	326,386,601.05	689,684,563.32
1.Total comprehensive income										362,651,778.94	362,651,778.94
2. Capital paid in and reduced by owners	1,000,000,000.00				-672,967,215.62						327,032,784.38
2.1. Ordinary shares paid by shareholders	1,000,000,000.00										1,000,000,000.00
2.2. Capital paid by holders of other equity instruments											
2.3. Amount of share-based payments recognised in owners' equity											
2.4.Others					-672,967,215.62						-672,967,215.62
3.Profit distribution									36,265,177.89	-36,265,177.89	
3.1.Appropriation of surplus reserve									36,265,177.89	-36,265,177.89	
3.2.Distribution to owners (shareholders)											
3.3.Others											
4.Internal transfer of owners' equity											
4.1.Capital surplus to increase capital											
4.2.Surplus reserve to increase capital											
4.3.Surplus reserve making up losses											
4.4 Undistributed profits transferred to capital (or equity)											
4.5. Set the benefit plan change amount to carry forward retained earnings											
4.6.Others											
5.Appropriation and use of special reserve											
5.1.Appropriation of special reserve											
5.2.Use of special reserve											
6.Others											
IV.Closing balance this year	1,200,000,000.00				8,504,540,084.38				136,265,177.89	1,689,808,923.89	11,530,614,186.16

Legal Representative:

Financial controller:

Head of the financial department:

QINGDAO JIAOZHOU BAY DEVELOPMENT GROUP CO., LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 December 2020

(Unless otherwise specified in the notes, the currency unit shall be RMB)

1. General information

Qingdao Jiaozhou Bay Development Group Co., Ltd. (hereinafter referred to as 'the Company'), was approved to be established on November 21, 2007 by the CPC Jiaozhou Municipal Committee "Notice of the Decision of the Standing Committee of the CPC Jiaozhou Municipal Committee" ([2007] No. 12). The Jiaozhou Financial Investment Center, Jiaozhou Industrial New Area Management Committee, and Qingdao Jiaozhou New City Construction Development Co., Ltd. have invested RMB 30 million, RMB 150 million and RMB 20 million respectively, with a registered capital of RMB 200 million.

In 2013, According to the Jiao Guo Guan FA[2013]No.4 document "Review on the Transfer of State-owned Equity of Qingdao Jiaozhou Bay Development Co., Ltd." and "Transferred Capital Contribution Agreement of Qingdao Jiaozhou Bay Development Co., Ltd." issued by Jiaozhou State-owned (Group) Assets Management Committee, the shareholders of Jiaozhou Industrial New Area Management Committee transferred all of its 75 per cent equity interests in the Qingdao Jiaozhou Bay Development Co., Ltd. to the Jiaozhou Economic Technological Development Zone Management Committee.

In 2019, According to the Jiao Guo Zi Wei[2018]No.39 document "Review on the Transfer of State-owned Equity of Qingdao Jiaozhou Bay Development Co., Ltd." and "Transferred Capital Contribution Agreement of Qingdao Jiaozhou Bay Development Co., Ltd." issued by Jiaozhou State-owned Assets Management Committee, the shareholders of Jiaozhou State-owned (Group) Assets Management Committee ,Jiaozhou Industrial New Area Management Committee, Qingdao Jiaozhou New City Construction Development Co., Ltd.transferred all of its 100 per

cent equity interests in the Qingdao Jiaozhou Bay Development Co., Ltd. to the Jiaozhou State-owned Assets Supervision and Administration Office. After the change of rights, Jiaozhou State-owned Assets Supervision and Administration Office held 100% equity of the company. On May 3, 2019, Jiaozhou State-owned Assets Supervision and Administration Office was changed to Jiaozhou State-owned Assets Service Center.

Registration Number: 370281018022400; Registered Capital: RMB 200 million. Legal representative: Lu Wei; Accommodation: No. 1, Changjiang Road, Jiaozhou Economic and Technological Development Zone, Jiaozhou Bay Industrial Base, Jiaozhou, Qingdao,Shandong Province.

Scope of business: investment in enterprises, enterprise management and management planning, investment management consulting, real estate development, infrastructure investment; wholesale, retail, construction materials, water conservancy construction. (Projects that are subject to approval according to law may not be allowed to carry out business activities until approved by the relevant department).

2. Basis of preparation of the financial statements

The Company's financial statements are based on going concern assumption, as well as the actual transactions and events, in accordance with the regulations of the "The Accounting Standards for Business Enterprises - Basic Standards" and the specific accounting standards promulgated by the Ministry of Finance (herein after collectively referred to as "The Accounting Standards for Business Enterprises"), and also based on the following important accounting policies and accounting estimates.

3. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statement prepared by the Company follows the requirements of the Enterprise Accounting Standards, and it truly and completely reflects the financial

status of the Company as of 31 December 2020 and the operating results and cash flow for the year 2020 and other relevant information.

4. Explanation of important accounting policies and accounting estimates

4.1 Accounting period

The Company's accounting year starts on 1 January and ends on 31 December.

4.2 Recording currency

The recording currency is the Renminbi (RMB).

4.3 Cash and Cash equivalents

Cash and cash equivalents include the cash in hand and deposits held at call with bank.

Cash equivalents represent short-term (mostly maturity in three month) and highly liquid investments which are readily convertible into known amounts of cash, and which are subject to an insignificant risk of changes in value.

4.4 Foreign Currency Operation and Translation of Statements

(1) Foreign currency translation

Foreign currency transactions are translated into RMB using the exchange rates prevailing on the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets.

Non-monetary items that are measured at historical cost in a foreign currency should be translated into RMB using the spot exchange rate on the transaction date. Non-monetary items that are measured at fair value in a foreign currency should be

translated into RMB using the spot exchange rates on the date when the fair value was determined, and the exchange differences between the translated bookkeeping currency amount and the original bookkeeping base currency amount is treated as a change in fair value (including exchange rate changes). Should be recognized in the profit or loss for the period or recognized as other comprehensive income and included in capital reserve.

(2) Translation of foreign currency financial statements

If the Company's holding subsidiaries, joint ventures, associates, etc., don't use the same bookkeeping currency as the Company's, they need to translate the foreign currency financial statements, and then perform accounting and consolidation of financial statements.

Assets and liabilities items in the balance sheet are translated at the spot exchange rate on the balance sheet date. Owner's equity items save for "undistributed profit" items, are translated at the spot exchange rate at the time of occurrence. Income and expense items in the income statement are translated using the spot exchange rate on the transaction date. The translation difference of the foreign currency financial statements resulting from translation is shown below in the other comprehensive income of the owner's equity items in the balance sheet.

Foreign currency cash flow is determined according to a systematic and reasonable method, using the spot exchange rate on the transaction date. The impact of exchange rate changes on cash is separately presented in the cash flow statement.

When disposing of overseas operations, the foreign currency translation differences related to the overseas operations are all transferred to the profit or loss of the current period of disposal according to the proportion of disposal of the foreign operations.

4.5 Accounting treatment of business combinations under common control and not under common control

(1) Business combinations involving enterprises under common control

If the merger of the long-term equity investment formed by the business combination under the same control is used for the payment of cash, the transfer of non-cash assets or the assumption of debt as the merger consideration, the Company shall acquire the consolidated financial statement of the ultimate controlling party according to the acquired party on the merger day. The share of book value of net assets is the initial investment cost of long-term equity investment. If the book value of net assets of the merged party on the merger date is negative, the cost of long-term equity investment shall be determined by zero. If the merged party is controlled by the ultimate controlling party through mergers of companies not under the same control before being merged, the initial investment cost of the long-term equity investment of the combining party shall also include the relevant amount of goodwill. The difference between the initial investment cost of a long-term equity investment and the cash paid, the non-cash assets transferred, and the carrying amount of the debt assumed shall be adjusted to the capital reserve (capital premium or equity premium); capital reserve (capital premium or share premium If the balance of the balance sheet is less than offset, it will offset the surplus reserve and undistributed profits in turn. If the merging party issues an equity instrument as a merger consideration, the total par value of the shares issued shall be taken as the share capital, the difference between the initial investment cost of the long-term equity investment and the total par value of the shares issued, and the capital reserve (capital premium or share premium) shall be adjusted. If the capital reserve (capital premium or share premium) is insufficient to offset, it will offset the surplus reserve and undistributed profits in turn.

Aggregate expenses, such as auditing, legal services, evaluation and consulting, and other related management expenses incurred by the merging party shall be

recorded in the profits and losses of the current period. Transaction costs that are directly related to the issuance of equity instruments as merger considerations are written off against capital reserve (share capital premium). If capital reserve (share capital premium) is insufficient to offset, surplus reserves and undistributed profits are offset in turn. Transaction costs directly related to the issuance of debt instruments as merger considerations are included in the initial confirmation amount of debt instruments.

If a business combination under the same control is implemented step by step through multiple transactions and belongs to a package transaction, the merging party shall treat each transaction as a transaction that obtains control rights for accounting treatment. If it is not a "package deal", in the financial statements of the parent company, the merger date calculated on the proportion of shares held on the merger date shall have the share of the owner's equity in the book of the merged party as the initial investment cost. The initial investment cost and the original long-term investment cost and the difference between the book value of equity investment and the book value of the new consideration payment for further shares on the merger date shall be adjusted to the capital reserve (share capital premium). If the capital reserve is insufficient to offset, the retained earnings shall be written off.

In the consolidated financial statements, the long-term equity investment held by the combining party prior to the completion of the merger, the relevant profit and loss and other comprehensive recognitions have been recognized between the date of acquisition and the date on which the merger and the mergee are in the same ultimate control and the merger date. Changes in income and other owners' equity shall be offset against the retained earnings at the beginning of the period of the comparative statements or the current profits and losses.

(2) Business combinations involving enterprises not under common control

For a business combination not under common control, the merger cost is the sum of the assets paid by the purchaser to obtain control over the acquiree, the liabilities incurred or assumed, and the fair value of the equity securities issued. Expenses such as auditing, legal services, assessment and consulting, and other related administrative expenses incurred by the purchaser for the business combination shall be recorded in the current profit or loss when incurred. The transaction costs of the equity instruments or debt instruments issued by the buyer as merger considerations shall be included in the initial confirmation amount of equity instruments or debt instruments.

The identifiable assets, liabilities and contingent liabilities acquired by the acquiree that are not under the same control and meet the recognition criteria are measured at fair value on the acquisition date. The difference between the buyer's merger cost and the fair value of the identifiable net assets of the acquiree obtained during the merger is reflected in the goodwill value. Where the purchaser's cost of the merger is less than the fair value of the identifiable net assets of the acquiree acquired during the merger, the difference between the combined costs after review is still less than the fair value of the identifiable net assets of the acquiree obtained in the merger is included in the business of the current period foreign income.

If the merger of companies under different control is achieved step by step through multiple transactions, in the financial statements of the parent company, the sum of the book value of the equity investment held by the purchased party before the purchase date and the new investment cost on the purchase date shall be taken as the investment. The initial investment cost.

In the consolidated financial statements, the equity of the purchased party held before the acquisition date is re-measured at the fair value of the equity at the acquisition date. The difference between the fair value and its book value is included in the current investment income; it is held before the acquisition date. If the equity of

the purchased party involves other comprehensive income, the other comprehensive income related to it shall be converted into the investment income of the current period on the purchase date, except for other comprehensive income that cannot be reclassified into the current profit or loss.

The company uses the sum of the fair value of the equity on the acquisition date and the fair value of the consideration paid for the newly purchased equity at the purchase date held by the purchase date as the combination cost, which is calculated based on the proportion of shares held by the purchaser on the purchase date. The acquirer's share of the fair value of the identifiable net assets of the acquiree on the date of purchase shall be compared to determine the goodwill that should be recognized on the date of acquisition or the amount that should be included in the profit or loss of the current period of the combination.

4.6 Preparation of Consolidated Financial Statements

(1) The Company includes all its subsidiaries (including the separate entities controlled by the Company) in the scope of the consolidated financial statements, including the companies controlled by the Company, the detachable parts of the invested units, and the structured entities.

(2) Uniform parent-subsidiary company's accounting policies, consolidated parent company's balance sheet date and accounting period

If the accounting policies or accounting periods adopted by the subsidiaries and the Company are inconsistent, when preparing the consolidated financial statements, necessary adjustments shall be made to the subsidiaries' financial statements in accordance with the Company's accounting policies or accounting periods.

(3) Consolidated financial statement offsets

The consolidated financial statements are based on the balance sheets of the parent company and its subsidiaries, which offset the internal transactions between the

parent company and its subsidiaries. The share of the owner's equity in the subsidiaries that does not belong to the parent company is treated as minority shareholder equity in the owner's equity item of the consolidated balance sheet as "minority shareholder equity".

The long-term equity investment held by a subsidiary company by the parent company is treated as a treasury stock of the enterprise group. As a deduction of the owner's equity, it is listed under the item "Subtract: Treasury Stocks" under the owner's equity item in the consolidated balance sheet.

(4) Acquired subsidiary's accounting treatment

For a subsidiary acquired under a business combination under the same control, it is deemed that the enterprise's merger has occurred since the time when the ultimate controlling party began to implement control, and its assets, liabilities, operating results, and cash flows are included in the consolidated financial statements from the beginning of the merger period. For subsidiaries acquired under a business combination not under common control, when preparing the consolidated financial statements, individual financial statements are adjusted based on the fair value of the identifiable net assets on the acquisition date.

4.7 Accounting treatment of step-by-step disposal of equity in subsidiaries with losing control

(1) Accounting treatment methods for the step-by-step disposal of equity with losing control in the parent company's financial statements and consolidated financial statements that are not part of the "package deal"

For each transaction before the loss of control, the difference between the sale proceeds and the book value of the disposal of long-term equity investment in the financial statements of the parent company shall be included in the current investment income. In the consolidated financial statements, the difference between the disposal proceeds (or fair value of consideration) and the attributable share of the subsidiary

company's identifiable net assets calculated continuously corresponding to the disposed interests should transferred to the shareholders' equity (capital reserve – capital premium or share premium); and if the balance of capital reserve is not sufficient to be offset, the retained earnings should be adjusted.

For the transaction that the control is lost, if it can no longer exercise control, joint control, or significant influence over the invested entity, in the financial statements of the parent company, the remaining stock rights shall be changed according to the criteria for recognition and measurement of financial instruments. The difference between the fair value and the book value of the day should be transferred to the current investment income.

For the transaction that the control is lost, if the remaining equity after disposal can implement join control or significant influence on the original subsidiary, the parent company's financial statement shall be accounted for in accordance with the relevant provisions of the relevant cost method and equity method. In the consolidated financial statements, as to remaining equity, fair value on the date of losing control should be used for re-measurement. The difference between the amounts of the consideration obtained for disposal of the equity plus the fair value of the remaining equity and the attributable share of the net assets of subsidiary calculated based on the original shareholding ratio since the acquisition date should be recorded into the investment income of current period when enterprise loses its control. Other comprehensive income related to the equity investment in the original subsidiary company should be recognized as the investment income of current period when the enterprise loses its control.

(2) Accounting treatment methods for the step-by-step disposal of equity with losing control in the parent company's financial statements and consolidated financial statements that are part of the "package deal"

For the "package deal", each transaction is accounted for as a transaction that

handles the subsidiary and loses control. In the parent company's financial statements, the difference between the book value of each disposal price and the disposal investment is recognized as the current investment income. In the consolidated financial statements, for each transaction before the loss of control, the difference between the disposal price and the portion of the carrying amount of the net assets corresponding to the disposition investment that was continuously calculated by the subsidiary from the acquisition date is recognized as other comprehensive income. In the event of losing control, it is transferred to the profit and loss of the current losing control.

4.8 Financial instruments

(1) Classification and confirmation of financial instruments

Financial assets are classified on initial recognition as: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. The classification of financial assets other than receivables depends on the Company's and its subsidiary's intentions and ability to hold financial assets. When financial liabilities are initially recognized, they are classified as financial liabilities at fair value through profit or loss and other financial liabilities.

When the Company becomes a party to a financial instrument contract, it is recognized as a financial asset or a financial liability.

(2) Measurement of financial instruments

The initial recognition of the Company's financial assets or financial liabilities is measured at fair value.

Subsequent measurement and classification are carried out: Financial assets at fair value through profit or loss, available-for-sale financial assets and financial liabilities at fair value through profit or loss are measured at fair value; held-to-maturity

investments, loans and receivables and other financial liabilities are measured at amortized cost; equity instrument investments that are not quoted in an active market and whose fair value cannot be reliably measured are linked to the equity instrument and must be settled by delivery of the equity instrument. Derivative financial assets or derivative financial liabilities are measured at cost; financial guarantee contracts that are not designated as financial liabilities measured at fair value through profit or loss are not designated or measured at fair value through profit or loss. The loan commitments with a loan interest that is lower than the market interest rate shall be subsequently measured at the higher of the following two amounts after initial recognition. The amount determined in accordance with the Accounting Standards for Enterprises No. 13 Contingency Plan shall be the initial confirmation amount that is deducted in accordance with the "Accounting Standard for Business Enterprises No. 14 – Revenue" .The balance of the accumulated amortization is determined.

The gains or losses arising from changes in the fair value of the Company's financial assets or financial liabilities subsequent to measurement, except for those related to hedging, are treated as follows: ① Financial assets or financial liabilities measured at fair value through profit or loss. Gains or losses arising from changes in fair value are recorded in profit or loss from changes in fair value; interest or cash dividends earned during the asset holding period are recognized as investment income; at the time of disposal, the actual amount received and the initial credited amount that are between the difference is recognized as investment income, and at the same time, the fair value change gains and losses are adjusted. ② Changes in fair value of available-for-sale financial assets are recorded in other comprehensive income; interest calculated using the effective interest method during the holding period is included in investment income; cash dividends from available-for-sale equity instrument investments are declared when the investee declares dividends. Including investment income; At the time of disposal, the difference between the actual amount received and the book value after deducting the accumulated amount of fair value changes originally

recorded in other comprehensive income is recognized as investment income.

The Company's method of recognizing the fair value of financial assets and financial liabilities: if there is a financial instrument with an active market, the fair value is determined by the quoted price in an active market; if there is no financial instrument in an active market, the valuation technique is used to determine its fair value. Valuation techniques mainly include market law, income method and cost method.

(3) Confirmation basis and measurement method of financial assets transfer

The confirmation basis for the transfer of financial assets of the Company: Almost all risks and rewards on the ownership of financial assets were transferred, or neither transferred nor retained almost all risks and rewards on the ownership of financial assets, but gave up control of the financial assets. The recognition of the financial asset should be terminated.

The measurement of the company's financial assets transfer: Financial assets meet the derecognizing conditions and the measurement of financial assets transfer should be carried out. The book value of the transferred financial assets and the consideration received due to the transfer and the fair value that was originally directly included in the capital reserve should be measured. The difference in the sum of the cumulative amount of changes is included in the profit or loss for the current period.

If the partial transfer of financial assets satisfies the derecognizing conditions, the book value of the transferred financial assets as a whole shall be apportioned between the derecognized part and the unconfirmed part in accordance with their respective relative fair value, and the book value of the derecognized part will be the difference between the sum of the consideration received in the derecognizing part and the cumulative amount of the changes in the fair value that has been directly included in the capital reserve is included in the profit or loss for the current period.

(4) Termination conditions for confirmation of financial liabilities

The conditions for the termination of the financial liabilities of the Company: if all or part of the current obligations of the financial liabilities has been released, the financial liabilities or part thereof shall be derecognized.

(5) Impairment of financial assets

The termination company conducts impairment check on the book value of financial assets other than financial assets measured at fair value through profit or loss on the balance sheet date. If the objective evidence indicates that the financial assets are impaired, the financial assets should be on impairment test to make provision for impairment based on the test results.

The Company conducts impairment tests on individual financial assets that are individually significant; the individual financial assets with insignificant amounts are individually tested for impairment or included in a portfolio of financial assets with similar credit risk characteristics of impairment testing. Individually tested financial assets that have not been impaired (including financial assets that are individually significant and insignificant) are included in the portfolio of financial assets with similar credit risk characteristics, and then tested for impairment. Financial assets that have been individually recognized for impairment losses are not included in the portfolio of financial assets with similar credit risk characteristics for impairment testing.

When held-to-maturity investments, loans, and receivables are impaired, their carrying amount is written down to the present value of estimated future cash flows. The write-down amount is recognized as impairment loss and is charged to profit or loss for the current period. When an available-for-sale financial asset is impaired, the accumulative loss that was originally recorded in other comprehensive income and is caused by a decline in fair value is transferred out and credited to the current profit or loss. The cumulative loss that is transferred is the initial acquisition cost deduction for

the asset. After the balance recovering the principal and amortized amount, the current fair value and the impairment loss that has been included in profit or loss.

The criteria for determining the impairment of various available-for-sale financial assets of the Company include the following:

① Issuer or debtor has serious financial difficulties;

② The debtor violated the terms of the contract, such as the default or overdue payment of interest or principal;

③ The creditor makes concessions to debtors who have financial difficulties due to economic or legal considerations;

④ Debtors are likely to close down or perform other financial restructuring;

⑤ The financial assets of the issuer cannot continue to be traded in an active market due to major financial difficulties;

⑥ If it is not possible to identify whether the cash flow of an asset in a group of financial assets has decreased, but based on an overall assessment of the publicly available data, it is found that the estimated future cash flows of the group of financial assets since the initial recognition have been reduced and can be measured, such as the gradual deterioration of the debtor's ability to pay for the group of financial assets, or the increase in the unemployment rate in the country or region where the debtor is located, the apparent decrease in the price of collateral in the region where it is located, and the downturn in the industry in which it is located;

⑦ The significant and unfavorable changes have taken place in the technology, market, economic or legal environment in which the issuer of equity instruments operates, so that the equity instrument investors may not be able to recover the investment costs;

⑧ Serious or non-temporary decline in the fair value of equity instrument

investment;

⑨ Other objective evidence showing impairment of financial assets.

For equity instrument investment, the Company determines the specific quantitative criteria for the "serious" or "non-temporary" decline in its fair value, the method for calculating the cost, the method for determining the fair value at the end of the period, and the determination basis for the period of continued decline:

Specific quantitative criteria for "serious" decline in fair value	The fall in fair value at the end of the period relative to cost has reached or exceeded 50%.
Specific quantitative criteria for "non-transitory" decline in fair value	Decrease for 12 consecutive months.
Cost method	At the time of acquisition, the sum of the payment consideration (deducting cash dividends that have been declared but not yet issued or bond interest that have reached the interest payment period but have not yet been received) and the related transaction costs are taken as investment costs.
Determination of fair value at the end of the period	Financial instruments that have an active market are determined by the quoted price in an active market; if there is no financial instrument in an active market, the fair value is determined using valuation techniques.
Determination basis for continued decline	A continuous decline or a rebound rate of less than 20% in the duration of the downward trend, and rebound duration of no more than 6 months are considered as continuing periods of decline.

