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

Notice to Hong Kong investors: The Issuer and Guarantor (as defined below) confirm that the Bonds (as defined below) are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on the SEHK on that basis. Accordingly, the Issuer and Guarantor confirm that the Bonds are not appropriate as an investment for retail investors in Hong Kong.

Investors should carefully consider the risks involved. Furthermore, there are various other risks relating to the deed of guarantee, the Guarantor and its subsidiaries, their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in the Bonds.

LINYI CITY DEVELOPMENT INTERNATIONAL CO., LIMITED
(临沂城市发展国际有限公司)
(incorporated in the British Virgin Islands with limited liability)
(the "**Issuer**")

U.S.$300,000,000 5.20 PER CENT. GUARANTEED BONDS DUE 2025
UNCONDITIONALLY AND IRREVOCABLY GUARANTEED BY

LINYI CITY DEVELOPMENT GROUP CO., LTD
(临沂城市发展集团有限公司)
(incorporated in the People's Republic of China with limited liability)
(the "**Guarantor**")
(Stock Code: 5331)

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

Central Wealth Securities Investment Limited

Guotai Junan International

China Industrial Securities International

Industrial Bank Co., Ltd. Hong Kong Branch

Shenwan Hongyuan (H.K.)

CNCB Capital

Joint Lead Managers and Joint Bookrunners

China Galaxy International

Haitong International

China CITIC Bank International

China Securities International

CLSA

China International Capital Corporation

Huatai International

Sinolink Securities (HK)

Guoyuan Securities (Hong Kong)

CMBC Capital

Shanghai Pudong Development Bank Hong Kong Branch

ABC International

Sigma Capital

PUBLICATION OF THE OFFERING CIRCULAR

This announcement is made by the Issuer pursuant to Rule 37.39A of the Listing Rules.

Reference is made to the notice of listing of U.S.$300,000,000 5.20 per cent. guaranteed bonds due 2025 on the SEHK dated 24 June 2022 published by the Issuer. The offering circular dated 21 June 2022 referred to therein is appended to this announcement.

Hong Kong, 27 June 2022

As at the date of this announcement, the director of the Issuer is Mr. WANG Yanjian.

As at the date of this announcement, the directors of the Guarantor are Mr. LI Dongchun, Ms. LIU Quanfa, Mr. GUO Zheng, Mr. LU Xixing and Mr. FAN Feifei.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the offering circular (the "**Offering Circular**") attached to this e-mail. You are therefore advised to read this disclaimer 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 from time to time, each time you receive any information as a result of such access. You acknowledge that the access to the Offering Circular is intended for use by you only and you agree you will not forward or otherwise provide access to any other person.

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Confirmation of Your Representation: You have accessed the attached document on the basis that you have represented to the Issuer, the Guarantor and the Joint Lead Managers (each as defined in the Offering Circular) that: (1) you and any customers you represent are not in the United States, (2) the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, (3) you consent to delivery of this document and any amendments or supplements by electronic transmission, and (4) to the extent you purchase the Securities, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S thereunder.

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

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

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Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer or an invitation by or on behalf of any of the Issuer, the Guarantor or the Joint Lead Managers to subscribe or purchase any of the Securities, in any place where offers or solicitations are not permitted by law and access has been limited so that it shall not constitute in the United States or elsewhere directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Joint Lead Manager or any affiliate of a Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Joint Lead Manager or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction. Any Securities to be issued in respect thereof will not be registered under the Securities Act and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from such registration. Access has been limited so that it shall not constitute a general solicitation in the United States or elsewhere. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the Securities.

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LINYI CITY DEVELOPMENT INTERNATIONAL CO., LIMITED
临沂城市发展国际有限公司

(incorporated in the British Virgin Islands with limited liability)

U.S.$300,000,000 5.20 per cent. Guaranteed Bonds due 2025
Unconditionally and Irrevocably Guaranteed by

临沂城发集团
LINYI CITY DEVELOPMENT GROUP

LINYI CITY DEVELOPMENT GROUP CO., LTD
(临沂城市发展集团有限公司)

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

Issue Price: 100.00 per cent.

The 5.20 per cent. guaranteed bonds in the aggregate principal amount of U.S.$300,000,000 (the "**Bonds**") will be issued by Linyi City Development International Co., Limited 临沂城市发展国际有限公司 (the "**Issuer**") and will be unconditionally and irrevocably guaranteed (the "**Guarantee**") by Linyi City Development Group Co., Ltd (临沂城市发展集团有限公司) (the "**Guarantor**"), a company incorporated under the laws of the People's Republic of China. The Issuer is an indirect wholly-owned subsidiary of the Guarantor.

The Bonds will bear interest on their outstanding principal amount from and including 24 June 2022 (the "**Issue Date**") at the rate of 5.20 per cent. per annum, and such interest will be payable semi-annually in arrear in equal instalments on 24 June and 24 December in each year (each an "**Interest Payment Date**"), commencing on 24 December 2022. Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 24 June 2025.

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

All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without set-off or counterclaim and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the British Virgin Islands, the PRC or, in each case, any political subdivision or any authority therein or thereof having power to tax, to the extent described in "*Terms and Conditions of the Bonds — Taxation*".

The Guarantor has made an application for the pre-issuance registration (the "**Pre-Issuance Registration**") in relation to the Bonds with the National Development and Reform Commission (the "**NDRC**") in accordance with the Circular on Promoting the Reform of the Filing and Registration System for Issuance by Enterprises of Foreign Debt (Fa Gai Wai Zi [2015] No. 2044) (the "**NDRC Notice**") (《国家发展改革委关于推进企业发行外债备案登记制管理改革的通知》) issued by the NDRC which came into effect on 14 September 2015. The Guarantor has received an Enterprise Foreign Debt Filing Registration Certificate dated 2 March 2022 from the NDRC in connection with the Pre-Issuance Registration. Pursuant to the requirements of the NDRC Notice, the Guarantor will be required to file or cause to be filed with the NDRC the requisite information and documents within 10 PRC Business Days (as defined in "*Terms and Conditions of the Bonds*") after the Issue Date (the "**Post-Issuance Filing**").

The Guarantor will enter into a deed of guarantee (the "**Deed of Guarantee**") with The Bank of New York Mellon, London Branch (the "**Trustee**") on or around the Issue Date. The Guarantor will be required to submit or cause to be submitted an application for registration with the Shandong Branch (or other relevant branch) of the State Administration of Foreign Exchange of the People's Republic of China ("**SAFE**"), of the Deed of Guarantee within 15 PRC Business Days after execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (《跨境担保外汇管理规定》) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Provisions**") (the "**Cross-Border Security Registration**"). The Guarantor shall use its best endeavors to complete the Post-Issuance Filing and the Cross-Border Security Registration and obtain a registration record from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline (being the day falling 120 PRC Business Days after the Issue Date) and comply with all applicable PRC laws and regulations in relation to the issue of the Bonds and the Guarantee. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank equally with all its other present and future unsecured and unsubordinated obligations.

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, at their principal amount together with interest accrued to, but excluding, the date fixed for redemption, in the event of certain changes affecting taxes of the British Virgin Islands or the PRC. See "*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Taxation Reasons*". At any time following the occurrence of a Change of Control or a No Registration Event (each as defined in "*Terms and Conditions of the Bonds*"), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date (as defined in "*Terms and Conditions of the Bonds*") at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with, in each case, accrued interest up to but excluding such Put Settlement Date. See "*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Relevant Events*".

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

Investing in the Bonds involves risks. See "*Risk Factors*" beginning on page 14 for a discussion of certain factors to be considered in connection with an investment in the Bonds. The Bonds and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds and the Guarantee are being offered in offshore transactions outside the United States in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see "*Subscription and Sale*".

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

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

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

Fitch Ratings Ltd. ("**Fitch**") has assigned corporate ratings of "BBB-" and Moody's Investor Service, Inc. ("**Moody's**") has assigned corporate ratings of "Baa3" to the Guarantor. The Bonds are expected to be rated "BBB-" by Fitch. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

The Bonds will be represented initially by beneficial interests in a global certificate (the "**Global Certificate**") in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfer thereof will be effected only through, records maintained by Euroclear and Clearstream. Except in the limited circumstances as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

Central Wealth Securities Investment Limited **Guotai Junan International** **China Industrial Securities International**

Industrial Bank Co., Ltd. Hong Kong Branch **Shenwan Hongyuan (H.K.)** **CNCB Capital**

Joint Lead Managers and Joint Bookrunners

China Galaxy International **Haitong International** **China CITIC Bank International** **China Securities International** **CLSA**

China International Capital Corporation **Huatai International** **Sinolink Securities (HK)** **Guoyuan Securities (Hong Kong)**

CMBC Capital **Shanghai Pudong Development Bank Hong Kong Branch** **ABC International** **Sigma Capital**

Offering Circular dated 21 June 2022

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This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the Guarantor and the Group. Each of the Issuer and the Guarantor 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.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Bonds and giving of the Guarantee described in this Offering Circular. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of Central Wealth Securities Investment Limited, Guotai Junan Securities (Hong Kong) Limited, China Industrial Securities International Brokerage Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Shenwan Hongyuan Securities (H.K.) Limited, CNCB (Hong Kong) Capital Limited, China Galaxy International Securities (Hong Kong) Co., Limited, Haitong International Securities Company Limited, China CITIC Bank International Limited, China Securities (International) Corporate Finance Company Limited, CLSA Limited, China International Capital Corporation Hong Kong Securities Limited, Huatai Financial Holdings (Hong Kong) Limited, Sinolink Securities (Hong Kong) Company Limited, Guoyuan Securities Brokerage (Hong Kong) Limited, CMBC Securities Company Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, ABCI Capital Limited and Sigma Capital Management Limited (together, the "**Joint Lead Managers**"), the Issuer or the Guarantor to subscribe for or purchase any of the Bonds. The distribution of this Offering Circular, the offering of the Bonds and the giving of the Guarantee in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, the Joint Lead Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds and the giving of the Guarantee or the possession or distribution of this Offering Circular or any offering or publicity material relating to the Bonds in any jurisdiction where such action is prohibited by law 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 and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and the distribution of this Offering Circular, see "*Subscription and Sale*". This Offering Circular does not constitute an offer of, or an invitation to purchase, any of the Bonds in any jurisdiction in which such offer or invitation would be unlawful. By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular.

The PRC government (including the Linyi Municipal Government) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds in lieu of the Issuer and/or the Guarantor. Any reference to government support in this Offering Circular shall not be read as indication that financial support will be given in respect of the Issuer's or the Guarantor's obligations under the Bonds. See "*Risk Factors — Risks relating to the Bonds and the Guarantee — the PRC government (including the Linyi Municipal Government) has no obligations under the Bonds.*"

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

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

This Offering Circular is being furnished by the Issuer and the Guarantor in connection with the offering of the Bonds exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider purchasing the Bonds. 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 the Guarantor. 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 considering an investment in the Bonds offered by this Offering Circular is prohibited. Each offeree of the Bonds, by accepting delivery of this Offering Circular, agrees to the foregoing.

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

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives 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 or the Guarantee of the Bonds and 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, officers, employees, agents, advisers or representatives. The Joint Lead Managers, the Trustee and the Agents and their respective affiliates have not independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers or affiliates in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer and the Guarantor and the merits and risks involved in investing in the Bonds. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives accepts any responsibility for the contents of this Offering Circular or any statement made or purported to be made by any such person or on its behalf, in connection with the Issuer, the Guarantor, the Group, the issue and offering of the Bonds or the giving of the Guarantee of the Bonds. Each of the Joint Lead Managers, the Trustee, the Agents and their respective affiliates, directors, officers, employees, agents, advisers or representatives 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, the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives, undertakes to review the financial condition or affairs of the Issuer or the Guarantor for so long as the Bonds remain outstanding nor to advise any investor or potential investor of the Bonds of any information coming to the attention of the Joint Lead Managers, the Trustee, or the Agents or their respective affiliates, directors, officers, employees, agents, advisers or representatives.

This Offering Circular should not be considered as a recommendation by any of the Issuer, the Guarantor, Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

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

Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, investors should consult his or her advisor.

Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Group or the Bonds. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor, the Group and the terms of the offering of the Bonds, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds. The Issuer, the Guarantor, the Joint Lead Managers, the Trustee and the Agents (in each case as defined herein) and their respective directors, officers, advisers, employees, agents, affiliates and representatives are not making any representation to any purchaser of the Bonds regarding the legality of any investment in the Bonds by such purchaser under any legal investment or similar laws or regulations. The contents of this Offering Circular should not be construed as providing legal, business, accounting or investment advice. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, advisers, employees, agents, affiliates and representatives in connection with its investigation of the accuracy of such information or its investment decision.

Market data and certain industry forecasts and statistics 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 and the Guarantor believe this information to be reliable, this information has not been independently verified by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, agents, advisers or representatives, and none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, agents, advisers or representatives makes any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents.

The Issuer and the Guarantor, having made all reasonable inquiries, confirm that: (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor, the Group, the Guarantee and the Bonds which is material in the context of the issue and offering of the Bonds (including all information required by applicable laws and information which, according to the particular nature of the Issuer, the Guarantor, the Group and the Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor and the Group and of the rights attaching to the Bonds and the Guarantee of the Bonds); (ii) the statements contained in this Offering Circular are true and accurate in all material respects and not misleading in any material respect in the context of the Offering and there are no other facts in relation to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee the omission of which would in the context of the issue of Bonds make any statement in this Offering Circular misleading in any material respect; (iii) the statements of intention and opinion contained in this Offering Circular, with regard to the Issuer, the Guarantor and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements in this Offering Circular and the Offering Circular; (v) this Offering Circular does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and (vi) each of the statistical, industry and market-related data and forward looking statements included in this Offering Circular is based on or derived or extracted from sources which the Issuer and the Guarantor believe to be accurate and reliable in all material respects.

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS STABILISATION MANAGER PROVIDED THAT CHINA CITIC BANK INTERNATIONAL LIMITED SHALL NOT BE APPOINTED OR ACTING AS THE STABILISATION MANAGER (THE "STABILISATION MANAGER") (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER) MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND DIRECTIVES, OVER-ALLOT AND EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL, BUT IN DOING SO THE STABILISATION MANAGER SHALL ACT AS PRINCIPAL AND NOT AS AGENT OF THE ISSUER AND/OR THE GUARANTOR AND ANY LOSS RESULTING FROM OVER-ALLOTMENT AND STABILISATION WILL BE BORNE, AND ANY PROFIT ARISING THEREFROM SHALL BE BENEFICIALLY RETAINED, BY THE MANAGERS IN THE MANNER AGREED BY THEM. SUCH STABILISATION SHALL BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

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

PRESENTATION OF FINANCIAL INFORMATION AND OTHER DATA

This Offering Circular contains the audited consolidated financial information of the Guarantor as at and for the years ended 2019, 2020 and 2021, which have derived from the Guarantor's consolidated financial statements for the years ended 31 December 2020 and 2021 (the "**Guarantor's Consolidated Financial Statements**"). The Guarantor's consolidated financial statements as at and for the year ended 31 December 2020 have been audited by Asia Pacific (Group) CPAs (Special General Partnership) ("**Asia Pacific CPA**"). The Guarantor's consolidated financial statements as at and for the year ended 31 December 2021 have been audited by Hexin Certified Public Accountants LLP ("**Hexin CPA**"). The Guarantor's Consolidated Financial Statements were prepared and presented in accordance with the Accounting Standards for Business Enterprises in China ("**PRC GAAP**").

The Guarantor has not prepared its financial statements or consolidated financial statements, as the case may be, in accordance with International Financial Reporting Standards ("**IFRS**"). PRC GAAP differs in certain respects from IFRS. See "*Summary of Certain Differences between PRC GAAP and IFRS*".

In 2021, the Ministry of Finance of the PRC promulgated certain new accounting standards and requirements in relation to financial instruments and revenue recognition (the "**2021 New Accounting Standards and Requirements**"). The Guarantor's consolidated financial statements for the years ended 31 December 2021 were prepared and presented in accordance with the 2021 New Accounting Standards and Requirements. As a result, the presentation of certain accounting items in the Guarantor's consolidated financial statements for the years ended 31 December 2021 may not be comparable to the financial figures in the financial statements of the Guarantor for the previous periods. For details of the 2021 New Accounting Standards and Requirements and its impact on the Guarantor's consolidated financial statements as at and for the years ended 31 December 2020 and 2021, please see "*Note VI. 31. Changes of important accounting policies and accounting estimates — 31.1 Changes of important accounting policies*" of the Guarantor's consolidated financial statements as at and for the year ended 31 December 2021. See also "*Risk Factors — Risks Relating to the Group's Business — The presentation of certain accounting items in the audited consolidated financial statements of the Group for the years ended 31 December 2019, 2020 and 2021 may not be comparable to the financial information in the consolidated financial statements of the Group for the previous periods.*"

ROUNDING

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, figures shown as totals in certain table may not be an arithmetic aggregation of the figures which precede them. References to information in billions of units are to the equivalent of a thousand million units.

CERTAIN DEFINITIONS AND CONVENTIONS

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

- the "**Group**", the "**Guarantor**" and words of similar import are to Linyi City Development Group Co., Ltd (临沂城市发展集团有限公司) itself, or to Linyi City Development Group Co., Ltd (临沂城市发展集团有限公司) and its consolidated subsidiaries, as the context requires;
- the "**Issuer**" are to Linyi City Development International Co., Limited 临沂城市发展国际有限公司, an indirect wholly-owned subsidiary of the Guarantor;
- "**China**" or the "**PRC**" are to the People's Republic of China, excluding, for purposes of this Offering Circular only, Taiwan, Hong Kong and the Macau Special Administrative Region;
- "**Hong Kong**" are to Hong Kong Special Administrative Region of the People's Republic of China (中华人民共和国香港特别行政区);
- "**IFRS**" are to the International Financial Reporting Standards;
- "**Linyi Finance Bureau**" are to the Bureau of Finance of Linyi City (临沂市财政局);
- "**Linyi Municipal Government**" are to the People's Government of Linyi City (临沂市人民政府);
- "**Linyi SASAC**" are to Linyi State-owned Assets Supervision and Administration Commission (临沂市人民政府国有资产监督管理委员会);
- "**MOF**" are to the Ministry of Finance of the People's Republic of China (中华人民共和国财政部);
- "**MOFCOM**" are to the Ministry of Commerce of the People's Republic of China (中华人民共和国商务部);
- "**NDRC**" are to the National Development and Reform Commission of the People's Republic of China (中华人民共和国国家发展和改革委员会);
- "**PBOC**" are to the People's Bank of China (中国人民银行), the central bank of the People's Republic of China;
- "**PRC GAAP**" are to the generally accepted accounting principles in the People's Republic of China;
- the "**PRC government**" are to the central government of China and its political subdivisions, including provincial, municipal and other regional or local government entities, and instrumentalities thereof, or where the context requires, any of them;
- "**RMB**" or "**Renminbi**" are to the legal currency of the People's Republic of China;

- "**SAFE**" are to the State Administration of Foreign Exchange of the People's Republic of China (中华人民共和国国家外汇管理局) or its competent local counterpart;

- "**SASAC**" are to State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China (中华人民共和国国务院国有资产监督管理委员会);

- "**SAT**" are to the State Administration of Taxation of the People's Republic of China (中华人民共和国国家税务总局);

- "**Shandong Provincial Government**" are to the People's Government of Shandong Province (山东省人民政府);

- "**SOE**" are to state-owned enterprises;

- "**US$**" or "**U.S. dollars**" are to the legal currency of the United States.

Unless the context otherwise requires, references to "2019", "2020" and "2021" in this Offering Circular means the Group's financial years ended 31 December 2019, 2020 and 2021, respectively.

The Issuer and the Guarantor record and publish their financial statements in Renminbi. Unless otherwise stated in this Offering Circular, all translations from Renminbi into U.S. dollars were made at the rate of RMB6.3726 to U.S.$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on 30 December 2021. All such translations in this Offering Circular are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars, or vice versa, at any particular rate, or at all. For further information relating to the exchange rates, see "*Exchange Rate Information*".

Unless specified otherwise, references in this Offering Circular to, and financial and other information presented with respect to, the Group are to such information of the Guarantor compiled on a consolidated basis.

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

FORWARD-LOOKING STATEMENTS

This Offering Circular contains certain forward-looking statements. 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 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 Group or by any third party) involve known and unknown risks, including those disclosed under the caption "Risk Factors", assumptions, uncertainties and other factors that may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

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

The factors that could cause the Group's actual results, performance and achievements of to be materially different include, among others:

- the Group's business and operating strategies;
- the Group's capital commitment and development plans;
- the amount and nature of, and potential for, future development of the Group's business;
- various business opportunities that the Group may pursue;
- the regulatory environment of the industries in which the Group operates;
- changes in political, economic, legal and social conditions, in particular in the PRC, including the specific policies of the PRC central and local governments affecting the regions where the Group operates;
- the prospective financial condition and performance regarding the Group's businesses;
- availability and costs of financing;
- changes in competitive conditions and the Group's ability to compete under these conditions;
- the Group's ability to obtain additional capital on acceptable terms;
- reduction or discontinuance of the government subsidies and other government grants or the mismatch in terms of timing of the availability of the government fiscal support and that of the Group's cash flow requirement; and
- other risks identified in "Risk Factors" in this Offering Circular.

Neither the Issuer nor the Guarantor undertakes any obligation to update or revise publicly any of the opinions or forward-looking statements expressed in this Offering Circular as a result of any new information, future events or otherwise.

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SUMMARY

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

OVERVIEW

Established on 8 June 2006, the Group is a primary state-owned infrastructure construction platform in Linyi City, Shandong Province, with a focus on infrastructure construction, trading, water supply and heat supply businesses in Linyi City. Since its establishment, the Group has been responsible for major infrastructure projects in various districts of Linyi City and has played a leading role in implementing the Linyi Municipal Government's blueprint for urban development. Leveraging strong government support, the Group has played an important role in furthering the social and economic development of Linyi City by undertaking and completing a large number of strategically important infrastructure construction projects in Linyi City. As at the date of this Offering Circular, Linyi SASAC and Shandong Caixin Asset Management Co., Ltd. (山东省财欣资产运营有限公司) directly hold a 91.21 per cent. and 8.79 per cent. interest in the Guarantor, respectively. The Group is directly and ultimately controlled by the Linyi SASAC.

As at 31 December 2021, the Guarantor had directly or indirectly held interests in approximately 30 subsidiaries. As at 31 December 2019, 2020 and 2021, the total assets of the Group amounted to RMB27,006.04 million, RMB44,519.36 million and RMB58,639.82 million, respectively. For the years ended 31 December 2019, 2020 and 2021, the Group's total operating income was RMB1,269.97 million, RMB3,622.87 million and RMB8,077.88 million, respectively. For the years ended 31 December 2019, 2020 and 2021, the Group's net profit were RMB127.82 million, RMB166.50 million and RMB178.45 million, respectively.

The Group primarily focuses on seven major business segments, namely (i) trading, (ii) real estate, (iii) sale of products, (iv) heat supply, (v) hotel operation, (vi) education and (vii) water supply. The Group also conducts other businesses, including property management, leasing, project construction, service, electricity supply, land development, exhibition, sales, electricity sales, training and others. Set forth below is an overview of the major business segments of the Group:

- **Trading.** Since 2020, the Group has engaged in trading business mainly through two of its subsidiaries, namely Linyi Chengfa International Trade and Investment Group Co., Ltd. (临沂城发国际贸易投资集团有限公司) ("**Chengfa Trade**") and Linyi Shangcheng Holding Group Co., Ltd. (临沂商城控股集团有限公司) ("**Shangcheng**"). The products traded primarily include steel, raw oil, plastic raw materials, rubber raw materials, frozen meat products and aquatic products. For the years ended 31 December 2019, 2020 and 2021, the operating income from the trading business was approximately nil, RMB1,505.15 million and RMB3,030.29 million, respectively, representing approximately nil, 41.55 per cent. and 37.51 per cent. of the Group's total operating income, respectively.