(6) Reclassification of financial assets

Unexpired held-to-maturity investments are reclassified as available-for-sale financial assets:

① There are no available financial resources to continuously provide financial support for the investment in financial assets so that the investment in financial assets can be held to maturity;

② Management has no intention to hold until maturity;

③ It is difficult to hold the financial assets to maturity due to restrictions of laws and administrative regulations or other reasons;

④ Others indicate that the Company does not have the ability to hold the

financial assets until maturity.

Reclassification of significant unexpired held-to-maturity investments as available-for-sale financial assets subject to the approval of the board of directors.

4.9 Receivables

The Company's receivables comprise receivables, long-term receivable and other receivables. The provision for impairment of the receivable is established at the difference between the carrying amount of the receivable and the present value of the estimated future cash flows if there is evidence to show that there is an impairment loss in the balance sheet.

(1) The individually significant amount and individual provision for bad debts of receivables:

The basis of judgment or standard for individually significant amount	The receivable should be more than 1 million on the balance sheet
The provision for individually significant amount and individually bad debts	According to the difference between the carrying amount of the receivable and the present value of the estimated future cash flows

(2) In combination, using aging analysis method as follows:

Aging	The proportion of accounts receivable (%)	The proportion of other receivables (%)
Within 1year	0	0
1 - 2 years	5	5
2 - 3 years	7	7
3 - 4 years	10	10
4 - 5 years	50	50
Over 5 years	100	100

(3) Collecting receivables for bad debt provision according to individual recognition method:

After the receivables are classified according to the nature of the payments, the proportion of bad debts for each risk portfolio is determined as follows:

Item	Combination of different risk characteristics			
	Government and related departments	Deposit and employee's reserve loan	Internal company	Unexpired accounts
Accounts receivable	0%	0%	0%	0%
Other receivables	0%	0%	0%	0%

Receivables are government and related departments, because the government and relevant departments have very low default risk, so no provision for bad debts is made; deposits and employee's backup loans are funds that must be advanced by the Company's operations. Due to the extremely low default risk of the government and related departments, accounts receivable from the government and relevant department are not provided for bad debts. The standby fund management system and the employee turnover process control have a very low risk of forming bad debts, so no provision for bad debts is made; the Company's subsidiaries' ability to control the operations and financial decisions of each subsidiary and thus form bad debts The risk is extremely low and no provision for bad debts is made; for the Company's loans to other units, the remuneration for the use of funds and the repayment period are stipulated, and the funds status of the relevant units are monitored before the expiration date, and the funds can be recovered at any time if a possible breach of contract is found. Therefore, provision for bad debts is not provided for the time being.

(4) Receivables that are not individually significant but are individually provisioned for bad debts:

Reason for single provision for bad debts	Account receivables aged over 3 years and there is an objective evidence that they have been impaired
Bad debt preparation method	Confirmation based on the difference between the book value and the present value of expected future cash flow

4.10 Inventories

(1) Classification of inventories

Inventory includes development costs, project construction, low-value consumables, etc.

(2) Measurement method upon dispatch

Inventories are measured at the weighted average method when dispatched.

(3) Provision method of inventory depreciation reserve

At the balance sheet date, inventories are measured at the lower of cost and net realizable value, and provision for inventory depreciation is made for individual inventory items. However, for inventory with a large number of low unit prices, provision for inventory devaluation is made according to the inventory category.

(4) Inventory system

The perpetual inventory system is adopted for inventories of the Company.

(5) Amortization method of revolving materials

Low-cost consumables and packaging materials are amortized by using the one-off amortization method.

4.11 Long-term equity investment

(1) Determination of initial investment cost

① For the long-term equity investment obtained from a business combination, determine its initial investment cost in accordance with Note 4.5;

② The long-term equity investment obtained by cash payment, the initial investment cost is the purchase price actually paid;

③ The long-term equity investment obtained by issuing equity securities, the initial investment cost is the fair value of the issuance of equity securities;

④ For the long-term equity investment obtained through debt restructuring, the initial investment cost shall be determined in accordance with the relevant provisions of the "Accounting Standards for Business Enterprises No. 12 - Debt Restructuring";

⑤ The long-term equity investment obtained through the exchange of non-monetary assets, the initial investment cost shall be determined in accordance with the relevant provisions of the standard.

(2) Subsequent measurement and recognition of profit and loss

The long-term equity investment that the investor can control the invested entity should be accounted for using the cost method. For long-term equity investments that are accounted for using the cost method, except for the addition or withdrawal of investments, the book value generally does not change. When the declared profit or cash dividend is calculated, the investment income shall be recognized.

The investor's long-term equity investment in associates and joint ventures is accounted for using the equity method. Investors' equity investments in associates, some of which are indirectly held by venture capital institutions, mutual funds, trust companies, or similar entities including investment-linked insurance funds, whether or not the above entities have significant influence on this part of the investment, Investors can follow the relevant provisions of Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments. The investment options indirectly held are measured at fair value and their changes are recorded in profit or loss, and equity is used for the rest Law accounting. For the long-term equity investment accounted for using the equity method, the investment income shall be recognized and the long-term equity investment shall be adjusted in accordance with the share of the net profit or loss realized by the investee. When the declared profit or cash dividend is calculated, the book value of the long-term equity investment should be reduced accordingly.

(3) Conversion of accounting method for long-term equity investment

Fair value measurement-to-equity equity accounting: Previously held equity investments (without control, joint control, or significant influence) of the invested entity are accounted for in accordance with the criteria for the recognition and measurement of financial instruments, resulting from additional investment and other reasons. If the proportion of shares held rises and joint control or significant influence can be exerted on the invested entity, the investor shall increase the fair value of the original equity investment determined in accordance with the criteria for the recognition and measurement of financial instruments to obtain the increase in the conversion to the equity method. The fair value of the consideration shall be paid for the investment as the initial investment cost calculated by the equity method.

Fair value measurement or equity method accounting: The equity investment originally held by the investor that does not have control, joint control, or significant influence over the investee in accordance with the criteria for the recognition and measurement of financial instruments, or the original holding If there are long-term equity investments in joint ventures or joint ventures that can exercise control over the invested entity due to additional investment or other reasons, the long-term equity investment resulting from the merger of the relevant companies shall be subject to accounting treatment.

Equity method accounting conversion Fair value measurement: Long-term equity investment that originally held a common control or significant influence on the invested entity, and the proportion of shares held down due to partial disposal, etc., can no longer be subject to common control or significant influence on the invested entity. In addition, the remaining equity investment shall be accounted for in accordance with the criteria for recognition and measurement of financial instruments. The difference between the fair value and the book value of the Company for the purpose of the loss of joint control or significant influence shall be included in the current profit or loss.

Cost method to equity method:

① As a result of the disposal of investment, etc., which results in a significant change in the investee's ability to implement control or joint control with other investors, the long-term equity investment cost that should be derecognized shall be carried forward according to the proportion of the investment to be disposed. Then compare the cost of the remaining long-term equity investment with the share of the fair value of the identifiable net assets of the investee when calculating the original investment according to the remaining shareholding ratio. If the former is greater than the latter, it belongs to the goodwill part reflected in the investment price, and does not adjust. The book value of long-term equity investment; if the former is less than the latter, adjust the retained earnings while adjusting the cost of long-term equity investment.

② As the proportion of shares held by the other investor to the Company's subsidiary is reduced, and the shareholding ratio of the Company is reduced, thus losing control but capable of implementing joint control or exerting significant influence, in the individual financial statements, the long-term equity investment should be from the cost method conversion to equity method accounting. First of all, in accordance with the new shareholding ratio, it is confirmed that the atomic company's share of the increase in net assets due to capital increase and share expansion should be recognized by the Company, and the difference between the original book value of the long-term equity investment corresponding to the decline in the proportion of shareholdings that should be carried forward. Into the current profit and loss; then, in accordance with the new shareholding ratio is the same as when the investment was obtained using the equity method of accounting adjustments. In the consolidated financial statements, accounting should be carried out in accordance with the relevant provisions of Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements.

(4) The basis for determining joint control and significant influence on the invested company

1) The basis for determining common control over the invested entity: It means that the activities that have a significant impact on the return of an arrangement must be determined through the unanimous consent of the parties that share control rights, which including the sale and purchase of goods or services, the management of financial assets, the purchase and disposal of assets, research and development activities, and financing activities.

2) The basis for determining the significant influence on the invested entity: When holding 20% to 50% of the voting right capital of the invested entity, it has a significant impact. Or less than 20%, but one of the following conditions has a significant impact:

① To be represented on the board of directors or similar authority of the invested entity;

② Participate in the policy development process of the invested entity;

③ Send management personnel to the invested unit;

④ The invested company relies on the technical or technical information of the investment company;

⑤ Important transactions occur with the investee.

(5) Impairment test method and withdrawal method of impairment provision

On the balance sheet date, the Company checks whether there is any sign of possible impairment on the long-term equity investment inspection. When there is any indication of impairment, it should conduct an impairment test to confirm the recoverable amount and reduce the recoverable amount less than the book value part.

After the value is prepared, the impairment loss will be withdrawn and will not be reversed in the subsequent accounting period.

The recoverable amount is determined based on the higher one between the net fair value of the long-term equity investment sale and the present value of the estimated future cash flow.

4.12 Investment properties

(1) The type and measurement mode of investment properties

The types of investment properties of the Company: leased land use rights, leased buildings, land use rights held and prepared for transfer after appreciation.

The Company's investment properties are initially measured at cost, and subsequent measurement is conducted using the cost model.

(2) Use cost model accounting policy

The buildings leased in the investment real estate of the Company are depreciated using the straight-line method. The specific accounting policies are the same as those for fixed assets. Land use rights leased in investment real estate, and land use rights held and prepared for transfer after appreciation are amortized using the straight-line method. The specific accounting policies are the same as those of intangible assets.

At the balance sheet date, the Company checks whether there is any indication that the investment real estate may be impaired. If there is any indication of impairment, an impairment test should be conducted to confirm the recoverable amount, and the recoverable amount should be less than the book value. Value preparation, once the accrual loss is made, it will not be transferred back in the future accounting period.

4.13 Fixed assets

(1) Recognition criteria of fixed assets

Fixed assets refer to tangible assets that are held for the purpose of producing goods, providing labor service, renting or business management, and have a useful life of more than one fiscal year. Also confirm when the following conditions are met:

① The economic benefits associated with the fixed assets are likely to flow into the Company;

② The cost of this fixed asset can be reliably measured.

(2) Fixed asset classification and depreciation methods

The fixed assets of the Company are mainly divided into: buildings, machinery and equipment, electronic equipment, Motor vehicles, etc.; the depreciation method adopts the average method of years. According to the nature and use of various types of fixed assets, determine the useful life and estimated net residual value of fixed assets. At the end of the year, review the useful life, estimated net residual value, and depreciation method of fixed assets. If there is a difference from the original estimate, make corresponding adjustments. Except for the fixed assets that have been fully depreciated and continue to be used, and the land that is separately accounted for, the Company depreciates all fixed assets.

Item	Estimated useful lives	Estimated residual value	Annual depreciation rate
Buildings	20 years	5 %	4.75%
Machinery	5 -10 years	5 %	9.5% to 19%
Motor vehicles	5 years	5 %	19%
Electronic equipment	5 years	5 %	19%

(3) Impairment test method of fixed assets and withdrawal method of impairment provision

On the balance sheet date, the Company checks whether there is any sign of possible impairment on the fixed assets. If there is any indication of impairment, it

should conduct an impairment test to confirm the recoverable amount and make a devaluation based on the recoverable amount less than the book value. Preparation, once the provision for impairment loss is made, it will not be returned in subsequent accounting periods.

(4) Identification basis and pricing method of financing lease fixed assets

Recognition basis for financing leased fixed assets: In essence, leases that transfer all risks and rewards related to ownership of assets. The specific determination is based on one or more of the following conditions: ① At the expiration of the lease term, the ownership of the leased asset is transferred to the lessee; ② The lessee has the option to purchase the leased asset and the purchase price is expected to be significantly lower The fair value of the leased asset when the exercise of the option is exercised, so that the lessee will be able to reasonably determine that the lessee will exercise this option at the beginning of the lease. ③ Even if the ownership of the asset is not transferred, the lease period accounts for the majority of the useful life of the leased asset; ④ The present value of the minimum lease payment on the lease start date is almost equal to the fair value of the leased asset on the lease start date; ⑤ The leased asset is of a special nature and can only be used by the lessee if no major alteration is made.

The valuation method of financing leased fixed assets: The initial valuation of fixed assets financed by lease is the entry value of the fair value of the leased assets at the beginning of the lease period and the lower current value of the minimum lease payments;

Subsequent valuation of fixed assets financed by lease is subject to depreciation and allowances for depreciation consistent with its own set of fixed assets.

4.14 Construction in progress

(1) Category of construction in progress

The Company's projects under construction are divided into self-operated construction and outbound construction.

(2) Standards and timing for carrying forward fixed assets under construction in progress

The Company's construction in progress is carried forward to fixed assets when the project is completed and ready for use. Judgment criteria for the intended use status should meet one of the following conditions:

① The physical construction (including installation) of fixed assets has been fully completed or substantially completed;

② Construction in progress has been trial production or trial operation, and the results indicate that the assets can operate normally or can produce stable products stably, or the trial run results indicate that they can operate normally or operate;

③ The amount of expenditure on the fixed assets that were constructed is little or almost no longer occurring;

④ The fixed assets purchased or constructed have reached the design or contract requirements, or are basically in line with the design or contract requirements.

(3) Impairment test method and accrual method for impairment of construction in progress

On the balance sheet date, the Company checks whether there is any sign of possible impairment on the construction in progress. When there is any indication of impairment, it should conduct impairment test to confirm the recoverable amount, and reduce the recoverable amount less than the book value. After the value is prepared, the impairment loss will be withdrawn and will not be reversed in the subsequent accounting period.

The recoverable amount of construction in progress is determined based on both the net amount of the fair value of the assets minus the disposal expenses and the present value of the expected future cash flow of the assets.

4.15 Borrowing costs

(1) The principle of capitalization of borrowing costs

The borrowing costs incurred by the Company can be directly attributable to the acquisition, construction or production of assets that meet the conditions for capitalization and be capitalized and included in the cost of the relevant assets. Other borrowing costs, when incurred, are recognized as expenses based on the amount incurred into the current profit and loss. Assets eligible for capitalization refer to fixed assets, investment real estate, inventory, and other assets that require a considerable amount of time for acquisition, construction, or production to be ready for use or sale.

(2) Capitalization amount calculation method

Capitalization period: The period from the time when the borrowing costs begin to be capitalized to when the capitalization ceases. The period of suspension of capitalization of borrowing costs is not included.

Suspension of capitalization period: In the event of abnormal interruptions in the acquisition, construction, or production process and the interruption lasts for more than 3 months, the capitalization period of the borrowing costs shall be suspended.

Calculation of capitalization amount: ① Borrowing of special borrowings shall be based on the actual interest expenses incurred in the current period of the specific borrowings, less the amount of interest income that has been used to deposit the undisbursed borrowing funds into the bank or the investment income obtained for the temporary investment; ② Occupied general loans shall be determined by multiplying the weighted average of the assets expenditure of the accumulative assets expenditure exceeding the special loans by the capitalization rate of the general

borrowings. The capitalization rate shall be the weighted average interest rate of general loans; ③ if there is any discount or premium on the loans, the actual interest rate method determines the amount of discount or premium that should be amortized during each accounting period, and adjusts the amount of interest for each period.

The actual interest rate method is based on the actual interest rate of borrowings to calculate the amortized discount or premium or interest expense. The actual interest rate is the future cash flow of the loan during the expected period of existence, discounted to the interest rate used for the current book value of the loan.

4.16 Intangible assets

(1) Recognition conditions of intangible assets

The Company's intangible assets are initially measured at cost. The intangible assets purchased are based on actual payment and related expenses as actual costs. For intangible assets invested by investors, the actual cost is determined according to the value stipulated in the investment contract or agreement. However, if the contract or agreement stipulates that the value is not fair, the actual cost shall be determined based on the fair value. The cost of self-developed intangible assets is the total amount of expenditure incurred before reaching the intended use.

Subsequent measurement of intangible assets of the Company is as follows: ① Intangible assets with limited useful life are amortized using the straight-line method. At the end of the year, the useful life and amortization method of intangible assets are reviewed. If there are differences with the original estimates, the Corresponding adjustments. ② Intangible assets with indefinite useful lives are not amortized, but at the end of the year, the useful life is reviewed. When there is conclusive evidence that the useful life is limited, the estimated useful life is amortized using the straight-line method.

(2) Life Expectancy of Intangible Assets with Limited Service Life

Asset classification	Expected service life(years)	Basis
Land use rights	40 years	Useful life

At the end of each year, the service life and amortization method of intangible assets with limited service life are reviewed.

(3) Judgment basis for uncertain service life

The Company will not be able to foresee the period for which the asset brings economic benefits to the Company, or the intangible assets with indefinite useful lives, etc., as intangible assets with an indefinite useful life.

Judgment basis for the uncertainty of useful life: ① It originates from contractual rights or other legal rights, but there is no definite useful life for contractual provisions or legal provisions; ② It is still impossible to judge whether intangible assets will be brought to the Company due to the situation of the same industry or the argumentation of relevant experts in the period of economic benefits.

At the end of each year, the review of the useful life of intangible assets with an indefinite useful life mainly takes a bottom-up approach, and the relevant departments of intangible assets are used for basic review to assess whether there is a change in the judgment basis for indefinite useful life.

(4) Impairment test method of intangible assets and withdrawal method of impairment provision

At the balance sheet date, the Company checks whether there is any indication that the intangible assets may be impaired. When there is any indication of impairment, an impairment test should be conducted to confirm the recoverable amount, and the receivable amount should be reduced if the recoverable amount is lower than the book value. After preparation, once the impairment loss is withdrawn, it will not be reversed in the subsequent accounting period.

The recoverable amount of intangible assets is determined based on both the net amount of the fair value of the assets minus the disposal expenses and the present value of the expected future cash flow of the assets.

(5) The specific standards for the research phase and development phase of internal research and development projects, as well as the specific criteria for expenditures in the development phase that meet the capitalization conditions

Expenditure for research and development projects during the research phase of an internal research and development project is included in profit or loss for the current period when incurred. Expenses in the development phase that meet both of the following conditions are recognized as intangible assets: ① The intangible assets are completed so that they can be used or sold technically It is feasible; ② It has the intention to complete the use of the intangible assets and to use or sell it; ③ The ways in which the intangible assets generate economic benefits, including the ability to prove that the products produced using the intangible assets exist in the market or the intangible assets themselves exist in the market. Assets will be used internally and can prove their usefulness; ④ Have sufficient technical, financial and other resources to support the development of the intangible assets and have the ability to use or sell the intangible assets; ⑤ Attribution Expenditure during the development phase of this intangible asset can be reliably measured.

Divide the specific criteria for the research phase and development phase of internal research and development projects: The planned investigation phase for acquiring new technologies and knowledge should be identified as the research phase, which is characterized by planning and exploratory; Prior to commercial production or use, the application of research results or other knowledge to a plan or design to produce new or substantially improved materials, devices, products, etc., should be identified as a development phase. The characteristics of sexuality and the possibility of forming results are large.

4.17 Long-term prepaid assets

The company's long-term prepaid assets refer to various expenses that have been paid, but the benefit period is more than one year (excluding one year). Long-term prepaid assets are amortized in installments according to the benefit period of the expense items. If the long-term prepaid assets item cannot benefit the future accounting period, all the amortized value of the item that has not been amortized shall be transferred to the current profit and loss.

4.18 Salary and wages payable

Employee compensation refers to various forms of remuneration or compensation given by an enterprise to obtain services provided by employees or to terminate labor relations. Employee compensation includes short-term compensation, post-employment welfare, Dismissal welfare, and other long-term employee welfare.

The short-term remuneration of the Company specifically includes: wages, bonuses, allowances and subsidies for employees, staff welfare, medical insurance premiums, social insurance premiums, maternity insurance and other social insurance premiums, housing accumulation funds, trade union funds and employee education funds, short-term paid absences. Short-term profit-sharing plans, non-monetary benefits, and other short-term compensation. The Company's post-employment benefits refer to various forms of remuneration and benefits provided by the Company after the employees retire or with the Company in order to obtain the services provided by the employees, except for short-term remuneration and dismissal benefits. Termination of benefits means that the Company terminates the labor relationship with the employees before the employee's labor contract expires, or compensates the employees for encouraging the employees to accept the reduction. The Company's other long-term employee benefits refer to all employee compensation except short-term remuneration, post-employment benefits, and dismissal benefits, including

long-term paid absences, long-term disability benefits, and long-term profit sharing plans.

(1) Accounting treatment of short-term remuneration

During the accounting period provided by the employees for the Company, the Company recognizes the actual short-term remuneration as a liability, which is included in the current profit or loss or the cost of related assets.

(2) Accounting treatment of post-employment welfare

Post-employment welfare are divided into defined contribution plans and defined benefit plans.

① During the accounting period in which the employee provides services for the Company, the Company shall recognize the deposit amount calculated according to the defined contribution plan as a liability and include it in the current profit or loss or the related asset cost.

② The accounting treatment for the defined benefit plan usually includes the following steps:

A. Based on the expected cumulative welfare unit approach, using unbiased and consistent actuarial assumptions to estimate demographic variables and financial variables, etc., measure the obligations arising from the defined benefit plans and determine the period of time for which the related obligations are to be attributed;

B. If there are assets in the defined benefit plan, the deficit or surplus formed by the current value of the defined benefit plan assets minus the fair value of the defined benefit plan assets shall be recognized as a net debt or net assets of the defined benefit plan. If there is a surplus in the defined benefit plan, the net assets of the beneficiary plan shall be measured based on the lower of the defined benefit plan's surplus and the asset cap. The asset cap refers to the present value of the economic benefits that the

Company can obtain from the defined benefit plan refund or reduce the future contribution to the defined benefit plan.

C. At the end of the period, the employees' compensation costs arising from the defined benefit plans are recognized as service costs, net interest on the net liabilities or net assets of the defined beneficiary plan, and changes in net liabilities or net assets of the defined beneficiary plan, including services. The net interest on the net liabilities or net assets of the cost and defined benefit plan is included in the current profit or loss or the cost of related assets. Changes in the net liabilities or net assets of the premeasured beneficiary plan are included in other comprehensive income, and are included in subsequent accounting periods. It is not allowed to transfer back to profit or loss, but these amounts confirmed in other comprehensive income can be transferred within the range of equity;

D. Confirmation of a settlement gain or loss at the settlement of a defined benefit plan.

(3) Accounting treatment of dismissal welfare

If the Company provides dismissal benefits to its employees, it shall recognize the employees' remuneration liabilities arising from the dismissal benefits at the earliest of the following dates, and shall be included in the current profits and losses: ① The Company cannot unilaterally withdraw the dismissal benefits provided by the dissolution of the labor relationship plan or the reduction proposal; ② When the Company confirms the costs or expenses related to the reorganization involving payment of dismissal benefits.

(4) Accounting treatment of other long-term employee welfare

If the other long-term welfare provided by the Company to its employees meet the conditions of the defined contribution plan, it shall be accounted for in accordance with the defined contribution plan; in addition to other long-term welfare, it shall be

accounted for in accordance with the defined benefit plan, and the defined benefit plan shall be re-measured. Changes in net liabilities or net assets are included in other comprehensive income and are not allowed to be transferred back to profit or loss in the subsequent accounting period. When the original defined benefit plan ends, the part originally included in other comprehensive income should be carried forward to the equity within the scope of equity distribute profits. The termination of the plan means that the plan no longer exists, that is, the Company has dismissed all future obligations arising from the plan.

4.19 Bonds payable

The non-convertible corporate bonds issued by the Company are treated as liabilities according to the actual amount received (net of relevant transaction fees); the difference between the actual amount received for bond issuance and the total face value of the bonds is used as bond premium or discount, and the bonds During the subsistence period, the amortization will be based on the coupon rate at the time of interest accrual, and will be handled in accordance with the handling principle of borrowing costs.

The convertible corporate bonds issued by the Company will be separated from the liability and equity components at the time of initial recognition and processed separately. First, confirm the fair value of the liability component and use it as its initial confirmation amount, and then determine the amount of the initial recognition of the equity component according to the total issued price of the convertible corporate bond (net of related transaction fees) after deducting the initial confirmation amount of the liability component.

4.20 Revenue

4.20.1 General principles for the Company and subsidiaries to recognize revenue:

(1) Sales of goods:

① The Company has transferred the substantial risks and rewards of ownership of the goods to the buyer; ② The Company neither retains continuous management rights associated with ownership of the goods sold, nor conduct effective control over the goods sold; ③ It is probable that the amount of revenue can be measured reliably; ④ The related economic benefits are likely to flow into the Company; ⑤ The relevant costs that have occurred or will occur can be measured reliably.

(2) Rendering of service

If the outcome of services provided can be reliably measured on the balance sheet date, revenue from rendering of service is recognized at the percentage-of-completion method.

If the outcome of services provided cannot be reliably measured on the balance sheet date, it shall be treated based on different circumstances as below:

① If the service costs incurred are expected to be fully recoverable, the amounts equal to the labor costs incurred shall be recognized as revenues and the equivalent amounts of labor costs shall be carried forward;

② If the service costs incurred are not expected to be fully recoverable, the labor costs incurred are recognized in profit or loss for the current period and the revenues shall not be recognized.

(3) Transfer of right to use assets

When economic benefit related to the transaction is probably to flow into the Company and the relevant revenue can be reliably measured, the revenue from transfer of assets use right is recognized as follows in different circumstances:

(4) The amount of interest income, which is determined by the time when others use the monetary funds of the Company and the effective interest rate.

4.20.2 Specific methods of revenue recognition

（1）Infrastructure construction revenue

For the business that provides the build and operation transfer mode (BOT) to participate in the construction of public infrastructure, the company confirms the relevant revenue and expenses for the construction services provided during the construction of the project in accordance with the Accounting Standards for <Business Enterprises No. 15 - Construction Contract>; After the completion of the facility, the income and expenses related to the follow-up business services shall be confirmed in accordance with< the Accounting Standards for Business Enterprises No. 14 – Revenue>.

（2）Lease revenue and property revenue

The lease revenue /property revenue of the company shall be confirmed when the relevant rent has been received or the evidence of receipt is obtained according to the lease date agreed upon in the contract and agreement (with the consideration of the rent-free period) and the rent amount.

（3）Sales revenue of commercial housing

When the sales revenue of commercial housing of our company has been completed and passed the inspection and acceptance of the developed products, we have signed a sales contract for installment receivables and fulfilled the obligations stipulated in the contract, and the related economic interests are likely to flow in, and when the cost of the developed products can be reliably measured, we shall determine the amount of revenue according to the fair value of the contract or agreement price receivable; and the contract or agreement price receivable shall be with it. The difference between fair values shall be amortized by the actual interest rate method during the period of the contract or agreement, and shall be included in the profits and losses of the current period.

4.21 Construction contract

When the results of the construction contract can be reliably estimated, the contract revenue and contract expenses are recognized on the balance sheet date in accordance with the percentage of completion method. The schedule of completion of the contract is determined by the proportion of the contract work that has been completed to the total expected workload of the contract.

A reliable estimate of the outcome of a construction contract means that: (1) the total contract revenue can be reliably measured; (2) the economic benefits associated with the contract are likely to flow into the Company; (3) the actual contract costs can be clearly distinguished and Reliable measurement; (4) The completion of the contract and the cost to be incurred for the completion of the contract can be reliably determined.

If the results of a construction contract cannot be reliably estimated but the cost of the contract can be recovered, the contract revenue is recognized on the basis of the actual contractual cost that can be recovered. The contract cost is recognized as the contract expense in the period when it occurred; if the contract cost cannot be recovered, it is immediately confirmed as a contract fee, no contract revenue is recognized. If the uncertainties that make the results of the construction contract unable to be reliably estimated cease to exist, the income and expenses related to the construction contract shall be determined according to the percentage of completion method.

4.22 Government grants

(1) Types of government grants

The government subsidy means the monetary assets or non-monetary assets (but not the capital invested by the government as the owner) obtained by the Company

from the government for free, and is mainly divided into two types of government subsidy related to assets and government subsidy related to income types of.

(2) Accounting for government grants

Government subsidies related to assets are recognized as deferred income, and are evenly distributed within the useful life of the relevant assets and recorded in the profits and losses of the current period; government grants measured at nominal amounts are directly charged to profit or loss for the current period. The government subsidies related to income are handled in the following cases respectively: ① For the compensation of related expenses or losses in the future period of the enterprise, it shall be recognized as deferred income, and shall be included in the current profit and loss during the period of confirming the relevant expenses; ② If any related expenses or losses have occurred, they shall be directly charged to the current profit or loss.

Government grants related to the Company's daily activities are included in other income or write down related costs in accordance with the substance of the economic business. Government subsidies that are not related to daily activities are included in non-operating income and expenses.

(3) Specific criteria for distinguishing government grants related to assets and government grants related to income

The government subsidy obtained by the Company and used for construction or other forms of long-term assets is recognized as a government subsidy related to the assets.

The government grants obtained by the Company other than government subsidies related to assets are recognized as government subsidies related to income.

If the government document does not clearly specify the target of the subsidy, the government subsidy shall be divided into the judgment basis related to the assets or related to the income:

① If the government document specifies the specific project for which the subsidy is targeted, the relative proportion of the amount of expenditure that forms the asset and the amount of expense that is included in the expense shall be divided according to the budget of the specific project, and the division ratio shall be in each balance sheet. The review shall be conducted on a daily basis, and changes shall be made when necessary; ② The government documents shall only make general statements about the use, and if no specific items are specified, they shall be used as government subsidies related to income

(4) Amortization method of deferred income related to government subsidies and confirmation method of amortization period

The government grants related to the assets obtained by the Company are recognized as deferred income. From the time when the relevant assets are available for use, the deferred income is amortized into the current profits and losses according to the estimated useful life of the relevant assets.

(5) Confirmation time of government subsidies

Government grants measured in accordance with the amount receivable shall be confirmed when there is conclusive evidence at the end of the period that they are able to meet the relevant conditions stipulated in the financial support policy and are expected to receive financial support funds.

Except for government subsidies measured according to the amount of receivables, other government grants are recognized when they actually receive the subsidies.

4.23 Deferred income tax assets and deferred income tax liabilities

Confirmation of deferred income tax assets and deferred income tax liabilities of the Company:

(1)According to the difference between the book value of assets and liabilities and their tax bases (if the items not confirmed as assets and liabilities can be determined based on the tax law basis, the tax base is determined as the difference), as expected The applicable tax rate during the period of repossessing the asset or paying off the liability is calculated and recognized as deferred income tax assets or deferred income tax liabilities.

(2) The recognition of deferred income tax assets is limited to the amount of taxable income that may be obtained to offset deductible temporary differences. On the balance sheet date, if there is conclusive evidence that it is probable that sufficient taxable income will be available to offset the deductible temporary difference in the future, the deferred income tax assets that have not been recognized in the previous accounting period shall be recognized. If it is very likely that sufficient taxable income will not be available to offset deferred income tax assets in the future, the carrying amount of deferred income tax assets shall be reduced.

(3) Deferred tax liabilities are recognized for taxable temporary differences related to investments in subsidiaries and associates, unless the Company is able to control the timing of the reversal of the temporary difference and the temporary difference is unlikely to be in the foreseeable future will turn back. For deductible temporary differences related to investments in subsidiaries and associates, when the temporary difference is likely to be reversed in the foreseeable future, it is likely to obtain taxable income that can be used to offset deductible temporary differences in the future. At the time of payment, deferred income tax assets are recognized.

4.24 Lease

If the lease terms substantially transfer all risks and rewards related to the ownership of the leased asset to the lessee, the lease is a finance lease, and other leases are operating leases.

5. Notes to changes in accounting policies and accounting estimates and corrections of accounting errors

5.1 Changes in accounting policies

There were no changes in accounting policies for the Company this year.

5.2 Adjustment for changes in accounting estimates

There were no changes in accounting estimates for the Company this year.

5.3 Corrections of significant accounting errors

There was no correction of significant accounting errors in the current year.

6. Taxes

6.1 Major tax types and tax rates applicable to the Company

Item	Specific tax rates
Value-added tax (VAT)	13%、9%、6%、5%
Urban maintenance and construction tax	7%
Education surcharges	3%
Local education surcharges	2%
Enterprise income tax	25%
Land use tax	RMB 8/㎡

6.2 Tax benefits and approvals

According to the "Notice on the Treatment of Enterprise Income Tax for Special Purpose Financial Funds" (caishui [2011] No. 70) issued jointly by the Ministry of Finance and the State Administration of Taxation, the company obtains fiscal funds from the financial departments of the local people's governments at or above the

country level. The fiscal funds that should be included total income and not included in the taxable income and the tax payable.

7. Business combinations and consolidated financial statements

No.	Name of enterprise	Level	Type of enterprise	Registered place	Business nature	Paid-in capital	Shareholding ratio (%)	Voting ratio enjoyed	Method
1	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	2	Domestic non-financial enterprises	Jiaozhou,Qingdao	Foreign investment with self-owned funds, corporate management consulting services (the above are not allowed to engage in financial services such as deposit absorption, financing guarantees, and financial management on behalf of customers without the approval of financial regulatory authorities); development of high-tech achievements, technology transfer, infrastructure construction, housing Construction and leasing of construction projects, hotel management; tidal flat enclosure, reclamation and supporting construction, operation and maintenance; water conservancy construction, general equipment manufacturing, landscaping, wholesale and retail: building materials. (Projects that are subject to approval in accordance with the law can only carry out business activities after approval by relevant departments)	1,500,000,000.00	100.00	100.00	Investment establishment

No.	Name of enterprise	Level	Type of enterprise	Registered place	Business nature	Paid-in capital	Shareholding ratio (%)	Voting ratio enjoyed	Method
2	Qingdao Zhongji Technology Industry Co., Ltd.	3	Domestic non-financial enterprises	Jiaozhou,Qingdao	Ordinary mechanical and electrical equipment leasing (excluding special equipment); real estate leasing; incubator investment, operation and management; small and medium-sized enterprise investment and services; research, development and sales of new technologies and new products; technical services and transactions; wholesale and retail: hardware, Nursery stock, building materials, steel.	110,000,000.00	81.82	81.82	Business mergers not under common control
3	Qingdao Jiaozhou Bay City Property Management Co., Ltd.	3	Domestic non-financial enterprises	Jiaozhou,Qingdao	Foreign investment in real estate projects with self-owned funds (without the approval of the financial regulatory authorities, no financial business such as deposit absorption, financing guarantees, and financial management on behalf of customers); property management services, house leasing, municipal engineering construction, greening engineering, lighting engineering; Design, agency production, release of domestic advertisements, operation and maintenance of state-owned assets, general equipment manufacturing (excluding special equipment); wholesale and retail: hardware,	30,000,000.00	100.00	100.00	Investment establishment

No.	Name of enterprise	Level	Type of enterprise	Registered place	Business nature	Paid-in capital	Shareholding ratio (%)	Voting ratio enjoyed	Method
					nursery stock, steel, building materials.				
4	Qingdao Green Building Development and Investment Co., Ltd.	3	Domestic non-financial enterprises	Jiaozhou,Qingdao	Foreign investment with self-owned funds, corporate management consulting (the above are not allowed to engage in financial services such as deposit absorption, financing guarantees, and financial management on behalf of customers without the approval of the financial regulatory authority), industrial park operation management, municipal public facilities management and maintenance, and urban infrastructure construction , Property management services, landscaping, sewage pipeline installation and repair, billboard production, installation, wholesale and retail: building materials, decorative materials, planting and sales of seedlings.	200,000,000.00	100.00	100.00	Investment establishment
5	Qingdao Jiaofa International Trading Co., Ltd.	3	Domestic non-financial enterprises	Jiaozhou,Qingdao	Wholesale and retail: electric power high and low voltage complete sets of equipment, wires and cables, building materials, metal materials (excluding precious metals), steel, wood, stone, mineral products, decorative materials, hardware and electrical appliances, plastic	100,000,000.00	100	100	Investment establishment

No.	Name of enterprise	Level	Type of enterprise	Registered place	Business nature	Paid-in capital	Shareholding ratio (%)	Voting ratio enjoyed	Method
					products, handicrafts, daily necessities; retail : Primary agricultural products, aquatic products, frozen aquatic products, fresh meat, frozen meat, pre-packaged food, bulk food, dairy products; import and export of goods and technology (projects prohibited by national laws and regulations shall not be operated, and laws and regulations restrict the acquisition of operations It can only operate after the license); operate other general operating items that can be operated without administrative approval.				
6	Qingdao Jiaofa Human Resources Service Co., Ltd.	3	Domestic non-financial enterprises	Jiaozhou,Qingdao	Labor dispatch, human resources, human resources information consulting services, career intermediary services; property management services, cleaning services, corporate management consulting, business information consulting (the above are not allowed to be engaged in deposit absorption, financing guarantees, and customer financing without the approval of the financial regulatory authority And other financial services), wholesale and retail: daily necessities, office	100,000,000.00	100	100	Investment establishment

No.	Name of enterprise	Level	Type of enterprise	Registered place	Business nature	Paid-in capital	Shareholding ratio (%)	Voting ratio enjoyed	Method
					supplies, household appliances, hardware and electrical appliances, electronic products, computers and auxiliary equipment, ordinary electromechanical equipment, metal materials (excluding precious metals), building materials, furniture, general Labor protection supplies, communication equipment (excluding satellite ground receiving equipment).				
7	Qingdao Jiaofa Cultural Tourism Development Co., Ltd.	3	Domestic non-financial enterprises	Jiaozhou,Qingdao	Conference and exhibition display services; tourism information consulting services; corporate image design; cultural and artistic exchange activities; car rental; school bus rental; design, production, and agency release of domestic advertising business; investment development and management of tourism-related projects; general mechanical and electrical equipment rental (not including special equipment); real estate leasing; development and operation of tourist service supporting facilities; corporate marketing planning; property management services; hotel management services.	100,000,000.00	100	100	Investment establishment

No.	Name of enterprise	Level	Type of enterprise	Registered place	Business nature	Paid-in capital	Sharehol ding ratio (%)	Voting ratio enjoyed	Method
8	Qingdao Jiaozhou Bay Industrial Park Operation Management Co., Ltd.	3	Domestic non-financia l enterprises	Jiaozhou,Q ingdao	Infrastructure development, construction and operation management, foreign investment of self-owned assets, self-owned real estate leasing, property management, corporate management consulting services (without the approval of financial regulatory authorities, no financial services such as deposit absorption, financing guarantees, and customer wealth management are allowed) , Labor services (excluding labor dispatch and foreign labor cooperation), parking lot management services, conference services, exhibition services, landscaping projects, housing intermediary services, warehousing services (excluding national prohibited items and flammable and explosive items, no Including freezing, cold storage, refrigeration, storage of hazardous chemicals, etc.), technology business incubator investment, management and business incubation, hotel management, catering services, wholesale and retail: building materials, metal materials (excluding precious	100,000,000.00	100	100	Investment establishment

No.	Name of enterprise	Level	Type of enterprise	Registered place	Business nature	Paid-in capital	Shareholding ratio (%)	Voting ratio enjoyed	Method
					metals), steel, wood, stone, Mineral products, decorative materials, Wujinjiaodian, plastic products, handicrafts, daily necessities.				
9	Qingdao Shanghe Shihui Hotel Management Co., Ltd.	3	Domestic non-financial enterprises	Jiaozhou,Qingdao	Catering management, hotel operation and management, Chinese food, Western food, hot and cold beverage production and sales (including cold dishes, raw seafood, and decorated cakes), accommodation services, parking lot operations, conference services, exhibition services, corporate management services, Business information consultation (without the approval of the financial regulatory authority, no financial services such as deposit absorption, financing guarantees, and financial management on behalf of customers), corporate marketing planning, design, production, and agency release of domestic advertisements, wholesale and retail: daily necessities, pre-packaged Food, bulk food, ceramic products, decoration materials, daily necessities, office supplies, office equipment, laundry services, swimming pools, gymnasiums (not	10,000,000.00	100	100	Investment establishment

No.	Name of enterprise	Level	Type of enterprise	Registered place	Business nature	Paid-in capital	Sharehol ding ratio (%)	Voting ratio enjoyed	Method
					including high-risk sports items), beauty services, typing and copying, venue rental, house rental, equipment Leasing, catering distribution, car rental, bathing service, ticket sales service, cultural and artistic exchange planning, canteen contract management service, catering management and related consulting services.				
10	Qingdao Shanghegou E-Commerce Co., Ltd.	3	Domestic non-financia l enterprises	Jiaozhou,Q ingdao	E-commerce, e-commerce platform services, supply chain management (without the approval of financial regulatory authorities, no financial services such as deposit absorption, financing guarantees, and wealth management on behalf of customers); wholesale and retail: furniture supplies, digital products and accessories, pet supplies, Outdoor products (excluding food and medicine), pre-packaged food; wholesale and retail: maternal and child products, health food, agricultural and sideline products, vegetables, fruits, alcohol, beverages, condiments, fresh meat, cosmetics, arts and crafts, electronics Products, knitting textiles, clothing, daily	10,000,000.00	100	100	Investment establishment

No.	Name of enterprise	Level	Type of enterprise	Registered place	Business nature	Paid-in capital	Shareholding ratio (%)	Voting ratio enjoyed	Method
					necessities; international freight forwarders, domestic freight forwarders, general freight; goods import and export, technology import and export (projects prohibited by national laws and regulations shall not be operated, and those restricted by laws and regulations shall be allowed to operate only after obtaining permission), to operate other general business items that can be operated without administrative approval.				
11	Qingdao Jiaozhou Bay Kerui Property Co., Ltd.	2	Domestic non-financial enterprises	Jiaozhou,Qingdao	Foreign investment in real estate projects with self-owned funds (without the approval of the financial regulatory authorities, no financial business such as deposit absorption, financing guarantees, and financial services on behalf of customers); real estate development and operation, house decoration and decoration projects, real estate intermediary services, house sales agents, houses Lease; design and construction of landscaping engineering, earth and stone engineering; wholesale and retail: building materials, decorative materials	100,000,000.00	100.00	100.00	Investment establishment

No.	Name of enterprise	Level	Type of enterprise	Registered place	Business nature	Paid-in capital	Shareholding ratio (%)	Voting ratio enjoyed	Method
12	Qingdao jiaozhou Bay Keshun Property Co., Ltd.	2	Domestic non-financial enterprises	Jiaozhou,Qingdao	Foreign investment in real estate projects with self-owned funds (without the approval of the financial regulatory authorities, no financial services such as deposit absorption, financing guarantees, and client wealth management are allowed); real estate development and operation, house decoration and decoration projects, real estate intermediary services, house sales agents, houses Lease; design and construction of landscaping engineering, earth and stone engineering; wholesale and retail: building materials, decorative materials.	100,000,000.00	100.00	100.00	Investment establishment
13	Qingdao Jiaozhou Bay Hongke Property Co., Ltd.	2	Domestic non-financial enterprises	Jiaozhou,Qingdao	Foreign investment in real estate projects with self-owned funds (without the approval of the financial regulatory authorities, no financial business such as deposit absorption, financing guarantees, and financial services on behalf of customers); real estate development and operation, house decoration and decoration projects, real estate intermediary services, house sales agents, houses Lease; design and construction of landscaping engineering, earth	600,000,000.00	100.00	100.00	Investment establishment

No.	Name of enterprise	Level	Type of enterprise	Registered place	Business nature	Paid-in capital	Shareholding ratio (%)	Voting ratio enjoyed	Method
					and stone engineering; wholesale and retail: building materials, decorative materials.				
14	Qingdao Jiaozhou Bay Shanghai Cooperation Organization Demonstration Zone Development Co., Ltd.	2	Domestic non-financial enterprises	Jiaozhou,Qingdao	Foreign investment with self-owned funds, corporate management consulting (the above are not allowed to engage in financial services such as deposit absorption, financing guarantees, and financial management on behalf of customers without the approval of the financial regulatory authority); industrial park operation management, municipal public facilities management and maintenance; urban infrastructure construction ;Property management services; landscaping, sewage pipeline installation and repair; billboard production, installation, and sales; wholesale and retail: building materials, decorative materials; self-operated and agent general business project goods and technology import and export business; license to operate project goods and technology import and export business must be approved by the state before it can be operated	1,000,000,000.00	100.00	100.00	Investment establishment

No.	Name of enterprise	Level	Type of enterprise	Registered place	Business nature	Paid-in capital	Shareholding ratio (%)	Voting ratio enjoyed	Method
15	Qingdao Jiaozhou Bay Kechuang Property Co., Ltd.	2	Domestic non-financial enterprises	Jiaozhou,Qingdao	Foreign investment in real estate projects with self-owned funds (without the approval of the financial regulatory authorities, no financial services such as deposit absorption, financing guarantees, and client wealth management are allowed); real estate development and operation, house decoration and decoration projects, real estate intermediary services, house sales agents, houses Lease; design and construction of landscaping engineering, earth and stone engineering; wholesale and retail: building materials, decorative materials. (Projects that are subject to approval in accordance with the law can only carry out business activities after being approved by relevant departments)	100,000,000.00	100.00	100.00	Investment establishment
16	Qingdao Shanghe Zhishang Investment Co., Ltd.	3	Domestic non-financial enterprises	Jiaozhou,Qingdao	Real estate project investment management (without the approval of financial regulatory authorities, no financial business such as deposit absorption, financing guarantees, and financial management on behalf of customers), real estate development and operation, design and construction: housing construction projects,	300,000,000.00	100.00	100.00	Investment establishment

No.	Name of enterprise	Level	Type of enterprise	Registered place	Business nature	Paid-in capital	Shareholding ratio (%)	Voting ratio enjoyed	Method
					interior and exterior decoration projects, landscaping Engineering, earth and stone works, real estate agency services, commercial housing agency sales, housing leasing, wholesale and retail: building materials, decorative materials. (Projects that are subject to approval in accordance with the law can only carry out business activities after being approved by relevant departments)				

Four new subsidiaries were established in the scope of consolidation in this period: Qingdao Shanghegou E-Commerce Co., Ltd., Qingdao Shanghe Zhishang Investment Co., Ltd., Qingdao Shanghe Shihui Hotel Management Co., Ltd., and Qingdao Jiaozhou Bay Industrial Park Operation Management Co., Ltd..