- **Real Estate.** The Group's real estate business is carried out through one of its subsidiaries, namely, Linyi Zhidu Urban Development and Construction Co., Ltd. (临沂智都城市开发建设有限公司). The Group is principally engaged in construction of real estate projects in various districts of Linyi City. The Group's real estate business is in the leading position in Linyi City. For the years ended 31 December 2019, 2020 and 2021, the operating income from the real estate business was approximately RMB624.47 million, RMB719.91 million and RMB2,321.46 million, respectively, representing approximately 49.17 per cent., 19.87 per cent. and 28.74 per cent. of the Group's total operating income, respectively.

- **Sale of Products.** The Group engages in sale of products business mainly through one of its subsidiaries, namely Shandong Sanwei Holdings Group Co., Ltd. (山东三维控股集团有限公司) ("**Sanwei**"). The products primarily include soybean meal, soybean oil, feed grade soy protein concentrate, tissue protein, defatted and deodorised protein, functional protein, drawing protein, snack foods and steel products. The sale of products business can be further divided into soybean processing and snack food production businesses. For the years ended 31 December 2019, 2020 and 2021, the operating income from the sale of products business was approximately nil, RMB369.99 million and RMB699.29, respectively, representing approximately nil, 10.21 per cent. and 8.66 per cent. of the Group's total operating income, respectively.

- **Heat Supply.** The Group is a major heat supplier in Linyi City. The Group's heat supply business primarily involves distribution of heat supply to residential and commercial users in the North District of Linyi City. The Group engages in heat supply business mainly through one of its subsidiaries, namely Linyi Xincheng Heat Co., Ltd. (临沂市新城热力有限公司) ("**Xincheng**"). For the years ended 31 December 2019, 2020 and 2021, the operating income from the heat supply business was approximately RMB239.26 million, RMB275.46 million and RMB290.43 million, respectively, representing approximately 18.84 per cent., 7.60 per cent. and 3.60 per cent. of the Group's total operating income, respectively.

- **Hotel Operation.** The Group engages in hotel operation business mainly through one of its subsidiaries, namely Linyi Chengkai International Hotel Co., Ltd. (临沂城开国际大酒店有限公司) ("**Chengkai**"). The Group owns one hotel in Linyi City, namely, Lanhai International Hotel (蓝海国际饭店). Lanhai International Hotel ranks in the top tier among local hotel market in terms of total assets, revenue and profit with its well-recognised brand image. For the years ended 31 December 2019 and 2020 and 2021, the operating income from the hotel operation business was approximately RMB192.27 million, RMB190.40 million and RMB316.65 million, respectively, representing approximately 15.14 per cent., 5.26 per cent. and 3.92 per cent. of the Group's total operating income, respectively.

- **Education.** The Group has commenced its education business in 2020 and engages in education business mainly through one of its subsidiaries, namely Shandong Zhiku Education Development Co., Ltd. (山东智库教育发展有限公司) ("**Zhiku Education**"). For the years ended 31 December 2020 and 2021, the operating income from the education business was approximately RMB176.42 million and 421.58 million, respectively, representing approximately 4.87 per cent. and 5.22 per cent. of the Group's total operating income, respectively.

- **Water Supply.** The Group engages in water supply business mainly through one of its subsidiaries, namely Linyi Water Operation Group Co., Ltd. (临沂市水务集团有限公司) ("**Linyi Water**"). The Group's water supply business mainly includes providing water supply in the North District of Linyi City. For the years ended 31 December 2019 and 2020 and 2021, the operating income from the water supply business was approximately RMB124.45 million, RMB150.50 million and RMB171.39 million, respectively, representing approximately 9.80 per cent., 4.15 per cent. and 2.12 per cent. of the Group's total operating income, respectively.

COMPETITIVE STRENGTHS

The Group believes the following competitive strengths distinguish it from its competitors and are important to its success and future development:

- A primary state-owned infrastructure construction platform in Linyi City, Shandong Province
- Well positioned to benefit from the economic growth and strategic location of Linyi City
- Strong and continuous governmental support
- Access to diverse source of funding
- Sound and effective corporate governance and internal control
- An experienced management and operations team and a sustainable development strategy

BUSINESS STRATEGIES

The Group intends to implement the following strategies to achieve its business objectives:

- Persist with a focus on infrastructure construction, trading, water supply and heat supply in Linyi City
- Explore new business opportunities and diversify sources of revenue
- Continue to enhance financial management and risk control system
- Continued focus on transforming, upgrading, developing and increasing investment in its infrastructure projects and the sustainable development of Linyi City
- Continue to build a professional management team
- Attract, motivate and retain high-quality talent

RECENT DEVELOPMENT

The recent coronavirus pandemic outbreak

Toward the end of 2019, public health officials of the PRC informed the WHO, that a highly infectious novel coronavirus was detected. WHO later named the novel coronavirus as COVID-19. On 11 March 2020, the WHO declared the COVID-19 outbreak a pandemic. The COVID-19 pandemic has resulted in a number of countries declaring a state of emergency and imposing extensive business and travel restrictions with a view to containing the pandemic. Widespread reductions in consumption, industrial production and business activities arising from the COVID-19 pandemic has significantly disrupted the global economy and global markets and is likely to result in a global economic recession.

Since 2022, new cases, from time to time, have been reported in Shandong province and several other areas throughout the PRC. Facing the highly transmissible Omicron variant, China is sticking with a dynamic zero-COVID policy and strict measures have been imposed again to curb this potential resurgence, including but not limited to regular coronavirus testing, quarantine, temporary lockdowns, and closed-off management. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will persist and to what extent to which the Group may be affected in the long run. The Group cannot assure that its business, financial condition and results of operations will not be materially and adversely affected.

Despite the impact of the COVID-19 pandemic, the views of the Group on the PRC's positive economic fundamentals for sustained growth and long-term trajectory have not changed. If the conditions in the PRC continue to improve, the Group anticipates that the impact of the COVID-19 pandemic on its overall operating results and financial condition during the current fiscal year may be limited. Given the uncertainty of the outbreak, however, the spread of COVID-19 may be prolonged and worsened, and the Group may be forced to scale back or even suspend its operations in the affected areas. The Group will continue to closely monitor the progression of this pandemic, evaluate and proactively assess and respond to its impact on the Group's financial position and operating results. See "*Risk Factors — Risks Relating to the Group's Business — The Group's business, financial condition, results of operations, profitability and prospects are subject to effects of global economic events.*"

Interim Results as at and for the three months ended 31 March 2022

In April 2022, the Group published its quarterly financial information as at and for the three months ended 31 March 2022, which was prepared according to PRC GAAP ("**First Quarter Financial Information**"). The First Quarter Financial Information is not included in and does not form a part of this Offering Circular.

As at 31 March 2022, the Group's current assets, non-current assets and current liabilities decreased while its non-current liabilities increased as compared to 31 December 2021. In particular, as at 31 March 2022, the Group's cash at bank and on hand, notes receivable, other non-current assets and long-term equity investment decreased while its short-term loans, notes payable, long-term loans and bonds payable increased as compared to 31 December 2021. As at 31 March 2022, the Group's other non-current assets decreased significantly primarily due to the payment of partial acquisition consideration relating the Guarantor's acquisition of the entire equity interest in and debt of Linyi Beicheng. See "*Acquisition of the entire equity interest in and debt of Linyi Beicheng Real Estate Co., Ltd. (临沂北城置业有限公司) ("**Linyi Beicheng**")*" below for details. For the three months ended 31 March 2022, the Group's operating income increased significantly as compared to the same period in 2021, primarily due to the improvement of the Group's business performance.

The First Quarter Financial Information has not been audited or reviewed by the Group's independent accountants, or any other independent accountants and may be subject to adjustments if audited and reviewed. Consequently, such financial statements should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review by an independent auditor and potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations.

Acquisition of the entire equity interest in and debt of Linyi Beicheng Real Estate Co., Ltd. (临沂北城置业有限公司) ("Linyi Beicheng")

On 25 May 2021, Qingdao Chengfaxin Real Estate Development Co., Ltd. (青岛城发欣房地产开发有限公司) ("**Qingdao Chengfaxin**"), a subsidiary of the Guarantor, Linyi Beicheng Real Estate Co., Ltd. Assets Administrator (临沂北城置业有限公司管理人) (the "**Beicheng Assets Administrator**"), and Linyi Beicheng entered into a reorganization and investment agreement and the agreement was further amended by a supplemental reorganization and investment agreement dated 7 June 2021, pursuant to which Qingdao Chengfaxin agreed to acquire, and the Beicheng Assets Administrator agreed to sell the entire equity interest of Linyi Beicheng, at the total consideration of RMB2,595.04 million.

Upon completion of the acquisition, Linyi Beicheng will become an indirect subsidiary of the Guarantor. As at the date of this Offering Circular, the registration with the local Administration for Market Regulation ("**AMR**") for the change of equity in Linyi Beicheng has not been completed yet.

THE OFFERING

The following summary contains some basic information about the Bonds. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Bonds" 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".

Issuer	Linyi City Development International Co., Limited 临沂城市发展国际有限公司
Legal Identification Code	83680038VBS6YX01UU92
Guarantor	Linyi City Development Group Co., Ltd (临沂城市发展集团有限公司)
Issue	U.S.$300,000,000 5.20 per cent. Guaranteed Bonds due 2025.
Guarantee	The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect will be contained in the Deed of Guarantee.
Issue Price	100.00 per cent.
Form, Specified Denomination and Title	The Bonds will be issued in registered form in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Interest	The Bonds will bear interest on their outstanding principal amount from and including 24 June 2022 at the rate of 5.20 per cent. per annum, payable semi-annually in arrear in equal instalments on 24 June and 24 December in each year (each an "**Interest Payment Date**") commencing on 24 December 2022.
Issue Date	24 June 2022.
Maturity Date	24 June 2025.
Use of Proceeds	The net proceeds from the offering of the Bonds will be advanced to the Guarantor or other members of the Group for project construction and operational capital supplement. See "*Use of Proceeds*".

Status of the Bonds	The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Status of the Guarantee	The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable laws and legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Negative Pledge	The Bonds will contain a negative pledge provision as further described in Condition 4(a) of the Terms and Conditions of the Bonds.
Events of Default	Upon the occurrence of certain events as described in Condition 9 of the Terms and Conditions of the Bonds, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (provided in any such case that the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer and the Guarantor that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with any accrued and unpaid interest.
Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without set-off or counterclaim and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the British Virgin Islands, the PRC or, in each case, any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

	If (a) the Issuer is required to make any deduction or withholding for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected withheld or assessed by the British Virgin Islands or (b) the Issuer, or as the case may be, the Guarantor is required to make a deduction or withholding for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected withheld or assessed by the PRC in excess of the Applicable Rate, then the Issuer (or the Guarantor, as the case may be) shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, as further described in Condition 8 of the Terms and Conditions of the Bonds.
Final Redemption	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 24 June 2025.
Redemption for Taxation Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), at their principal amount together with interest accrued up to, but excluding the date fixed for redemption, in the event of certain changes affecting taxes of the British Virgin Islands or the PRC, as further described in Condition 6(b) of the Terms and Conditions of the Bonds.
Redemption for Relevant Events .	At any time following the occurrence of a Change of Control or a No Registration Event (each a "**Relevant Event**"), a Holder will have the right, at such Holder's option, to require the Issuer to redeem all but not some only of that Holder's Bonds on the Put Settlement Date at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with, in each case, accrued interest up to but excluding such Put Settlement Date, as further described in Condition 6(c) of the Terms and Conditions of the Bonds.
Further Issues	The Issuer may from time to time without the consent of the Bondholders create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date and first payment of interest on them, as the case may be, and the timing for the completion of the Cross-Border Security Registration and the Post-Issuance Filing) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in the Terms and Conditions of the Bonds to the Bonds will include (unless the context requires otherwise) any other securities issued pursuant to Condition 15 of the Terms and Conditions of the Bonds and forming a single series with the Bonds.

Clearing Systems	The Bonds will be represented by beneficial interests in a Global Certificate in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about the Issue Date with, a common depository for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except in the limited circumstances as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.
Governing Law and Jurisdiction .	English law. Exclusive jurisdiction of the Hong Kong courts.
Trustee	The Bank of New York Mellon, London Branch.
Principal Paying Agent	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent . . .	The Bank of New York Mellon SA/NV, Dublin Branch.
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.
Rating	Fitch has assigned corporate ratings of "BBB-" and Moody's has assigned corporate ratings of "Baa3" to the Guarantor. The Bonds are expected to be rated "BBB-" by Fitch. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.
ISIN	XS2489808423.
Common Code	248980842.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

The summary audited consolidated financial information of the Guarantor as at and for the years ended 31 December 2019, 2020 and 2021, as set out below, has been derived from and should be read in conjunction with the Guarantor's Consolidated Financial Statements. The Guarantor's consolidated financial statements as at and for the year ended 31 December 2020 have been audited by Asia Pacific CPA. The Guarantor's consolidated financial statements as at and for the year ended 31 December 2021 have been audited by Hexin CPA.

In 2021, the Ministry of Finance of the PRC promulgated the 2021 New Accounting Standards and Requirements. The Guarantor's consolidated financial statements for the years ended 31 December 2021 were prepared and presented in accordance with the 2021 New Accounting Standards and Requirements. As a result, the presentation of certain accounting items in the Guarantor's consolidated financial statements for the years ended 31 December 2021 may not be comparable to the financial figures in the financial statements of the Guarantor for the previous periods. For details of the 2021 New Accounting Standards and Requirements and its impact on the Guarantor's consolidated financial statements as at and for the years ended 31 December 2020 and 2021, please see "Note VI. 31. Changes of important accounting policies and accounting estimates — 31.1 Changes of important accounting policies" of the Guarantor's consolidated financial statements as at and for the year ended 31 December 2021. See also "Risk Factors — Risks Relating to the Group's Business — The presentation of certain accounting items in the audited consolidated financial statements of the Group for the years ended 31 December 2019, 2020 and 2021 may not be comparable to the financial information in the consolidated financial statements of the Group for the previous periods."

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

According to Circular 706 (as defined below), any public assets such as public schools, public hospitals, public cultural facilities, parks, public squares, office buildings of government departments and public institutions, municipal roads, non-toll roads, non-operating water conservancy facilities, no-charge pipe network facilities and other public assets and the usage rights of reserve land cannot be counted towards the Group's assets for the purposes of issuing medium and long-term foreign debts. Please see "Risk Factors — Risks relating to the Group's Business — Any public assets of the Group should not be taken into account when assessing the Group's business, financial condition, results of operations and prospects" for further information.

SUMMARY CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December		
	2019	2020	2021
	(RMB) (Audited)	(RMB) (Audited)	(RMB) (Audited)
I. Gross revenue	**1,269,966,741.04**	**3,622,866,860.11**	**8,077,884,242.78**
Including: Operating revenue	1,269,966,741.04	3,622,866,860.11	8,077,884,242.78
II. Total operating cost	**1,408,796,121.40**	**3,995,619,758.40**	**8,658,130,684.20**
Including: Operating cost	1,052,030,909.46	3,250,943,872.38	7,381,881,676.45
Taxes and surcharges	60,776,910.99	76,539,261.26	94,389,437.83
Selling expenses	58,735,036.99	74,960,189.69	201,234,595.95
Administrative expenses	226,705,836.79	437,134,660.43	592,102,839.58
Financial expenses	2,931,217.50	156,041,774.64	388,522,134.39
Including: Interest expenses	148,658,305.55	224,658,827.08	433,343,950.22
Interest income	151,251,915.50	75,977,987.31	97,920,742.89
Add: Other income	19,464,067.61	546,704,256.22	705,490,112.29
Investment income	18,844,241.27	16,593,060.39	105,544,412.08
Changes in fair values	—	—	1,118,636.00
Credit impairment losses	—	—	(31,336,580.55)
Assets impairment losses	7,616,209.67	(32,989,426.57)	—
Gain on disposal of assets	68,860.35	3,622,866,860.11	(359,039.54)
III. Operation profits	**(100,452,211.13)**	**157,554,991.75**	**200,211,098.86**
Add: Non-operating income	255,626,394.77	1,466,037.24	3,382,403.15
Less: Non-operating expenditure	17,006,437.59	3,716,375.57	2,660,330.29
IV. Total profits	**138,167,746.05**	**155,304,653.42**	**200,933,171.72**
Less: Income tax expenses	10,343,840.28	(11,196,452.66)	22,480,693.47
V. Net profits	**127,823,905.77**	**166,501,106.08**	**178,452,478.25**
(I) Classified by operation continuity			
1. Net profit from continued operations	127,823,905.77	166,501,106.08	178,452,478.25
(II) Classified by ownership			
1. Net profit which belongs to shareholders of parent company	144,064,125.07	173,992,452.03	168,513,084.67
2. Minority interest	(16,240,219.30)	(7,491,345.95)	9,939,393.58
VI. Net of tax of other comprehensive income			(211,350.52)
(I) Net of tax of other comprehensive income attributable to the owners of parent company	—	—	(211,350.52)
1. Other comprehensive income not subject to reclassification to profit or loss in future	—	—	—
2. Other comprehensive income to be reclassified into profit or loss in future	—	—	(211,350.52)
(7) Others	—	—	140,211.96
VII. Total comprehensive income	**127,823,905.77**	**166,501,106.08**	**178,241,127.73**
Total comprehensive income attributable to the shareholders of parent company	144,064,125.07	173,992,452.03	168,301,734.15
Total comprehensive income attributable to the minority shareholders	(16,240,219.30)	(7,491,345.95)	9,939,393.58

SUMMARY CONSOLIDATED BALANCE SHEET

	As at 31 December		
	2019	**2020**	**2021**
	(RMB)	**(RMB)**	**(RMB)**
	(Audited)	**(Audited)**	**(Audited)**
Current assets:			
Monetary funds	1,623,533,927.05	3,549,575,271.08	5,948,841,417.87
Notes receivable	—	2,000,000.00	45,981,837.12
Accounts receivable	82,566,364.60	584,747,811.62	988,547,538.39
Prepayments	439,617,983.92	1,199,087,774.94	1,670,675,227.45
Other receivables	3,190,793,950.10	2,376,433,093.99	1,034,222,016.74
Including: Interest receivable	—	2,138,301.09	2,138,301.09
Inventories	5,223,942,493.51	12,601,645,305.41	14,661,558,018.89
Other current assets	1,649,352,501.06	672,589,207.69	996,922,194.45
Total current assets	**12,209,807,220.24**	**20,986,078,464.73**	**25,346,748,250.91**
Non-current assets:			
Long-term accounts receivables	25,791,001.78	25,791,001.78	25,791,001.78
Available-for-sale financial assets	22,050,000.00	54,051,354.00	—
Long-term equity investments	291,648,903.46	824,308,429.18	2,284,094,640.15
Other equity instrument investments	—	—	155,551,354.00
Investment properties	1,571,155,158.02	4,804,300,100.00	4,805,418,736.00
Fixed assets	5,036,844,319.89	8,113,713,412.38	10,763,544,047.02
Construction in progress	1,586,868,848.71	3,296,617,608.03	4,009,938,362.10
Right-of-use assets	—	—	7,511,085.67
Intangible assets	3,975,232,340.35	4,465,511,952.24	7,220,410,530.21
Goodwill	12,565,894.49	12,565,894.49	195,677,936.23
Long-term deferred expenses	14,519,061.88	26,221,350.09	52,050,610.72
Deferred income tax assets	671,101.78	47,599,403.97	49,134,304.46
Other non-current assets	2,258,890,576.31	1,862,601,743.45	3,723,946,325.58
Total non-current assets	**14,796,237,206.67**	**23,533,282,249.61**	**33,293,068,933.92**
Total assets	**27,006,044,426.91**	**44,519,360,714.34**	**58,639,817,184.83**
Current liabilities:			
Short-term borrowings	1,060,000,000.00	966,850,000.00	1,341,028,898.59
Notes payable	—	270,268,528.60	497,435,877.91
Accounts payable	491,499,199.28	583,098,337.76	1,442,594,307.20
Accounts received in advance	2,861,188,247.81	4,212,818,373.54	—
Contract liabilities	—	—	4,651,676,337.45
Employee compensation payables	13,271,208.55	84,240,045.72	74,414,637.76
Tax payable	479,342,475.75	249,391,350.92	331,287,172.24
Other payables	3,102,986,234.64	3,267,752,064.92	5,430,966,614.73
Including: Interest payable	—	226,095,254.26	—
Non-current liabilities due within one year	1,372,047,812.66	1,698,896,841.69	3,229,982,589.91
Other current liabilities	—	—	2,227,634,890.28
Total current liabilities	**9,380,335,178.69**	**11,333,315,543.15**	**19,227,021,326.07**

	As at 31 December		
	2019	2020	2021
	(RMB) (Audited)	(RMB) (Audited)	(RMB) (Audited)
Non-current liabilities:			
Long-term loans	1,256,500,000.00	3,979,342,422.07	4,551,596,818.64
Bonds payable	720,000,000.00	6,381,940,567.52	8,341,473,855.53
Long-term payables	463,124,714.01	1,703,700,875.75	3,228,101,321.94
Estimated liabilities	1,378,102.77	—	—
Deferred income	258,411,762.94	329,317,319.46	328,511,663.57
Deferred income tax liabilities	—	769,108,644.44	769,388,303.44
Total non-current liabilities	**2,699,414,579.72**	**13,163,409,829.24**	**17,219,071,963.12**
Total liabilities	**12,079,749,758.41**	**24,496,725,372.39**	**36,446,093,289.19**
Shareholders' equity:			
Paid-in capital	1,500,000,000.00	2,000,000,000.00	2,500,000,000.00
Capital reserve	10,841,544,312.13	12,770,831,753.04	13,958,867,252.47
Other comprehensive income	—	—	(1,980,868.26)
Special reserves	—	—	6,654,774.75
Surplus reserves	179,087,680.11	204,623,946.19	226,084,929.15
Provision for general risks	—	—	2,568,965.00
Undistributed profits	2,302,646,950.19	2,443,750,960.89	2,588,222,745.41
Total equity attributable to the shareholders of parent company	14,823,278,942.43	17,419,206,660.12	19,280,417,798.52
Minority shareholders' interests	103,015,726.07	2,603,428,681.83	2,913,306,097.12
Minority shareholders' interests	**14,926,294,668.50**	**20,022,635,341.95**	**22,193,723,895.64**
Total liabilities and shareholders' equity	**27,006,044,426.91**	**44,519,360,714.34**	**58,639,817,184.83**

OTHER FINANCIAL DATA

	As at and for the year ended 31 December		
	2019	**2020**	**2021**
	(unaudited)	**(unaudited)**	**(unaudited)**
EBITDA[1] (RMB in millions)	642.13	913.38	1,909.64
Total debt[2] (RMB in millions)	4,871.67	15,799.04	21,713.86
Asset-liability ratio (per cent.)	44.73	55.02	62.15

Notes:

(1) EBITDA for any period is calculated as total profit before interest expenses, depreciation, amortisation of intangible assets and long-term prepayments. 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 Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, the Group believes that investors should consider, among other things, the components of EBITDA such as sales and operating expenses under the amount by which EBITDA exceeds capital expenditures and other charges. The Group has included EBITDA because it believes that it is a useful supplement to the cash flow data as a measure of the Group's performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group's EBITDA to EBITDA presented by other companies because not all companies use the same definitions.

(2) Total debt consists of short-term borrowings, notes payable, other payables (interest-bearing portion), non-current liabilities due within one year, long-term loans, bonds payable and long-term payables. Investors should not compare the Group's total debt to total debt presented by other companies because not all companies use the same definitions.