8. Explanation to material items of financial statements (all amount expressed in RMB)

Unless otherwise specified, the following notes indicate "amount incurred in previous period" refers to amount for the 2019, "amount incurred in current period" refers to amount for the 2020.

8.1 Cash and cash equivalents

Item	Balance as of December 31, 2020	Balance as of December 31, 2019
Cash in hand	551,484.09	487,799.99
Bank deposit	1,874,788,477.57	1,619,763,904.23
Other monetary funds		
Total	1,875,339,961.66	1,620,251,704.22
Including: total amount of deposits abroad		

Note: Except for Qingdao Jiaofa International Trade Co., Ltd., which has a fixed deposit of RMB 9,600,000.00, there are no other funds that are restricted in use due to mortgage, pledge or freezing, deposited overseas, and have potential recovery risks.

8.2 Accounts receivable

8.2.1 Breakdowns of accounts receivable

Category	Amount as of December 31, 2020			
	Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)
I. Accounts Receivable with significant single amount and provision for bad debts made on a single basis				
II. Accounts Receivable with provision for bad debts accrued by portfolio with credit risk features	525,135,077.89	100.00		
Including: Aging analysis method	348,175,846.84	66.30		
Individual identification method	176,959,231.05	33.70		
III. Accounts Receivable with insignificant single amount but individual provision for bad debts				
Total	525,135,077.89	100.00		

(Continual)

Category	Amount as of December 31, 2019			
	Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)
I. Accounts Receivable with significant single amount and provision for bad debts made on a single basis				
II. Accounts Receivable with provision for bad debts accrued by portfolio with credit risk features	152,798,968.70	100.00		
Including: Aging analysis method	66,187,031.48	43.32		
Individual identification method	86,611,937.22	56.68		
III. Accounts Receivable with insignificant single amount but individual provision for bad debts				
Total	152,798,968.70	100.00		

8.2.2 Accounts Receivable for bad debt made with combination

（1） Accounts Receivable subject to provision for bad debts made with aging analysis method

Aging	Amount as of December 31, 2020			Amount as of December 31, 2019		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	348,175,846.84	100.00		66,187,031.48	100.00	
1 - 2 years						
2 - 3 years						
3 - 4years						
4 - 5 years						
Over 5 years						
Total	348,175,846.84	100.00		66,187,031.48	100.00	

（2）Important Accounts Receivable to provision for bad debts made with individual identification method

Name of debtor	Amount as of December 31, 2020	Nature of payment
China-Shanghai Cooperation Organization Local Economic and Trade Cooperation Demonstration	147,664,605.62	Lease account

Name of debtor	Amount as of December 31, 2020	Nature of payment
Zone Management Committee		
Shandong Huabang Construction Group Co., Ltd.	28,994,625.43	Payment
Qingdao Nengfeng Electric Co., Ltd.	300,000.00	Current account
Total	176,959,231.05	——

8.3 Advances to suppliers

8.3.1 Presentation of advances to suppliers by aging

Aging	Amount as of December 31, 2020		
	Book balance		Provision for bad debts
	Amount	Proportion (%)	
Within 1 year	731,391,830.85	97.09	
1 - 2 years (inclusive)	20,000,000.00	2.66	
2 - 3 years (inclusive)			
3 - 4 years (inclusive)			
4 - 5 years (inclusive)	1,900,273.00	0.25	
Over 5 years			
Total	753,292,103.85	100.00	

(Continued)

Aging	Amount as of December 31, 2019		
	Book balance		Provision for bad debts
	Amount	Proportion (%)	
Within 1 year	1,946,396,122.41	99.41	
1 - 2 years (inclusive)			
2 - 3 years (inclusive)			
3 - 4 years (inclusive)	11,470,273.00	0.59	
4 - 5 years (inclusive)			
Over 5 years			
Total	1,957,866,395.41	100.00	

8.3.2 Advances to suppliers with large amount and aging of over one year

Name of debtor	Balance as of December 31, 2020	Aging	Nature of payment

Name of debtor	Balance as of December 31, 2020	Aging	Nature of payment
Jiaozhou Jiulong Sub-district Office	32,519,509.55	Within 1 year:RMB 12,519,509.55 1-2years: RMB 20,000,000.00	Unsettled equipment payments
Total	32,519,509.55	——	——

8.4 Other receivables

Item	Balance as of December 31, 2020	Balance as of December 31, 2019
Interest receivable	77,293,779.45	50,614,573.97
Other receivables	7,132,496,711.04	7,456,669,014.94
Total	7,209,790,490.49	7,507,283,588.91

8.4.1 Interest receivable

Borrower	Balance as of December 31, 2020	Balance as of December 31, 2019
Qingdao Jiaozhou Bay Ketou Property Co., Ltd.	75,668,786.30	49,857,197.26
Qingdao Jiaozhou Bay Kerong Property Co., Ltd.	1,624,993.15	757,376.71
Total	77,293,779.45	50,614,573.97

8.4.2 Other receivables

8.4.1.1 Breakdowns of Other receivables

Category	Amount as of December 31, 2020			
	Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
I. Other receivables with significant single amount and provision for bad debts made on a single basis				
II. Other receivables with provision for bad debts accrued by portfolio with credit risk features	7,132,497,439.04	100.00	728.00	0.00
Including: Aging analysis method	2,523,903.34	0.04	728.00	0.03
Individual identification method	7,129,973,535.70	99.96		

Category	Amount as of December 31, 2020			
	Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
III. Other receivables with insignificant single amount but individual provision for bad debts				
Total	7,132,497,439.04	100.00	728.00	0.00

(Continued)

Category	Amount as of December 31, 2019			
	Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
I. Other receivables with significant single amount and provision for bad debts made on a single basis				
II. Other receivables with provision for bad debts accrued by portfolio with credit risk features	7,456,669,534.94	100.00	520.00	0.00001
Including: Aging analysis method	3,054,644.29	0.04	520.00	0.01702
Individual identification method	7,453,614,890.65	99.96		
III. Other receivables with insignificant single amount but individual provision for bad debts				
Total	7,456,669,534.94	100.00	520.00	0.00001

8.4.1.2 Other receivables subject to provision for bad debts made with aging analysis method

Aging	Amount as of December 31, 2020			Amount as of December 31, 2019		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	2,513,503.34	99.59		3,044,244.29	99.66	
1 - 2 years				10,400.00	0.34	520.00
2 - 3 years	10,400.00	0.41	728.00			
3 - 4 years						
4 - 5 years						

Over 5 years						
Total	2,523,903.34	100.00	728.00	3,054,644.29	100.00	520.00

8.4.1.3 Other receivables subject to provision for bad debts made with individual identification method

Name of debtor	Book balance	Nature of payment
China-Shanghai Cooperation Organization Local Economic and Trade Cooperation Demonstration Zone Management Committee	5,401,859,628.63	Current Account
Jiao zhou Financial Bureau	587,660,964.62	Current Account
Qingdao Jiaozhou Bay Ketou Property Co., Ltd.	595,000,000.00	Current Account
Qingdao Jiao zhou Bay New City Construction Development Co., Ltd.	140,000,000.00	Current Account
Qingdao Jinjiaozhou Asset Management Co., Ltd.	138,400,000.00	Current Account
Jiaozhou Jiaoxi Town Finance Office	65,000,000.00	Current Account
Jiaozhou Licha Town Finance Office	58,000,000.00	Current Account
Jiaozhou Jiulong Sub-district Office	34,042,894.00	Current Account
International Far Eastern Leasing Co., Ltd.	32,435,000.00	Margin
Ping An International Financial Leasing Co., Ltd	24,000,000.00	Margin
Qingdao Jiaozhou Bay Kerong Property Co., Ltd.	20,000,000.00	Current Account
Qingdao Jiaozhou Urban Construction Development Co., Ltd.	12,500,000.00	Current Account
Bangyin Financial Leasing Co., Ltd.	6,000,000.00	Margin
Bohai International Trust Co., Ltd.	4,000,000.00	Margin
AVIC International Leasing Co., Ltd.	3,600,000.00	Margin
Sinopharm Holding (China) Financial Leasing Co., Ltd.	3,000,000.00	Margin
Everbright Xinglong Trust Co., Ltd.	3,000,000.00	Margin
Beijing Jingdong Century Trading Co., Ltd.	100,000.00	Margin
Xincheng Huanwan Haiyun Property Management Co., Ltd.	20,000.00	Margin
Qingdao Jiale Property Management Co., Ltd.	20,000.00	Margin
Employee loan and Reserve fund	1,335,048.45	Employee loan and Reserve fund
Total	7,129,973,535.70	——

8.4.1.4 Top five other receivables in terms of their balance as of December 31, 2020collected by the debtor

Name of debtor	Book balance
China-Shanghai Cooperation Organization Local Economic and Trade Cooperation Demonstration Zone Management Committee	5,401,859,628.63
Jiao zhou Financial Bureau	587,660,964.62
Qingdao Jiaozhou Bay Ketou Property Co., Ltd.	595,000,000.00
Qingdao Jiao zhou Bay New City Construction Development Co., Ltd.	140,000,000.00
Qingdao Jinjiaozhou Asset Management Co., Ltd.	138,400,000.00
Total	6,862,920,593.25

8.5 Inventories

8.5.1 Breakdowns of Inventory category

Item	Amount as of December 31, 2020		
	Book balance	Provision for impairment	Book value
Development Cost	13,000,636,827.07		13,000,636,827.07
Project construction	7,203,269,700.46		7,203,269,700.46
Development Product	238,562,610.86		238,562,610.86
Inventory goods	18,864,493.78		18,864,493.78
Total	20,461,333,632.17		20,461,333,632.17

(Continued)

Item	Amount as of December 31, 2019		
	Book balance	Provision for impairment	Book value
Development Cost	12,933,676,528.60		12,933,676,528.60
Project construction	5,388,457,012.55		5,388,457,012.55
Development Product	256,177,738.19		256,177,738.19
Total	18,578,311,279.34		18,578,311,279.34

8.5.2 Project construction details

Item	Amount as of December 31, 2019	Increased in current period	the amount of interest capitalization	Decreased in current period	Amount as of December 31, 2020
Project cost	6,515,890,765.88	2,667,281,101.87	25,701,787.78		9,183,171,867.75
Project gross profit	1,039,108,996.67	38,672,286.04			1,077,781,282.71
Project Settlement	-2,166,542,750.00	-891,140,700.00			-3,057,683,450.00
Total	5,388,457,012.55	1,814,812,687.91	25,701,787.78		7,203,269,700.46

8.6 Other current assets

Item	Balance as of December 31, 2020	Balance as of December 31,2019
Prepaid corporate income tax		335.68
Deductible input tax	113,014,235.22	75,950,104.92
Prepaid value-added tax	10,137,206.52	4,204,524.98
Total	123,151,441.74	80,154,965.58

8.7 Available-for-sale financial assets

Item	Balance as of December 31, 2020			Balance as of December 31, 2019		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
1. Available-for-sale debt instruments						
Measured at fair value						
At cost						
2. Available-for-sale equity instruments	1,240,000,000.00		1,240,000,000.00			
Measured at fair value						
At cost	1,240,000,000.00		1,240,000,000.00			
3. Others						
Total	1,240,000,000.00		1,240,000,000.00			

8.7.1 Available-for-sale financial assets measured at cost

Project (invested unit)	Amount as of December 31, 2019	Increase or decrease	Amount as of December 31, 2020	Shareholding ratio (%)	Cash dividend for the year
Qingdao Jiaozhou Guohong Equity Investment Fund Partnership (Limited Partnership)		4,000,000.00	4,000,000.00	20.00	
Qingdao Letong Chinese Capital Smart Industry Fund (Limited Partnership)		90,000,000.00	90,000,000.00	30.00	
Hangzhou Daocheng Shikong		999,000,000.00	999,000,000.00	99.90	

Project (invested unit)	Amount as of December 31, 2019	Increase or decrease	Amount as of December 31, 2020	Shareholding ratio (%)	Cash dividend for the year
No. 1 Equity Investment Partnership (Limited Partnership)					
Qingdao Jiaozhou Shengrui Equity Investment Fund Partnership (Limited Partnership)		9,000,000.00	9,000,000.00	20.00	
Qingdao Jinjiaozhou New and Old Kinetic Energy Conversion Fund (Limited Partnership)		38,000,000.00	38,000,000.00	20.00	
Shandong High Speed Jiqing Middle Route Highway Co., Ltd.		100,000,000.00	100,000,000.00	2.59	
Total		1,240,000,000.00	1,240,000,000.00	—	

Note 1: According to the relevant partnership agreement, Qingdao Jiaozhou Bay Development Group Co., Ltd., as a limited partner, invested in Qingdao Jiaozhou Guohong Equity Investment Fund Partnership (Limited Partnership), Qingdao Letong Huazi Smart Industry Fund (Limited Partnership), Hangzhou Island Chengshikong No. 1 Equity Investment Partnership (Limited Partnership), Qingdao Jiaozhou Shengrui Equity Investment Fund Partnership (Limited Partnership), Qingdao Jinjiaozhou New and Old Kinetic Energy Conversion Fund (Limited Partnership), although it holds shares in Qingdao Letong Chinese Smart Industry 30% of the fund (limited partnership) and 99.90% of the Hangzhou Daocheng Shikong No. 1 Equity Investment Partnership (limited partnership), but it does not have control, joint control or significant influence on the investee, and does not participate in the daily business activities of the enterprise.

Note 2: According to the relevant shareholder investment agreement, Qingdao Jiaozhou Bay Development Group Co., Ltd. and other shareholders invested to establish Shandong Expressway Jiqing Middle Route Co., Ltd., with a shareholding ratio of 2.59%.

8.8 Long-term accounts receivable

Project	Balance as of December 31, 2020	Balance as of December 31,2019
Qingdao Nengfeng Electric Co., Ltd.	15,000,000.00	
Total	15,000,000.00	

8.9 Long-term equity investments

8.9.1 Classification of long-term equity investments

Item	Balance as of December 31, 2019	Increased in current period	Decreased in current period	Balance as of December 31, 2020
Investment in subsidiaries				
Investment in joint ventures				
Investment in associates	403,884.80	333,539,432.97		333,943,317.77
Sub-total	403,884.80	333,539,432.97		333,943,317.77
Less: provision for impairment of long-term equity investments				
Total	403,884.80	333,539,432.97		333,943,317.77

8.9.2 Breakdowns of long-term equity investments

Investee	Accounting method	Shareholding ratio (%)	Proportion of voting rights (%)	Investment cost	Balance as of December 31, 2019	Additional investment	Reduced investment
I. Subsidiaries							
II. Joint ventures							
III. Associates				**334,444,000.00**	**403,884.80**	**333,244,000.00**	
1. Qingdao Eurasia Economic and Trade Cooperation Industrial Park Consulting Service Co., Ltd.	equity method	40	40	1,200,000.00	403,884.80		
2. Qingdao Lianhe Guoxin Economic and Trade Co., Ltd.	equity method	35	35	7,000,000.00		7,000,000.00	
3. Shandong Express Private Capital Management Co., Ltd.	equity method	40	40	146,244,000.00		146,244,000.00	

Investee	Accounting method	Shareholding ratio (%)	Proportion of voting rights (%)	Investment cost	Balance as of December 31, 2019	Additional investment	Reduced investment
I. Subsidiaries							
4 Qingdao Yichen Leisho Technology Co., Ltd.	equity method	20	20	30,000,000.00		30,000,000.00	
5. Qingdao Shanghe Development Group Co., Ltd.	equity method	49	49	150,000,000.00		150,000,000.00	
Total	——	——	——	334,444,000.00	403,884.80	333,244,000.00	——

(Continued)

Investee	Profit or loss on investments recognized under the equity method	Adjustments to other comprehensive income	Changes in other equities	Cash dividends or profit declared to be distributed	Provision for impairment	Others	Balance as of December 31, 2020	Balance of provision for impairment as of December 31, 2020
I. Subsidiaries								
I. Joint ventures								

Investee	Profit or loss on investments recognized under the equity method	Adjustments to other comprehensive income	Changes in other equities	Cash dividends or profit declared to be distributed	Provision for impairment	Others	Balance as of December 31, 2020	Balance of provision for impairment as of December 31, 2020
II. Associates	**295,432.97**						**333,943,317.77**	
1. Qingdao Eurasia Economic and Trade Cooperation Industrial Park Consulting Service Co., Ltd.							403,884.80	
2. Qingdao Lianhe Guoxin Economic and Trade Co., Ltd.	-271,925.41						6,728,074.59	
3. Shandong Express Private Capital Management Co., Ltd.	784,850.93						147,028,850.93	
4 Qingdao Yichen Leisho Technology Co., Ltd.	-199,079.87						29,800,920.13	
5. Qingdao Shanghe Development Group Co., Ltd.	-18,412.68						149,981,587.32	

Investee	Profit or loss on investments recognized under the equity method	Adjustments to other comprehensive income	Changes in other equities	Cash dividends or profit declared to be distributed	Provision for impairment	Others	Balance as of December 31, 2020	Balance of provision for impairment as of December 31, 2020
Total	295,432.97	——	——	——	——		333,943,317.77	——

8.10 Investment properties

Item	Buildings and constructions	Land use right	Construction in progress	Total
I. Total original book value				
1.Balance as of December 31, 2019	1,733,810,512.66	126,090,743.31		1,859,901,255.97
2. Increased in this period	4,578,876.51			4,578,876.51
（1）Outsourcing	4,578,876.51			4,578,876.51
（2）Inventory \ Fixed assets \ Construction in progress transferred in				
（3）Other transfers				
3.Decreased in this period				
（1）Disposal				
（2）Other transfers				
4. Balance as of December 31, 2020	1,738,389,389.17	126,090,743.31		1,864,480,132.48
II. Accumulated depreciation and accumulated amortization				
1.Balance as of December 31, 2019	229,153,368.89	8,923,564.37		238,076,933.26
2. Increased in this period	83,319,270.05	2,928,547.77		86,247,817.82
（1）Accrual or amortization	83,319,270.05	2,928,547.77		86,247,817.82
（2）Other transfers				
3. Decreased in this period				
（1）Disposal				
（2）Other transfers				
4. Balance as of December 31, 2020	312,472,638.94	11,852,112.14		324,324,751.08
III. Impairment preparation				
1.Balance as of December 31, 2019				
2. Increased in this period				
（1）Accrual				
3. Decreased in this period				
（1）Disposal				
（2）Other transfers				
4. Balance as of December 31,2019				
IV. Total book value				
1.Book value on December 31, 2020	1,425,916,750.23	114,238,631.17		1,540,155,381.40
2.Book value on December 31, 2019	1,504,657,143.77	117,167,178.94		1,621,824,322.71

8.11 Fixed assets

Item	Balance as of December 31, 2020	Balance as of December 31, 2019

Item	Balance as of December 31, 2020	Balance as of December 31, 2019
Fixed assets	301,092,411.49	312,716,732.21
Total	301,092,411.49	312,716,732.21

8.11.1 Breakdowns of fixed assets

Item	Buildings and constructions	Machinery equipment	Transportation facilities	Electronic equipment	Total
I. Total original book value					
1. Balance as of December 31, 2019	343,957,918.50	47,316,710.00	7,549,804.73	6,132,824.39	404,957,257.62
2. Increase in 2020		10,355,819.38		317,588.69	10,673,408.07
(1) Outsourcing		10,355,819.38		317,588.69	10,673,408.07
(2) Construction in progress transferred in					
(3) Increased corporate mergers					
3. Decrease in 2020					
(1) Disposal or Scrap					
(2) Decreased corporate mergers					
4. Balance as of December 31, 2020	343,957,918.50	57,672,529.38	7,549,804.73	6,450,413.08	415,630,665.69
II. Total accumulated depreciation					
1. Balance as of December 31, 2019	67,871,414.27	14,088,712.07	6,543,341.25	3,737,057.82	92,240,525.41
2. Increase in 2020	16,466,623.02	4,720,290.32	173,087.10	937,728.35	22,297,728.79
(1) Accrual	16,466,623.02	4,720,290.32	173,087.10	937,728.35	22,297,728.79
3. Decrease in 2020					
(1) Disposal or Scrap					
(2) Decreased corporate mergers					
4. Balance as of December 31, 2020	84,338,037.29	18,809,002.39	6,716,428.35	4,674,786.17	114,538,254.20
III. Total provisions for impairment of fixed assets					
1. Balance as of December 31, 2019					
2. Increase in 2020					
(1) Accrual					

Item	Buildings and constructions	Machinery equipment	Transportation facilities	Electronic equipment	Total
3. Decrease in 2020					
(1) Disposal or Scrap					
(2) Decreased corporate mergers					
4. Balance as of December 31, 2020					
IV. Total book value					
1.Book value on December 31, 2020	259,619,881.21	38,863,526.99	833,376.38	1,775,626.91	301,092,411.49
2.Book value on December 31, 2019	276,086,504.23	33,227,997.93	1,006,463.48	2,395,766.57	312,716,732.21

8.12 Construction in progress

Item	Balance as of December 31, 2020	Balance as of December 31, 2019
Construction in progress	2,047,084,556.94	1,013,355,111.88
Total	2,047,084,556.94	1,013,355,111.88

8.12.1 Construction in progress

Item	Balance as of December 31, 2020			Balance as of December 31, 2019		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
1. Jiaozhou Economic and Technological Development Zone Wetland Surrounding Industry Planning Project	2,970,000.00		2,970,000.00	2,970,000.00		2,970,000.00
2. Jiaozhou Economic and Technological Development Zone Wetland Restoration Conceptual Planning Project	1,400,000.00		1,400,000.00	1,400,000.00		1,400,000.00
3. Municipal infrastructure project of Harmony Avenue and Taohe Road	76,473,192.03		76,473,192.03	68,856,129.97		68,856,129.97
4. Weihe Road Greening Project	27,574,149.67		27,574,149.67	18,337,629.50		18,337,629.50
5. Nongshim Foods 35kv Into Line Project	856,268.90		856,268.90	844,004.75		844,004.75