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information contained in this Offering Circular, including the risks and uncertainties described below. The business, financial condition or results of operations of the Group could be materially and adversely affected by any of these risks. The Issuer and the Guarantor believe that the risk factors described below represent the principal risks inherent in investing in the Bonds, but the ability of the Issuer or the Guarantor to pay interests, principal or other amounts on or in connection with any Bonds may be affected by some factors that may not be considered as significant risks by the Issuer, the Guarantor or the Group on information currently available to them or which they are currently unable to anticipate. Additional risks and uncertainties not presently known to the Group or which the Group currently deems immaterial may also have an adverse effect on an investment in the Bonds. All of these factors are contingencies which may or may not occur and the Group is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Group believes may be material for the purpose of assessing the market risks associated with the Bonds are described below. The Group believes that the factors described below represent the principal risks inherent in investing in the Bonds, but the inability of the Group to repay principal, pay interest (if any) or other amounts or fulfil other obligations on or in connection with the Bonds may occur for other reasons and the Group does not represent that the statements below regarding the risks of holding the Bonds are exhaustive.

RISKS RELATING TO THE GROUP'S BUSINESS

The Group's businesses, financial conditions, results of operations and prospects are heavily dependent on the level of economic development of Linyi City, Shandong Province and the PRC.

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

The future prospects of economy of Linyi City, Shandong Province and China depend on many different factors, most of which are beyond the Group's control. It is uncertain how the economic condition and future development in Linyi City and Shandong Province will be affected by the slowdown in the growth of China's economy. The economy of the PRC experienced rapid growth in the past 40 years. However, there has been a slowdown in the growth of the PRC's GDP since the second half of 2013. According to the National Statistics Bureau of the PRC, the annual growth rate of the PRC's GDP slowed down from 7.4 per cent. in 2014 to 2.2 per cent. in 2020 but increased to 8.1 per cent. in 2021. This has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable.

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

The performance of the PRC economy is not only subject to the economic and monetary policies of the PRC government, but has been, and will in the future continue to be, materially dependent on global or regional geopolitical, economic and market conditions, including factors such as the liquidity of the global financial markets, the level and volatility of debt and equity prices, interest rates, currency and commodities prices, investor sentiment, inflation or deflation and the availability and cost of capital and credit as well as the performance of certain major developed economies in the world, such as the United States, the United Kingdom and the European Union. Please see "*— The Group's business, financial condition, results of operations, profitability and prospects are subject to effects of global economic events*" in this "*Risk Factors*" section. The outlook for the global economy and financial markets remains uncertain. From time to time, the PRC and other countries may adopt, adjust or withdraw their macroeconomic measures, monetary policies and economic stimulus packages, which further increases the difficulty in predicting the outlook for the global economy and financial markets. Economic conditions in the PRC are sensitive to global economic conditions and it is impossible to predict how the PRC economy will develop in the future and whether it might slow down due to the global crisis or experience a financial crisis in a manner and scale similar to that in the United States and the European countries between 2008 and 2011.

In addition, the PRC government continues to play a significant role in regulating the development of industries in the PRC by imposing top-down policies. It also exercises significant control over PRC economic growth through the allocation of resources, controlling the payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Furthermore, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. This refining and adjustment process may not necessarily have positive effects on the Group's operations and business development. Other political, economic and social factors may also lead to further adjustments of the reform measures. For example, the PRC government has, in the past, implemented a number of measures intended to curtail certain segments of the economy, including the property industry, which the government believed to be overheating. Other factors or events, such as the ongoing COVID-19 pandemic, which has occurred in the PRC and other countries since late 2019, may also have a significant adverse impact on the PRC's political, economic and social conditions, which in turn may materially and adversely affect the Group's business, financial condition, results of operations and prospects. There can be no assurance that future changes in the PRC's political, economic and social conditions, laws, regulations and policies will not have a material adverse effect on the Group's current or future business and financial condition.

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

The Linyi SASAC and the Linyi Municipal Government can exert significant influence on the Group, and could cause the Group to make decisions or modify the scope of its activities, or impose new obligations on the Group that may not be in the Group's best interest.

As at the date of this Offering Circular, the Group is directly and ultimately controlled by the Linyi SASAC. As the controlling shareholder of the Group, the Linyi SASAC is in the position to significantly influence the Group's major business decisions and strategies, including the scope of its activities, investment decisions, merger and acquisition, appointment of senior management team and dividend policy. The Linyi SASAC may use their ability to influence the Group in a manner that may not be in the Group's best interest.

The Linyi SASAC, the Linyi Municipal Government and other relevant PRC governments may also change their policies, intention, preferences, views, expectations, projections, forecasts and opinions, as a result of changes in the economic, political and social environment, its projections of population and employment growth. Any amendment, modification or repeal could modify the existing regulatory regime and materially and adversely affect the Group's financial condition and results of operations.

A reduction or discontinuance of government support could materially and adversely affect the financial conditions and results of operations of the Group.

In light of the strategic importance of some of the Group's businesses to Linyi City, the Group has received various kinds of support (excluding credit support or guarantees provided by the government) from the Linyi Municipal Government to support its investments in and operation of those businesses. For the years ended 31 December 2019, 2020 and 2021, the aggregate fiscal subsidies provided to the Group amounted to approximately RMB254.86 million, RMB539.29 million and RMB676.89 million, representing 20.07 per cent., 14.89 per cent. and 8.38 per cent. of the Group's operating revenue, respectively.

The Group's operating revenue is largely dependent on subsidies from the Linyi Municipal Government and investment returns. As the government's provision of subsidies and grants depends on the future fiscal revenue and fiscal policies of the local and central PRC government, there can be no assurance that the Group will continue to receive the same government subsidies and grants or enjoy the same preferential treatments that it currently enjoys.

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

Any public assets of the Group should not be taken into account when assessing the Group's businesses, financial conditions, results of operations and prospects.

According to the Circular of the General Office of the National Development and Reform Commission and the General Office of the Ministry of Finance on Further Strengthening the Corporate Bonds to Serve the Real Economy and Strictly Preventing Local Debt Risks (《国家发展改革委办公厅、财政部办公厅关于进一步增强企业债券服务实体经济能力严格防范地方债务风险的通知》(Fa Gai Ban Cai Jin [2018] No. 194) (发改办财金[2018]194号)) (the "**Circular 194**") adopted on 8 February 2018 and took effect on the same day, any public assets such as public schools, public hospitals, public cultural facilities, parks, public squares, office buildings of government departments and public institutions, municipal roads, non-toll bridges, non-operating water conservancy facilities, no-charge pipe network facilities and other public assets and the usage rights of reserve land (together, "**Public Assets**") cannot be counted towards the Group's assets for the purposes of issuing corporate bonds. Similarly, the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (Fa Gai Wai Zi [2018] No. 706) (《国家发展改革委、财政部关于完善市场约束机制严格防范外债风险和地方债务风险的通知》(发改外资[2018]706号)) (the "**Circular 706**"), promulgated on 11 May 2018 and took effect on the same day, also prevents enterprises incurring medium to long-term foreign debts from counting Public Assets as assets owned by the enterprises for reporting purposes. In addition, the Circular 706 obligates such enterprises may not implicitly or explicitly publicise any misleading link to government credit in offering documentation or otherwise; where an enterprise is owned by a local government entity, the documentation must make clear that the liability of the local government is limited to the amount of its capital contribution and the debts of the enterprise are to be solely repaid by the enterprise itself as an independent legal person. As at the date of this Offering Circular, the Group's projects include some infrastructure construction projects. While the Group believes that such assets do not constitute public assets within the scope of Circular 706, there is, however, no clear definition of public assets in Circular 706 so its interpretation may involve uncertainty.

In particular, prospective investors should not take into account the Group's Public Assets when assessing the Group's businesses, financial conditions, results of operations and prospects as the Group's Public Assets cannot be utilised to discharge any obligations of the Group, including the repayment of any amount under the Bonds. As at 31 December 2021, the Group's total Public Assets amounted to approximately RMB1,856.75 million, representing approximately 3.17 per cent. of the Group's total assets. The Group's Public Assets have not been excluded from the Group's consolidated financial statements included elsewhere in this Offering Circular. Potential investors must therefore exercise caution when using such consolidated financial statements to evaluate the Group's businesses, financial conditions, results of operations and prospects.

As the Circular 194 is relatively new and given the limited volume of published decisions relating to the Circular 194, the interpretation and implementation of the Circular 194 involves uncertainties. In addition, there can be no assurance that the PRC government will not impose additional or stricter laws and regulations relating to foreign debt financing, which may increase the Group's financing costs and in turn could materially and adversely affect the Group's businesses, financial conditions, results of operations and prospects.

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

The Group's results of operations and financial conditions may be affected by changes in the regulations of the PRC government concerning local government debts and the financing platforms of local governments. Various PRC government entities maintain and enforce regulations related to local government financing vehicles (the "**LGFV**"). These government entities, including but not limited to MOF and NDRC, may from time to time interpret relevant laws and regulations differently based on their own interpretation of the specific activities engaged in by enterprises such as the Group. The Group therefore cannot be certain that certain regulations intended to apply to LGFV do not or will not apply to them or that such regulations will not be retroactively applied to them. In September 2014, the State Council released the Opinion of the State Council on Enhancing the Administration of Fiscal Debts of Local Governments (Guo Fa [2014] No.43) (《国务院关于加强地方政府性债务管理的意见》(国发[2014]43号)) (the "**Circular 43**") with an aim to control a significant increase in local government debts and associated risks in the PRC's financial system. The Circular 43 generally prohibits local governments to incur "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.

MOF, together with NDRC, PBOC, CSRC, CBRC and the Ministry of Justice of the PRC, released the Circular on Further Regulation of Local Government Borrowing and Financing Conduct (Cai Yu [2017] No.50) (《关于进一步规范地方政府举债融资行为的通知》(财预[2017]50号)) to emphasise the principles and policies set out in the Circular 43 in April 2017.

On 8 February 2018, the Circular 194 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 Circular 194 requires companies that plan to issue bonds to establish a sound and standardised 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 include Public Assets in corporate assets for the purposes of issuing corporate bonds. The PRC government issued the Circular on Matters Concerning Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (Cai Jin [2018] No.23) (《财政部关于规范金融企业对地方政府和国有企业投融资行为有关问题的通知》(财金[2018]23号)), promulgated on 28 March 2018 and took effect on the same day, which aims to increase the responsibility of the PRC state-owned financial institutions to investigate into the financial independence and liquidity level of the local government financing vehicles that they assist in fundraising.

Further, on 6 June 2019, the general office of the NDRC issued the Notice of the General Office of the National Development and Reform Commission on Relevant Requirements for Record-filing and Registration of Issuance of Foreign Debts by Local State-owned Enterprises (Fa Gai Ban Wai Zi [2019] No. 666) (《国家发展改革委办公厅关于对地方国有企业发行外债申请备案登记有关要求的通知》(发改办外资[2019]666号)) (the "**Circular 666**"), promulgated on 6 June 2019 and took effect on the same day, which aims to strengthen the management of local government debt, prevent the risks of medium and long-term foreign debts and hidden debt of local government and further implement the requirements specified in NDRC Notice. The Circular 666 expressly restricts the use of proceeds of foreign debt issued by local state-owned enterprises which undertake local government financing functions of repaying medium and long-term foreign debts other than those 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 businesses and prospects to a large extent depend upon the spending or budget of the Linyi Municipal Government on infrastructure construction.

The Group is directly and ultimately controlled by the Linyi SASAC and is a primary state-owned infrastructure construction platform in Linyi City, Shandong Province, with a focus on infrastructure construction, trading, water supply and heat supply businesses in Linyi City. As certain businesses operate in sectors of public interest, governmental agencies and state-owned enterprises are among the Group's major customers and the Group's businesses are to a large extent funded by the Linyi Municipal Government. Grants and subsidies from the government is an important source of working capital and such support substantially strengthens the Group's profitability and ability to invest in large-scale capital-intensive infrastructure construction and real estate projects in Linyi City. Due to the nature of the Group's businesses, its business and financial performance may be materially affected by changes in the spending or budget of the Linyi Municipal Government, especially by any significant reduction in the public spending of the Linyi Municipal Government. The Group's businesses and prospects have historically been, and may continue to be, affected by the public spending or budget of the Linyi Municipal Government on infrastructure construction in Linyi City.

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

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

The Group's business operations require substantial capital resources. For the years ended 31 December 2019, 2020 and 2021, the Group incurred capital expenditures of RMB2,923.72 million, RMB1,853.08 million and RMB4,520.52 million, respectively. The Group has historically satisfied its capital requirement with the cash flow generated from its operating activities, bank loans, onshore debt issuances and subsidies from the Linyi Municipal Government. The Group will continue to require substantial capital resources to support its business operations and expansion. Any failure to obtain sufficient capital resources on acceptable terms or in a timely manner may materially and adversely affect its business and prospects.

The ability of the Group to generate sufficient operating cash flow is affected by a number of factors, such as the Group's ability to manage and implement its business activities, the local government's payment schedule, due performance of the Group's contractors, changes in the general market conditions and regulatory environment and the competition in certain sectors in which the Group operates. Any adverse changes in any of these factors, which may be beyond the Group's control, may result in a capital shortfall. In particular, any delays in the payment by the government and the government funding and cost overruns inherent may also cause such shortfall. There is no assurance that the Group's operations are able to generate sufficient cash to satisfy its cash need at all times, if at all.

The Group has historically experienced negative net operating cash flows.

For the year ended 31 December 2020, the Group recorded negative net operating cash flows of RMB4,049.60 million. The negative net operating cash flows during the period indicated is mainly because certain businesses of the Group, which include infrastructure construction and real estate, are capital-intensive in nature. Further, the Group's infrastructure construction and real estate projects may be subject to unexpected delays, which may in turn result in mismatches between the construction timetables which determine the project expenditures and the payment timetables which determine the revenue from those projects.

Negative net operating cash flows may harm the Group's ability to make additional capital expenditures to expand its operations and its ability to repay its debts. The Group may need to obtain external financing to satisfy its liquidity needs and to repay its debts.

The Group may not be able to achieve or sustain positive net operating cash flows, and even if the Group achieves positive net operating cash flows, such positive cash flows may not be sufficient to satisfy its anticipated capital expenditures and other cash needs. If the Group continues to record negative net operating cash flows, its repayment capability may be materially and adversely affected.

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

The Group relies on bank loans and onshore debt issuances to satisfy a portion of its capital requirements and the Group has had a significant amount of outstanding indebtedness. As at 31 December 2021, the Group's total interest-bearing indebtedness (comprising short-term borrowings, notes payable, other payables (interest-bearing portion), non-current liabilities due within one year, long-term loans, bonds payable and long-term payables) was approximately RMB21,713.86 million. As at 31 December 2021, the Group had total credit facilities of approximately RMB17.59 billion, of which RMB5.57 billion had not been utilised. Substantial indebtedness could impact on the Group's businesses in a number of ways, including:

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

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

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

In incurring indebtedness and liabilities from time to time, members of the Group may create security over their assets, receivables or equity interests in companies or entities held by them (which may include the Guarantor's subsidiaries) in favour of the relevant creditors. For example, 500 million shares in Shandong Sanwei Holdings Group Co., Ltd. (山东三维控股集团有限公司) owned by the Guarantor have been pledged to the Linyi Branch of Qingdao Bank Co., Ltd. (青岛银行股份有限公司临沂分行). See "*Description of the Group — Corporate Structure*".

As at 31 December 2021, Group with a total book value of approximately RMB1,805.40 million restricted assets, representing approximately 3.08 per cent. of the Group's total assets. Third-party security rights may limit the Group's use of the underlying collateral assets and materially and adversely affect its operation efficiency. If the Group and its subsidiaries are unable to service and repay their debts under such loan facilities on a timely basis, the assets provided as security for such bank loans may be subject to foreclosure, which may materially and adversely affect the Group's businesses, financial conditions, results of operations and prospects.

The Group faces risks associated with contracting with public bodies.

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

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

As at 31 December 2019, 2020 and 2021, the Group's accounts receivable amounted to RMB82.57 million, RMB584.75 million and RMB988.55 million, respectively, representing 0.31 per cent., 1.31 per cent. and 1.69 per cent. of the Group's total assets, respectively. The Group's accounts receivable mainly comprises of the outstanding land development fees owed by the Linyi Mall Management Committee (临沂商城管理委员会).

As at 31 December 2019, 2020 and 2021, the Group's other receivables amounted to RMB3,190.79 million, RMB2,376.43 million and RMB1,034.22 million, respectively, representing 11.82 per cent., 5.34 per cent. and 1.76 per cent. of the Group's total assets, respectively. The Group's other receivables mainly comprise payment receivables from Yinan County Urban Development Group Co., Ltd. (沂南县城市发展集团有限公司), Linyi Guokong Asset Management Co., Ltd. (临沂市国控资产管理有限公司), Shandong Jinsheng Nonferrous Metals Group Co., Ltd. (山东金升有色集团有限公司), Shandong Xianglong Industrial Group Co., Ltd. (山东翔龙实业集团有限公司) and Yishui County State-owned Assets Operation Company (沂水县国有资产运营公司).

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

Delays or defaults in payments to the Group may affect its working capital and cash flow.

Some of the Group's projects in infrastructure construction and real estate are conducted under a business model where the Group undertakes project construction and the local government is responsible for the payment of the relevant costs and expenses. For such projects, the payments are usually made in instalments over a relatively long period, and sometimes a large portion of the agreed payment is paid only after the testing and inspection of the project are completed and the project is approved for use. On the other hand, the Group starts incurring costs, such as material, equipment and labour costs, from the beginning of the project and before achieving any payment from the local government, and thus bears the risk of pre-paying costs and expenditures for each project. Therefore, any delay or default in the payments to the Group may increase the Group's cash flow pressure which will in turn increase its financial vulnerability and adversely affect its financial condition and results of operations.

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

The Group's businesses require a large amount of working capital prior to the completion of the relevant project and the subsequent acceptance by the government. As at 31 December 2019, 2020 and 2021, the Group's inventories amounted to RMB5,223.94 million, RMB12,601.65 million and RMB14,661.56 million, respectively, representing 19.34 per cent., 28.31 per cent. and 25.00 per cent. of the Group's total assets, respectively. As at 31 December 2021, the Group's inventories mainly comprise development cost, stock goods, raw materials and construction cost. Nevertheless, in accordance with the Group's accounting policies, the Group had not made provision for inventory price changes in the past three years. Therefore, a significant decrease in the value of land the Group holds could materially and adversely affect the Group's businesses, financial conditions, results of operations or prospects.

A number of the Group's businesses are dependent on the stable supply of raw materials and may be adversely affected by disruptions in the supply of, or price volatility relating to, such raw materials.

The Group's trading, sale of products and real estate businesses depend on reliable sources to provide large quantities of raw materials, the cost of which is subject to factors such as fluctuations in supply, market conditions and logistics cost. In certain markets, the Group has entered into long-term arrangements or annual strategic cooperation agreements for the supply of raw materials. There is no assurance, however, that there will not be any interruption or disruption in, or change in terms of, the Group's raw materials supplies, or that the Group will receive its raw materials in a timely manner or on acceptable terms or of an acceptable quality. If there is any interruption or disruption in the Group's supply of raw materials and the Group is unable to obtain suitable substitutes from alternative sources in a timely manner, the Group's business, financial conditions and results of operations may be adversely affected.

Further, such supply is subject to price volatility caused by external conditions, including price fluctuations in commodities and changes in governmental policies. There is no assurance that the Group's key suppliers will continue to provide it with raw materials on reasonable terms or at all, or that the prices of its raw materials will remain stable in the future. In addition, the Group may not be able to transfer some or all of the cost increases of its raw materials to its customers. As a result, any increase or material fluctuation in prices of raw materials could have a material adverse effect on the Group's business, prospects, financial conditions and results of operations.

The Group operates in multiple businesses and such business structure exposes the Group to challenges not faced by companies with a single or fewer variety of businesses.

The Group has a number of subsidiaries and associated companies operating in multiple industries. Through these subsidiaries and associated companies, the Group's operation and investment primarily focus on seven major business segments, namely, trading, real estate, sale of products, heat supply, hotel operation, education, water supply. The Group also conducts other businesses, including property management, leasing, project construction, service, electricity supply, land development, exhibition, sales, electricity sales, training and others. As such, the Group is exposed to business, market and regulatory risks associated with multiple businesses.

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

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

Any failure by the Group to maintain relationships with its major customers and suppliers would have an adverse effect on the Group's trading and sale of products businesses.

The Group relies on certain major customers and suppliers in its trading and sale of products business segments. There can be no assurance that the Group will be able to maintain or improve its relationships with its major customers and suppliers, or that it will be able to continue to supply various products to these customers or source various products from these suppliers at current pricing levels or at all. In addition, the demand for the Group's various products is affected by the performance of its customers. Therefore, any decline in its major customers' businesses could lead to a decrease in purchase orders from these customers. If any of the Group's major customers were to substantially reduce the size or value of the orders they place with the Group or were to terminate their business relationships with the Group entirely, there can be no assurance that the Group would be able to obtain orders from other customers to replace any such lost sales on comparable terms or at all. If any of these relationships were to be so terminated and the Group were unable to obtain replacement orders, its businesses, financial conditions, results of operations and prospects may be materially and adversely affected.

The Group has provided external guarantees for third-party companies and individuals. Defaults by relevant parties would adversely affect the Group's financial condition.

The Group also provides external guarantees to certain third-party companies and individuals in various lines of businesses. For instance, the Group acts as a guarantor for the borrowings of certain third-party companies and individuals. As at 31 December 2021, the Group's outstanding external guarantees amounted to approximately RMB2,250.00 million, representing 3.84 per cent. of the Group's total assets. If any of the guaranteed companies defaults on its repayment obligations, the Group will be liable under the guarantees and the Group's business, results of operations and financial conditions might be affected.

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

The Group has substantial indebtedness outstanding. See "— *Significant indebtedness may restrict the Group's business activities and increase the Group's exposure to various operational risks*". Much of the Group's indebtedness bears interests that accrue at interest rates linked to benchmark lending rates published by PBOC which is now required to be converted into loan prime rate published by National Interbank Funding Centre as authorised by PBOC. Any material fluctuation in the benchmark lending rate or loan prime rate may have a material impact on the Group's interest expenses and payables under its bank loans and other borrowings and in turn affect its results of operations. The PRC government may from time to time adjust interest rates as implementation of the PRC government's economic and monetary policies. Any material fluctuation in the benchmark lending interest rate or loan prime rate could have a material impact on the Group's interest payables under its bank loans and in turn affect its results of operations. The Group's future loan facilities may also carry interest rates based on the loan prime rate and subject to market conditions. There is no assurance, as a result of any increase in PBOC benchmark rate, loan prime rate or otherwise, that the Group will be able to service its existing bank borrowings as they become due or obtain sufficient additional bank borrowings going forward on commercially acceptable terms, or at all, which could have a material and adverse effect on the Group's businesses, financial conditions and results of operations.

The Group may not successfully implement its growth strategy.

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

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

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

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

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

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

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

The Group's real estate business is subject to claims under statutory quality warranties.

Under the Regulations on the Administration of Quality of Construction Works (《建设工程质量管理条例》), all real estate companies in the PRC must provide certain quality warranties for the properties they construct or sell. The Group is required to provide these warranties to its customers. Generally, it receives quality warranties from its third-party contractors with respect to its development projects. The relevant subsidiaries within the Group have accumulated extensive real estate development and management experience, and also have various project management and quality control measures in place. However, in the project development process, there are many factors which may adversely affect the quality of the properties. Any deficiency in project management or quality control may result in defects in the construction, design and overall quality of the properties. If a significant number of claims are brought against the Group under its warranties and if it is unable to obtain reimbursement for such claims from third-party contractors in a timely manner or at all, or if the moneys retained by it to cover its payment obligations under the quality warranties are not sufficient, the Group could incur significant expenses to resolve such claims or face delays in correcting the related defects, which could in turn harm its reputation and have a material and adverse effect on its business, financial condition and results of operations.

The hotel operation business is cyclical and subject to seasonal volatility and macroeconomic and other factors beyond the Group's control which can have a material and adverse impact on the Group's hotel operation business.

The hotel operation business is sensitive to changes in global and national economies in general, and to other external factors. The recent economic downturn and the global COVID-19 pandemic since late-2019, have had, and any further economic downturn or outbreaks could have, a negative impact on the level of business and leisure travel to the PRC where the Group operates its hotel, which in turn has had, and may continue to have, a negative impact on the hotel industry in Linyi City. In particular, a decline in business and leisure travel has had a negative impact on occupancy and room rates of the Group's hotel. A prolonged downturn in the hotel industry may have an adverse effect on the Group's business, operating results, financial condition and prospects.

The hotel industry may also be unfavourably affected by other factors such as government regulations, changes in local market conditions, competition in the industry, excess hotel supply or reduced international or local demand for hotel rooms and associated services, foreign exchange fluctuations, interest rate environment, the availability of finance and social factors.

Additionally, the Group's hotel operations may be adversely impacted by the Group's ability to control costs, including increases in wage levels, energy, healthcare, insurance costs and other operating expenses. This may result in lower operating profit margins or even losses and the success of its food and beverage operations may be adversely affected.

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

The insurance coverage of the Group may not adequately protect it against all operational risks. The Group faces various operational risks in connection with its business, including but not limited to:

- mechanical production interruptions, electricity outages and equipment failure;
- operating limitations imposed by environmental or other regulatory requirements;
- work-related personal injuries;
- on-site occupational accidents;
- credit risks relating to the performance of customers or other contractual third parties;
- disruption in the global capital markets and the economy in general;
- loss on investments;
- environmental or industrial accidents; and
- catastrophic events such as fires, earthquakes, explosions, floods or other natural disasters.

The Group maintains insurance policies that provide different types of risk coverage, which the Guarantor believes to be compliant with applicable laws and regulations in the PRC and in line with industry practice. However, claims under the insurance policies may not be honoured fully or on time, or the insurance coverage may not be sufficient to cover costs associated with accidents incurred in the Group's operations due to the above-mentioned operational risks. Certain types of losses (such as from wars, acts of terrorism or acts of God, business interruption, property risks and third party (public) liability) are not insured in the PRC because they are either uninsurable or not economically insurable. To the extent that the Group suffers loss or damage that is not covered by insurance or that exceeds the limit of its insurance coverage, its business, financial condition, results of operations and cash flow may be materially and adversely affected.

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

The success of the Group's businesses 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 finance professionals, project development and management personnel, legal professionals, risk management personnel, information technology and other operation personnel. Competition for attracting and retaining these individuals is intensive. Such competition may require the Group to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could materially and adversely affect the Group's financial conditions 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 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 materially and adversely affect its revenue and financial conditions.

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

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

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

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

The Group may encounter problems with the Group's joint projects and disputes with the Group's business partners may materially and adversely affect the Group's businesses, financial conditions and results of operations.

In the course of the Group's businesses, the Group has in the past formed, and may in the future continue to form, joint ventures or other cooperative relationships with other parties to jointly engage in certain business activities. The Group may bear joint and several liabilities to the project owners or other parties with the Group's business partners under the relevant agreements, and as a result, the Group may incur damages and other liabilities for any defective work or other breaches by other business partners. In addition, if there are disagreements between the Group and its business partners regarding the business and operations of the joint projects, there is no assurance that these disagreements can be resolved in a manner that will be in the Group's best interests. Certain major decisions, such as selling or refinancing these projects, may require the consent of all other partners. These limitations could materially and adversely affect the Group's ability to sell, refinance or otherwise operate and profit from these projects.

Any of these and other factors may have a material and adverse effect on the performance of the Group's joint projects and expose such projects to a number of risks, including the risk that these projects may not be able to fulfil their obligations under contracts with customers, resulting in disputes not only between the Group and its partners, but also between the joint ventures and their customers, or create unexpected complications. Such a material and adverse effect on the performance of the joint projects may in turn materially and adversely affect the Group's businesses, financial conditions and results of operations.

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

Certain business activities of the Group, such as real estate are extensively regulated in the PRC. The operation of these business activities requires a number of approvals, licenses and permits from different governmental authorities. For example, the Group is required to obtain a project approval and the environmental assessment approval at the outset of the project, and as the projects progress, it needs to receive the construction land planning permit (建设用地规划许可证), the land use right certificate (土地使用权证书), the environment impact evaluation approval (环境影响评价批复), the construction project planning permit (建设工程规划许可证) and the construction permit (建筑工程施工许可证) at different stages of development. It takes time to obtain all of these approvals and certificates. Governmental authorities in China have broad discretion in implementing and enforcing applicable laws and regulations and in determining the grant of approvals, licenses, permits and certificates necessary for conducting businesses. As at the date of this Offering Circular, the Group has obtained all aforesaid approvals, licences, permits and certificates for its real estate projects under construction save for those which are not required to obtain or complete obtaining as at the date hereof. Failure to obtain the necessary approvals, licenses or permits in a timely manner could result in delay or suspension of business operations and a failure to obtain the necessary approvals, licenses or permits may subject the relevant entities to regulatory or administrative penalties.

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

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

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

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

The Group is subject to government's price controls in certain markets. For example, water supply and heat supply fee is, to a certain extent, controlled and determined by the Linyi Municipal Government and the relevant price control authorities. There can be no assurance that the relevant price control authorities will increase the relevant sales prices to take into account of any future increase in the construction costs such as the raw material cost, or that the price control authorities will not lower the existing sales prices. If the Group is not able to pass on its increased construction costs or the impact of any price adjustments to its customers in a timely manner, the Group's businesses, financial conditions and results of operations may be materially and adversely affected.

The Group faces management risks due to its numerous subsidiaries.

The Group operates its business segments through multiple subsidiaries. As at 31 December 2021, the Guarantor had directly or indirectly held interest in approximately 30 subsidiaries. Although the Group strives to implement its internal control measures, corporate governance and operational and safety standards to its subsidiaries in a uniform manner, given the large number of the Group's subsidiaries, it may be difficult to effectively implement such measures and standards across all of its subsidiaries. There is no assurance that the Group can effectively monitor each subsidiary and prevent non-compliance. Failure to do so may result in violations of local regulations, which may materially and adversely affect the Group's business, financial condition and results of operations.

The Group may not be able to complete its real estate projects on time, within budget, or at all.

The Group's real estate projects require substantial capital expenditures prior to and during the construction period. One, two or several years may elapse before the government's buyback of specific project. The progress and costs for a development project may be materially and adversely affected by many factors, including:

- delays in obtaining necessary licences, permits or approvals from government agencies and authorities;
- changes in market conditions;
- delays in or increased costs of relocation of existing residents or demolition of existing structures;
- unforeseen engineering, design, environmental, structural or geographic problems;
- shortages or increased costs of materials, equipment, contractors and skilled labour;
- labour disputes;

- adverse influence caused by other construction projects not undertaken by the Group;
- construction accidents;
- natural catastrophes;
- adverse weather conditions;
- discovery of historic and cultural relics in the construction site; and
- changes in government policies or in applicable laws or regulations.

Any of these factors may lead to construction delays or increased costs, may require changes to planned specifications or may ultimately end up with delays of the project. If a development project is not completed on time, other parties in the contract may be entitled to damages for late delivery or, under certain circumstances, may terminate the purchase contract and claim damages. Any such consequences may have a material adverse impact on the Group's reputation, business, prospects, financial condition and results of operations.

The Group's sale of products business contributed significantly to its total revenue. Any decrease in demand for consumer products in Linyi City may adversely affect its business, results of operations and financial condition.

The sale of products segment contributed approximately 10.21 per cent. and 8.66 per cent., respectively, of the Group's total operating income for the years ended 31 December 2020 and 2021. Demand for consumer products in Linyi City and the rest of China is cyclical in nature and is affected by various factors, including the rate of growth and expansion in new home construction and residential remodeling combined with improvements in government infrastructure and commercial construction spending. Fluctuations in demand may lead to product sales and increased inventory, which may result in further downward price pressure which will inevitably adversely affect the Group's business, results of operations and financial condition.

The Group's business, financial condition, results of operations, profitability and prospects are subject to effects of global economic events.

Recent global market and economic conditions have been unprecedented and challenging, with tight credit conditions, recession or stagnation in most major economies. Continued concerns about the systemic impact of potential long-term and widespread recession, energy costs, rising oil prices, inflation, geopolitical issues, the cost of credit, the global housing and mortgage markets and the withdrawal of the United Kingdom from the European Union have contributed to increased market volatility, weakened business and consumer confidence and diminished expectations for economic growth around the world.

The outlook for the world economy and financial markets in the coming few years remains uncertain. Economic conditions in the PRC are sensitive to global economic conditions, and it is impossible to predict how the PRC economy will develop in the future and whether it might slow down due to the global crisis or experience a financial crisis in a manner and scale similar to that in the United States and the European countries. Unfavourable financial or economic conditions, such as those caused in recent years by the global financial and economic crisis in the United States, Europe, Japan, the PRC, Hong Kong and other jurisdictions in recent years have had a corresponding effect on Asian financial markets and may continue to do so in the future. These include the European sovereign debt crisis and the recent withdrawal of the United Kingdom from the European Union effective on 31 January 2020, with the EU-UK Trade and Cooperation Agreement being agreed on 24 December 2020. In addition, during 2018 and 2019, the U.S. government imposed tariffs on Chinese imports, which then led the PRC to retaliate with tariffs on U.S. imports. Whilst the U.S. government and the PRC government subsequently entered into a "phase one" trade agreement in early 2020, the effect of previously imposed tariffs on the economy of the PRC and the U.S. may result in long-term structural shifts to the economies of both countries.

On 11 March 2020, the World Health Organization (the "**WHO**") declared COVID-19 a pandemic. The COVID-19 pandemic and policies implemented by governments to deter the spread of the disease have had and may continue to have an adverse effect on consumer confidence and the general economic conditions to which the Group's businesses are subject. Governments of many countries (including the PRC) had declared a state of emergency, closed their borders to international travellers and issued stay-at-home orders with a view to containing the pandemic. Although vaccines have been developed to counter COVID-19, there are also new strains of the virus arising in some countries and the situation remains uncertain. There can be no assurance that such measures will be effective in ending or deterring the spread of COVID-19. As COVID-19 continues to spread globally, many countries may be affected and the resultant disruptions to the supply chain and reduced levels of consumption, commercial activities and industrial production in the affected countries may result in an economic slowdown in such economies which, if prolonged, could cause a global recession.

On 24 February 2022, Russia launched a large-scale invasion of Ukraine. As a result, the United States, the United Kingdom, the member states of the European Union and other public and private actors have levied severe sanctions on Russia. The geopolitical and macroeconomic consequences of this invasion and associated sanctions cannot be predicted, and such events, or any further hostilities in Ukraine or elsewhere, could severely impact the world economy. These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue to adversely affect the PRC market and consumption capacity in this market, which may lead to a decline in the general demand for the Group's services and products and erosion of their procurement or sale prices. In addition, any further tightening of liquidity in the global financial markets and in the PRC may negatively affect the Group's liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets crisis continues, the Group's business, financial condition and results of operations may be adversely affected.

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 damages, breach of warranty or delay in completion and delivery projects. In addition, the Group may bring up claims against project contractors for additional costs incurred as a result of the contractors' underperformance or non-performance, project defects or default by the contractors. If the disputes or claims are not resolved or settled through negotiation or mediation, the Group may be involved in lengthy and costly litigation or arbitration proceedings, which may distract the Group's financial and managerial resources. In the event that the Group prevails in those legal proceedings, there is no assurance that the judgement or awards will be effectively enforced. If a judgment or award is rendered against the Group, the amounts payable by the Group may not be fully covered by the Group's insurance, and the amounts could differ from the provisions made by the Group based on its estimates. Any material charges associated with claims brought against the Group and material write downs associated with the Group's claims could have a material adverse impact on its financial condition, results of operations and cash flow. See "*Description of the Group — Legal Proceedings*".

The Group may publish periodical financial information in the PRC pursuant to applicable PRC regulatory rules. Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular.

The Group has issued and plans to issue corporate bonds in the domestic capital markets in the PRC. According to applicable PRC securities regulations on debt capital markets, the Group may need to publish its quarterly, half year and annual financial information to satisfy its continuing disclosure obligations relating to its notes in the domestic capital markets. The quarterly and half year financial information published by the Group in the PRC is normally derived from the Group's management accounts and has not been audited or reviewed by independent auditors. As such, such financial information published in the PRC should not be relied upon by potential purchasers to provide the same quality of information associated with any audited information. The published financial information in the PRC may be adjusted or restated to address subsequent changes in accordance with the accounting standards, the Group's accounting policies and/or applicable laws and regulations affecting the Group's financial reporting or to reflect the subsequent comments given by the independent auditors during the course of their audit or review. Such adjustment or restatement may cause discrepancies between the financial information with respect to a particular period or date contained in the Group's management accounts subsequently published in the PRC and its audited or reviewed financial statements to be provided to holders of the Bonds. The Group 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, PRC environmental rules and regulations and the domestic and international competitive landscape of the industries in which the Group operates its businesses.

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

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

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

This Offering Circular contains facts and statistics relating to the economy of Linyi City, Shandong Province, the PRC and the industries in which the Group operates. Although the Group has taken reasonable care to select reputable and reliable information sources and ensure that the facts and statistics relating to Linyi City, Shandong Province, the PRC, the economy in these areas and the industries in which the Group operates presented are accurately extracted from such sources, such facts and statistics have not been independently verified by the Group, the Joint Lead Managers, the Trustee, the Agents or their respective advisers and, therefore, none of them makes any representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other countries and should not be unduly relied upon.

The presentation of certain accounting items in the audited consolidated financial statements of the Group for the years ended 31 December 2019, 2020 and 2021 may not be comparable to the financial information in the consolidated financial statements of the Group for the previous periods.

In 2021, MOF of the PRC promulgated the 2021 New Accounting Standards and Requirements. The audited consolidated financial statements of the Group as at and for the year ended 31 December 2021 were prepared and presented in accordance with the 2021 New Accounting Standards and Requirements. As a result, the presentation of certain accounting items in the audited consolidated financial statements of the Group as at and for the year ended 31 December 2021 may not be comparable to the financial figures in the financial statements of the Group for the previous periods. For details of the 2021 New Accounting Standards and Requirements and its impact on the audited consolidated financial statements of the Group as at and for the years ended 31 December 2020 and 2021, please see "*Note VI. 31. Changes of important accounting policies and accounting estimates — 31.1 Changes of important accounting policies*" of the Guarantor's consolidated financial statements as at and for the year ended 31 December 2021.

Asia Pacific CPA and Hexin CPA, the Guarantor's independent auditors for the respective years, have received adverse administrative decisions and warnings issued by the relevant PRC authority in relation to its audits of PRC companies in recent years

Asia Pacific CPA and Hexin CPA, the Guarantor's independent auditors for the respective years, are registered accounting firms in the PRC supervised by relevant PRC regulatory agencies, including the CSRC. Asia Pacific CPA and Hexin CPA have received adverse administrative decisions and warnings issued by the relevant PRC authority in relation to its audit work of PRC companies in recent years.

According to Asia Pacific CPA and Hexin CPA, the sanctions and investigations initiated by relevant PRC regulatory agencies, including the CSRC, do not (a) disqualify the Asia Pacific CPA or Hexin CPA team from participating in the offering of the Bonds; (b) have any impact on Asia Pacific CPA or Hexin CPA's opinions for the Guarantor's Audited Consolidated Financial Statements for the respective years or (c) have any impact on Asia Pacific CPA or Hexin CPA's ability to provide services to the Group.

However, there can be no assurance that the above-mentioned investigations would not subject Asia Pacific CPA, Hexin CPA or any of their respective management, officers or employees to further sanctions imposed by the relevant PRC authorities. In addition, there can be no assurance that there will not be any other investigations or sanctions against Asia Pacific CPA or Hexin CPA or that any negative news about Asia Pacific CPA or Hexin CPA which 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

The Group's businesses, financial conditions, results of operations and prospects could be materially and adversely affected by slowdowns in China's economy.

Substantially all of the Group's assets are located in the PRC and substantially all of the Group's revenue is derived from its operating activities in the PRC. Therefore, the performance of the China's economy affects, to a significant degree, the Group's businesses, prospects, financial conditions and results of operations.

The economy of the PRC experienced rapid growth in the past 30 years. There has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. The slowdown in the growth of PRC's GDP was caused by a combination of factors, such as the global economic conditions, governmental policies and changes in market dynamics globally and regionally as well as the COVID-19 spreading globally. For the whole year of 2019, the PRC government reported a GDP of RMB99.0865 trillion, representing year-on-year growth of 6.1 per cent. In February 2021, the PRC government reported a GDP for the whole year of 2020 of RMB101.5986 trillion, representing year-on-year growth of 2.3 per cent. Although the PRC government has recently taken several measures and actions with an aim to increase investors' confidence in the PRC economy, there can be no assurance that those measures will be effective. There are uncertainties relating to the overall prospects for the global and the PRC economies this year and beyond, which may have a material adverse impact on the Group's business, prospects, financial conditions and results of operations. 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. For example, the recent trade tension between the U.S. and China has brought and may continue to bring uncertainty to global markets and to a certain extent, impacted businesses and financial market sentiment, influenced financial market volatility, and slowed investment and trade. Starting in March 2018, the United States imposed tariffs on steel and aluminium imports from China, and later on 6 July 2018, the United States imposed 25% tariffs on U.S.$34 billion worth of Chinese goods as part of President Donald Trump's tariffs policy. In return, the PRC responded with similarly sized tariffs on United States' products. Significant further tariffs have been imposed by both countries since then. In January 2020, China and the United States signed the first stage of trade deal, which, among other things, included a rollback by the United States of some existing tariffs. However, significant tariffs remain and it is unclear how much economic relief the first stage of trade deal will offer. In July 2020, the United States imposed sanctions on certain Chinese companies from purchasing U.S. technology and products without a special license. In August 2020, the United States further determined that certain Chinese firms are allegedly owned or controlled by the Chinese military and subject to sanctions. This has been further amended and supplemented by a new executive order addressing the threat from securities investments that finance certain companies of the People's Republic of China issued by the president of the United States in June 2021. It remains unclear whether the United States will impose further sanctions on more Chinese companies in the future. Therefore, there exists continued uncertainty for the overall prospects for the global and the PRC economies this year and beyond.

Any slowdown in the China's economy may increase the Group's exposure to material losses from its investments, decrease the opportunities for developing the Group's businesses, create a credit tightening environment, increase the Group's financing costs, or reduce government grants to the Group, any of which may result in a material and adverse effect on the Group's businesses, results of operations and financial conditions. See "*— The Group's businesses, financial conditions, results of operations and prospects are heavily dependent on the level of economic development of Linyi City, Shandong Province and the PRC*".

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

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

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

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

The Group's businesses, financial conditions and results of operations may be materially and adversely affected by:

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

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

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

Economic growth in the PRC had historically been accompanied by periods of high inflation. Increasing inflation rates were due to many factors beyond the Group's control, such as rising food prices, rising production and labour costs, high lending levels, PRC and foreign government policies and regulations as well as movements in exchange rates and interest rates. It is impossible to accurately predict future inflationary trends. If inflation rates rise beyond the Group's expectations, the Group may be unable to increase the prices of its services and products in amounts that are sufficient to cover its increasing operating costs. Further inflationary pressures within the PRC may have a material and adverse effect on the Group's businesses, financial conditions or results of operations.

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

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

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

Substantially all of the Group's assets and the Group's members are located in the PRC. In addition, substantially all of the assets of the directors of the Group and the members of its senior management of the Group are located within the PRC. Therefore, it may not be possible for investors to effect service of process upon the Group or its directors or members of its senior management outside the PRC. The PRC has not entered into treaties or arrangements providing for the recognition of judgment made by courts of most other jurisdictions. Pursuant to the Arrangement of the Supreme People's Court for 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 (Fa Shi [2008] No.9) (《最高人民法院关于内地与香港特别行政区法院相互认可和执行当事人协议管辖的民商事案件判决的安排》(法释[2008]9号》)) (the "**Choice of Court Arrangement**") which is effective on 1 August 2008, a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a "choice of court" agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final court judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a "choice of court" agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A "choice of court" agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Choice of Court Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute do not enter into a "choice of court" agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against the Group, the Group's assets or the Group's directors or members of its senior management outside the PRC and/or to seek recognition and enforcement for foreign judgments in the PRC. On 18 January 2019, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters between the Courts of the Mainland and of the Hong Kong Special Administrative Region (关于内地与香港特别行政区法院相互认可和执行民商事案件判决的安排) (the "**2019 Arrangement**"), which is not yet effective, seeks to establish a bilateral legal mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong and the PRC. The 2019 Arrangement will be implemented by local legislation in Hong Kong and will take effect after both Hong Kong and the PRC have completed the necessary procedures to enable implementation. However, the recognition and enforcement of foreign judgements in the PRC are subject to the provisions, limitations, procedures and other terms and requirements of the 2019 Arrangement and there may still be hurdles for investors to effect service of process against the Group, the Group's assets or the Group's directors or members of its senior management outside the PRC and/or to seek recognition and enforcement for foreign judgments in the PRC.

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

The Guarantor's subsidiaries, jointly controlled entities and associated companies are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to the Guarantor, its jointly controlled entities and associated companies.

There are certain restrictions included in the Group's financing agreements on the ability of the Guarantor's subsidiaries to declare and effect dividend payment. As a holding company, the Guarantor will depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from its subsidiaries, jointly controlled entities and associated companies to satisfy its obligations under the Guarantee. The ability of the Guarantor's subsidiaries, jointly controlled entities and associated companies to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of these companies,applicable laws and restrictions contained in the debt instruments of such companies. There can be no assurance that the Guarantor's subsidiaries, jointly controlled entities and associated companies will have distributable earnings or will be permitted to distribute their distributable earnings to it as it anticipates,or at all. In addition, dividends payable to it by these companies are limited by the percentage of its equity ownership in these companies. In particular, the Guarantor does not maintain complete control over its jointly controlled entities or associates in which it might hold a minority interest. Further, if any of these companies raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to the Guarantor to make payments under the Guarantee. These factors could reduce the payments that the Guarantor receives from its subsidiaries, jointly controlled entities and associated companies, which would restrict its ability to meet its payment obligations under the Guarantee.

The Group is subject to restrictions on the remittance of Renminbi into and out of the PRC and governmental controls on currency conversion, and may be affected by the risks relating to fluctuations in exchange rates in the future.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and the remittance of currency out of PRC. Substantially all of the Group's revenues are denominated in Renminbi, a portion of which may need to be converted into other currencies in order to meet the Group's foreign currency obligations, such as overseas acquisitions, and payments of principal and interests under the Bonds or other foreign currency denominated debt, if any.

Under the existing PRC laws and regulations on foreign exchange, payments of current account items, including profit distributions, interest payments and trade and service related foreign exchange transactions, can be made in foreign currencies without prior approval from or registration with the SAFE provided that certain procedural requirements are complied with. Approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may, at its discretion, take measures to restrict access to foreign currencies for current account and capital account transactions under certain circumstances. If the foreign exchange control system prevents the Group from obtaining sufficient foreign currencies to satisfy the Group's foreign currency demands, the Group may not be able to pay interests and/or principal to holders of the Bonds or other foreign currency denominated debt, if any. In addition, there can be no assurance that new laws or regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of the PRC.