Item	Balance as of December 31, 2020			Balance as of December 31, 2019		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
6. Backfill earthwork and dynamic compaction project in Shanghai Demonstration Zone	16,256,960.46		16,256,960.46	13,908,004.31		13,908,004.31
7. Cable pipeline project of Shangde Avenue (Luanhe Road-High Speed South) in Jiaozhou Economic and Technological Development Zone	820,766.98		820,766.98	754,628.69		754,628.69
8. Reproduce the new material 35KV incoming line project	732,131.98		732,131.98	523,889.56		523,889.56
9. 10kv power line projects such as the north section of Jiaoda Avenue and Chuangxin Building Road in Jiaozhou Economic and Technological Development Zone	13,777,917.30		13,777,917.30	6,479,872.74		6,479,872.74
10. Central Business District 35KV Power Line Project	3,758,090.45		3,758,090.45	3,350,563.05		3,350,563.05
11. Liuyanghe Road, Chuangye Avenue and other roads and greening projects in Shanghai He Demonstration Zone	31,896,513.91		31,896,513.91	5,196,178.19		5,196,178.19
12. Xiangjiang Road west extension (high-speed-railway) and planning the	14,972,644.55		14,972,644.55	5,392,666.08		5,392,666.08

Item	Balance as of December 31, 2020			Balance as of December 31, 2019		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
first and second road greening projects						
13. China-Shanghe Demonstration Zone Backfilling Earthwork and Dynamic Compaction Project Backfilling Area One and Three Projects	30,939,743.63		30,939,743.63	17,762,545.96		17,762,545.96
14. China-Shanghe Demonstration Zone Backfilling Earthwork and Dynamic Compaction Project Backfilling Area 2 Project	2,449,094.12		2,449,094.12	1,387,874.58		1,387,874.58
15. SCO sign design and construction integration project	1,932,297.20		1,932,297.20	1,683,696.95		1,683,696.95
16. China-Shanghai Cooperation Organization Local Economic and Trade Cooperation Demonstration Zone Rural Human Settlement Environment Improvement Project	7,993,185.87		7,993,185.87	190,866.91		190,866.91
17. Nine branch road projects including the Yellow River branch road and Xingfu Street	57,397,899.55		57,397,899.55	8,295,926.56		8,295,926.56
18. Comprehensive project of				3,337,262.35		3,337,262.35

Item	Balance as of December 31, 2020			Balance as of December 31, 2019		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
underground parking lot in the Central Business District						
19. Jiaozhou Economic and Technological Development Zone Jinze Street, Changjiang First Road, Changjiang Second Road, Financial Avenue, Chengming Street Road Engineering Project	46,376,817.07		46,376,817.07	353,854.92		353,854.92
20. 35kv power line project in the Central Business District	246,050.73		246,050.73	169,811.32		169,811.32
21. Project of Jinze Street, Changjiang First Road and Changjiang Second Road in the Development Zone	18,800.97		18,800.97	18,800.97		18,800.97
22.2#, 4#, 5#, 6# water system trench engineering project	19,240,182.72		19,240,182.72	495,152.63		495,152.63
23. Shanghe is a 10kv textile machinery line renovation project on Luohe Road in the demonstration zone	4,753,465.47		4,753,465.47	72,641.51		72,641.51
24. Qingdao Preschool Teacher Training Project	481,402,309.53		481,402,309.53	422,413,693.43		422,413,693.43
25. Community Service Center Project	32,158,095.71		32,158,095.71	24,138,608.92		24,138,608.92

Item	Balance as of December 31, 2020			Balance as of December 31, 2019		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
26. Boai Street Kindergarten Project	43,086,237.70		43,086,237.70	29,051,934.11		29,051,934.11
27. Huanghe Road Primary School Project	176,190,894.39		176,190,894.39	104,031,440.85		104,031,440.85
28. Junior High School Project in Development Zone	214,594,458.86		214,594,458.86	86,086,893.56		86,086,893.56
29. Shanghai Cooperation Cross-border E-commerce Center Project	35,777,159.61		35,777,159.61	34,986,658.61		34,986,658.61
30. Secret Service Fire Station Project	18,836,448.22		18,836,448.22	600,738.47		600,738.47
31. SCO Training Center Project	57,845,540.54		57,845,540.54	5,357,693.46		5,357,693.46
32. Auxiliary Facilities of Xi'an Jiaotong University Research Institute	97,902,088.17		97,902,088.17	70,796,688.19		70,796,688.19
33. Auxiliary facilities of the High School Affiliated to Jiaotong University	28,823,922.98		28,823,922.98	28,626,308.93		28,626,308.93
34. Incubator ancillary facilities	20,109,659.10		20,109,659.10	18,143,597.75		18,143,597.75
35. Pilot area ancillary facilities	38,332,489.30		38,332,489.30	23,652,185.98		23,652,185.98
36. Environmental Signage Project of Shanghai Demonstration Zone	3,836,176.42		3,836,176.42	3,686,648.12		3,686,648.12
37. Jiaozhou Economic and Technological Development Zone Advertising Media Carrier Installation	6,528,240.69		6,528,240.69			

Item	Balance as of December 31, 2020			Balance as of December 31, 2019		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Project						
38. Shanghai Cooperation Enterprise Demonstration Park Project (Phase I)	1,375,055.27		1,375,055.27			
39. Shanghai Cooperation Enterprise Demonstration Park Project (Phase II)	2,739,835.21		2,739,835.21			
40. Greening Project of Changjiang Road in Jiaozhou Economic and Technological Development Zone	5,743,603.37		5,743,603.37			
41. Road environment improvement and improvement project in Shanghai Demonstration Zone (Shangde Avenue, Huanghe Road)	61,462,248.97		61,462,248.97			
42. Road environment improvement and improvement project in Shanghai Demonstration Zone (Jiaotong University Avenue, Luanhe Road)	38,968,278.05		38,968,278.05			
43. Comprehensive renovation and optimization of the environmental landscape of the Shanghai Demonstration Zone	291,108,938.38		291,108,938.38			
44. Sewage pipe network supporting	13,582,923.87		13,582,923.87			

Item	Balance as of December 31, 2020			Balance as of December 31, 2019		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
project in Jiaozhou Economic and Technological Development Zone						
45. Earthwork backfilling project for plots south of Qinglian Railway and west of Jiaotong University Road in Shanghai He Demonstration Zone	2,313,792.04		2,313,792.04			
46. Jiaozhou Economic and Technological Development Zone Weimin Street, Taohe Road 10kv power cable project	1,716,984.52		1,716,984.52			
47. 10kv power line project in the west section of Huanghe Road in Shanghe Demonstration Zone	2,769,345.73		2,769,345.73			
48. Backfilling and temporary roads on the south side of Weihe Road	5,626,770.00		5,626,770.00			
49. South extension of Yihe Road, Planning Road, and Planning Second Road in Shanghai Demonstration Zone	1,283,491.71		1,283,491.71			
50. Electricity piping project in the northern park of Shanghai Cooperation Demonstration Zone	19,018.87		19,018.87			

Item	Balance as of December 31, 2020			Balance as of December 31, 2019		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
51. China-Shanghai Cooperation Organization Local Economic and Trade Cooperation Demonstration Zone International Conference Room Interactive Exchange Center Project	114,376.17		114,376.17			
Total	2,047,084,556.94		2,047,084,556.94	1,013,355,111.88		1,013,355,111.88

8.12.2 Changes of significant construction in progress in current period

Project name	Budget	Balance as of December 31, 2019	Current Increase	Amount of transfer-in fixed assets	Other decreases	Balance as of December 31, 2020
1. Jiaozhou Economic and Technological Development Zone Wetland Surrounding Industry Planning Project		2,970,000.00				2,970,000.00
2. Jiaozhou Economic and Technological Development Zone Wetland Restoration Conceptual Planning Project		1,400,000.00				1,400,000.00
3. Municipal infrastructure project of		68,856,129.97	7,617,062.06			76,473,192.03

Project name	Budget	Balance as of December 31, 2019	Current Increase	Amount of transfer-in fixed assets	Other decreases	Balance as of December 31, 2020
Harmony Avenue and Taohe Road						
4. Weihe Road Greening Project		18,337,629.50	9,236,520.17			27,574,149.67
5. Nongshim Foods 35kv Into Line Project		844,004.75	12,264.15			856,268.90
6. Backfill earthwork and dynamic compaction project in Shanghai Demonstration Zone		13,908,004.31	2,348,956.15			16,256,960.46
7. Cable pipeline project of Shangde Avenue (Luanhe Road-High Speed South) in Jiaozhou Economic and Technological Development Zone		754,628.69	66,138.29			820,766.98
8. Reproduce the new material 35KV incoming line project		523,889.56	208,242.42			732,131.98
9. 10kv power line projects such as the north section of Jiaoda Avenue and Chuangxin Building Road in Jiaozhou Economic and Technological Development Zone		6,479,872.74	7,298,044.56			13,777,917.30
10. Central Business District 35KV Power Line Project		3,350,563.05	407,527.40			3,758,090.45
11. Liuyanghe Road, Chuangye		5,196,178.19	26,700,335.72			31,896,513.91

Project name	Budget	Balance as of December 31, 2019	Current Increase	Amount of transfer-in fixed assets	Other decreases	Balance as of December 31, 2020
Avenue and other roads and greening projects in Shanghai He Demonstration Zone						
12. Xiangjiang Road west extension (high-speed-railway) and planning the first and second road greening projects		5,392,666.08	9,579,978.47			14,972,644.55
13. China-Shanghe Demonstration Zone Backfilling Earthwork and Dynamic Compaction Project Backfilling Area One and Three Projects		17,762,545.96	13,177,197.67			30,939,743.63
14. China-Shanghe Demonstration Zone Backfilling Earthwork and Dynamic Compaction Project Backfilling Area 2 Project		1,387,874.58	1,061,219.54			2,449,094.12
15. SCO sign design and construction integration project		1,683,696.95	248,600.25			1,932,297.20
16. China-Shanghai Cooperation Organization Local Economic and Trade Cooperation Demonstration		190,868.91	7,802,318.96			7,993,185.87

Project name	Budget	Balance as of December 31, 2019	Current Increase	Amount of transfer-in fixed assets	Other decreases	Balance as of December 31, 2020
Zone Rural Human Settlement Environment Improvement Project						
17. Nine branch road projects including the Yellow River branch road and Xingfu Street		8,295,926.56	49,101,972.99			57,397,899.55
18. Comprehensive project of underground parking lot in the Central Business District		3,337,282.35			3,337,282.35	
19. Jiaozhou Economic and Technological Development Zone Jinze Street, Changjiang First Road, Changjiang Second Road, Financial Avenue, Chengming Street Road Engineering Project		353,854.92	46,022,962.15			46,376,817.07
20. 35kv power line project in the Central Business District		169,811.32	76,239.41			246,050.73
21. Project of Jinze Street, Changjiang First Road and Changjiang Second Road in the Development Zone		18,800.97				18,800.97
22.2#, 4#, 5#, 6# water system trench		495,152.63	18,745,030.09			19,240,182.72

Project name	Budget	Balance as of December 31, 2019	Current Increase	Amount of transfer-in fixed assets	Other decreases	Balance as of December 31, 2020
engineering project						
23. Shanghe is a 10kv textile machinery line renovation project on Luohe Road in the demonstration zone		72,641.51	4,680,823.96			4,753,465.47
24. Qingdao Preschool Teacher Training Project		422,413,693.43	58,988,616.10			481,402,309.53
25. Community Service Center Project		24,138,608.92	8,019,486.79			32,158,095.71
26. Boai Street Kindergarten Project		29,051,934.11	14,034,303.59			43,086,237.70
27. Huanghe Road Primary School Project		104,031,440.85	72,159,453.54			176,190,894.39
28. Junior High School Project in Development Zone		86,086,893.56	128,507,566.30			214,594,459.86
29. Shanghai Cooperation Cross-border E-commerce Center Project		34,986,658.61	790,501.00			35,777,159.61
30. Secret Service Fire Station Project		600,738.47	18,235,709.75			18,836,448.22
31. SCO Training Center Project		5,357,693.46	52,487,847.08			57,845,540.54
32. Auxiliary Facilities of Xi'an		70,796,688.19	27,105,399.98			97,902,088.17

Project name	Budget	Balance as of December 31, 2019	Current Increase	Amount of transfer-in fixed assets	Other decreases	Balance as of December 31, 2020
Jiaotong University Research Institute						
33. Auxiliary facilities of the High School Affiliated to Jiaotong University		28,826,308.93	197,614.05			28,823,922.98
34. Incubator ancillary facilities		18,143,597.75	1,966,061.35			20,109,659.10
35. Pilot area ancillary facilities		23,652,185.98	14,680,303.32			38,332,489.30
36. Environmental Signage Project of Shanghai Demonstration Zone		3,686,648.12	149,528.30			3,836,176.42
37. Jiaozhou Economic and Technological Development Zone Advertising Media Carrier Installation Project			6,528,240.69			6,528,240.69
38. Shanghai Cooperation Enterprise Demonstration Park Project (Phase I)			1,375,055.27			1,375,055.27
39. Shanghai Cooperation Enterprise Demonstration Park Project (Phase II)			2,739,835.21			2,739,835.21
40. Greening Project of Changjiang Road in Jiaozhou Economic and Technological Development Zone			5,743,603.37			5,743,603.37

Project name	Budget	Balance as of December 31, 2019	Current Increase	Amount of transfer-in fixed assets	Other decreases	Balance as of December 31, 2020
41. Road environment improvement and improvement project in Shanghai Demonstration Zone (Shangde Avenue, Huanghe Road)			61,462,248.97			61,462,248.97
42. Road environment improvement and improvement project in Shanghai Demonstration Zone (Jiaotong University Avenue, Luanhe Road)			38,968,278.05			38,968,278.05
43. Comprehensive renovation and optimization of the environmental landscape of the Shanghai Demonstration Zone			291,108,938.38			291,108,938.38
44. Sewage pipe network supporting project in Jiaozhou Economic and Technological Development Zone			13,582,923.87			13,582,923.87
45. Earthwork backfilling project for plots south of Qinglian Railway and west of Jiaotong University Road in Shanghai He Demonstration Zone			2,313,792.04			2,313,792.04

Project name	Budget	Balance as of December 31, 2019	Current Increase	Amount of transfer-in fixed assets	Other decreases	Balance as of December 31, 2020
46. Jiaozhou Economic and Technological Development Zone Weimin Street, Taohe Road 10kv power cable project			1,716,984.52			1,716,984.52
47. 10kv power line project in the west section of Huanghe Road in Shanghe Demonstration Zone			2,769,345.73			2,769,345.73
48. Backfilling and temporary roads on the south side of Weihe Road			5,626,770.00			5,626,770.00
49. South extension of Yihe Road, Planning Road, and Planning Second Road in Shanghai Demonstration Zone			1,283,491.71			1,283,491.71
50. Electricity piping project in the northern park of Shanghai Cooperation Demonstration Zone			19,018.87			19,018.87
51. China-Shanghai Cooperation Organization Local Economic and Trade Cooperation Demonstration			114,376.17			114,376.17

Project name	Budget	Balance as of December 31, 2019	Current Increase	Amount of transfer-in fixed assets	Other decreases	Balance as of December 31, 2020
Zone International Conference Room Interactive Exchange Center Project						
Total		1,013,355,111.88	1,037,066,727.41		3,337,282.35	2,047,084,556.94

(Continued)

Project name	Accumulative capitalization amount of interest	Including: capitalization amount of interest in current period	Capitalization rate of interest in in current period (%)	Source of funds
1. Jiaozhou Economic and Technological Development Zone Wetland Surrounding Industry Planning Project				Self-owned funds
2. Jiaozhou Economic and Technological Development Zone Wetland Restoration Conceptual Planning Project				Self-owned funds
3. Municipal infrastructure project of Harmony Avenue and Taohe Road				Self-owned funds
4. Weihe Road Greening Project				Self-owned funds
5. Nongshim Foods 35kv Into Line Project				Self-owned funds
6. Backfill earthwork and dynamic compaction project in Shanghai Demonstration Zone				Self-owned funds

Project name	Accumulative capitalization amount of interest	Including: capitalization amount of interest in current period	Capitalization rate of interest in in current period (%)	Source of funds
7. Cable pipeline project of Shangde Avenue (Luanhe Road-High Speed South) in Jiaozhou Economic and Technological Development Zone				Self-owned funds
8. Reproduce the new material 35KV incoming line project				Self-owned funds
9. 10kv power line projects such as the north section of Jiaoda Avenue and Chuangxin Building Road in Jiaozhou Economic and Technological Development Zone				Self-owned funds
10. Central Business District 35KV Power Line Project				Self-owned funds
11. Liuyanghe Road, Chuangye Avenue and other roads and greening projects in Shanghai He Demonstration Zone				Self-owned funds
12. Xiangjiang Road west extension (high-speed-railway) and planning the first and second road greening projects				Self-owned funds
13. China-Shanghe Demonstration Zone Backfilling Earthwork and Dynamic Compaction Project Backfilling Area One and Three Projects				Self-owned funds
14. China-Shanghe Demonstration Zone				Self-owned funds

Project name	Accumulative capitalization amount of interest	Including: capitalization amount of interest in current period	Capitalization rate of interest in in current period (%)	Source of funds
Backfilling Earthwork and Dynamic Compaction Project Backfilling Area 2 Project				
15. SCO sign design and construction integration project				Self-owned funds
16. China-Shanghai Cooperation Organization Local Economic and Trade Cooperation Demonstration Zone Rural Human Settlement Environment Improvement Project				Self-owned funds
17. Nine branch road projects including the Yellow River branch road and Xingfu Street				Financial resources
18. Comprehensive project of underground parking lot in the Central Business District				Financial resources
19. Jiaozhou Economic and Technological Development Zone Jinze Street, Changjiang First Road, Changjiang Second Road, Financial Avenue, Chengming Street Road Engineering Project				Financial resources
20. 35kv power line project in the Central Business District				Self-owned funds
21. Project of Jinze Street, Changjiang First Road and Changjiang Second Road in the				Financial resources

Project name	Accumulative capitalization amount of interest	Including: capitalization amount of interest in current period	Capitalization rate of interest in in current period (%)	Source of funds
Development Zone				
22.2#, 4#, 5#, 6# water system trench engineering project				Financial resources
23. Shanghe is a 10kv textile machinery line renovation project on Luohe Road in the demonstration zone				Self-owned funds
24. Qingdao Preschool Teacher Training Project				Self-owned funds
25. Community Service Center Project				Self-owned funds
26. Boai Street Kindergarten Project				Self-owned funds
27. Huanghe Road Primary School Project				Self-owned funds
28. Junior High School Project in Development Zone				Self-owned funds
29. Shanghai Cooperation Cross-border E-commerce Center Project				Self-owned funds
30. Secret Service Fire Station Project				Self-owned funds
31. SCO Training Center Project				Self-owned funds
32. Auxiliary Facilities of Xi'an Jiaotong University Research Institute				Self-owned funds
33. Auxiliary facilities of the High School Affiliated to Jiaotong University				Self-owned funds
34. Incubator ancillary facilities				Self-owned funds

Project name	Accumulative capitalization amount of interest	Including: capitalization amount of interest in current period	Capitalization rate of interest in in current period (%)	Source of funds
35. Pilot area ancillary facilities				Self-owned funds
36. Environmental Signage Project of Shanghai Demonstration Zone				Self-owned funds
37. Jiaozhou Economic and Technological Development Zone Advertising Media Carrier Installation Project				Self-owned funds
38. Shanghai Cooperation Enterprise Demonstration Park Project (Phase I)				Self-owned funds
39. Shanghai Cooperation Enterprise Demonstration Park Project (Phase II)				Self-owned funds
40. Greening Project of Changjiang Road in Jiaozhou Economic and Technological Development Zone				Self-owned funds
41. Road environment improvement and improvement project in Shanghai Demonstration Zone (Shangde Avenue, Huanghe Road)				Financial resources
42. Road environment improvement and improvement project in Shanghai Demonstration Zone (Jiaotong University Avenue, Luanhe Road)				Financial resources

Project name	Accumulative capitalization amount of interest	Including: capitalization amount of interest in current period	Capitalization rate of interest in in current period (%)	Source of funds
43. Comprehensive renovation and optimization of the environmental landscape of the Shanghai Demonstration Zone				Financial resources
44. Sewage pipe network supporting project in Jiaozhou Economic and Technological Development Zone				Self-owned funds
45. Earthwork backfilling project for plots south of Qinglian Railway and west of Jiaotong University Road in Shanghai He Demonstration Zone				Self-owned funds
46. Jiaozhou Economic and Technological Development Zone Weimin Street, Taohe Road 10kv power cable project				Self-owned funds
47. 10kv power line project in the west section of Huanghe Road in Shanghe Demonstration Zone				Self-owned funds
48. Backfilling and temporary roads on the south side of Weihe Road				Self-owned funds
49. South extension of Yihe Road, Planning Road, and Planning Second Road in Shanghai				Self-owned funds

Project name	Accumulative capitalization amount of interest	Including: capitalization amount of interest in current period	Capitalization rate of interest in in current period (%)	Source of funds
Demonstration Zone				
50. Electricity piping project in the northern park of Shanghai Cooperation Demonstration Zone				Self-owned funds
51. China-Shanghai Cooperation Organization Local Economic and Trade Cooperation Demonstration Zone International Conference Room Interactive Exchange Center Project				Self-owned funds
Total			——	——

8.13 Intangible assets

Item	Land use right	Patent right	Total
I. Total original cost			
1. Balance as of December 31, 2019	113,455,508.56		113,455,508.56
2. Increase in 2020	20,395,561.12	3,977,198,700.00	3,997,594,261.12
(1) Outsourcing	20,395,561.12		20,395,561.12
(2) Internal R&D			
(3) Increased corporate mergers			
(4) Other		3,977,198,700.00	3,977,198,700.00
3. Decrease in 2020			
(1) Disposal			
(2) Other transfers			
4. Balance as of December 31, 2020	133,851,069.68	3,977,198,700.00	4,111,049,769.68
II. Total accumulated amortization			
1. Balance as of December 31, 2019	2,235,662.32		2,235,662.32
2. Increase in 2020	2,536,027.38	8,285,830.63	10,821,858.01
(1) Accrual	2,536,027.38	8,285,830.63	10,821,858.01
3. Decrease in 2020			
(1) Disposal			
(2) Other transfers			
4. Balance as of December 31, 2020	4,771,689.70	8,285,830.63	13,057,520.33
III. Total provision for impairment			
1. Balance as of December 31, 2019			
2. Increase in 2020			
(1) Accrual			
3. Decrease in 2020			
(1) Disposal			
4. Balance as of December 31, 2020			

IV. Total book value			
1.Book value on December 31, 2020	129,079,379.98	3,968,912,869.37	4,097,992,249.35
2.Book value on December 31, 2019	111,219,846.24		111,219,846.24

8.14 Deferred income tax assets

Item	Balance as of December 31, 2020		Balance as of December 31, 2019	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Impairment of assets	728.00	182.00	520.00	130.00
Total	728.00	182.00	520.00	130.00

8.15 Other non-current assets

Item	Balance as of December 31, 2020	Balance as of December 31,2018
Deferred income	36,541,131.09	39,093,997.36
Total	36,541,131.09	39,093,997.36