The proceeds from the offering of the Bonds will be received in U.S. dollars. As a result, any appreciation of Renminbi against U.S. dollars or any other foreign currencies may result in the decrease in the value of the Group's foreign currency-denominated assets and the Group's proceeds from the offering of the Bonds. Conversely, any depreciation of Renminbi may materially and adversely affect the Group's ability to service the Bonds.

The value of Renminbi against U.S. dollars and other foreign currencies is subject to changes in the PRC's policies, as well as international economic and political developments. On 21 July 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. From 21 July 2005 to 17 March 2014, the floating band of interbank spot foreign exchange market trading price of Renminbi against U.S. dollars was gradually widened from 0.30 per cent. to 2.00 per cent. On 11 August 2015, PBOC adjusted the mechanism for market makers to form the central parity rate by requiring them to consider the closing exchange rate of the last trading date, the supply and demand of foreign exchange and the rate change at primary international currencies. On 11 December 2015, the China Foreign Exchange Trade System, a sub-institutional organisation of PBOC, published the Renminbi exchange rate index for the first time which weighs the Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. Although starting from 1 October 2016, Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund, there can be no assurance that the PRC government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that any pilot schemes for Renminbi cross- border utilisation will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting the remittance of Renminbi into or outside the PRC.

In addition, following the gradual appreciation against U.S. dollars in 2017, Renminbi experienced a recent depreciation in value against U.S. dollars followed by a fluctuation in 2018 and early 2019. There can be no assurance that the Renminbi will not experience significant depreciation or appreciation against U.S. dollars or against any other currency in the future. Furthermore, the Group is required to obtain the SAFE's approval before converting significant amounts of foreign currencies into Renminbi. As a result, any significant increase in the value of Renminbi against foreign currencies could reduce the value of the Group's foreign currency-denominated revenue and assets and could materially and adversely affect the Group's businesses, financial conditions, results of operations and prospects.

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

As at 31 December 2021, the Group had approximately 2,832 employees. Although the Group enjoys good labour relations with its employees, the Group is unable to predict the outcome of any future labour negotiations. Any conflicts with the Group's employees or contractors and/or their respective unions could have a material and adverse effect on its financial conditions and results of operations.

On 28 December 2012, the PRC government amended the Labour Contract Law of the PRC (《中华人民共和国劳动合同法》), which amendment became effective on 1 July 2013. The Labour Contract Law establishes additional restrictions and increases the cost to employers upon termination of employees, including specific provisions related to fixed-term employment contracts, temporary employment, probation, consultation with the labour union and employee general assembly, employment without a contract, dismissal of employees, compensation upon termination and overtime work, and collective bargaining. According to the Labour Contract Law, an employer is obligated to sign an unlimited term labour contract with an employee under certain circumstances (including where the employer continues to employ the employee after two consecutive fixed term labour contracts). The employer must also pay compensation to employees if the term of a limited term labour contract expires, unless an employee refuses to extend the labour contract with the employee under the same terms or better terms than those in the original contract. Further, under the Regulations on Paid Annual Leave for Employees (《职工带薪年休假条例》) which became effective on 1 January 2008, employees who have served more than one year with an employer are entitled to a paid vacation ranging from five to fifteen days, depending on their length of service. Employees who waive such vacation time at the request of employers shall be compensated at three times their daily salaries for each waived vacation day. As a result of these protective labour measures or any additional future measures, the Group's labour costs may increase. There can be no assurance that any disputes, work stoppages or strikes will not arise in the future.

RISKS RELATING TO THE BONDS AND THE GUARANTEE

The PRC government (including the Linyi Municipal Government) has no obligation to pay any amount under the Bonds as payment obligations under the Bonds remain the sole obligation of the Issuer.

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

The PRC government, the Linyi Municipal Government have no obligation to pay any amount under the Bonds. Investments in the Bonds are relying solely on the credit risk of the Issuer and the Guarantor. In the event the Issuer and/or the Guarantor do not fulfil their obligations under the Bonds, investors will only be able to claim as an unsecured creditor against the Issuer, the Guarantor and their assets, and not any other person including the PRC government, Linyi Municipal Government or any other local or municipal government. As the Circular 23 and Circular 706 are relatively new and given the limited volume of published decisions related to these circulars, the interpretation and enforcement of these laws and regulations involve uncertainties.

In addition, any ownership or control by the PRC government (including the Linyi Municipal Government) does not necessarily correlate to, or provide any assurance as to, the Issuer's or the Guarantor's financial condition. If the Issuer or the Guarantor does not fulfil its obligations under the Bonds, investors will only have recourse against the Issuer or the Guarantor, and not the PRC government.

An active trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop or as to liquidity or sustainability of any such market, the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds. If the Bonds are allocated to a limited group of investors, and a limited number of investors hold a significant proportion of the Bonds, liquidity will be restricted and the development of a liquid trading market for the Bonds will be affected. If a market does develop, it may not be liquid and the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. The Joint Lead Managers are not obligated to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. In addition, Bondholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this Offering Circular), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Bonds. Such lack of liquidity may result in investors suffering losses on the Bonds in secondary resales even if there is no decline in the performance of the assets of the Group. It is not possible to predict which of these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Bonds and instruments similar to the Bonds at that time. Although application will be made for the listing of the Bonds on the Hong Kong Stock Exchange, no assurance can be given as to the liquidity of, or trading market for, the Bonds. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, investors 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.

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

If an active trading market for the Bonds were to develop, the price and trading volume of the Bonds may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group, proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies, changes in the industry that the Group operates and competition and general economic conditions could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There can be no assurance that these developments will not occur in the future.

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 the U.S. dollar would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which neither the Issuer nor the Guarantor has any control. Depreciation of the U.S. 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.

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 China. Since the sub-prime mortgage crisis in 2008, 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 Bonds may not be a suitable investment for all investors.

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

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

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

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, or where the currency for principal or interest payments is different from the potential investor's currency;

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

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

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

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

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

The Issuer was established by the Guarantor specifically for the purpose of issuing the Bonds. Moreover, the Issuer may issue other bonds in the future and on-lend the proceeds to other entities. The Issuer does not and will not have any assets other than such loan and its ability to make payments under the bonds will depend on its receipt of timely payments from the Guarantor or other members of the Group under such loan arrangement.

The Guarantee will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Guarantor's existing and future subsidiaries, whether or not secured. The Guarantor's obligations under the Guarantee will not be guaranteed by any of the Guarantor's subsidiaries, and the Guarantor's ability to make payments under the Guarantee depends partly on the receipt of dividends, distributions, interest or advances from its subsidiaries. The ability of such subsidiaries to pay dividends to the Guarantor is subject to various restrictions under applicable laws. The Guarantor's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Guarantee or make any funds available therefor, whether by dividends, loans or other payments. The Guarantor's right to receive assets of any of the Guarantor's subsidiaries, upon that subsidiary's liquidation or reorganisation, will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Guarantor are creditors of that subsidiary). Consequently, the Guarantee will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Guarantor's subsidiaries and any subsidiaries that the Guarantor may in the future acquire or establish. The outstanding indebtedness of the subsidiaries of the Guarantor may also contain covenants restricting the ability of such subsidiaries to pay dividends in certain circumstances for so long as such indebtedness remains outstanding. Moreover, the Guarantor's percentage interests in its subsidiaries and joint ventures could be reduced in the future.

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

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

Pursuant to the Deed of Guarantee, the Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The

Guarantor is required to submit the Deed of Guarantee to SAFE for registration in accordance with, and within the time period prescribed by, the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees. Although the non-registration does not render the Deed of Guarantee ineffective or invalid under PRC law, the Guarantor may not be able to go through the procedures for the purchase of foreign exchange and remittance to perform its obligations under the Deed of Guarantee, and SAFE may impose penalties on the Guarantor if registration of the Deed of Guarantee is not carried out within the stipulated timeframe. The Guarantor intends to complete the Cross-Border Security Registration with SAFE as soon as practicable and in any event before the Registration Deadline (as defined in Terms and Conditions of the Bonds). If the Cross-Border Security Registration is not completed before the Registration Deadline, the holder of a Bond will have the option to require the Issuer to redeem such Bond pursuant to Condition 6(c) of the Terms and Conditions of the Bonds. In addition, if the Guarantor fails to complete the Cross-Border Security Registration, there may be logistical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of the registration of the Deed of Guarantee with SAFE in order to effect such remittance, although this does not affect the validity of the Deed of Guarantee itself.

The Provisions on the Foreign Exchange Administration of Cross-Border Guarantees is a recent regulation and its interpretation may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Deed of Guarantee of the Bonds in the PRC. In addition, the administration of the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees may be subject to a certain degree of executive and policy discretion by SAFE. There is no assurance that the registration of the Deed of Guarantee with SAFE can be completed by the Guarantor or that such registration will not be revoked or amended in the future or that future changes in PRC laws and regulations will not have a negative impact on the validity and enforceability of the Deed of Guarantee in the PRC.

The interpretation of the NDRC Notice may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Bonds.

According to the NDRC Notice, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities or medium to long term loans issued or incurred outside the PRC with the NDRC prior to the issue of the securities or drawings under the loans, and notify the particulars of the relevant issues or drawings within 10 business days after the issuance of the Bonds. The Guarantor has received an Enterprise Foreign Debt Filing Registration Certificate dated 2 March 2022 from the NDRC in connection with the Pre-Issuance Registration.

The interpretation of the NDRC Notice may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Bonds. The NDRC Notice is silent on the legal consequences of non-compliance with the pre-issue and post-issue registration requirements. In addition, the administration of the NDRC Notice may be subject to a certain degree of executive and policy discretion by the NDRC. There is also a risk that the registration approval with the NDRC may be revoked or amended in the future or that future changes in PRC laws and regulations may have a negative impact on the performance or validity and enforceability of the Bonds in the PRC. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions.

The credit rating assigned to the Bonds may not reflect all risks.

The Bonds are expected to be rated "BBB-" by Fitch. One or more independent credit rating agencies may assign credit ratings to the Bonds. The rating represents only the opinion of the relevant rating agency and its assessment of the ability of the Issuer and the Guarantor to perform their respective obligations under the Bonds and the Guarantee and credit risks in determining the likelihood that payments will be made when due under the Bonds. The rating of the Bonds may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Bonds. A rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. There can be no assurance that the ratings assigned to any Bonds will remain in effect for any given period or that the ratings will not be revised or withdrawn by the rating agencies in the future if, in their judgement, the circumstances so warrant. None of the Issuer or the Guarantor has any obligation to inform holders of the Bonds of any such qualification, reduction, suspension, revision, downgrade or withdrawal. A suspension, downgrade or withdrawal of the ratings of any Bonds at any time may adversely affect the market price of the Bonds.

The Bonds and the Guarantee are unsecured obligations.

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

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

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

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

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

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

The Terms and Conditions of the Bonds provide that the Trustee may, without the consent of the Bondholders, agree to any modification of the Trust Deed, the Deed of Guarantee, the Terms and Conditions of the Bonds and/or the Agency Agreement which in the opinion of the Trustee will not be materially prejudicial to the interests of Bondholders and to any modification of the Trust Deed, the Deed of Guarantee, the Terms and Conditions of the Bonds 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 an error which is, in the opinion of the Trustee, proven.

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

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

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

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

The Bonds will be represented by a Global Certificate which will be deposited with a common depositary for Euroclear and Clearstream (each a "**Clearing System**"). Except in the limited circumstances described in the Global Certificate, investors will not be entitled to receive definitive certificates representing the Bonds. The Clearing System(s) 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, or failing which, the Guarantor will discharge its payment obligations under the Bonds by making payments to the Clearing System for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the Clearing System(s) to receive payments under the Bonds. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the Clearing System(s) to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Certificate will not have a direct right under the Global Certificate to take enforcement action against the Issuer or the Guarantor in the event of a default under the Bonds but will have to rely upon their rights under the Trust Deed.

The Issuer or the Guarantor may issue additional bonds which affect the price of the Bonds

The Issuer or the Guarantor may raise additional capital through the issue of other bonds or other means. Other than certain restrictions on issuing certain secured indebtedness as set out in Condition 4(a) of the Terms and Conditions of the Bonds, there is no restriction, contractual or otherwise, on the amount or type of securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Bonds. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by Bondholders on a winding-up of the Issuer or the Guarantor. The issue of any such securities or the incurrence of any such other liabilities might also have an adverse impact on the trading price of the Bonds and/or the ability of Bondholders to sell their Bonds.

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

The Bonds will carry a fixed interest rate. Consequently, the trading price of the Bonds will vary with the fluctuations in the US dollar interest rates. If a holder of the Bonds tries to sell such Bonds before their maturity, he may receive an offer that is less than his investment.

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

The Issuer may, on the occurrence of a Relevant Event (as defined under the Terms and Conditions of the Bonds), and at maturity will, be required to redeem part or all of the Bonds. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. There is also no assurance that the Guarantor would have sufficient funds at such time to make the required redemption of the Bonds. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay or redeem tendered Bonds by the Issuer or the Guarantor would constitute an event of default under the Bonds, which may also constitute a default under the terms of the Group's other indebtedness.

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

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

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

In certain circumstances, including, without limitation, giving of notice to the Issuer and the Guarantor pursuant to Condition 9 of the Terms and Conditions of the Bonds and taking enforcement steps pursuant to Condition 13 of the Terms and Conditions of the Bonds, the Trustee may, at its sole discretion, request the Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of the Bondholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction.

Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed or the Terms and Conditions of the Bonds and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Bonds to take such actions directly.

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

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

TERMS AND CONDITIONS OF THE BONDS

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

The issue of the U.S.$300,000,000 5.20 per cent. guaranteed bonds due 2025 (the "**Bonds**", which expression, unless the context requires otherwise, includes any further securities issued pursuant to Condition 15 and to be consolidated and forming a single series therewith) of Linyi City Development International Co., Limited (临沂城市发展国际有限公司) (the "**Issuer**") was authorised by written resolutions of the sole director of the Issuer dated 16 June 2022 and the giving of the Guarantee (as defined in Condition 3(a)) was authorised by a resolution of the board of directors of Linyi City Development Group Co., Ltd (临沂城市发展集团有限公司) (the "**Guarantor**") dated 9 August 2021. The Bonds are constituted by a trust deed (as amended and/or supplemented from time to time, the "**Trust Deed**") dated on or about 24 June 2022 made between the Issuer, the Guarantor and The Bank of New York Mellon, London Branch as Trustee (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for itself and the Holders (as defined below). These terms and conditions (these "**Conditions**") include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. The Bonds have the benefit of a deed of guarantee (as amended and/or supplemented from time to time, the "**Deed of Guarantee**") dated on or about 24 June 2022 executed by the Guarantor and the Trustee relating to the Bonds. An Agency Agreement (as amended and/or supplemented from time to time, the "**Agency Agreement**") dated on or about 24 June 2022 relating to the Bonds has been entered into between the Issuer, the Guarantor, the Trustee, The Bank of New York Mellon, London Branch as principal paying agent (the "**Principal Paying Agent**"), The Bank of New York Mellon SA/NV, Dublin Branch as registrar (the "**Registrar**") and as transfer agent (the "**Transfer Agent**", which expression shall include any other transfer agent appointed from time to time pursuant to the Agency Agreement) and the other agents appointed thereunder. 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 Agents, the Registrar, any Transfer Agent and any other agent or agents appointed from time to time pursuant to the Agency Agreement with respect to the Bonds.

For as long as any of the Bonds are outstanding and following prior written request and proof of holding to the satisfaction of the Principal Paying Agent, copies of the Trust Deed, the Deed of Guarantee and the Agency Agreement shall be (i) made available for inspection by the Bondholders during normal business hours (being 9:00 a.m. to 3:00 p.m. Monday to Friday other than public holidays) at the specified office of the Principal Paying Agent; or (ii) provided by the Principal Paying Agent via email to the relevant Bondholder.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Deed of Guarantee and the Agency Agreement. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

The Bondholders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Deed of Guarantee and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

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 represented by registered certificates (the "**Certificates**") and, save as provided in Condition 2(b), each Certificate shall represent the entire holding of Bonds by the same Holder.

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

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

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

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

2 TRANSFERS OF BONDS AND ISSUE OF CERTIFICATES

(a) Register

The Issuer will cause 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

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

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

(d) Transfer Free of Charge

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

(e) Restricted Transfer Periods

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

(f) Regulations

All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfer and registration of Bonds scheduled to the Agency Agreement. Each of the Issuer and the Registrar may change the regulations from time to time, with the prior written approval of the Trustee and (in the case of any change proposed by the Issuer) of the Registrar. A copy of the current regulations will be mailed (free of charge to the Bondholder and at the Issuer's expense) by the Registrar to any Bondholder upon written request and is available at the specified office of the Registrar) to any Bondholder upon prior written request and proof of holding to the satisfaction of the Registrar.

3 GUARANTEE AND STATUS

(a) Guarantee

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

(b) Status

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

4 COVENANTS

(a) Negative Pledge

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

(b) Undertakings Relating to NDRC and SAFE

The Guarantor undertakes to file or cause to be filed with the National Development and Reform Commission of the People's Republic of China or its competent local counterparts (the "**NDRC**") the requisite information and documents within 10 PRC Business Days after the Issue Date (as defined in the Trust Deed) in accordance with the Circular on Promoting the Reform of the Filing and Registration System on the Issuance by Enterprises of Foreign Debt (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules, regulations, certificates, circulars or notices in connection therewith issued by the NDRC from time to time (the "**Post-Issuance Filing**").

The Guarantor undertakes to submit or cause to be submitted an application for the registration of the Deed of Guarantee with the Shandong Branch (or other relevant branch) of the State Administration of Foreign Exchange of the People's Republic of China or its competent local counterparts ("**SAFE**") within 15 PRC Business Days after the date of execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**").

The Guarantor shall use its best endeavours to complete the Post-Issuance Filing and the Cross-Border Security Registration and obtain a registration record from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline. The Guarantor shall comply with all applicable PRC laws and regulations in relation to the issue of the Bonds and the Guarantee (as the case may be).

The Guarantor shall, within ten PRC Business Days after the later of the submission of the Post-Issuance Filing and the receipt of the registration record from SAFE (or any other document evidencing the completion of registration issued by SAFE), provide the Trustee with (i) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed) of the Guarantor confirming (A) the completion of the Post-Issuance Filing and the Cross-Border Security Registration and (B) that no Change of Control, Event of Default or Potential Event of Default has occurred; and (ii) copies of the relevant documents evidencing the Post-Issuance Filing (if available) and the Cross-Border Security Registration, each certified in English by an Authorised Signatory of the Guarantor as being a true and complete copy of the original (the "**Registration Documents**"). In addition, the Guarantor shall procure that within ten PRC Business Days after the Registration Documents are delivered to the Trustee, the Issuer gives notice to the Bondholders (in accordance with Condition 16) confirming the completion of the Post-Issuance Filing and the Cross-Border Security Registration.

The Trustee shall have no obligation or duty to monitor or ensure or to assist with the Post-Issuance Filing or the Cross-Border Security Registration on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the Post-Issuance Filing and/or the Cross-Border Security Registration and/or the Registration Documents or to give notice to the Bondholders confirming the completion of the Post-Issuance Filing or the Cross-Border Security Registration, and shall not be liable to Bondholders or any other person for not doing so.

(c) Financial Information

So long as any Bond remains outstanding (as defined in the Trust Deed):

(i) the Guarantor shall provide the Trustee with a copy of the relevant Audited Guarantor Financial Reports within 180 days of the end of each Relevant Period prepared in accordance with PRC GAAP (audited by a nationally or internationally recognised firm of independent accountants (which may be the auditor of the Guarantor as at the Issue Date)) and if such statements shall be in the Chinese language, together with an English translation of the same translated by (aa) a nationally or internationally recognised firm of independent accountants (which may be the auditor of the Guarantor as at the Issue Date) or (bb) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants (which may be the auditor of the Guarantor as at the Issue Date), together with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate;

(ii) the Guarantor shall provide the Trustee with a copy of the Unaudited Guarantor Financial Reports within 120 days of the end of each Relevant Period prepared on a basis consistent with the Audited Guarantor Financial Reports and if such statements shall be in the Chinese language, together with an English translation of the same translated by (aa) a nationally or internationally recognised firm of independent accountants (which may be the auditor of the Guarantor as at the Issue Date) or (bb) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants (which may be the auditor of the Guarantor as at the Issue Date), together with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate; and

(iii) each of the Issuer and the Guarantor shall provide the Trustee with a Compliance Certificate (on which the Trustee may rely conclusively as to such compliance) of the

Issuer or the Guarantor (as the case may be) (a) within 14 days of any request therefor from the Trustee or (b) at the time of the provision of the Audited Guarantor Financial Reports.

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

(d) Definitions

In these Conditions:

"**Audited Guarantor Financial Reports**" means, for a Relevant Period, the annual audited consolidated balance sheet, income statement, cash flow statement and statement of changes in shareholder's equity of the Guarantor 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 or the Guarantor (as the case may be) signed by any one of its Authorised Signatories that, having made all reasonable enquiries, to the best knowledge, information and belief of the Issuer or the Guarantor (as the case may be) as at a date (the "**Certification Date**") not more than five days before the date of the certificate that:

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

(ii) the Issuer or the Guarantor (as the case may be) has complied with all its obligations under the Trust Deed, the Agency Agreement, the Deed of Guarantee and the Bonds (as applicable).

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China;

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

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

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

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

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

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

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

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

"**Subsidiary**" of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person; and

"**Unaudited Guarantor Financial Reports**" means, for a Relevant Period, the semi-annual unaudited consolidated balance sheet, income statement and cash flow statement of the Guarantor together with any statements, reports (including any directors' and auditors' review reports, if any) and notes attached to or intended to be read with any of them, if any.

5 INTEREST

The Bonds bear interest on their outstanding principal amount from and including 24 June 2022 at the rate of 5.20 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.$26.00 per Calculation Amount (as defined below) on 24 June and 24 December in each year (each an "**Interest Payment Date**") commencing on 24 December 2022.

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (b) the 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 Bondholder under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day count fraction will be determined on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed. 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 are each 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 24 June 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 to the Bondholders and in writing to the Trustee and the Principal Paying Agent (which notice shall be irrevocable), at their principal amount together with any interest accrued to, but excluding, the date fixed for redemption, if the Issuer and/or the Guarantor (as the case may be) satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in Condition 8) as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC, or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, or the stating of an official position with respect to, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change and/or amendment becomes effective on or after 21 June 2022, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due. Prior to the giving of any notice of redemption pursuant to this Condition 6(b), the Issuer (or the Guarantor, as the case may be) shall deliver to the Trustee (A) a certificate in English signed by any Authorised Signatory of the Issuer (or a certificate in English of the Guarantor signed by any Authorised Signatory of the Guarantor, as the case may be) stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and (B) an opinion, addressed to and in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such Additional Tax Amounts as a result of such change, amendment and/or statement and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(b), in which event the same shall be conclusive and binding on the Bondholders.

(c) Redemption for Relevant Event

At any time following the occurrence of a Relevant Event, a Holder will have the right, at such Holder's option, to require the Issuer to redeem all but not some only of that Holder's

Bonds on the Put Settlement Date (as defined below) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with, in each case, accrued interest up to but excluding such Put Settlement Date. In order to exercise such right, the Holder of the relevant Bond must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of the Principal Paying Agent or any other Paying Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16.

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

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

None of the Agents and the Trustee shall be required to take any steps to ascertain whether a Relevant Event or any event which could lead to the occurrence of a Relevant Event has occurred 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 any Relevant Event and none of them shall be liable to Bondholders, the Issuer, the Guarantor or any other person for not doing so.

In this Condition 6(c):

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

(i) PRC Government Persons cease to directly or indirectly hold or own at least 80 per cent. of the issued share capital of the Guarantor; or

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

(iii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor's assets to any other person or persons, except where such person(s) (in the case of asset sale or transfer) or the surviving entity (in the case of consolidation or merger) is/are directly or indirectly Controlled by the PRC Government Person(s);

"**Control**" means (i) the ownership, acquisition or control of at least 80 per cent. of the voting rights of the issued share capital of a person or (ii) the right to appoint and/or remove all of the members of the relevant person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; the term "**Controlled**" has meanings correlative to the foregoing;

"**Linyi Municipal Government**" refers to the People's Government of Linyi City (临沂市人民政府);

"**Linyi SASAC**" refers to Linyi State-owned Assets Supervision and Administration Commission (临沂市人民政府国有资产监督管理委员会);

a "**No Registration Event**" occurs when the Registration Conditions have not been satisfied in full on or before the Registration Deadline;

"**PRC Government Persons**" means, collectively, the central government of the PRC, the provincial government of Shandong Province, the Linyi Municipal Government and the Linyi SASAC, together with any other person(s) directly or indirectly Controlled by the central government of the PRC;

"**Registration Conditions**" means the receipt by the Trustee of the Registration Documents; and

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

(d) Purchase

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

(e) Notice of Redemption

All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date, in such place and in such manner as specified in such notice in accordance with this Condition 6. 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 and shall not be liable to the Holders, the Issuer, the Guarantor or any other person for not doing so.

(f) Cancellation

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

7 PAYMENTS

(a) Method of Payment:

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

(ii) Interest on each Bond shall be paid, on the due date for payment, to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the "**Record Date**"). Upon application by the Holder to the specified office of the Registrar or any Transfer Agent before the Record Date, or at the option of the relevant Agent, such payment of interest shall be made by transfer to an account in U.S. dollars maintained by the payee with a bank.

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

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

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

(c) **Payment Initiation**: Where payment is to be made by transfer to an account in U.S. dollars, payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the Payment Business Day preceding the due date for payment, 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 which the relevant Certificate is surrendered.

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

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

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

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

In this Condition 7,

"**Payment Business Day**" means a day other than a Saturday, a Sunday or a public holiday on which banks and foreign exchange markets are generally open for business in New York City, Hong Kong and in the places in which the respective specified offices of the Principal Paying Agent and Registrar are located and, in the case of surrender of a Certificate, the place in which the Certificate is surrendered.

8 TAXATION

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

Where withholding or deduction is made by the Issuer or, as the case may be, the Guarantor for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected withheld or assessed by the PRC at a rate up to and including the aggregate rate applicable on 21 June 2022 (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been received by them had no such withholding or deduction been required.

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

(i) **Other connection**: to a Holder (or to a third party on behalf of a Holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the British Virgin Islands or the PRC other than the mere holding of the Bond or where the withholding or deduction could be avoided by the Holder making a declaration of non-residence or other similar claim for exemption to the appropriate authority; or

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

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

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

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Guarantor, any Holder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

9 EVENTS OF DEFAULT

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

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

(a) **Non-Payment**: there has been a failure to pay the principal of the Bonds when due, or there has been a failure to pay 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 or the Guarantor does not perform or comply with any one or more of their respective other obligations under the Bonds, the Trust Deed or the Deed of Guarantee (other than those referred to in Condition 9(a) and where such default gives rise to a redemption pursuant to Condition 6(c)), which default is incapable of remedy or, if such default is capable of remedy, such default is not remedied within 30 days after written notice of such default shall have been given to the Issuer or the Guarantor (as the case may be) by the Trustee; or

(c) **Cross-Acceleration**: (i) any other present or future indebtedness of the Issuer or the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any 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 the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds U.S.$20,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by the Federal Reserve Bank of New York on the day on which this Condition 9(c) operates); or

(d) **Enforcement Proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or a material part of the property, assets or revenues of the Issuer, the Guarantor or any Principal Subsidiary and is not discharged or stayed within 30 days; or

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

(f) **Insolvency**: the Issuer, the Guarantor or any Principal Subsidiary is (or is deemed by law or a court of competent jurisdiction to be) insolvent or bankrupt or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, 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 a material part of the debts of the Issuer, the Guarantor or any Principal Subsidiary; or

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

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

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

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

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

(l) **Analogous Events**: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Conditions 9(d) to (h) (both inclusive).

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

(i) whose gross revenue (or consolidated in the case of a Subsidiary which itself has Subsidiaries), as shown by its latest audited income statement, is at least five per cent. of the total consolidated gross revenue as shown by the latest published audited consolidated income statement of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests;

(ii) whose profits before taxation and exceptional items ("**pre-tax profit**") (or consolidated in the case of a Subsidiary which itself has Subsidiaries), as shown by its latest audited income statement, are at least five per cent. of the sum of (x) total consolidated pre-tax profit as shown by the latest published audited consolidated income statement of the Guarantor and its Subsidiaries and (y) the Guarantor and its consolidated Subsidiaries' share of profits of each Subsidiary of the Guarantor not consolidated with the audited consolidated accounts of the Guarantor and its Subsidiaries and of jointly controlled entities and after adjustments for minority interests;

(iii) whose gross assets (or consolidated in the case of a Subsidiary which itself has Subsidiaries) as shown by its latest audited balance sheet, are at least five per cent. of the sum of (x) the total consolidated gross assets as shown by the latest published audited consolidated balance sheet of the Guarantor and its Subsidiaries, and (y) the Guarantor and its consolidated Subsidiaries' share of the gross assets of each Subsidiary of the Guarantor whose accounts are not consolidated with the audited consolidated accounts of the Guarantor and its Subsidiaries and of jointly controlled entities and after adjustment for minority interests,

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

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

(b) if the accounts of any Subsidiary of the Guarantor (not being a Subsidiary of the Guarantor referred to in proviso (a) above of this definition) are not consolidated with those of the Guarantor, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if available) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor; and

(c) in relation to any Subsidiary of the Guarantor, each reference in proviso (a) or (b) above to all or any of the accounts (consolidated or otherwise) of such Subsidiary shall be deemed to be a reference to the relevant audited accounts of such Subsidiary if it customarily prepares accounts which are audited and, if not, to the relevant unaudited accounts of such Subsidiary which shall be certified by any two directors of such Subsidiary as having been properly prepared in accordance with generally accepted accounting principles applicable to such Subsidiary; or

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

10 PRESCRIPTION

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

11 REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or any Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Bondholders in accordance with Condition 16, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity 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 (including by way of teleconference or videoconference call) of the Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed, the Agency Agreement and/or the Deed of Guarantee. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee if requested in writing to do so by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the Maturity Date or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, (v) to modify or cancel the Deed of Guarantee (other than as provided in Condition 12(b)) or (vi) altering this proviso (each of (i) to (vi), a "**Reserved Matter**"), in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed (at a meeting duly convened and held in accordance with the Trust Deed by a majority of at least 75 per cent. of the votes cast) shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution (A) in writing signed by or on behalf of the Bondholders of not less than 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 will be binding on all Bondholders whether or not they participated in such written resolution.

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, a resolution 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.

(b) Modification, Waiver, Authorisation and Determination

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

(c) Entitlement of the Trustee

In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 12), the Trustee shall have regard to the general interests of the Bondholders as a class but shall not have regard to any interests arising from circumstances particular to individual Bondholders (whatever their number) and, in particular but without limitation shall not have regard to the consequences of such exercise for individual Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise in connection with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer, the Guarantor or, in the case of a claim by any Bondholder, the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13 ENFORCEMENT

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

14 INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability, including (i) provisions relieving it from taking proceedings, unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled to evaluate its risk in any given circumstance by considering the worst-case scenario.

The Trustee and its parent, subsidiaries and affiliates are entitled to (i) enter into business transactions with the Issuer, the Guarantor and/or any entity related to the Issuer or the Guarantor, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee may rely without liability to Bondholders, the Issuer, the Guarantor or any other person on any report, confirmation, certificate or information from or any advice or opinion of any accountants, auditors, lawyers, valuers, auctioneers, surveyors, brokers, financial advisers, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person 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, information, advice or opinion, in which event such report, confirmation, certificate, information, advice or opinion shall be binding on the Trustee, the Issuer, the Guarantor and the Bondholders.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Deed of Guarantee, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision or giving any such direction, to seek directions from the Bondholders by way of Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Guarantor, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction where the Trustee is seeking such direction from the Bondholders or in the event that the instructions sought are not provided by the Bondholders. The Trustee shall not be liable to any Bondholder, the Issuer, the Guarantor or any other person for any action taken by it in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely on any direction or instruction of Bondholders (whether given by Extraordinary Resolution or otherwise as contemplated or permitted by the Trust Deed and/or the Bonds).

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

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

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

15 FURTHER ISSUES

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

16 NOTICES

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

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

17 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

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

18 GOVERNING LAW AND JURISDICTION

(a) Governing Law

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

(b) Jurisdiction

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

(c) Agent for Service of Process

Each of the Issuer and the Guarantor irrevocably appoints Linyi City Development (HK) Group Co., Limited (臨沂城市發展(香港)集團有限公司) of Unit 1015, 10/F, Block A, New Mandarin Plaza, No.14 Science Museum Road, Tsim Sha Tsui East, Kowloon, Hong Kong as its agent in Hong Kong for service of process in any Proceedings. Such service shall be deemed completed on delivery to such process agent (whether or not forwarded to and received by the Issuer or the Guarantor). If for any reason the Issuer or the Guarantor ceases to have such an agent in Hong Kong, the Issuer or the Guarantor (as the case may be) shall promptly appoint a new agent in Hong Kong to accept service of process on behalf of it, notify the Trustee and the Bondholders (in accordance with Condition 16) of that appointment and deliver to the Trustee a copy of the new agent's acceptance of such appointment within 30 days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) Waiver of Immunity

To the extent that each of the Issuer and the Guarantor may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), each of the Issuer and the Guarantor agrees to waive any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and irrevocably consents to the giving of any relief or the issue of any process to the extent permitted by the laws of such jurisdiction, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

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

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

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

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

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 whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday inclusive) except 25 December and 1 January.

Trustee's Powers

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

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 of the Bonds.

Transfers

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

Cancellation

Cancellation of any Bond represented by the Global Certificate will be effected by reduction in the principal amount of the Bonds in the register of the Bondholders.

Meetings

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

USE OF PROCEEDS

The gross proceeds from the offering of the Bonds will be U.S.$300,000,000. Such gross proceeds, after deducting commissions to be charged by the Joint Lead Managers and other estimated expenses payable in connection with the offering of the Bonds, will be used for project construction and operational capital supplement.

CAPITALISATION AND INDEBTEDNESS OF THE GROUP

The following table sets forth the consolidated capitalisation and indebtedness of the Group as at 31 December 2021 and as adjusted to give effect to the issue of the Bonds. The table should be read in conjunction with the Group's Consolidated Financial Statements and the related notes included elsewhere in this Offering Circular.

	As at 31 December 2021			
	Actual		As adjusted	
	RMB: million	USD: million [1]	RMB: million	USD: million [1]
Current indebtedness				
Short-term borrowings	1,341.03	210.44	1,341.03	210.44
Notes payable	497.44	78.06	497.44	78.06
Other payables (interest-bearing portion)	524.24	82.26	524.24	82.26
Non-current liabilities due within one year	3,229.98	506.85	3,229.98	506.85
Total current indebtedness	**5,592.69**	**877.62**	**5,592.69**	**877.62**
Non-current indebtedness				
Long-term loans	4,551.60	714.25	4,551.60	714.25
Bonds payables	8,341.47	1,308.96	8,341.47	1,308.96
Long-term payable	3,228.10	506.56	3,228.10	506.56
Bonds to be issued[2]	—	—	1,911.78	300.00
Total non-current indebtedness	**16,121.17**	**2,529.76**	**18,032.95**	**2,829.76**
Total indebtedness[3]	**21,713.86**	**3,407.38**	**23,625.64**	**3,707.38**
Total shareholders' equity	**22,193.72**	**3,482.68**	**22,193.72**	**3,482.68**
Total capitalisation[4]	**43,907.58**	**6,890.06**	**45,819.36**	**7,190.06**

Notes:

(1) For convenience only, all translation from Renminbi into U.S. dollars was made at the rate of RMB6.3726 to U.S.$1.00, the exchange rate as at 30 December 2021 as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve Bank System of the United States.

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

(3) Total indebtedness equals the sum of current indebtedness and non-current indebtedness.

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

After the completion of this offering, the Group may incur additional debt or borrowings, including Renminbi denominated borrowings or debt securities in China, in the ordinary course of business.

Since 31 December 2021, the Group repaid indebtedness in the amount of approximately RMB777.53 million and incurred indebtedness in the amount of approximately RMB2,350.00 million.

There has been no material adverse change in the Group's consolidated capitalisation and indebtedness since 31 December 2021.

DESCRIPTION OF THE ISSUER

FORMATION AND REGISTERED CAPITAL

The Issuer was incorporated as a BVI business company with limited liability on 4 November 2021 under the laws of the British Virgin Islands. The registered office of the Issuer is at Intershore Chambers, P.O. Box 4342, Road Town, Tortola VG1110, British Virgin Islands. As at the date of this Offering Circular, the Issuer is authorised to issue a maximum of 50,000 shares with a par value of U.S.$1.00 each of a single class.

The Issuer is an indirect wholly-owned subsidiary of the Guarantor. As at the date of this Offering Circular, the Issuer has not engaged, since its incorporation, in any material activities other than entering into arrangements for the issue of bonds and on-lending of the proceeds thereof to a member of the Group. As at the date of this Offering Circular, the Issuer has no outstanding borrowings other than the bonds issued and Bonds to be issued from time to time. As at the date of this Offering Circular, the Issuer has no subsidiaries nor employees.

DIRECTORS

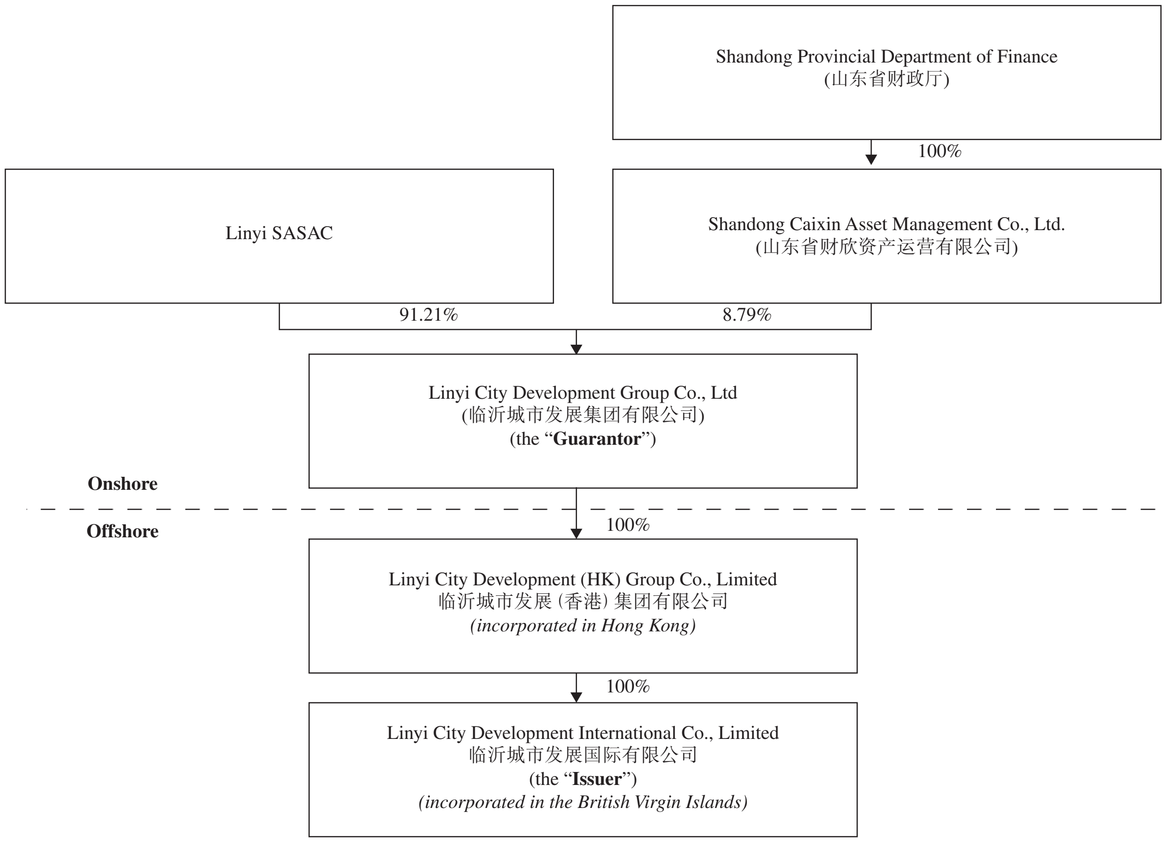
The sole director of the Issuer as at the date of this Offering Circular is Wang Yanjian.

FINANCIAL STATEMENTS

The Issuer is not required to publish financial statements under the laws of the British Virgin Islands. However, the Issuer has outstanding offshore indebtedness and the terms of such indebtedness, as well as the terms of the Bonds, require the Issuer to provide audited annual and unaudited semi-annual financial statements to the relevant trustees.

CORPORATE STRUCTURE

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



DESCRIPTION OF THE GROUP

OVERVIEW

Established on 8 June 2006, the Group is a primary state-owned infrastructure construction platform in Linyi City, Shandong Province, with a focus on infrastructure construction, trading, water supply and heat supply businesses in Linyi City. Since its establishment, the Group has been responsible for major infrastructure projects in various districts of Linyi City and has played a leading role in implementing the Linyi Municipal Government's blueprint for urban development. Leveraging strong government support, the Group has played an important role in furthering the social and economic development of Linyi City by undertaking and completing a large number of strategically important infrastructure construction projects in Linyi City. As at the date of this Offering Circular, Linyi SASAC and Shandong Caixin Asset Management Co., Ltd. (山东省财欣资产运营有限公司) directly hold a 91.21 per cent. and 8.79 per cent. interest in the Guarantor, respectively. The Group is directly and ultimately controlled by the Linyi SASAC.

As at 31 December 2021, the Guarantor had directly or indirectly held interests in approximately 30 subsidiaries. As at 31 December 2019, 2020 and 2021, the total assets of the Group amounted to RMB27,006.04 million, RMB44,519.36 million and RMB58,639.82 million, respectively. For the years ended 31 December 2019, 2020 and 2021, the Group's total operating income was RMB1,269.97 million, RMB3,622.87 million and RMB8,077.88 million, respectively. For the years ended 31 December 2019, 2020 and 2021, the Group's net profit were RMB127.82 million, RMB166.50 million and RMB178.45 million, respectively.

The Group primarily focuses on seven major business segments, namely (i) trading, (ii) real estate, (iii) sale of products, (iv) heat supply, (v) hotel operation, (vi) education and (vii) water supply. The Group also conducts other businesses, including property management, leasing, project construction, service, electricity supply, land development, exhibition, sales, electricity sales, training and others. Set forth below is an overview of the major business segments of the Group:

- **Trading**. Since 2020, the Group has engaged in trading business mainly through two of its subsidiaries, namely Linyi Chengfa International Trade and Investment Group Co., Ltd. (临沂城发国际贸易投资集团有限公司) ("**Chengfa Trade**") and Linyi Shangcheng Holding Group Co., Ltd. (临沂商城控股集团有限公司) ("**Shangcheng**"). The products traded primarily include steel, raw oil, plastic raw materials, rubber raw materials, frozen meat products and aquatic products. For the years ended 31 December 2019, 2020 and 2021, the operating income from the trading business was approximately nil, RMB1,505.15 million and RMB3,030.29 million, respectively, representing approximately nil, 41.55 per cent. and 37.51 per cent. of the Group's total operating income, respectively.

- **Real Estate.** The Group's real estate business is carried out through one of its subsidiaries, namely, Linyi Zhidu Urban Development and Construction Co., Ltd. (临沂智都城市开发建设有限公司). The Group is principally engaged in construction of real estate projects in various districts of Linyi City. The Group's real estate business is in the leading position in Linyi City. For the years ended 31 December 2019, 2020 and 2021, the operating income from the real estate business was approximately RMB624.47 million, RMB719.91 million and RMB2,321.46 million, respectively, representing approximately 49.17 per cent., 19.87 per cent. and 28.74 per cent. of the Group's total operating income, respectively.

- **Sale of Products**. The Group engages in sale of products business mainly through one of its subsidiaries, namely Shandong Sanwei Holdings Group Co., Ltd. (山东三维控股集团有限公司) ("**Sanwei**"). The products primarily include soybean meal, soybean oil, feed grade soy protein concentrate, tissue protein, defatted and deodorised protein, functional protein, drawing protein, snack foods and steel products. The sale of products business can be further divided into soybean processing and snack food production businesses. For the years ended 31 December 2019, 2020 and 2021, the operating income from the sale of products business was approximately nil, RMB369.99 million and RMB699.29, respectively, representing approximately nil, 10.21 per cent. and 8.66 per cent. of the Group's total operating income, respectively.

- **Heat Supply**. The Group is a major heat supplier in Linyi City. The Group's heat supply business primarily involves distribution of heat supply to residential and commercial users in the North District of Linyi City. The Group engages in heat supply business mainly through one of its subsidiaries, namely Linyi Xincheng Heat Co., Ltd. (临沂市新城热力有限公司) ("**Xincheng**"). For the years ended 31 December 2019, 2020 and 2021, the operating income from the heat supply business was approximately RMB239.26 million, RMB275.46 million and RMB290.43 million, respectively, representing approximately 18.84 per cent., 7.60 per cent. and 3.60 per cent. of the Group's total operating income, respectively.

- **Hotel Operation**. The Group engages in hotel operation business mainly through one of its subsidiaries, namely Linyi Chengkai International Hotel Co., Ltd. (临沂城开国际大酒店有限公司) ("**Chengkai**"). The Group owns one hotel in Linyi City, namely, Lanhai International Hotel (蓝海国际饭店). Lanhai International Hotel ranks in the top tier among local hotel market in terms of total assets, revenue and profit with its well-recognised brand image. For the years ended 31 December 2019 and 2020 and 2021, the operating income from the hotel operation business was approximately RMB192.27 million, RMB190.40 million and RMB316.65 million, respectively, representing approximately 15.14 per cent., 5.26 per cent. and 3.92 per cent. of the Group's total operating income, respectively.

- **Education**. The Group has commenced its education business in 2020 and engages in education business mainly through one of its subsidiaries, namely Shandong Zhiku Education Development Co., Ltd. (山东智库教育发展有限公司) ("**Zhiku Education**"). For the years ended 31 December 2020 and 2021, the operating income from the education business was approximately RMB176.42 million and 421.58 million, respectively, representing approximately 4.87 per cent. and 5.22 per cent. of the Group's total operating income, respectively.

- **Water Supply.** The Group engages in water supply business mainly through one of its subsidiaries, namely Linyi Water Operation Group Co., Ltd. (临沂市水务集团有限公司) ("**Linyi Water**"). The Group's water supply business mainly includes providing water supply in the North District of Linyi City. For the years ended 31 December 2019 and 2020 and 2021, the operating income from the water supply business was approximately RMB124.45 million, RMB150.50 million and RMB171.39 million, respectively, representing approximately 9.80 per cent., 4.15 per cent. and 2.12 per cent. of the Group's total operating income, respectively.