8.16 Assets with restricted ownership

8.16.1 Assets used for collateral

Item	Certificate No.	Mortgagee	Balance as of December 31, 2020	Mortgage due date
Assets used for mortgage				
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2010) No. 15-129	2013 Qingdao Jiaozhou Bay Development Group Co., Ltd. All bondholders of corporate bonds	150,666,742.00	2021.09.22
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2010) No. 15-130	2013 Qingdao Jiaozhou Bay Development Group Co., Ltd. All bondholders of corporate bonds	150,666,742.00	2021.09.22
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2010) No. 15-131	2013 Qingdao Jiaozhou Bay Development Group Co., Ltd. All bondholders of corporate bonds	150,666,742.00	2021.09.22
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2010) No. 15-132	2013 Qingdao Jiaozhou Bay Development Group Co., Ltd. All bondholders of corporate bonds	150,666,742.00	2021.09.22
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2010) No. 15-133	2013 Qingdao Jiaozhou Bay Development Group Co., Ltd. All bondholders of corporate bonds	150,666,742.00	2021.09.22
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2010) No. 15-134	2013 Qingdao Jiaozhou Bay Development Group Co., Ltd. All	150,666,742.00	2021.09.22

Item	Certificate No.	Mortgagee	Balance as of December 31, 2020	Mortgage due date
		bondholders of corporate bonds		
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2010) No. 15-135	2013 Qingdao Jiaozhou Bay Development Group Co., Ltd. All bondholders of corporate bonds	150,666,742.00	2021.09.22
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2010) No. 15-136	2013 Qingdao Jiaozhou Bay Development Group Co., Ltd. All bondholders of corporate bonds	150,666,742.00	2021.09.22
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2010) No. 15-137	2013 Qingdao Jiaozhou Bay Development Co., Ltd. All bondholders of corporate bonds	150,666,742.00	2021.09.22
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2010) No. 15-138	2013 Qingdao JiaozhouBay Development Co., Ltd. All bondholders of corporate bonds	150,666,742.00	2021.09.22
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2010) No. 15-139	2013 Qingdao Jiaozhou Bay Development Co., Ltd. All bondholders of corporate bonds	150,666,742.00	2021.09.22
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2010) No. 15-140	2013 Qingdao Jiaozhou Bay Development Co., Ltd. All bondholders of corporate bonds	150,666,742.00	2021.09.22
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2010) No. 15-141	2013 Qingdao Jiaozhou Bay Development Group Co., Ltd. All bondholders of corporate bonds	150,666,742.00	2021.09.22
Yinghai Town Wangjiatan Village East	Jiao Guo Yong (2010) No.	2013 Qingdao Jiaozhou Bay	150,666,742.00	2021.09.22

Item	Certificate No.	Mortgagee	Balance as of December 31, 2020	Mortgage due date
Land Use Rights	15-142	Development Group Co., Ltd. All bondholders of corporate bonds		
Yinghai Town Wangjiatan Village East Land Use Rights	Jiao Guo Yong (2010) No. 15-143	2013 Qingdao Jiaozhou Bay Development Group Co., Ltd. All bondholders of corporate bonds	150,666,742.00	2021.09.22
Chuangye Building Office Building and Land Use Rights	Jiao GuoYong (2012) No. 15-7 State-owned Land Use Rights Certificate; Jiaozhou City Planning Bureau: Landmark No. 37JG202-036 License No. (N00034734); Jiaozhou City Planning Bureau: Landmark No. 37JG202-036 License No. (GC00120473)	China Agricultural Development Bank Jiaozhou Branch	324,634,969.47	2025.08.26
Management Building South Building and land use rights	Jiao Guo Yong (2013) No. 15-8	China Agricultural Development Bank Jiaozhou Branch	23,236,584.84	2025.08.26
Incubator plant	Lu (2016) Jiaozhou City Real Property No. 0002800	China Agricultural Development Bank Jiaozhou Branch	131,553,730.35	2025. 12. 19
Jiaozhou City Industrial New Area Land Use Rights	Jiao Guo Yong (2013) No. 15-42	Industrial and Commercial Bank of China Jiaozhou Branch	81,705,697.57	2021. 7. 9

Item	Certificate No.	Mortgagee	Balance as of December 31, 2020	Mortgage due date
Jiaozhou City Industrial New Area Land Use Rights	Jiao Guo Yong (2013) No. 15-43	Industrial and Commercial Bank of China Jiaozhou Branch	81,705,697.57	2021. 7. 9
Jiaozhou City Industrial New Area Land Use Rights	Jiao Guo Yong (2013) No. 15-44	Industrial and Commercial Bank of China Jiaozhou Branch	81,705,697.57	2021. 7. 9
Jiaozhou City Industrial New Area Land Use Rights	Jiao Guo Yong (2013) No. 15-45	Industrial and Commercial Bank of China Jiaozhou Branch	81,705,697.57	2021. 7. 9
Jiaozhou City Industrial New Area Land Use Rights	Jiao Guo Yong (2013) No. 15-46	Industrial and Commercial Bank of China Jiaozhou Branch	81,705,697.57	2021. 7. 9
Jiaozhou Economic Development Zone Land Use Rights	Lu (2018) Jiaozhou City Real Property No. 0022381	China Agricultural Development Bank Jiaozhou Branch	236,707,831.20	2025. 8. 26
Jiaozhou Economic Development Zone Land Use Rights	Lu (2018) Jiaozhou City Real Property No. 0022385	China Agricultural Development Bank Jiaozhou Branch	212,115,841.60	2034. 8. 18
Total			3,596,778,575.31	—

8.16.2 Restricted monetary funds

Item	Restricted amount	Reason for restriction
Cash	9,600,000.00	Margin
Total	9,600,000.00	

8.17 Short-term loans

Item	Balance as of December 31, 2020	Balance as of December 31, 2019
Guaranteed borrowings	1,099,436,510.00	1,061,898,000.00
Total	1,099,436,510.00	1,061,898,000.00

8.17.1 Guaranteed borrowings

Borrower	Lender	Borrowing amount	Period	Guarantor
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	China Everbright Bank Co., Ltd. Qingdao Ningxia Road Sub-branch	100,000,000.00	2020/1/16-2021/1/15	Qingdao Jiaozhou Urban Development Investment Co., Ltd.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	China Everbright Bank Co., Ltd. Qingdao Branch	100,000,000.00	2020/9/23-2021/9/22	Qingdao Jiaozhou Bay Development Group Co., Ltd. 、Qingdao Jiaozhou Urban Development Investment Co., Ltd.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Jiaozhou Sub-branch of Agricultural Bank of China Co., Ltd.	100,000,000.00	2020/1/17-2021/1/16	Qingdao Jiaozhou Bay Development Group Co., Ltd.、Qingdao Shaohai Development Group Co., Ltd.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	China CITIC Bank Co., Ltd. Qingdao Branch	100,000,000.00	2020/6/23-2021/6/22	Qingdao Jiaozhou Bay Development Group Co., Ltd.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Bank of Beijing Co., Ltd. Qingdao Branch	90,000,000.00	2020/8/31-2021/8/30	Qingdao Jiaozhou Bay Development Group Co., Ltd.、Qingdao Jiaozhou Urban Development Investment Co., Ltd.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Jiaozhou Sub-branch of Agricultural Bank of China Co., Ltd.	70,000,000.00	2020/9/5-2021/9/24	Qingdao Jiaozhou Bay Development Group Co., Ltd.、Qingdao Shaohai Development Group Co., Ltd.

Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Qingdao Rural Commercial Bank Co., Ltd. Shanghai Cooperation Demonstration Zone Sub-branch	300,000,000.00	2020/11/30-2021/11/29	Qingdao Shaohai Water Resources Development Co., Ltd.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Qingdao Rural Commercial Bank Co., Ltd. Shanghai Cooperation Demonstration Zone Sub-branch	200,000,000.00	2020/12/14-2021/12/13	Qingdao Shaohai Water Resources Development Co., Ltd.
Qingdao Jiaofa International Trading Co., Ltd.	Bank of Weifang Co., Ltd. Qingdao Jiaozhou Sub-branch	10,000,000.00	2020/10//29-2021/10/28	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.
Qingdao Jiaofa International Trading Co., Ltd.	Bank of Beijing Co., Ltd. Qingdao Branch	10,000,000.00	2020/12/29-2021/12/28	Qingdao Jiaozhou Bay Development Group Co., Ltd.、Qingdao Jiaozhou Urban Development Investment Co., Ltd.
Qingdao Jiaofa International Trading Co., Ltd.	Qingdao Rural Commercial Bank Co., Ltd. Shanghai Cooperation Demonstration Zone Sub-branch	3,391,386.60	2020/10/27-2021/1/24	Qingdao Jiaozhou Bay Development Group Co., Ltd.、Qingdao Jiaozhou Urban Development Investment Co., Ltd.
Qingdao Jiaofa International Trading Co., Ltd.	Qingdao Rural Commercial Bank Co., Ltd. Shanghai Cooperation Demonstration Zone Sub-branch	5,016,826.84	2020/10/27-2021/1/24	Qingdao Jiaozhou Bay Development Group Co., Ltd.、Qingdao Jiaozhou Urban Development Investment Co., Ltd.
Qingdao Jiaofa International Trading Co., Ltd.	Qingdao Rural Commercial Bank Co., Ltd. Shanghai Cooperation Demonstration Zone Sub-branch	11,028,296.56	2020/11/5-2021/2/2	Qingdao Jiaozhou Bay Development Group Co., Ltd.、Qingdao Jiaozhou Urban Development Investment Co., Ltd.
Total		1,099,436,510.00	——	——

8.18 Notes payable

Item	Balance as of December 31, 2020	Balance as of December 31, 2019
letter of credit	100,070,000.00	
Bank acceptance draft	4,928,925.19	
Total	104,998,925.19	

8.19 Accounts payable

Aging	Balance as of December 31, 2020		Balance as of December 31, 2019	
	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	67,025,531.85	59.83	107,121,893.32	9.45

Aging	Balance as of December 31, 2020		Balance as of December 31, 2019	
	Amount	Ratio (%)	Amount	Ratio (%)
1 - 2 years	29,006,622.63	25.89	21,062,505.59	1.86
2 - 3 years	2,331.52	0.00	999,990,804.44	88.31
3 - 4years	16,000,000.00	14.28	4,250,000.00	0.38
4 - 5 years				
Over 5 years				
Total	112,034,486.00	100.00	1,132,425,203.35	100.00

8.19.1 Significant accounts payable with aging of over one year

Name of creditor	Balance as of December 31, 2020	Aging	Reason for outstanding
Qingdao Pinpinhao Cereals and Oils Group Co., Ltd.	54,375,000.00	Within 1 year	Unsettled project payments
China Construction Sixth Engineering Co., Ltd.	16,000,000.00	3-4 years	Failure in meeting settlement conditions
Qingdao Haida Holdings Co., Ltd.	9,259,298.45	1-2 years	Failure in meeting settlement conditions
China Construction Eighth Bureau Second Construction Co., Ltd.	5,502,331.52	1-2 years:RMB 5,500,000.00; 2-3 years:RMB 2,331.52	Failure in meeting settlement conditions
Qingdao Urban Construction Group Co., Ltd.	1,333,849.64	Within 1 year	Failure in meeting settlement conditions
Total	86,470,479.61		

8.20 Advances from customers

Item	Balance as of December 31, 2020	Balance as of December 31, 2019
House sales	292,243,472.00	102,784,264.32
Other		575.00
Rental income	582,033.68	59,426.20
Labor dispatch income	4,462,233.12	9,570,230.00
Advance payment	359,477.73	
Advance collection of property fees	150,119.00	
Total	297,797,335.53	112,414,495.52

8.21 Salary and wages payable

Item	Balance as of December 31, 2019	Increase in current period	Decrease in current period	Balance as of December 31, 2020
Short-term compensation	155,212.49	12,631,966.32	12,787,178.81	
Post-employment welfare	21,550.71	641,257.84	662,808.55	
Total	176,763.20	13,273,224.16	13,449,987.36	

8.21.1 Short-term compensation

Item	Balance as of December 31, 2019	Increase in current period	Decrease in current period	Balance as of December 31, 2020
I. Wages, bonus, allowances and subsidies	54,823.82	10,596,258.28	10,651,082.10	
II. Employee welfare		473,285.87	473,285.87	
III. Social insurance premiums	12,100.67	189,721.84	201,822.51	
Including: 1. Basic medical insurance premiums	10,141.51	180,776.56	190,918.07	
2. Work-related injury insurance premiums	230.49	8,945.28	9,175.77	
3.Maternity insurance premiums	1,728.67		1,728.67	
4.Othesr				
IV. Housing provident funds	88,288.00	1,112,335.93	1,200,623.93	
V. Labor union expenditures and employee education funds		260,364.40	260,364.40	
VI. Short-term paid absences				
VII. Short-term profit sharing plan				
VIII. Other short-term paid				
Total	155,212.49	12,631,966.32	12,787,178.81	

8.21.2 Post-employment welfare

Item	Balance as of December 31, 2019	Increase in current period	Decrease in current period	Balance as of December 31, 2020
1. Basic endowment insurance	20,744.00	629,210.43	649,954.43	
2. Unemployment insurance	806.71	12,047.41	12,854.12	
Total	21,550.71	641,257.84	662,808.55	

8.22 Taxes and dues payable

Item	Balance as of December 31, 2020	Balance as of December 31, 2019
Business tax	22,624,954.55	22,624,954.55
Value-added tax (VAT)	50,089,982.87	66,558,927.33
Enterprise income tax	455,504,347.61	350,511,962.51
Urban maintenance and construction tax	7,982,438.86	6,439,196.30
Land use tax	2,262,431.10	2,373,214.15
Education surcharges	5,701,742.72	4,759,058.90
Local Water Conservancy Fund	611,071.78	390,016.36
Individual income tax	9,204.33	
House property tax	5,781,697.23	6,961,134.09
Total	550,567,871.05	460,618,464.19

8.23 Other payables

Item	Balance as of December 31, 2020	Balance as of December 31, 2019
Interest payable	183,297,373.37	130,938,808.75
Other payables	15,925,885.33	3,730,641.11
Total	199,223,258.70	134,669,449.86

8.23.1 Interest payable

Item	Balance as of December 31, 2020	Balance as of December 31,2019
Interest payable on corporate bonds	169,424,931.35	120,055,264.49
Interest payable on long-term borrowings and short-term borrowings	13,872,442.02	10,883,544.26
Total	183,297,373.37	130,938,808.75

8.23.2 Other payables

8.23.2.1 Presentation of other payables by aging

Item	Balance as of December 31, 2020	Balance as of December 31,2019
Within 1 year	14,850,841.93	3,237,281.11
1 - 2 years (inclusive)	583,809.32	493,360.00
2 - 3 years (inclusive)	491,234.08	
3 - 4 years (inclusive)		
4 - 5 years (inclusive)		
Over 5 years		

Item	Balance as of December 31, 2020	Balance as of December 31,2019
Total	15,925,885.33	3,730,641.11

8.23.2.2 Presentation of other payables by aging

Item	Balance as of December 31, 2020	Nature of payment	Aging
Qingdao Baoyupin Economic and Trade Co., Ltd.	10,179,000.00	Margin	Within 1 year
Qingdao Huijintong Power Equipment Co., Ltd.	3,346,000.00	Margin	Within 1 year
Total	13,525,000.00		

8.24 Non-current liabilities maturing within one year

Item	Balance as of December 31, 2020	Balance as of December 31,2019
Long-term borrowings maturing within one year	928,500,000.00	984,500,000.00
Bonds payable maturing within one year	2,024,513,834.37	230,000,000.00
Long-term payables maturing within one year	340,225,157.41	561,301,909.97
Other long-term liabilities maturing within one year		
Total	3,293,238,991.78	1,775,801,909.97

8.25 Other current liabilities

Item	Balance as of December 31, 2020	Balance as of December 31,2019
Short-term financing bill 19 Jiaozhou Port CP001		350,000,000.00
Short-term financing bill 20 Jiaozhou Port CP001	350,000,000.00	
Short-term financing bill 20 Jiaozhou Port CP002	350,000,000.00	
20 LujiaofaZR002	499,298,630.14	
Total	1,199,298,630.14	350,000,000.00

8.25.1 Changes in short-term bonds payable

Item	Face value	Issue date	Bond maturity	Issuance amount	Balance as of December 31,2019
Short-term financing bill 19 Jiaozhou Port	350,000,000.00	2019-5-31	366 Days	350,000,000.00	350,000,000.00

Item	Face value	Issue date	Bond maturity	Issuance amount	Balance as of December 31,2019
CP001					
Short-term financing bill 20 Jiaozhou Port CP001	350,000,000.00	2020-1-15	366Days	350,000,000.00	
Short-term financing bill 20 Jiaozhou Port CP002	350,000,000.00	2020-7-03	365Days	350,000,000.00	
20LujiaofaZR002	500,000,000.00	2020-5-8	365Days	500,000,000.00	
合计	1,550,000,000.00	——	——	1,550,000,000.00	350,000,000.00

（续）

Item	Amount issued in 2020	Interest accrued	Premium and discount amortization	Repay in 2020	Balance as of December 31, 2020
Short-term financing bill 19 Jiaozhou Port CP001				350,000,000.00	
Short-term financing bill 20 Jiaozhou Port CP001	350,000,000.00				350,000,000.00
Short-term financing bill 20 Jiaozhou Port CP002	350,000,000.00				350,000,000.00
20LujiaofaZR002	498,000,000.00	13,960,273.97	1,298,630.14		499,298,630.14
合计	1,198,000,000.00	13,960,273.97	1,298,630.14	350,000,000.00	1,199,298,630.14

8.26 Long-term loans

Item	Balance as of December 31, 2020	Balance as of December 31,2019
Pledged loan	1,330,000,000.00	980,000,000.00
Mortgage loan	1,617,750,000.00	1,718,250,000.00
Guaranteed loan	4,218,980,000.00	3,023,000,000.00
Credit loan	1,000,000,000.00	
Less: Long-term borrowings maturing within one year	928,500,000.00	984,500,000.00
Total	7,238,230,000.00	4,736,750,000.00

8.26.1 Pledge loan

Borrower	Lender	Borrowing amount	Period	Mortgages/Pledges, Guarantors

Borrower	Lender	Borrowing amount	Period	Mortgages/Pledges, Guarantors
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	China Construction Bank Jiaozhou Branch	960,000,000.00	2019/1/3-2028/12/21	Pledge of accounts receivable
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Bank of Communications Qingdao Jiaozhou Sub-branch	370,000,000.00	2016/6/21-2026/6/21	Guarantor: Qingdao Shaohai Investment Development Co., Ltd.; pledged property: accounts receivable under the government purchase service contract
Total		1,330,000,000.00	——	——

8.26.2 Mortgage loan

Borrower	Lender	Borrowing amount	Period	Mortgages/Pledges, Guarantors
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Industrial And Commercial Bank of China Jiaozhou Branch	55,000,000.00	2015/7/14-2021/6/10	Land use right certificate number: land use rights of Jiaoguoyong (2013) No. 15-42, Jiaoguoyong (2013) No. 15-43, Jiaoguoyong (2013) No. 15-44, Jiaoguoyong (2013) No. 15-45, Jiaoguoyong (2013) No. 15-46.

Borrower	Lender	Borrowing amount	Period	Mortgages/Pledges, Guarantors
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Agriculture Development Bank of China Jiaozhou Branch	842,750,000.00	2015/8/27-2025/8/26 2019/4/3-2025/8/26	Qingdao Jiaozhou Bay Development Group Co., Ltd. is a mortgagor, and the mortgages are the land use right of Jiaoguo yong (2012) No. 15-7 and the land use right of Jiaoguo yong (2012) No. 15-8; Qingdao Jiaozhou Bay Development Group Co., Ltd. is a mortgager. The collateral was smart Jiaozhou Information Building (formerly known as the Pioneer Building) office building; Qingdao Jiaozhou Bay Keshun Property Co., Ltd. is a mortgagor, and the mortgages are the land use right of Lu (2018) Jiaozhou City Real Property No. 0022381;Qingdao Jiaozhou Bay Technology Investment Co., Ltd. was a pledgor, and the pledges for the government's financial allocation was RMB 2,404,475,000; Qingdao Jiaozhou Bay Development Group Co., Ltd. as a guarantor.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Agriculture Development Bank of China Jiaozhou Branch	420,000,000.00	2017/12/22-2025/12/19	The mortgages are the land use rights and construction on the ground (real estate) of Lu (2016) Jiaozhou City Real Property No. 0002800; Qingdao Jiaozhou Bay Development Group Co., Ltd. as a guarantor; The pledge is lease receivable
Qingdao Jiaozhou Bay Development Group Co., Ltd.	Agriculture Development Bank of China Jiaozhou Branch	300,000,000.00	2019.08.19-2034.08.18	Qingdao Jiaozhou Bay Development Group Co., Ltd. as a guarantor; Qingdao Jiaozhou Bay Keshun Real Estate Co., Ltd. as a Mortgage, The mortgages are the land use right of Lu (2018) Jiaozhou Real Estate Property Right No. 0022385.
Total	——	1,617,750,000.00	——	——

8.26.3 Guaranteed loan

Borrower	Lender	Borrowing amount	Period	Guarantors
Qingdao Jiaozhou Bay Development Group Co., Ltd.	Hengfeng Bank Qingdao Fuzhou Road branch	194,000,000.00	2019/4/26—2022/4/26	Qingdao Jiaozhou Urban Development Investment Co., Ltd.
Qingdao Jiaozhou Bay Development Group Co., Ltd.	Xiamen International Bank Co., Ltd. Shanghai Branch	94,000,000.00	2019/5/28—2021/5/28	Qingdao Jiaozhou Urban Development Investment Co., Ltd.
Qingdao Jiaozhou Bay Development Group Co., Ltd.	China Guangfa Bank Co., Ltd. Jinan Branch	114,000,000.00	2020/2/25—2023/2/20	Qingdao Jiaozhou Urban Development Investment Co., Ltd.
Qingdao Jiaozhou Bay Development Group Co., Ltd.	Bank of China Co., Ltd. Jiaozhou Sub-branch	299,000,000.00	2020/3/26—2023/3/26	Qinghai Shaohai Development Group Co., Ltd.
Qingdao Jiaozhou Bay Development Group Co., Ltd.	Everbright Xinglong Trust Co., Ltd.	300,000,000.00	2020/12/4—2022/12/3	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Industrial And Commercial Bank of China Jiaozhou Branch	400,000,000.00	2016/4/30-2025/12/5	Qingdao Jiaozhou Bay Development Group Co., Ltd.