HISTORY AND DEVELOPMENT

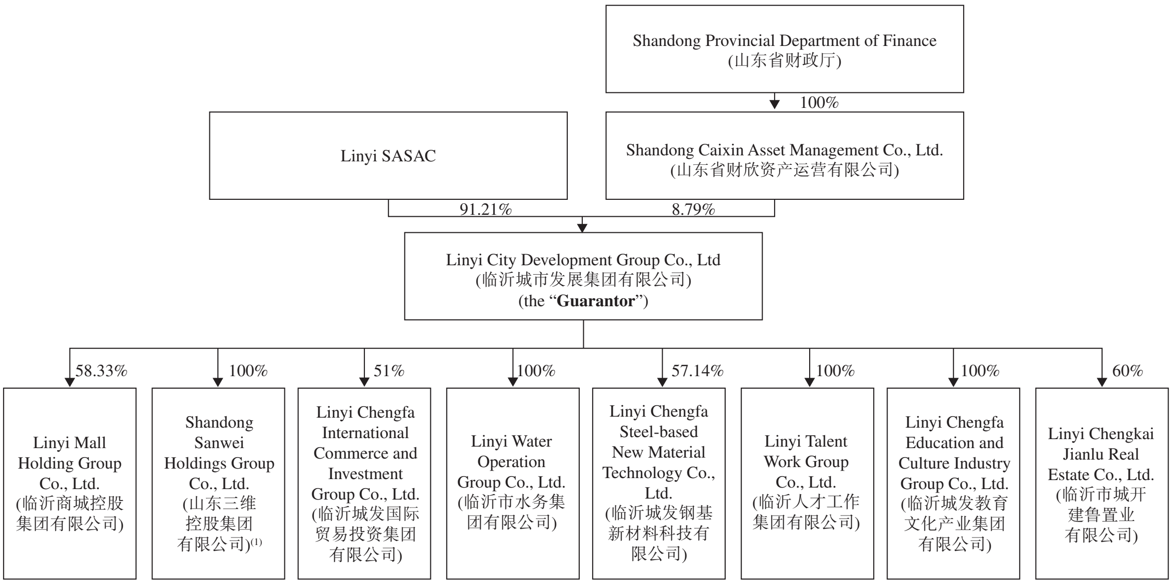
The following sets forth key milestones in the Group's development history:

Year	Description of Event
2006	On 8 June 2006, the Guarantor was established in accordance with the Reply of Linyi Municipal Government on Issues Concerning the Establishment of Linyi Urban Construction Investment and Development Co., Ltd. (Lin Zheng Zi [2006] No. 42) (《臨沂市人民政府關於對成立臨沂市城市建設投資開發有限公司有關問題的批復》(臨政字[2006]42號)). The Guarantor's registered capital was RMB100.00 million by capital injection from the Linyi SASAC.
2010	In August 2010, pursuant to the Reply of Linyi Municipal Government Office on Approving the Change of Contributor of Linyi Urban Construction Investment and Development Co., Ltd. (Lin Zheng Ban Zi [2010] No. 110) (《臨沂市人民政府辦公室關於同意臨沂市城市建設投資開發有限公司變更出資人的批復》(臨政辦字[2010]110號文)), the Guarantor's capital contributor was changed to Linyi Finance Bureau (臨沂市財政局).
2011	In October 2011, pursuant to the Reply of Linyi Municipal Government on Approving the Renaming of Linyi Urban Construction Investment and Development Co., Ltd. (Linzheng Zi [2011] No. 4) (《臨沂市人民政府關於同意臨沂市城市建設投資開發有限公司更名有關事宜的批復》(臨政字[2011]4號文)), the Guarantor was renamed as Linyi City Assets Management and Development Co., Ltd. (臨沂市城市資產經營開發有限公司).
2013	In November 2013, pursuant to the Linyi Finance Bureau's Reply to Linyi City Assets Management and Development Co., Ltd.'s Request for Converting Capital Reserves to Increase Registered Capital (Lin Cai Jin [2013] No. 22) (《臨沂市財政局關於臨沂市城市資產經營開發有限公司關於資本公積轉增注冊資本的請示的批復》(臨財金[2013]22號)), the Linyi Finance Bureau approved the increase of the Guarantor's registered capital by RMB1,400.00 million from its capital reserves. Following this increase, the Guarantor's registered capital was increased to RMB1,500.00 million.
2018	In August 2018, pursuant to the Reply of Linyi Municipal Government on Approving the Free Transfer of Property Rights of 15 Municipal State-owned Enterprises including Linyi Municipal Engineering Consulting Institute (Lin Zheng Zi [2018] No. 111) (《臨沂市人民政府關於同意無償劃轉臨沂市工程咨詢院等15戶市屬國有企業產權的批復》(臨政字[2018]111號文)), the Guarantor's capital contribution was changed to the Linyi SASAC.

Year	Description of Event
2019	In April 2019, as approved by the Guarantor's shareholders, the Guarantor was named as Linyi Urban Development Group Co., Ltd. (临沂城市发展集团有限公司).
2020	In October 2020, as approved by the Guarantor's shareholders, the Guarantor's registered capital was increased to RMB2,000.00 million by capital injection from the Linyi SASAC.
	In December 2020, pursuant to the Notice Issued by the Linyi SASAC on the Free Transfer of Partial State-owned Assets (Lin Guo Zi Zi [2020] No. 221) (《临沂市国资委关于部分国有股权无偿划转的通知》(临国资字[2020]221号文)), 58.33 per cent. of equitable interest of Linyi Mall Holding Group Co., Ltd. (临沂商城控股集团有限公司) was transferred to the Issuer for free.
2021	In February 2021, approved by the Guarantor's shareholders, the Guarantor's registered capital was increased to RMB2,500.00 million by capital injection from the Linyi SASAC.
	In December 2021, pursuant to Notice on Implementation Plan for Transferring Part of State-Owned Capital to Enrich Social Security Funds issued by the State Council dated 9 November 2017 (《国务院关于印发〈划转部分国有资本充实社保基金实施方案〉的通知》), the Linyi SASAC transferred 8.79 per cent. equity interest in the Guarantor to Shandong Caixin Asset Management Co., Ltd. (山东省财欣资产运营有限公司) ("**Shandong Caixin**"). After the transfer, the Linyi SASAC and Shandong Caixin respectively held 91.21 per cent. and 8.79 per cent. equity interest in the Guarantor while the Linyi SASAC retained 100.00 per cent. voting rights in the Guarantor.
2022	In April 2022, the Guarantor issued RMB850,000,000 onshore medium-term notes due 2025.

CORPORATE STRUCTURE

The following table sets forth the Group's structure indicating major subsidiaries of the Group as at the date of this Offering Circular:



Note:

(1) 500 million shares in Shandong Sanwei Holdings Group Co., Ltd. (山东三维控股集团有限公司) owned by the Guarantor have been pledged to the Linyi Branch of Qingdao Bank Co., Ltd. (青岛银行股份有限公司临沂分行). See "*Risks relating to the Group's Business — Significant indebtedness may restrict the Group's business activities and increase the Group's exposure to various operational risks*" for details.

COMPETITIVE STRENGTHS

The Group believes the following competitive strengths distinguish it from its competitors and are important to its success and future development:

A primary state-owned infrastructure construction platform in Linyi City, Shandong Province

The Group is a primary state-owned infrastructure construction and state-owned assets operation platform in Linyi City, Shandong Province, with a focus on infrastructure construction, trading, water supply and heat supply in Linyi City. The Group is directly and ultimately controlled by the Linyi SASAC, which is under the direct administration of the Linyi Municipal Government. Since its establishment, the Group has played an important role in implementing the infrastructure construction and urban development policies of Linyi City.

In addition to seven major business segments, the Group also engages in other businesses including property management, leasing, project construction, service, electricity supply, land development, exhibition, sales, electricity sales, training and others. The Group's business portfolio is strategically aligned with the urban planning and development policies of Linyi City. The Group believes that its market position as a primary state-owned infrastructure construction platform under the supervision of the Linyi SASAC as well as its track record in a diverse range of business will support and enable the Group's expansion.

Well positioned to benefit from the economic growth and strategic location of Linyi City

The Group is strategically located in Linyi City, Shandong Province. Linyi City is strategically located at the intersection of the Yangtze River Delta (长三角) and the Bohai Rim (环渤海) economic circle. It also forms a triangle with Rizhao and Lianyungang, and is an important transportation hub. The Group benefits continually and significantly from Linyi City's strategic location and rapid economic development. Linyi City has undergone a prolonged period of rapid economic development in line with such development in Shandong Province. The Group also benefits from its location due to the geographical advantage and importance in both Linyi City and Shandong Province.

In this regard, leveraging its geographical advantages and coupled with rapid development and growth, Linyi City's economy has strengthened significantly over the years. As substantially all of the Group's business operations and investments are located within Linyi City, the Group's business has, and will continue to benefit from, the rapid development, growth and urbanisation of Linyi City.

Strong and continuous governmental support

In line with its importance in implementing the Linyi Municipal Government's plan with respect to urbanisation and development of Linyi City, the Group has received strong and continuous operational and financial support (excluding credit support or guarantees provided by the government) from Linyi Municipal Government. For the years ended 31 December 2019, 2020 and 2021, the aggregate fiscal subsidies provided to the Group amounted to approximately RMB254.86 million, RMB539.29 million and RMB676.89 million, respectively.

- *Capital injection*. The Guarantor was established by the Linyi SASAC in 2006 with an initial registered capital of RMB100.00 million. Since the establishment, the Group has received various capital injections from the Linyi Municipal Government and its registered capital has been increased on many occasions. The Guarantor's registered capital was increased to RMB2,500.00 million in February 2021.

- *Preferential tax treatment*. The Linyi Municipal Government also provides financial support to the Group in the form of tax exemption and reduction from time to time.

- *Government involvement*. As the Group's controlling shareholder, the Linyi SASAC closely participates in and affects the decision-making of the Group's key investments and operations. The Guarantor's directors are appointed by the Linyi SASAC. The Group regularly has discussions with the Linyi SASAC and follow the requisite appraisal procedures to ensure that investment and other management decisions are properly made. As the Linyi SASAC will continue to be the Group's controlling shareholder, the Group believes that the role of the Linyi SASAC and its participation in the Group's operations distinguish the Group from other companies in the industries where the Group operates and will provide effective assurance for achieving the Group's missions. The financial and operational support from the Linyi Municipal Government, coupled with the Group's strong relationship with the Linyi Municipal Government, have enabled the Group to rapidly grow its business and to maintain its competitiveness, by reducing the Group's investment and construction costs, which enables the Group to further increase its profits. The support that the Group receives from Linyi Municipal Government does not include assuming any obligation to repay any payments under the Bonds or the Trust Deed or providing guarantee of any kind in respect of the Bonds. See "*Risk Factors — Risks Relating to the Bonds and the Guarantee — the PRC government (including the Linyi Municipal Government) has no obligations under the Bonds.*"

Access to diverse source of funding

The Group has access to various funding channels, including bank loans, domestic bonds issuance and financial leasing in the PRC markets. With well-established operations in various business segments, the Group has a proven track record of creditworthiness, demonstrated by the Guarantor's "AA" rating in 2022, with stable outlook, from China Chengxin International Credit Co., Ltd. (中诚信国际信用评级有

限责任公司) which allows the Group to secure favourable financing terms. The Group maintains long-term stable relationships with many major PRC financial institutions, such as China Development Bank (国家开发银行), Bank of Communications (交通银行), Agriculture Bank of China (中国农业银行), China Construction Bank (中国建设银行), Agricultural Development Bank of China (中国农业发展银行), China Everbright Bank (中国光大银行), Postal Savings Bank of China (中国邮政储蓄银行) and Citic Bank (中信银行). The Group believes that its ability to obtain financing gives it a comparative advantage over competitors with only access to limited funding sources. As such, the Group believes that it has a solid liquidity position with access to diversified funding sources. The Group actively manages its cash flow and capital commitments to ensure that it has sufficient funds to meet its existing and future cash flow requirements.

As at 31 December 2021, the Group had total credit facilities of approximately RMB17.59 billion, of which approximately RMB5.57 billion had not been utilised. See "*Risk Factors — Risks Relating to the Group's Business — The Group's business operations are capital intensive and any failure to obtain sufficient capital resources on acceptable terms or in a timely manner may materially and adversely affect its business and prospects.*"

Over the years, the Group has successfully issued a number of domestic debt instruments. As at 31 December 2021, The Group had 12 outstanding domestic bonds with a total balance of RMB12.03 billion. The Group believes that its ability to obtain financing through diversified channels gives it a comparative advantage over competitors who only have access to limited funding sources. Accordingly, the Group believes that it has a robust liquidity position with access to diversified funding resources. As at 31 December 2021, the Group had cash and cash equivalents of approximately RMB5,647.72 million as compared to long-term and short-term borrowings of approximately RMB5,892.63 million. The Group's cash and cash equivalents, together with cash inflows from its operating activities and credit facilities available, are able to adequately cover its short term borrowings. The Group actively manage its cash flow and capital commitments to ensure that it has sufficient funds to meet its existing and future cash flow requirements. See "*Summary Consolidated Financial Information of the Group — Other Financial Data*".

The Group believes that its prudent debt structure and ability to access diversified sources of funding, its creditworthiness and strong financing capability have enabled it to fulfil the capital needs of its business growth and capitalise on various business opportunities.

Sound and effective corporate governance and internal control

The Group has instituted a sound corporate governance and internal control system which it believes distinguishes itself from other enterprises in Linyi City. The Group's corporate governance structure consists of board of directors, board of supervisors, senior management team and nine departments which undertake different functions concerning the daily operations of the Group, namely, Main Office, Legal Department, Human Resources Department, Financial Management Department, Investment Development Department, Financing Development Department, Audit and Risk Management Department, Information Management Department and Enterprise Management Department. In addition, the Linyi SASAC closely participates in the management of the Group and has the authority to review their performance. The Group has also established several effective internal control systems, including the bidding management system, the accounting management system, the internal control management system, the external guarantee system, the related transaction management system, the investment management system and the fund utilizing system.

The Group also retains a prudent risk management and internal control system which will contribute to minimising its operational and financial risks and increasing its safety and quality control capabilities. The risk management and internal control system oversights different aspects of the Group's daily operations, including the management system, the investment management system, the major matters determination system and the external guarantee system. The Group intends to continue to adopt the following risk control measures to improve its risk management structure and internal control systems:

- Continuing to implement a stringent financial reporting and controlling system focusing on centralised management in order to ensure strict compliance with applicable laws and regulations;

- Implementing the coordination of tendering and bidding management among various operational units; and

- Allocating more resources to its research and development for construction, new technologies and products, and project and operation management, while gradually implementing a centralised management system over its fixed assets, such as key technical equipment.

An experienced management and operations team and a sustainable development strategy

The Group's management team has extensive experience in its various businesses, in particular with respect to its trading, real estate, sale of products, heat supply, hotel operation, education and water supply businesses. The Group believes that its management team's extensive experience in a broad range of industries and strong execution capabilities will continue to be instrumental in executing its business strategies, capturing market opportunities and contributing to the sustainable growth of the Group.

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

Furthermore, the Group also attaches great importance to the development, maintenance and improvement of its risk management system and commits to the highest safety and environmental standards in its operations to ensure sustainable development.

BUSINESS STRATEGIES

The Group intends to implement the following strategies to achieve its business objectives:

Persist with a focus on infrastructure construction, trading, water supply and heat supply in Linyi City

The Group has been, and strives to continue to be, the major platform via which the Linyi Municipal Government conducts infrastructure construction, water supply and heat supply in Linyi City. In particular, leveraging the strong track record of the Group's infrastructure construction business, the Group intends to continue to proactively develop the Group's customer base and expand the coverage of the Group's business networks. As at 31 December 2021, the Group had completed four real estate projects. The Group will continue to secure new operational locations and new customers to further expand its business segments.

Leveraging the strong support from the Linyi SASAC and the Linyi Municipal Government, the Guarantor believes that the Group is well-positioned to further expand its operations in its trading, real estate, sale of products, heat supply, hotel operation, education, water supply and other businesses.

Explore new business opportunities and diversify sources of revenue

In addition to trading, real estate, sale of products, heat supply, hotel operation, education and water supply businesses in Linyi City, the Group is also conducting other businesses, including property management, leasing, project construction, service, electricity supply, land development, exhibition, sales, electricity sales, training and others. The Group also plans to further diversify its business portfolio and develop other businesses that would create synergy with the Group's existing businesses.

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

Continue to enhance financial management and risk control system

The Group believes that a prudent financial management system can reduce operational and financial risks and help achieve long-term sustainable growth. The Group will continue to implement and enhance its prudent financial management system with well-defined policies and procedures. For instance, the Group will continue to strengthen its stringent financial reporting and control system which emphasises centralised management and administration, consistent control policies and compliance with legal and regulatory requirements. The Group will also continue to work on establishing a standardised capital management mechanism to monitor capital, capital efficiency and capital risk prevention. The Group aims to effectively enhance the results and efficiency of its overall financial management through implementing a prudent investment policy to balance assets and liabilities and to balance investment returns and risk management.

Continued focus on transforming, upgrading, developing and increasing investment in its infrastructure projects and the sustainable development of Linyi City

The Group's overall goal is to continue serving the overall economic and social development of Linyi City and to lead the sustainable development in Linyi City. The Group will focus on strengthening its ability to operate state-owned assets and related industry and business operations. Through standardised operations and effective management, the Group aims to realise significant improvements in its operating capabilities and market competitiveness, which in turn will increase the scale of its total assets and net assets. The Group will continue to focus on transforming, upgrading, developing and increasing its investment in infrastructure projects and to accelerate the process of asset capitalisation.

Continue to build a professional management team

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

Attract, motivate and retain high-quality talent

The Group believes that its human resources are important assets and that its continued ability to compete effectively in existing businesses depends on its ability to attract, motivate and retain talent. The Group is committed to building a professional and highly skilled team with strong execution capabilities. To attract and retain talented professionals, the Group intends to offer systemic and comprehensive training programmes to its employees, such as the programmes targeted at employees of different seniorities at different stages of their career. The Group also seeks to motivate and retain high-quality talent through its performance-based compensation system, which reinforces the employees' commitment to the Group's culture and promotes a cohesive work environment.

RECENT DEVELOPMENT

The recent coronavirus pandemic outbreak

Toward the end of 2019, public health officials of the PRC informed the WHO, that a highly infectious novel coronavirus was detected. WHO later named the novel coronavirus as COVID-19. On 11 March 2020, the WHO declared the COVID-19 outbreak a pandemic. The COVID-19 pandemic has resulted in a number of countries declaring a state of emergency and imposing extensive business and travel restrictions with a view to containing the pandemic. Widespread reductions in consumption, industrial production and business activities arising from the COVID-19 pandemic has significantly disrupted the global economy and global markets and is likely to result in a global economic recession.

Since 2022, new cases, from time to time, have been reported in Shandong province and several other areas throughout the PRC. Facing the highly transmissible Omicron variant, China is sticking with a dynamic zero-COVID policy and strict measures have been imposed again to curb this potential resurgence, including but not limited to regular coronavirus testing, quarantine, temporary lockdowns, and closed-off management. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will persist and to what extent to which the Group may be affected in the long run. The Group cannot assure that its business, financial condition and results of operations will not be materially and adversely affected.

Despite the impact of the COVID-19 pandemic, the views of the Group on the PRC's positive economic fundamentals for sustained growth and long-term trajectory have not changed. If the conditions in the PRC continue to improve, the Group anticipates that the impact of the COVID-19 pandemic on its overall operating results and financial condition during the current fiscal year may be limited. Given the uncertainty of the outbreak, however, the spread of COVID-19 may be prolonged and worsened, and the Group may be forced to scale back or even suspend its operations in the affected areas. The Group will continue to closely monitor the progression of this pandemic, evaluate and proactively assess and respond to its impact on the Group's financial position and operating results. See "*Risk Factors — Risks Relating to the Group's Business — The Group's business, financial condition, results of operations, profitability and prospects are subject to effects of global economic events.*"

Interim Results as at and for the three months ended 31 March 2022

In April 2022, the Group published its quarterly financial information as at and for the three months ended 31 March 2022, which was prepared according to PRC GAAP ("**First Quarter Financial Information**"). The First Quarter Financial Information is not included in and does not form a part of this Offering Circular.

As at 31 March 2022, the Group's current assets, non-current assets and current liabilities decreased while its non-current liabilities increased as compared to 31 December 2021. In particular, as at 31 March 2022, the Group's cash at bank and on hand, notes receivable, other non-current assets and long-term equity investment decreased while its short-term loans, notes payable, long-term loans and bonds payable increased as compared to 31 December 2021. As at 31 March 2022, the Group's other non-current assets decreased significantly primarily due to the payment of partial acquisition consideration relating the Guarantor's acquisition of the entire equity interest in and debt of Linyi Beicheng. See "*Acquisition of the entire equity interest in and debt of Linyi Beicheng*" below for details. For the three months ended 31 March 2022, the Group's operating income increased significantly as compared to the same period in 2021, primarily due to the improvement of the Group's business performance.

The First Quarter Financial Information has not been audited or reviewed by the Group's independent accountants, or any other independent accountants and may be subject to adjustments if audited and reviewed. Consequently, such financial statements should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review by an independent auditor and potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations.

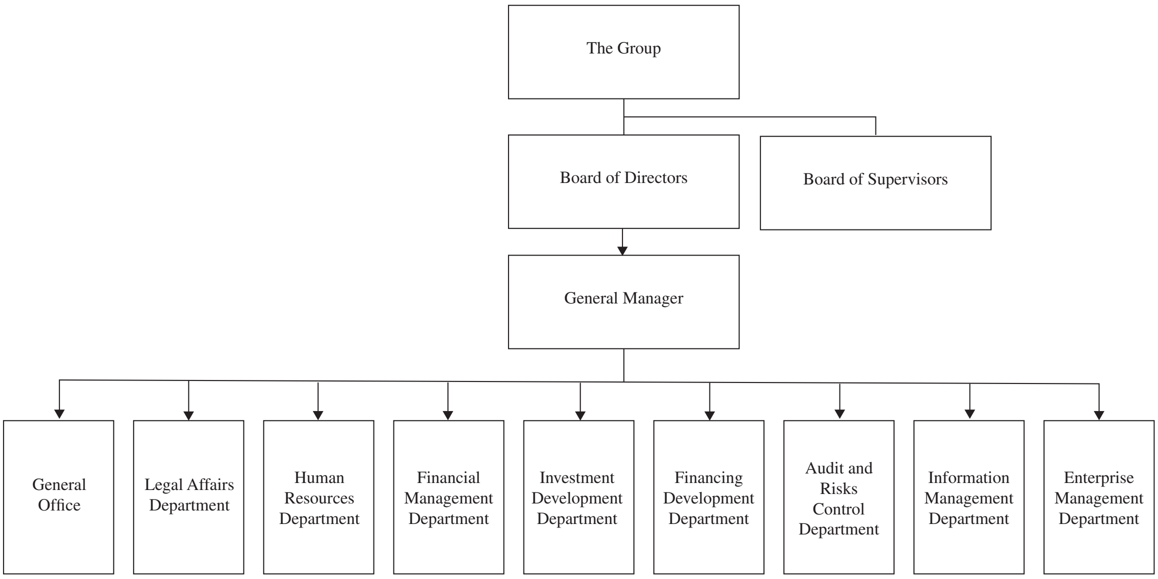
Acquisition of the entire equity interest in and debt of Linyi Beicheng

On 25 May 2021, Qingdao Chengfaxin, a subsidiary of the Guarantor, Beicheng Assets Administrator, and Linyi Beicheng entered into a reorganization and investment agreement and the agreement was further amended by a supplemental reorganization and investment agreement dated 7 June 2021, pursuant to which Qingdao Chengfaxin agreed to acquire, and the Beicheng Assets Administrator agreed to sell the entire equity interest of Linyi Beicheng, at the total consideration of RMB2,595.04 million.