Borrower	Lender	Borrowing amount	Period	Guarantors
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Industrial And Commercial Bank of China Jiaozhou Branch	400,000,000.00	2016/7/31-2024/12/15	Qingdao Jiaozhou Bay Development Group Co., Ltd.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Industrial And Commercial Bank of China Jiaozhou Branch	240,000,000.00	2017/3/25-2026/12/15	Qingdao Jiaozhou Bay Development Group Co., Ltd.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Agricultural Development Bank of China Jiaozhou Branch	275,000,000.00	2016/2/16-2026/2/18	Qingdao Jiaozhou Bay Development Group Co., Ltd.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Industrial And Commercial Bank of China Jiaozhou Branch	80,000,000.00	2019-1-26-2021/1/26	Qingdao Jiaozhou Bay Development Group Co., Ltd.
Qingdao Jiaozhou Bay Development Group Co., Ltd.	Bank of China Jiaozhou branch	380,000,000.00	2016/12/29-2031/12/28	Qingdao Jiaozhou Urban Development Investment Co., Ltd.

Borrower	Lender	Borrowing amount	Period	Guarantors
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Shanghai Pudong Development Bank Jiaozhou Branch	108,000,000.00	2020/1/10-2023/1/9	Qingdao Jiaozhou Bay Development Group Co., Ltd.; Qingdao Jiaozhou Urban Development Investment Co., Ltd.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Industrial Bank Co., Ltd. Qingdao Branch	39,980,000.00	2020/3/3-2023/3/3	Qingdao Jiaozhou Bay Development Group Co., Ltd.;
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Industrial And Commercial Bank of China Jiaozhou Branch	200,000,000.00	2020/6/30-2023/6/29	Jiaozhou City Financial Investment Center ;Qingdao Jiaozhou Bay Development Group Co., Ltd.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	The Export-Import Bank of China Shandong	495,000,000.00	2020/9/25-2022/9/23	Qilu Bank Co., Ltd. Qingdao Branch
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	The Export-Import Bank of China Shandong Branch	500,000,000.00	2020/9/27-2022/9/23	Qingdao Jiaozhou Urban Development Investment Co., Ltd.
Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Shanghai Pudong Development Bank Jiaozhou Branch	100,000,000.00	2020/8/28-2023/8/27	Qingdao Jiaozhou Urban Development Investment Co., Ltd.
Total	——	**4,218,980,000.00**	——	——

8.26.4 Credit loan

Borrower	Lender	Borrowing amount	Period
Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Bank Jiaozhou Branch.	1,000,000,000.00	2020/3/30 - 2023/3/30
Total		1,000,000,000.00	——

8.27 Bonds payable

8.27.1 Bonds payable

Item	Balance as of December 31 2020	Balance as of December 31,2019
14 Jiaozhou Development Bond		228,898,436.31
18 Jiaozhou Bay PPN001		494,574,318.62
18 Jiaozhou Bay MTN001	793,994,196.20	791,647,972.11
18 Jiaozhou Bay MTN002	793,656,753.05	791,675,884.27
JZBD B2016-1		824,305,403.79
19 Jiaozhou Bay PPN001	498,582,018.55	497,285,714.41
JZBD B2106-2		546,039,131.57
19LujiaofaZR001	498,001,843.50	496,532,321.23
19LujiaofaZR002	498,005,111.76	496,534,721.74
19LujiaofaZR003	498,001,843.50	496,532,321.23
19Jiaozhou Bay MTN001	693,825,209.35	692,121,824.13
JZBD B2206	1,945,771,727.05	2,072,630,773.53
19LujiaofaZR004	298,167,450.60	297,320,842.69
20LujiaofaZR001	199,097,028.49	
20LujiaofaZR003	494,659,995.46	
20Jiaozhou Bay PPN001	597,440,876.70	
20Jiaozhou Bay PPN002	696,845,058.26	
20Jiaozhou Bay MTN001	397,025,139.88	
Total	8,903,074,252.35	8,726,099,665.63

8.27.2 Increase/decrease in bonds payable

Bond name	Par value	Date of issue	Term of bond	Amount issued	Balance as of December 31, 2019
14 Jiaozhou Development Bond	1,150,000,000.00	2014-9-22	7 Years	1,150,000,000.00	458,898,436.31
18 Jiaozhou Bay PPN001	500,000,000.00	2018-5-25	3 Years	500,000,000.00	494,574,318.62
18 Jiaozhou Bay MTN001	800,000,000.00	2018-4-25	5 Years	800,000,000.00	791,647,972.11
18 Jiaozhou Bay MTN002	800,000,000.00	2018-11-23	5 Years	800,000,000.00	791,675,884.27
JZBD B2016-1	837,144,000.00	2018-6-14	3 Years	837,144,000.00	824,305,403.79

Bond name	Par value	Date of issue	Term of bond	Amount issued	Balance as of December 31, 2019
19 Jiaozhou Bay PPN001	500,000,000.00	2019-1-14	3 Years	500,000,000.00	497,285,714.41
JZBD B2106-2	558,096,000.00	2018-12-14	3 Years	558,096,000.00	546,039,131.57
19LujiaofaZR001	500,000,000.00	2019-2-22	3 Years	500,000,000.00	496,532,321.23
19LujiaofaZR002	500,000,000.00	2019-3-20	3 Years	500,000,000.00	496,534,721.74
19LujiaofaZR003	500,000,000.00	2019-3-26	3 Years	500,000,000.00	496,532,321.23
19Jiaozhou Bay MTN001	700,000,000.00	2019-4-3	5 Years	700,000,000.00	692,121,824.13
JZBD B2206	2,092,860,000.00	2019-6-28	3 Years	2,092,860,000.00	2,072,630,773.53
19LujiaofaZR004	300,000,000.00	2019-12-23	3 Years	300,000,000.00	297,320,842.69
20LujiaofaZR001	200,000,000.00	2020-3-20	3 Years	200,000,000.00	
20LujiaofaZR003	500,000,000.00	2020-8-26	3 Years	500,000,000.00	
20Jiaozhou Bay PPN001	600,000,000.00	2020-8-31	3 Years	600,000,000.00	
20Jiaozhou Bay PPN002	700,000,000.00	2020-10-22	3 Years	700,000,000.00	
20Jiaozhou Bay MTN001	400,000,000.00	2020-6-16	3 Years	400,000,000.00	
Total	**12,138,100,000.00**			**12,138,100,000.00**	**8,956,099,665.63**
Less: Bond balance due within one year					230,000,000.00
Total	**12,138,100,000.00**			**12,138,100,000.00**	**8,726,099,665.63**

(Continued)

Bond name	Bond issued in current period	Interest withdrawn by par value	Premium and discount amortization	Repayment in current period	Balance as of December 31, 2020
14 Jiaozhou Development Bond		24,929,794.52	771,993.26	230,000,000.00	229,670,429.57
18 Jiaozhou Bay PPN001		35,000,000.00	4,857,203.40		499,431,522.02
18 Jiaozhou Bay MTN001		47,040,000.00	2,346,224.09		793,994,196.20
18 Jiaozhou Bay MTN002		40,000,000.00	1,980,868.78		793,656,753.05

Bond name	Bond issued in current period	Interest withdrawn by par value	Premium and discount amortization	Repayment in current period	Balance as of December 31, 2020
JZBD B2016-1		-173,121.64	-45,184,512.25		779,120,891.54
19 Jiaozhou Bay PPN001		25,250,000.00	1,296,304.14		498,582,018.55
JZBD B2106-2			-29,748,140.33		516,290,991.24
19LujiaofaZR001		36,000,000.00	1,469,522.27		498,001,843.50
19LujiaofaZR002		35,000,000.00	1,470,390.02		498,005,111.76
19LujiaofaZR003		36,000,000.00	1,469,522.27		498,001,843.50
19Jiaozhou Bay MTN001		34,440,000.00	1,703,385.22		693,825,209.35
JZBD B2206		-105,716.35	-126,859,046.48		1,945,771,727.05
19LujiaofaZR004		18,000,000.00	846,607.91		298,167,450.60
20LujiaofaZR001	198,800,000.00	8,149,041.09	297,028.49		199,097,028.49
20LujiaofaZR003	494,000,000.00	8,524,657.54	659,995.46		494,659,995.46
20Jiaozhou Bay PPN001	597,120,000.00	9,024,657.53	320,876.70		597,440,876.70
20Jiaozhou Bay PPN002	696,640,000.00	6,041,095.89	205,058.26		696,845,058.26
20Jiaozhou Bay MTN001	396,400,000.00	8,136,986.30	625,139.88		397,025,139.88
Total	**2,382,960,000.00**	**371,257,392.88**	**-181,471,578.91**	**230,000,000.00**	**10,927,588,086.72**
Less: Bond balance due within one year					2,024,513,834.37
Total	**2,382,960,000.00**	**371,257,392.88**	**-181,471,578.91**	**230,000,000.00**	**8,903,074,252.35**

8.28 Payables due after one year

Item	Balance as of December 31, 2020	Balance as of December 31, 2019
Payables due after one year	238,740,064.43	576,790,037.91
Government grants payable	617,000,000.00	469,820,000.00
Total	855,740,064.43	1,046,610,037.91

8.28.1 Payables due after one year

Item	Balance as of December 31, 2020	Balance as of December 31, 2019

Item	Balance as of December 31, 2020	Balance as of December 31, 2019
Ping An International Finance Leasing Co., Ltd.	97,984,387.13	224,665,105.45
International Far Eastern Leasing Co., Ltd.	120,780,896.87	199,789,126.29
Shandong Huitong Financial Leasing Co., Ltd.		180,323,612.72
International Far Eastern Leasing Co., Ltd.	39,263,355.43	58,814,700.67
Bangyin Financial Leasing Co., Ltd.	131,555,217.78	177,988,560.27
Sinopharm Holding (China) Financial Leasing Co., Ltd.	149,381,364.63	217,241,616.78
China Aviation International Leasing Co., Ltd.	40,000,000.00	80,000,000.00
Unconfirmed financing charges		-730,774.30
Less: the portion due within one year	340,225,157.41	561,301,909.97
Total	238,740,064.43	576,790,037.91

8.28.2 Government grants payable

Item	Balance as of December 31, 2020	Balance as of December 31, 2019
Underground parking complex project in central business district		149,820,000.00
Qingdao Preschool Teacher Education Project	397,000,000.00	320,000,000.00
Road infrastructure in Shanghai Demonstration Zone	220,000,000.00	
Total	617,000,000.00	469,820,000.00

8.29 Deferred income

8.29.1 Deferred income is listed by category

Item	Balance as of December 31, 2019	Increase in 2020	Decrease in 2020	Balance as of December 31, 2020	Cause of formation
government subsidy		359,000,000.00	31,333,333.33	327,666,666.67	Financial transfer
Total		359,000,000.00	31,333,333.33	327,666,666.67	—

8.29.2 Government subsidies

Item	Balance as of December 31, 2019	Increase in 2020	Amount included in other income	Balance as of December 31, 2020	Related to assets/related to income

Item	Balance as of December 31, 2019	Increase in 2020	Amount included in other income	Balance as of December 31, 2020	Related to assets/related to income
Special subsidies for enterprise development funds		330,000,000.00	30,000,000.00	300,000,000.00	Related to income
Yichen Leisho Plant Decoration		25,000,000.00		25,000,000.00	Related to income
Lease of Yichen Leisho workshop		4,000,000.00	1,333,333.33	2,666,666.67	Related to income
Total		**359,000,000.00**	**31,333,333.33**	**327,666,666.67**	

Note: According to the "Notice of the China-Shanghai Cooperation Organization Local Economic and Trade Cooperation Demonstration Zone Management Committee on Issuing Special Subsidies for Enterprise Development Funds of Qingdao Jiaozhou Bay Technology Investment Co., Ltd.", Qingdao Jiaozhou Bay Technology Investment Co., Ltd. received 330,000,000.00 yuan of special enterprise development funds. And it will be confirmed year by year.

8.30 Deferred income tax liabilities

Item	Balance as of December 31, 2020		Balance as of December 31, 2019	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Assets appraisal value added of business combinations under non-same control	4,278,694.20	1,069,673.55	4,377,090.00	1,094,272.50
Total	4,278,694.20	1,069,673.55	4,377,090.00	1,094,272.50

8.31 Paid in capital

Name of investor	Balance as of December 31, 2019		Increase in current period	Decrease in current period	Balance as of December 31, 2020	
	Investment amount	Proportion (%)			Investment amount	Proportion (%)

Name of investor	Balance as of December 31, 2019		Increase in current period	Decrease in current period	Balance as of December 31, 2020	
	Investment amount	Proportion (%)			Investment amount	Proportion (%)
Jiaozhou State-owned Assets Service Center	1,200,000,000.00	100.00			1,200,000,000.00	100.00
Total	1,200,000,000.00	100.00			1,200,000,000.00	100.00

8.32 Capital surplus

Item	Balance as of December 31, 2019	Increase in current period	Decrease in current period	Balance as of December 31, 2020
1. Capital (share capital) premium				
2. Other capital reserves	10,513,674,671.40	2,577,198,700.00		13,090,873,371.40
Total	10,513,674,671.40	2,577,198,700.00		13,090,873,371.40

Note 1: In accordance with the "Decision of the China-Shanghai Cooperation Organization Local Economic and Trade Cooperation Demonstration Zone Management Committee on the transfer of the waters of Jinhu, Ruyi Lake and Yuejin River", the China-Shanghai Cooperation Organization Local Economic and Trade Cooperation Demonstration Zone Management Committee The right to use the waters of Lake, Ruyi Lake and Yuejin River is assigned to Qingdao Jiaozhou Bay Development Group Co., Ltd. for free, and the transferred value is the assessed value, of which 2,277,198,700.00 yuan is invested as equity capital to increase the capital reserve.

Note 2: According to the Jiaozhou State-owned Assets Service Center "Notice on the Transfer of Capital Reserves by Qingdao Jiaozhou Bay Development Group Co., Ltd.", 300,000,000.00 yuan of special funds allocated to the China-Shanghai Cooperation Organization Local Economic and Trade Cooperation Demonstration Zone Management Committee Used as equity capital investment to increase capital reserve.

8.33 Surplus reserve

Item	Balance as of December 31, 2019	Increase in current period	Decrease in current period	Balance as of December 31, 2020
Statutory surplus reserve	136,265,177.89	33,777,270.05		170,042,447.94
Discretionary surplus reserve				
Enterprise development fund				
Other				
Total	136,265,177.89	33,777,270.05		170,042,447.94

Note: The Company draws a statutory surplus reserve fund according to 10% of the annual net profit, and no longer withdraws when the cumulative amount of the statutory surplus reserve reaches 50% of the share capital.

8.34 Undistributed profit

Item	Amount in current period	Amount in previous period
Beginning balance in the current year	1,601,236,209.90	1,546,661,433.63
Increase in the current year	343,286,196.37	90,839,954.16
Including: Transferred-in net profit in the current year	343,286,196.37	90,839,954.16
Other adjustment factors		
Decrease in the current period	33,777,270.05	36,265,177.89
Including: surplus reserves withdrawn in the current year	33,777,270.05	36,265,177.89
General risk reserves withdrawn in the current year		
Transfer to capital		
Other decreases		
Ending balance in the current year	1,910,745,136.22	1,601,236,209.90

8.35 Operating revenue and operating costs

Item	Amount incurred in current period		Amount incurred in previous period	
	Revenue	Cost	Revenue	Cost
1.Main business	1,503,550,871.71	1,336,955,726.94	842,169,835.12	704,819,094.87
Jiaozhou Development Zone Infrastructure Construction Project	257,223,920.93	241,701,787.78	343,488,863.57	322,761,087.32

Item	Amount incurred in current period		Amount incurred in previous period	
	Revenue	Cost	Revenue	Cost
Rental income	256,965,572.92	146,669,331.28	257,632,109.28	129,482,854.79
Government purchase services	44,418,121.16	29,467,289.75	15,223,584.91	17,680,623.22
Property income	418,429.28	3,589,446.08	292,515.11	2,243,405.94
Trade income	609,746,143.31	600,424,914.02	157,561,991.63	153,307,489.78
Income from the sale of commercial housing	16,037,861.46	17,615,127.33	63,713,033.06	74,807,477.28
Labor dispatch income	34,318,458.98	32,737,167.92	4,257,737.56	4,536,156.54
Land first-level development and management fee income	283,018,867.92	260,869,565.22		
Commodity sales revenue	1,403,495.75	1,333,614.56		
Restaurant cost		2,547,483.00		
2. Other business	25,452,080.64		4,311,939.82	
Interest income	25,169,061.77		4,148,746.44	
Ticket income			163,193.38	
Investment income	283,018.87			
Total	1,529,002,952.35	1,336,955,726.94	846,481,774.94	704,819,094.87

8.36 Sales tax and surcharges

Item	Amount incurred in current period	Amount incurred in previous period
Urban maintenance and construction tax	3,013,259.35	4,236,475.17
Education surcharges	1,131,754.39	1,975,308.09
Land use tax	7,037,106.65	8,921,863.24
Stamp duty	4,845,935.20	1,875,215.26
House property tax	23,065,468.14	25,082,184.73
Land value increment tax	5,903,611.72	104,037,384.79
Local education surcharges	860,941.45	1,210,442.91
Local Water Conservancy Fund	326,088.28	412,184.44
Vehicle and vessel tax	1,740.00	1,380.00
Total	46,185,905.18	147,752,438.63

8.37 Selling expenses

Item	Amount incurred in current period	Amount incurred in previous period
Advertising expenses	5,916,373.19	5,663,298.99
Depreciation expense	42,751.44	40,432.05
Operating expenses	4,456,452.08	5,334,998.04
Property expenses	910,393.88	883,002.85
Administrative expense	110,484.15	93,381.26
Other	80,497.13	6,300.00
Collection and distribution service fee	140,398.40	
Handling fee	2,731.45	
Total	11,660,081.72	12,021,413.19

8.38 General and administrative expenses

Item	Amount incurred in current period	Amount incurred in previous period
Administrative expense	1,675,261.54	6,951,480.59
Entertainment expense	61,600.00	88,395.00
Travel expense	372,487.36	376,591.48
Depreciation expense	24,807,843.62	24,426,614.20
Communication expense	276,536.04	328,620.19
Utilities	148,882.41	476,178.05
Maintenance expense	111,263.55	1,422,544.09
Vehicle expense	561,407.43	406,459.32
Wages	10,596,258.28	7,882,776.74
Employee welfare	473,285.87	2,138,389.72
Provident Fund	1,112,335.93	850,038.00
Social insurance premiums	830,979.68	1,973,036.94
Other	2,238,309.93	10,709,004.30
Intermediation services fee& Consultant expense	6,975,756.05	4,988,762.41
Amortization of intangible assets	9,192,838.75	719,876.89
Advertising fee	394,581.79	67,700.00
Employee education expenses	64,009.62	315,129.87
Fees for technical services	178,000.00	
Inventory loss	33,074.00	
design fee	658,886.87	
Surveying and Mapping Fee	84,896.38	
Property service fee	40,400.89	
Party building funding	129,982.48	
Union funds	196,354.78	

Item	Amount incurred in current period	Amount incurred in previous period
Rental fees	1,070,756.88	
Total	62,285,990.13	64,121,597.79

8.39 Financial expenses

Item	Amount incurred in current period	Amount incurred in previous period
Interest expense	2,882,905.74	322,804.70
Less: interest income	9,710,267.93	11,247,439.25
Net interest expense	-6,827,362.19	-10,924,634.55
Exchange losses		
Less: exchange gains	224,885,748.42	-19,345,374.39
Net exchange loss	-224,885,748.42	19,345,374.39
Bank charges	727,616.91	247,922.85
Other	3,350,000.00	15,294,150.96
Total	-227,635,493.70	23,962,813.65

8.40 Miscellaneous incomes

Item	Amount incurred in current period	Amount incurred in previous period
Government grants	138,215,798.25	261,032,966.15
Total	138,215,798.25	261,032,966.15

8.40.1 Government subsidy details

Item	Amount in 2020	Amount in 2019	Related to assets/related to income
Special subsidies for enterprise development funds	130,921,720.00	240,000,000.00	Related to income
Beautiful Country Construction Fund		10,000,000.00	Related to income
Thousands of experts subsidy		11,000,000.00	Related to income
Post Stability Maintenance Subsidies	59,366.37	32,966.15	Related to income
VAT exemption	1,378.55		Related to income
Subsidies for Qingdao Small Business Industrial Park	300,000.00		Related to income
Qingdao Municipal Bureau of Industry and Information Technology Characteristic Carrier Reward Subsidy	200,000.00		Related to income
Special carrier double innovation project subsidies	5,000,000.00		Related to income
Subsidies from Jiaozhou City Industry and Information Bureau	400,000.00		Related to income
Lease of Yichen Leisho workshop	1,333,333.33		Related to income
total	138,215,798.25	261,032,966.15	——

8.41 Investment income

Source for investment income	Amount incurred in current period	Amount incurred in previous period
Investment income from long-term equity investments calculated under the equity method	295,432.97	-25,370.33
Investment income from disposal of long-term equity investment		
Total	295,432.97	-25,370.33

8.42 Impairment of assets

Item	Amount incurred in current period	Amount incurred in previous period
Bad debt loss	-208.00	-520.00
Total	-208.00	-520.00

8.43 Disposal of assets

Item	Amount incurred in current period	Amount incurred in previous period	Amount included in current
Disposal of assets		2,985,918.73	
Total		2,985,918.73	

8.44 Non-operating income

Item	Amount incurred in current period	Amount incurred in previous period
Accept donation		1,425.00
Penalty Incomes	120,000.00	5,208.09
VAT exemption		14,092.00
Other	20,212.87	
Long-term equity investment	14,618,177.16	
Total	14,758,390.03	20,725.09

8.45 Non-operating expenses

Item	Amount incurred in current period	Amount incurred in previous period
Tax late fees and fines		1,658.77
External donation	2,033,000.00	2,197,493.89
Arbitration compensation		143,529.77

Other	0.08	
Total	2,033,000.08	2,342,682.43

8.46 Income tax expenses

Item	Amount incurred in current period	Amount incurred in previous period
Current income tax expenses	107,257,898.98	65,854,174.60
Deferred income tax expenses	-24,650.95	-2,365,321.02
Total	107,233,248.03	63,488,853.58

8.47 Consolidated Statement of Cash Flows

8.47.1 Indirect cash flow

Item	Amount incurred in current period	Amount incurred in previous period
1. Net profit adjusted to cash flow from operating activities:		
Net profit	343,553,907.22	91,986,600.44
Plus: Provision for assets impairment	208.00	520.00
Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of productive biological assets	108,545,546.61	104,574,430.87
Amortization of intangible assets	10,821,858.01	1,813,524.98
Amortization of long-term deferred expenses		
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)		-2,985,918.73
Losses from write-off of fixed assets ("-" for gains)		
Losses from changes in fair value ("-" for gains)		
Financial expenses ("-" for gains)	2,882,905.74	322,804.70
Investment loss ("-" for gains)	-295,432.97	25,370.33
Decrease in the deferred income tax assets ("-" for increase)	-52.00	-130.00
Increase in deferred income tax liabilities ("-" for decrease)	-24,598.95	-2,365,191.02
Decrease in inventories ("-" for increase)	-1,782,798,378.71	122,696,018.18

Item	Amount incurred in current period	Amount incurred in previous period
Decrease in operating receivables ("-" for increase)	-977,655,527.58	953,046,723.96
Increase in operating payables ("-" for decrease)	75,419,543.38	-5,276,727,839.91
Others		
Net cash flows from operating activities	-2,219,550,021.25	-4,007,613,086.20
2. Significant investing and financing activities not involving cash inflow and outflow:		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under finance leases		
3. Net changes in cash and cash equivalents:		
Ending balance of cash	1,865,739,961.66	1,620,251,704.22
Less: Beginning balance of cash	1,620,251,704.22	1,183,254,174.99
Plus: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increases in cash and cash equivalents	245,488,257.44	436,997,529.23

8.47.2 Breakdowns of cash and cash equivalents

Item	Amount incurred in current period	Amount incurred in previous period
I. Cash	1,865,739,961.66	1,620,251,704.22
Including: Cash on hand	551,484.09	487,799.99
Unrestricted bank deposit	1,865,188,477.57	1,619,763,904.23
Other unrestricted monetary funds		
II. Other unrestricted monetary funds		
Including: bond investments maturing within three months		
III. Balance of cash and cash equivalents at the end of the year	1,865,739,961.66	1,620,251,704.22

9. Contingencies

9.1 Internal guarantee

Unit: RMB ten thousand

No.	Guarantor	Guarantee object		Guarantee method	Guaranteed matter	Anti-guarantee method	Guaranteed amount
		Name	Nature of business				
1	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	150,000.00
2	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	107,500.00
3	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	60,000.00
4	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	50,000.00
5	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co,. Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	50,000.00
6	Qingdao Jiaozhou Bay Development Group Co.,	Qingdao Jiaozhou Bay Technology	Limited liability company	Collateral Security	Loan guarantee	No	50,000.00

No.	Guarantor	Guarantee object		Guarantee method	Guaranteed matter	Anti-guarantee method	Guaranteed amount
		Name	Nature of business				
	Ltd.	Investment Co., Ltd.					
7	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Collateral Security	Loan guarantee	No	20,000.00
8	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	20,000.00
9	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co.,Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	24,000.00
10	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	45,000.00
11	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	15,000.00
12	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	81,000.00

No.	Guarantor	Guarantee object		Guarantee method	Guaranteed matter	Anti-guarantee method	Guaranteed amount
		Name	Nature of business				
13	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	13,200.00
14	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	10,000.00
15	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	10,000.00
16	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	10,000.00
17	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	9,000.00
18	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	10,000.00
19	Qingdao Jiaozhou Bay	Qingdao Jiaozhou	Limited liability	Joint	Loan	No	10,000.00

No.	Guarantor	Guarantee object		Guarantee method	Guaranteed matter	Anti-guarantee method	Guaranteed amount
		Name	Nature of business				
	Development Group Co., Ltd.	Bay Technology Investment Co., Ltd.	company	responsibility guarantee	guarantee		
20	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	10,000.00
21	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	13,998.34
22	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	9,900.00
23	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Green Construction Park Development Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	11,000.00
24	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaofa International Trade Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	1,943.65
25	Qingdao Jiaozhou Bay Development Group Co.,	Qingdao Jiaofa International Trade	Limited liability company	Joint responsibility	Loan guarantee	No	1,000.00

No.	Guarantor	Guarantee object		Guarantee method	Guaranteed matter	Anti-guarantee method	Guaranteed amount
		Name	Nature of business				
	Ltd.	Co., Ltd.		guarantee			
26	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	20,000.00
27	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	10,000.00
28	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	10,000.00
29	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	30,000.00
30	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaofa International Trade Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	1,000.00
Total							863,541.99

9.2 External guarantee

Unit: RMB ten thousand

No.	Guarantor	Guarantee object		Guarantee method	Guaranteed matter	Anti-guarantee method	Guaranteed amount
		Name	Nature of business				
1	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Urban Development Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	30,000.00
2	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Urban Development Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	2,800.00
3	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Urban Development Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	20,000.00
4	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Urban Development Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	8,000.00
5	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Urban Development Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	30,000.00
6	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Urban Development Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	15,000.00
7	Qingdao Jiaozhou Bay Development	Qingdao Jiaozhou Urban Development	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	10,000.00

No.	Guarantor	Guarantee object		Guarantee method	Guaranteed matter	Anti-guarantee method	Guaranteed amount
		Name	Nature of business				
	Group Co., Ltd.	Investment Co., Ltd.					
8	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Urban Development Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	20,000.00
9	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Urban Development Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	20,000.00
10	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou Urban Development Investment Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	12,000.00
11	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jinjiaozhou Asset Management Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	150,000.00
12	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou New City Construction Development Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	30,000.00
13	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Jiaozhou New City Construction Development Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	30,000.00
14	Qingdao Jiaozhou	Qingdao Shaohai	Limited liability	Joint responsibility	Loan	No	20,625.00

No.	Guarantor	Guarantee object		Guarantee method	Guaranteed matter	Anti-guarantee method	Guaranteed amount
		Name	Nature of business				
	Bay Development Group Co., Ltd.	Water Development Co., Ltd.	company	guarantee	guarantee		
15	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Shaohai Water Development Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	13,000.00
16	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Shaohai Water Development Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	40,500.00
17	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Shaohai Water Development Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	30,000.00
18	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Shaohai Water Development Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	10,000.00
19	Qingdao Jiaozhou Bay Development Group Co., Ltd.	Qingdao Shaohai Water Development Co., Ltd.	Limited liability company	Joint responsibility guarantee	Loan guarantee	No	20,000.00
Total							511,925.00

10. Non-adjustment events occurring after the balance sheet date

There were no significant events after balance sheet date that required to be disclosed.

11. Related parties and related party transactions

11.1 The Company's parent company

Name of the parent company	Address of registration	Business nature	Shareholding ratio of the parent company in the Company (%)	Voting ratio of the parent company in the Company (%)
Jiaozhou State-owned Assets Service Center	Qingdao Jiaozhou City	Legal person	100.00	100.00

11.2 See the Note 7 for the information on the subsidiaries of the Company

11.3 The joint ventures and associates of the Company

Name of invested company	connection relation	Unified Social Credit Code
Qingdao Eurasia Economic and Trade Cooperation Industrial Park Consulting Service Co., Ltd.	associates	91370281MA3CCF6LXP
Qingdao Eurasian Economic and Trade Cooperation Industrial Park Consulting Service Co., Ltd.	associates	91370281MA3T6B4X7A
Qingdao Lianhe Guoxin Economic and Trade Co., Ltd.	associates	91370212MA3MJ8TD99
Shandong Express Private Capital Management Co., Ltd.	associates	91370281MA3Q0YWC01
Qingdao Yichen Leisho Technology Co., Ltd.	associates	91370281MA3T7PM99T

12. Commitments

There were no commitment events that required to be disclosed as of December 31, 2020.

13. Other significant Events

There were no other significant events that required to be disclosed as of December 31, 2020.

14. Notes of relevant items of the parent company's financial statements

14.1 Accounts receivable

14.1.1 Breakdowns of accounts receivable

Category	Amount as of December 31, 2020			
	Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)
I. Accounts Receivable with significant single amount and provision for bad debts made on a single basis				
II. Accounts Receivable with provision for bad debts accrued by portfolio with credit risk features	9,384,956.00	100.00		
Including: Aging analysis method				
Individual identification method	9,384,956.00	100.00		
III. Accounts Receivable with insignificant single amount but individual provision for bad debts				
Total	9,384,956.00	100.00		

(Continual)

Category	Amount as of December 31, 2019			
	Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)
I. Accounts Receivable with significant single amount and provision for bad debts made on a single basis				
II. Accounts Receivable with provision for bad debts accrued by portfolio with credit risk features				
Including: Aging analysis method				
Individual identification method				
III. Accounts Receivable with insignificant single amount but individual provision for bad debts				
Total				

14.1.2 Accounts Receivable for bad debt made with combination

（2）Important Accounts Receivable to provision for bad debts made with individual identification method

Name of debtor	Amount as of December 31, 2020	Nature of payment
China-Shanghai Cooperation Organization Local Economic and Trade Cooperation Demonstration Zone Management Committee	9,384,956.00	Lease account
Total	9,384,956.00	——

14.2 Other receivables

Item	Balance as of December 31, 2020	Balance as of December 31, 2019
Interest receivable	239,471,474.34	156,992,699.53
Other receivables	6,159,002,676.44	5,174,445,436.46
Total	6,398,474,150.78	5,331,438,135.99

14.2.1 Breakdowns of Interest receivable

Item	Balance as of December 31, 2020	Balance as of December 31, 2019
Interest on Group Funds Borrowing	239,471,474.34	156,992,699.53
合 计	239,471,474.34	156,992,699.53

14.2.2 Other receivables

14.2.2.1 Breakdowns of other receivables

Category	Amount as of December 31, 2020			
	Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)
I. Other receivables with significant single amount and provision for bad debts made on a single basis				
II. Other receivables with provision for bad debts accrued by portfolio with credit risk features	6,159,002,676.44	100.00		
Including: Aging analysis method				
Individual identification method	6,159,002,676.44	100.00		
III. Other receivables with insignificant single amount but individual provision for				

Category	Amount as of December 31, 2020			
	Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)
bad debts				
Total	6,159,002,676.44	100.00		

(Continued)

Category	Amount as of December 31, 2019			
	Book balance		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)
I. Other receivables with significant single amount and provision for bad debts made on a single basis				
II. Other receivables with provision for bad debts accrued by portfolio with credit risk features	5,174,445,436.46	100.00		
Including: Aging analysis method	3,002,684.72	0.06		
Individual identification method	5,171,442,751.74	99.94		
III.Other receivables with insignificant single amount but individual provision for bad debts				
Total	5,174,445,436.46	100.00		

14.2.2.2 Other receivables with provision for bad debts made by the aging analysis method

Aging	Amount as of December 31, 2020			Amount as of December 31, 2019		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Proportion (%))		Amount	Proportion (%))	
Within 1 year				3,002,684.72	100.00	
1 - 2 years						
2 - 3 years						
3 - 4 years						
5 - 5 years						
Over 5 years						
Total				3,002,684.72	100.00	

14.2.2.3 Other receivables subject to provision for bad debts made with individual identification method

Name of debtor	Book balance	Nature of payment
China-Shanghai Cooperation Organization Local Economic and Trade Cooperation Demonstration Zone Management Committee	3,212,253,339.35	Current Account
Qingdao Jiaozhou Bay Kerui Property Co., Ltd.	847,700,775.00	Current Account
Jiao zhou Financial Bureau	587,660,964.62	Current Account
Qingdao Jiaozhou Bay Kerui Property Co., Ltd.	537,000,000.00	Current Account
Qingdao Jiaozhou Bay Ketou Property Co., Ltd.	260,000,000.00	Current Account
Qingdao Jiaozhou Bay Keshun Property Co., Ltd.	226,500,000.00	Current Account
Qingdao Jiao zhou Bay New City Construction Development Co., Ltd.	140,000,000.00	Current Account
Qingdao Jiaofa International Trading Co., Ltd	105,000,000.00	Current Account
Jiaozhou Jiaoxi Town Finance Office	65,000,000.00	Current Account
Jiaozhou Licha Town Finance Office	58,000,000.00	Current Account
Jiaozhou Jiulong Sub-district Office	34,042,894.00	Current Account
International Far Eastern Leasing Co., Ltd.	26,000,000.00	Margin
Ping An International Financial Leasing Co., Ltd	24,000,000.00	Margin
Qingdao Jiaozhou Bay Kerong Property Co., Ltd.	20,000,000.00	Current Account
Qingdao Jiaozhou Urban Construction Development Co., Ltd.	12,500,000.00	Current Account
Everbright Xinglong Trust Co., Ltd.	3,000,000.00	Margin
Qingdao Jiaozhou Bay City Property Management Co., Ltd.	103,926.75	Current Account
Employee loan and Reserve fund	240,776.72	Employee loan and Reserve fund
Total	6,159,002,676.44	——

14.2.2.4 Top five other receivables in terms of ending balance collected by the debtor

Name of debtor	Book balance
China-Shanghai Cooperation Organization Local Economic and Trade Cooperation Demonstration Zone Management Committee	3,212,253,339.35
Qingdao Jiaozhou Bay Kerui Property Co., Ltd.	847,700,775.00
Jiao zhou Financial Bureau	587,660,964.62

Name of debtor	Book balance
Qingdao Jiaozhou Bay Kerui Property Co., Ltd.	537,000,000.00
Qingdao Jiaozhou Bay Ketou Property Co., Ltd.	260,000,000.00
Total	5,444,615,078.97

14.3 Long-term equity investments

14.3.1 Classification of long-term equity investments

Item	Balance as of December 31, 2019	Increased in current period	Decreased in current period	Balance as of December 31, 2020
Investment in subsidiaries	2,034,000,000.00	516,000,000.00	100,000,000.00	2,450,000,000.00
Investment in joint ventures				
Investment in associates	403,884.80	179,782,507.45		180,186,392.25
Sub-total	2,034,403,884.80	695,782,507.45	100,000,000.00	2,630,186,392.25
Less: provision for impairment of long-term equity investments				
Total	2,034,403,884.80	695,782,507.45	100,000,000.00	2,630,186,392.25

14.3.2 Break downs of long-term equity investments

Investee	Accounting method	Shareholding ratio (%) in the investee	Proportion of voting rights (%)	Investment cost	Balance as of December 31, 2019	Additional investment	Reduced investment
I. Subsidiaries				2,550,000,000.00	2,034,000,000.00	516,000,000.00	100,000,000.00
1.Qingdao Jiaozhou Bay Technology Investment Co., Ltd.	Cost method	100	100	1,600,000,000.00	1,600,000,000.00		
2. Qingdao Jiaozhou Bay Kerui Property Co., Ltd.	Cost method	100	100	100,000,000.00	100,000,000.00		100,000,000.00
3.Qingdao Jiaozhou Bay Kechuang Property Co., Ltd.	Cost method	100	100	100,000,000.00	100,000,000.00		
4.Qingdao Jiaozhou Bay Keshun Property Co., Ltd.	Cost method	100	100	100,000,000.00	100,000,000.00		
5. Qingdao Jiaozhou Bay Hongke Property Co., Ltd.	Cost method	100	100	600,000,000.00	100,000,000.00	500,000,000.00	
6.Qingdao Jiaozhou Bay Shanghe Demonstration Zone Development Co., Ltd.		100	100	50,000,000.00	34,000,000.00	16,000,000.00	
II. Joint ventures							
III. Associates				181,200,000.00	403,884.80	180,000,000.00	
1. Qingdao Eurasia Economic	Equity method	40	40	1,200,000.00	403,884.80		

Investee	Accounting method	Shareholding ratio (%) in the investee	Proportion of voting rights (%)	Investment cost	Balance as of December 31, 2019	Additional investment	Reduced investment
and Trade Cooperation Industrial Park Consulting Service Co., Ltd.							
2. Qingdao Yichen Leisho Technology Co., Ltd.	Equity method	20	20	30,000,000.00		30,000,000.00	
3. Qingdao Shanghe Development Group Co., Ltd.	Equity method	49	49	150,000,000.00		150,000,000.00	
Total				2,731,200,000.00	2,034,403,884.80	696,000,000.00	100,000,000.00

(Continued)

Investee	Profit or loss on investments recognized under the equity method	Adjustments to other comprehensive income	Changes in other equities	Cash dividends or profit declared to be distributed	Provision for impairment	Others	Balance as of December 31, 2020	Balance of provision for impairment as of December 31, 2020
I. Subsidiaries							2,450,000,000.00	
1.Qingdao Jiaozhou Bay Technology Investment Co., Ltd.							1,600,000,000.00	
2. Qingdao Jiaozhou Bay Kerui								

Investee	Profit or loss on investments recognized under the equity method	Adjustments to other comprehensive income	Changes in other equities	Cash dividends or profit declared to be distributed	Provision for impairment	Others	Balance as of December 31, 2020	Balance of provision for impairment as of December 31, 2020
Property Co., Ltd.								
3.Qingdao Jiaozhou Bay Kechuang Property Co., Ltd.							100,000,000.00	
4.Qingdao Jiaozhou Bay Keshun Property Co., Ltd.							100,000,000.00	
5. Qingdao Jiaozhou Bay Hongke Property Co., Ltd.							600,000,000.00	
6.Qingdao Jiaozhou Bay Shanghe Demonstration Zone Development Co., Ltd.							50,000,000.00	
II. Joint ventures								
III. Associates	-217,492.55						180,186,392.25	
1. Qingdao Eurasia Economic and Trade Cooperation Industrial Park Consulting Service Co., Ltd.							403,884.80	

Investee	Profit or loss on investments recognized under the equity method	Adjustments to other comprehensive income	Changes in other equities	Cash dividends or profit declared to be distributed	Provision for impairment	Others	Balance as of December 31, 2020	Balance of provision for impairment as of December 31, 2020
2. Qingdao Yichen Leisho Technology Co., Ltd.	-199,079.87						29,800,920.13	
3. Qingdao Shanghe Development Group Co., Ltd.	-18,412.68						149,981,587.32	
Total	-217,492.55						2,630,186,392.25	

14.4 Operating revenue and operating costs

Item	Amount incurred in current period		Amount incurred in previous period	
	Revenue	Cost	Revenue	Cost
Main business	599,502,987.01	542,590,728.53	434,865,340.66	385,357,254.24
Jiaozhou Development Zone Infrastructure Construction Project	257,223,920.93	241,701,787.78	343,488,863.57	322,761,087.32
Rental income	47,590,006.09	31,726,086.48	76,152,892.18	44,915,543.70
Government purchase service revenue	11,670,192.07	8,293,289.05	15,223,584.91	17,680,623.22
Land first-level development and management fee income	283,018,867.92	260,869,565.22		
Other business	77,810,164.92		359,673,457.45	71,969,882.69
Interest income	77,810,164.92		79,152,020.09	
Land disposal			280,521,437.36	71,969,882.69
Total	677,313,151.93	542,590,728.53	794,538,798.11	457,327,136.93

14.5 Investment income

Source for investment income	Amount incurred in current period	Amount incurred in previous period
Investment income from long-term equity investments calculated under the equity method	-217,492.55	-25,370.33
Investment income from disposal of long-term equity investment		-3,481,393.72
Total	-217,492.55	-3,506,764.05

15. Approval of Financial Statements

The Financial statements have been approved by Board of Directors.

Qingdao Jiaozhou Bay Development Group Co., Ltd.

March 31, 2021

统一社会信用代码

91110108061301173Y

营业执照

(副 本)(6-1)

扫描二维码登录"国家企业信用信息公示系统"了解更多登记、备案、许可、监管信息

名　　称　中审亚太会计师事务所（特殊普通合伙）

类　　型　特殊普通合伙企业

执行事务合伙人　王增明，刘宗义，陈吉先，冯建江，曾云

经营范围　审查企业会计报表、出具审计报告；验证企业资本，出具验资报告；办理企业合并、分立、清算事宜中的审计业务，出具有关报告；基本建设年度财务决算审计；代理记账；会计咨询、税务咨询、管理咨询、会计培训；法律、法规规定的其他业务。（市场主体依法自主选择经营项目，开展经营活动；依法须经批准的项目，经相关部门批准后依批准的内容开展经营活动；不得从事国家和本市产业政策禁止和限制类项目的经营活动。）

成立日期　2013年01月18日

合伙期限　2013年01月18日至 长期

主要经营场所　北京市海淀区复兴路47号天行建商务大厦20层2206

仅供报告使用

登记机关　北京市海淀区市场监督管理局

2021 年 01 月 11 日

国家企业信用信息公示系统网址：http://www.gsxt.gov.cn

市场主体应当于每年1月1日至6月30日通过国家企业信用信息公示系统报送公示年度报告。

国家市场监督管理总局监制

F-307

会计师事务所

执业证书

名　　称：中审亚太会计师事务所（特殊普通合伙）

首席合伙人：王增明

主任会计师：

经营场所：北京市海淀区复兴路47号天行建商务大厦20层2206

仅供报告使用

组织形式：特殊普通合伙

执业证书编号：11010170

批准执业文号：京财会许可[2012]0084号

批准执业日期：2012年09月28日

证书序号：0014490

说　明

1、《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。

2、《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。

3、《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。

4、会计师事务所终止或执业许可注销的，应当向财政部门交回《会计师事务所执业证书》。

发证机关：北京市财政局

二〇二〇年 十二月 四 日

中华人民共和国财政部制

F-308

姓　名　曾云
Full name
性　别　男
Sex
出生日期　1976年10月24日
Date of birth
工作单位　天职孜信会计师事务所
Working unit
身份证号码　513030197610245017
Identity card No.

THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
中国注册会计师协会

姓名：曾云
证书编号：110002400025

继续有效一年。
another year after.

北京注册会计师协会
2007年度任职资格检查合格
08年3月20日

注册会计师工作单位变更事项登记
Registration of a Change of Working Unit by a CPA

同意调出
Agree the holder to be transferred from

事务所
CPAs

转出协会盖章
Stamp of the transfer-out Institute of CPAs
2014年3月31日
/y /m /d

同意调入
Agree the holder to be transferred to

中审亚太　事务所
CPAs

转入协会盖章
Stamp of the transfer-in Institute of CPAs
2014年3月31日
/y /m /d

110002400025
证书编号：
No. of Certificate

批准注册协会：北京注册会计师协会
Authorized Institute of CPAs

发证日期：2002年11月28日
Date of Issuance
/y /m /d

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转出：中审亚太有限公司　2013.12.30
转入：中审亚太（北京）分所　2013.12.30

注意事项

一、注册会计师执行业务，必要时须向委托方出示本证书。
二、本证书只限于本人使用，不得转让、涂改。
三、注册会计师终止执行法定业务时，应将本证书缴还主管注册会计师协会。
四、本证书如遗失，应立即向主管注册会计师协会报告，登报声明作废后，办理补发手续。

NOTES

1. When practising, the CPA shall show the client this certificate when necessary.
2. This certificate shall be exclusively used by the holder. No transfer or alteration shall be allowed.
3. The CPA shall return the certificate to the competent Institute of CPAs when the CPA stops conducting statutory business.
4. In case of loss, the CPA shall report to the competent Institute of CPAs immediately and go through the procedure of reissue after making an announcement of loss on the newspaper.

年度检验登记
Annual Renewal Re

本证书经检验
This certificate i
this renewal.

2013

北京注册会计师协会
CPA
2014年3月31日

5

F-309

CPA任职资格检查合格
BICPA
17CPA003188
2017

姓名：宋瑞娟
证书编号：110101705041

CPA任职资格检查合格
BICPA
16CPA003424
2016

证书编号：
No. of Certificate
110101705041
批准注册协会：
Authorized Institute of CPAs
北京注册会计师协会
发证日期：
Date of Issuance
2015 年 12 月 31 日

年 月 日
/y /m /d

中审亚太会计师事务所（特殊普通合伙）

THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
中国注册会计师协会

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出生日期 Date of Birth 1987-07-05
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