Upon completion of the acquisition, Linyi Beicheng will become an indirect subsidiary of the Guarantor. As at the date of this Offering Circular, the registration with the local AMR for the change of equity in Linyi Beicheng has not been completed yet.

ORGANISATION STRUCTURE

The chart below shows the Group's general organisational structure as at the date of this Offering Circular:



DESCRIPTION OF THE GROUP'S BUSINESSES

Overview

The Group is a primary state-owned infrastructure construction platform in Linyi City, Shandong Province. The Group is directly and ultimately controlled by the Linyi SASAC. The Group primarily focuses on seven major business segments, namely, trading, real estate, sale of products, heat supply, hotel operation, education and water supply. The Group also conducts other businesses, including property management, leasing, project construction, service, electricity supply, land development, exhibition, sales, electricity sales, training and others.

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

	Year ended 31 December					
	2019		2020		2021	
	(RMB in millions)	%	(RMB in millions)	%	(RMB in millions)	%
Trading	—	—	1,505.15	41.55	3,030.29	37.51
Real estate	624.47	49.17	719.91	19.87	2,321.46	28.74
Sale of products	—	—	369.99	10.21	699.29	8.66
Heat supply	239.26	18.84	275.46	7.60	290.43	3.60
Hotel operation	192.27	15.14	190.40	5.26	316.65	3.92
Education	—	—	176.42	4.87	421.58	5.22
Water supply	124.45	9.80	150.50	4.15	171.39	2.12
Other Businesses	89.53	7.05	235.04	6.49	826.78	10.24
Total	**1,269.97**	**100.00**	**3,622.87**	**100.00**	**8,077.88**	**100.00**

Trading

Since 2020, the Group has engaged in trading business mainly through two of its subsidiaries, namely Linyi Chengfa International Trade and Investment Group Co., Ltd. (临沂城发国际贸易投资集团有限公司) (the "**Chengfa Trade**") and Linyi Shangcheng Holding Group Co., Ltd. (临沂商城控股集团有限公司) (the "**Shangcheng**"). The products traded primarily include steel, raw oil, plastic raw materials, rubber raw materials, frozen meat products and aquatic products.

For the years ended 31 December 2019, 2020 and 2021, the operating income from the trading business was approximately nil, RMB1,505.15 million and RMB3,030.29 million, respectively, representing approximately nil, 41.55 per cent. and 37.51 per cent. of the Group's total operating income, respectively.

Business Model

The Group's trading business adopts two business models as follows:

Chengfa Trade Business Model

Chengfa Trade's main products traded are raw oil, frozen meat products and aquatic products, etc. Chengfa Trade adopts the agent procurement business model, i.e. Chengfa Trade enters into individual cooperation agreement with its downstream customers and receives entrustment letters from them. The individual entrustment letter covers basic information of both purchaser and seller, description of the products traded (name, variety, quantity, specification and price), payment method and other relevant commercial terms. Based on the content of individual entrustment letters, Chengfa Trade purchases products from the upstream suppliers and collects payment and service fees from the downstream customers. The upstream suppliers are mainly determined by the downstream customers.

Shangcheng Business Model

Shangcheng's trading business mode includes both self-operated model in the domestic market and agent procurement model in the foreign market. Under the self-operated model, Shangcheng purchases products from upstream suppliers and then develops downstream customer channels for sales in domestic market. Under the agent procurement model, Shangcheng signs individual agency contracts with downstream foreign customers and collects payment and service fees from them. Upon signing the agency contracts, Shangsheng collects either a full payment or a deposit of around 15% to 20% of the full payment.

Products traded

The table below sets forth the Group's main products traded for the year ended 31 December 2021.

Products traded	**Sales**	**Percentage of total sales**
	(RMB in millions)	**(%)**
Steel	15.99	1.33%
Raw oil	1,179.34	98.43%
Plastic raw materials and Rubber raw materials	—	—
Frozen meat products	2.82	0.24%
Aquatic products	—	—
Total	**1,198.15**	**100.00%**

Customers

The table below sets forth the Group's top five customers for the year ended 31 December 2021.

Customers	**Sale amount**	**Percentage of total sale amount**
	(RMB in millions)	**(%)**
Shandong Qingyishan Petrochemical Technology Co., Ltd. (山东清沂山石化科技有限公司)	1,429.88	59.37
Hunan Jihua Caisheng New Material Technology Co., Ltd. (湖南际华财盛新材料科技有限公司)	297.28	12.34
Qingdao Yijia International Trade Co., Ltd. (青岛益嘉国际贸易有限公司)	50.32	2.09
China Energy Investment (Qingdao) Industrial Co., Ltd. (中能投(青岛)实业有限公司)	37.70	1.57
Qingdao Ruitong Junlin Rubber & Plastic Co., Ltd. (青岛睿彤骏璘橡塑有限公司)	37.45	1.55
Total	**1,852.62**	**76.92**

Suppliers

The table below sets forth the Group's top five suppliers for the year ended 31 December 2021.

Suppliers	**Purchase amount**	**Percentage of total purchase amount of raw materials**
	(RMB in millions)	**(%)**
Qingdao Qijin International Trade Co., Ltd. (青岛齐晋国际贸易有限公司)	1,485.98	46.05
Linyi Shunhua Food Co., Ltd. (临沂顺华食品有限公司)	368.99	11.43
Shanghai Xinchi Petrochemical Co., Ltd. (上海鑫驰石油化工有限公司)	276.92	8.58
China Energy Investment (Qingdao) Industrial Co., Ltd. (中能投(青岛)实业有限公司)	140.82	4.36
Qingdao Zhongyan Trading Co., Ltd. (青岛中兖贸易有限公司)	124.77	3.87
Total	**2,397.49**	**74.29**

Real Estate

The Group's real estate business is carried out through one of its subsidiaries, namely, Linyi Zhidu Urban Development and Construction Co., Ltd. (临沂智都城市开发建设有限公司). The Group is principally engaged in the construction of real estate projects in various districts of Linyi City. The Group's real estate business is in the leading position in Linyi City.

For the years ended 31 December 2019, 2020 and 2021, the operating income from the real estate business was approximately RMB624.47 million, RMB719.91 million and RMB2,321.46 million, respectively, representing approximately 49.17 per cent., 19.87 per cent. and 28.74 per cent. of the Group's total operating income, respectively.

Business Model

The Group is responsible for the construction and development of resettlement housing in Linyi City and adopts the targeted sales business model. Upon completion of each affordable housing project, some resettlement houses will be sold to residents directly according to the resettlement agreement and government pricing policies. Other resettlement houses will be sold by the Group at the market value.

In addition, the Group is also responsible for construction of commercial housing projects and adopts the entrusted construction model. The Group acquires the land use rights through bid invitation, auction or listing (招拍挂) and carries out construction of commercial housing projects. Upon completion of each commercial housing project, the Group can sell the commercial housing via its own sale team through a combination of pre-sale and on-site sale.

Project Description

Completed Projects

As at 31 December 2021, the Group had completed four real estate projects with a total investment amount of approximately RMB2,465.09 million. The following table sets forth the particulars of the Group's completed real estate projects:

Project	**Total Investment**	**Sale Amount**
	(RMB in millions)	**(RMB in millions)**
Jvling Group Project (巨灵集团项目)	1,188.42	1,239.20
Compound North District Project (大院北区项目)	721.87	899.65
Highway Bureau Area Project (公路局片区项目)	201.27	—
Xingmeng Shanty Town Reconstruction Project (兴蒙棚户区改造项目)	353.53	—
Total	**2,465.09**	**2,138.85**

Projects under Construction

As at 31 December 2021, the Group had 11 real estate projects under construction with total estimated investment of approximately RMB18,546.85 million. The following table sets forth the particulars of the Group's real estate projects under construction:

Project	Total Estimated Investment Amount	Construction Period
	(RMB in millions)	
Tancheng Shuyuan Mansion (郯城书苑府邸)	2,031.55	2016-2021
Jingyue Project (景悦项目)	1,352.88	2018-2021
Hedong Saint-Mont Left Bank Project (河东圣蒙左岸项目)	3,000.00	2019-2024
Yinan Xishan Community Project (沂南西山小区项目)	154.15	2018-2021
Yinan Xishan Community Shed Reconstruction Project (沂南西山小区棚改项目)	1,898.43	2018-2021
Yishui Longjiaquan (沂水龙家圈)	1,200.08	2019-2022
Xianggong Dongnanwang Village Shed Reconstruction Project (相公东南旺村棚改项目)	420.00	2020-2021
Luozhuang District Yinfeng Lake Area (Qianchayao) Shanty Town Reconstruction Project (罗庄区银凤湖片区(移茌窑)棚户区改造项)	850.00	2020-2022
Linshu Water Elysium (临沭水榭丽都)	2,052.36	2019-2026
Jiang Shan Yue (江山悦)	2,570.00	2021-2023
Jiu Zhou Yue (九州悦)	3,000.00	2021-2023
Total	**18,546.85**	—

Sale of Products

The Group engages in sale of products business mainly through one of its subsidiaries, namely Shandong Sanwei Holdings Group Co., Ltd. (山东三维控股集团有限公司) (the "**Sanwei**"). The products primarily include soybean meal, soybean oil, feed grade soy protein concentrate, tissue protein, defatted and deodorised protein, functional protein, drawing protein, snack foods and steel products. The sale of products business can be further divided into soybean processing and snack food production businesses

For the years ended 31 December 2019, 2020 and 2021, the operating income from the sale of products business was approximately nil, RMB369.99 million and RMB699.29, respectively, representing approximately nil, 10.21 per cent. and 8.66 per cent. of the Group's total operating income, respectively.

Sale products

The table below sets forth the Group's main sale products for the year ended 31 December 2021.

Sale projects	Sales	Percentage of total sales
	(RMB in millions)	(%)
Soybean meal	32.69	6.61
Soybean oil	3.22	0.65
Feed-grade soy protein concentrate	174.59	35.31
Tissue protein	30.18	6.10
Defatted and deodorised protein	3.35	0.68
Functional protein	2.88	0.58
Drawing protein	28.88	5.84
Snack foods	51.84	10.48
Steel products	166.79	33.73
Total	**494.44**	**100.00**

Soybean Processing

The Group's soybean processing business has two-phase projects and the main products include soybean meal and edible soybean oil in the Phase I Project and feed-grade soy protein concentrate in the Phase II Project.

Business Model

The Group's soybean processing business adopts the agent procurement business model in the Phase I Project, *i.e.* the Group enters into individual agent procurement agreement with its downstream customers and produces designated soybean meal and edible soybean oil accordingly. The Group collects agent procurement payment upon completion from its downstream customers. In respect of the Phase II Project, the Group produces soybean protein concentrate for feed, with an annual production capacity of 60,000 tons. The Group's core technology of soybean protein concentrate production has reached the international leading level.

Customers

The table below sets forth the Group's top five customers of for the year ended 31 December 2021.

Customers	**Sale amount**	**Percentage of total sale amount**
	(RMB in millions)	**(%)**
Shandong Mingxin International Trade Co., Ltd. (山东明欣国际贸易有限公司)	75.25	32.23
Nanjing Yimugu Trading Co., Ltd. (南京益亩谷贸易有限公司)	35.00	14.99
Qingdao Yinhai Heyi International Trade Co., Ltd. (青岛银海和益国际贸易有限公司)	1.17	0.50
Shenyang Jiahe Tianfeng Trading Co., Ltd. (沈阳嘉合天丰商贸有限公司)	1.16	0.50
Jiangsu Xutai Agriculture and Animal Husbandry Technology Co., Ltd. (江苏旭泰农牧科技有限公司)	1.09	0.47
Total	**113.68**	**48.69**

Suppliers

The table below sets forth the Group's top five suppliers for the year ended 31 December 2021.

Suppliers	**Purchase amount**	**Percentage of total purchase amount**
	(RMB in millions)	**(%)**
Louis Dreyfus (Tianjin) International Trading Co., Ltd. (路易达孚(天津)国际贸易有限公司)	165.00	77.00
Taizhou Futai Petrochemical Co., Ltd. (泰州市富泰石化有限公司)	4.19	1.90
Dongying Jiahui Chemical Co., Ltd. (东营市佳慧化工有限公司)	2.01	0.90
Xintai Jinfucheng Industry and Trade Co., Ltd. (新泰市金富城工贸有限公司)	1.74	0.80
Wenzhou Chenguang Group Co., Ltd. (温州晨光集团有限公司)	1.23	0.60
Total	**174.17**	**81.20**

Snack Food Production

The snack food production segment has four production lines, including dried tofu (豆干), vegetarian meat (素肉), candied fruit (蜜饯) and roasted nuts (坚果炒货).

Customers

The table below sets forth the Group's top five customers of for the year ended 31 December 2021.

Customers	**Sale amount**	**Percentage of total sale amount**
	(RMB in millions)	**(%)**
Shandong Wuxianzhai Food Co., Ltd. (山东五贤斋食品有限公司)	6.73	6.08
Liaoning Zhengyuan Food Co., Ltd. (辽宁正远食品有限公司)	5.38	4.86
Sichuan Anjing Food Co., Ltd. (四川安井食品有限公司)	4.56	4.11
Taizhou Anjing Food Co., Ltd. (泰州安井食品有限公司)	3.88	3.51
Fujian Anjing Food Co., Ltd. (福建安井食品股份有限公司)	3.55	3.20
Total	**24.10**	**21.76**

Suppliers

The table below sets forth the Group's top five suppliers for the year ended 31 December 2021.

Suppliers	**Purchase amount**	**Percentage of total purchase amount**
	(RMB in millions)	**(%)**
Jiangsu Yongyou Food Technology Co., Ltd. (江苏永友食品科技有限公司)	38.90	44.34
Kedong Yuwang Soy Protein Food Co., Ltd. (克东禹王大豆蛋白食品有限公司)	9.06	10.32
Qinhuangdao Jinhai Food Industry Co., Ltd. (秦皇岛金海食品工业有限公司)	5.44	6.20
Wuhu Yudong Automation Technology Co., Ltd. (芜湖裕东自动化科技有限公司)	3.16	3.60
Wenzhou Mingyou Printing Co., Ltd. (温州明友印业有限公司)	2.44	2.78
Total	**58.99**	**67.24**

Heat Supply

The Group is a major heat supplier in Linyi City. The Group's heat supply business primarily involves distribution of heat supply to residential and commercial users in the North District of Linyi City. The Group engages in heat supply business mainly through one of its subsidiaries, namely Linyi Xincheng Heat Co., Ltd. (临沂市新城热力有限公司) (the "**Xincheng**").

For the years ended 31 December 2019, 2020 and 2021, the operating income from the heat supply business was approximately RMB239.26 million, RMB275.46 million and RMB290.43 million, respectively, representing approximately 18.84 per cent., 7.60 per cent. and 3.60 per cent. of the Group's total operating income, respectively.

Business Model

The Group generates revenue from providing heat supply to residential and commercial users in the North District of Linyi City. The Group normally enters into individual heal supply agreements with various users and charge heat fees at the price specified by Linyi Municipal Government according to the type and nature of the heat supply. The annual heat supply period is from 10 November to 20 March next year and the fee charging period is from 1 September to 20 March next year. As at 31 December 2021, the sales price for heat supply to residential users is RMB23.00 per square metre, while the sales price for heat supply to commercial users is RMB32.00 per square metre.

The following table sets forth the total heat supply area of the Group's heat supply business during the periods indicated:

	Year ended 31 December		
	2019	2020	2021
	(Million Square Metre)	(Million Square Metre)	(Million Square Metre)
Total heat supply area	12.48	19.90	19.90

Hotel Operation

The Group engages in hotel operation business mainly through one of its subsidiaries, namely Linyi Chengkai International Hotel Co., Ltd. (临沂城开国际大酒店有限公司) (the "**Chengkai**"). The Group owns one hotel in Linyi City, namely, Lanhai International Hotel (蓝海国际饭店). Lanhai International Hotel ranks in the top tier among local hotel market in terms of total assets, revenue and profit with its well-recognised brand image.

For the years ended 31 December 2019 and 2020 and 2021, the operating income from the hotel operation business was approximately RMB192.27 million, RMB190.40 million and RMB316.65 million, respectively, representing approximately 15.14 per cent., 5.26 per cent. and 3.92 per cent. of the Group's total operating income, respectively.

Lanhai International Hotel

Lanhai International Hotel is a grand garden-style hotel. It has a total of 393 guest rooms with the average price of approximately RMB330.00 per night. The hotel also has six different restaurants, namely Yugefang Restaurant (渔歌舫餐厅), Mengshan Yishui Restaurant (蒙山沂水餐厅), Jiang Zhe Hui Restaurant (江浙荟餐厅), Conference Restaurant (会务餐厅), Zhongdinglou Restaurant (钟鼎楼餐厅) and Buffet Restaurant (自助餐餐厅). The hotel covers a total conference area of more than 11,000 square meters and a recreational area of more than 9,300 square meters, which can meet various types of conference and banquet needs.

Education

The Group has commenced its education business since 2020 and engages in education business mainly through one of its subsidiaries, namely Shandong Zhiku Education Development Co., Ltd. (山东智库教育发展有限公司) (the "**Zhiku Education**").

For the years ended 31 December 2020 and 2021, the operating income from the education business was approximately RMB176.42 million and 421.58 million, respectively, representing approximately 4.87 per cent. and 5.22 per cent. of the Group's total operating income, respectively.

Business Model

The Group's education business primarily includes provision of teaching staffs, examination and training businesses. The Group currently has more than 8,500 teaching staffs and 300 cooperative enterprises. Regarding provision of teaching staffs business, the Group enters into various provision of teaching staff agreements with its downstream partners, according to which the teaching personnel will be confirmed and employment contracts will be signed. The examination business is mainly through the direct signing of the service contracts, under which the Group organises and arranges the examination and provides marking and scoring according to the requirements of the entrusting party. The Group charges service fees from clients on a monthly basis, ranging from RMB29.50 to RMB200.00 per month per person.

The following table sets forth the breakdown of the operating income derived from the during the periods indicated:

	Year ended 31 December	
	2020	2021
	(RMB in Millions)	(RMB in Millions)
Provision of teaching staffs	167.95	396.66
Examination	3.82	3.98
Training	2.40	9.36
Others	2.24	11.57
Total	**176.41**	**421.58**

Water Supply

The Group engages in water supply business mainly through one of its subsidiaries, namely Linyi Water Operation Group Co., Ltd. (临沂市水务集团有限公司) (the "**Linyi Water**"). The Group's water supply business mainly includes providing water supply in the North District of Linyi City.

For the years ended 31 December 2019 and 2020 and 2021, the operating income from the water supply business was approximately RMB124.45 million, RMB150.50 million and RMB171.39 million, respectively, representing approximately 9.80 per cent., 4.15 per cent. and 2.12 per cent. of the Group's total operating income, respectively.

Business Model

The Group supplies water to both industrial and residential users and collects water fees from these users in Linyi City. Currently, the price category can be divided into wholesale water, residential water, commercial and industrial water and special water. The details of price for each water category as at 31 December 2021 is shown as below:

Category	User Price
	(RMB per square metre)
Wholesale Water	1.15
Residential Water	2.65
Commercial and Industrial Water	3.63
Special Water	1.15

Other Businesses

The Group engages in other businesses that complements to its main business segments. The Group's other businesses primarily include property management, leasing, project construction, service, electricity supply, land development, exhibition, sales, electricity sales, training and others. For the years ended 31 December 2019, 2020 and 2021, the operating income from other businesses was approximately RMB89.53 million, RMB235.04 million and RMB826.78 million, respectively, representing approximately 7.05 per cent., 6.49 per cent. and 10.24 per cent. of the Group's total operating income, respectively.

GOVERNMENT REGULATIONS

The operations of the Group are subject to various laws and regulations in the jurisdictions in which it operates. The Group's properties are subject to routine inspections by government officials with regard to various safety and environmental issues. The Group believes that it is in compliance in all material respects with government regulations currently in effect in the jurisdictions in which it operates. The Group is not aware of significant problems experienced by any member of the Group with respect to compliance with government regulations in relation to its operations which could materially adversely affect its properties or operations, nor is it aware of any pending government legislation that might have a material adverse effect on its business, properties, prospects, financial condition and results of operations.

RISK MANAGEMENT

The Group has established a risk management system to ensure compliance with regulatory requirements and to implement risk control measures to lower operational and investment risks. The risk management system covers different aspects of the Group's operations, including the management system, the investment management system, the major matters determination system and the external guarantee system. Each level and department of the Group is informed of the Group's internal control and risk management policies. The systematic approach adopted by the Group has helped the Group to manage its business in a disciplined manner. The Group also normally conducts detailed discussions and follows requisite appraisal procedures to ensure that informed and viable investment decisions are made.

EMPLOYEES

As at 31 December 2021, the Group had approximately 2,832 employees. The Group maintains a good working relationship with its employees and as at 31 December 2021, the Group has not experienced any strikes, work stoppages, labour disputes or actions which would have a material adverse effect on its overall business, prospects, financial condition or results of operations.

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

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. See "*Risk Factors — Risks Relating to the Group's Business — The Group's insurance coverage may not adequately protect the Group against all operational risks*."

ENVIRONMENT MATTERS

The Group's operations are subject to various environmental laws. 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 Guarantor is not aware of any environmental proceedings or investigations to which any member of the Group is or might become a party.

LEGAL PROCEEDINGS

The Group may from time to time be involved in disputes and legal proceedings arising in the ordinary course of its business. See "*Risk Factors — Risks relating to the Group's Business — The Group is exposed to litigation risks*" in this Offering Circular. To the best of the Guarantor's knowledge, there are no current litigation or arbitration proceedings against the Group or its executive director as at the date of this Offering Circular that could have a material adverse effect on its business, properties, prospects, financial condition or results of operations.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

The Guarantor's board of directors (the "**Board**") currently consists of five directors, including one chairman, three directors, and one employee representative director. The Board is primarily responsible for, among others, determining the Guarantor's annual operation guidelines and investment plans, formulating the Guarantor's annual financial budget plans and accounting plans, annual profit distribution plans, and deficit covering plans, determining the Guarantor's external financing plans and internal management structure, the appointment and removal of the general manager and the other senior managers as well as their compensations. Each of the directors is appointed for a term of three years, which is renewable upon re-election and re-appointment.

Name	Age	Position
Mr. LI Dongchun (李东春)	58	Chairman of the Board
Ms. LIU Quanfa (刘泉法)	60	Director and Deputy General Manager
Mr. GUO Zheng (郭征)	57	Director and Deputy General Manager
Mr. LU Xixing (陆西兴)	52	Director and Deputy General Manager
Mr. FAN Feifei (范飞飞)	50	Employee Director

Mr. LI Dongchun (李东春), aged 58, is the chairman of the Board and the general manager of the Guarantor. Prior to joining the Group, Mr. Li was an instructor of the leadership training programme of the Finance and Taxation Bureau of Linyi Region (临沂(地区)财税局), a staff of the Linyi Finance Bureau and a staff of Linyi Economic Development Investment Co., Ltd. (临沂市经济开发投资公司). Mr. Li holds a bachelor's degree.

Mr. LIU Quanfa (刘泉法), aged 60, is a director and deputy general manager of the Guarantor. Prior to joining the Group, Mr. Liu was the director of the Department of Finance and the chief accountant of Shandong Linyi Brewery (山东临沂啤酒厂), the director of the Audit Department of Shandong Tianyuan Tongtai Certified Public Accountants LLP (山东天元同泰会计师事务所有限公司) and a deputy general manager and chief finance officer of Shandong Hongri Acron Chemical Joint Stock Co., Ltd. (山东红日化工股份有限公司). Mr. Liu holds a bachelor's degree.

Mr. GUO Zheng (郭征), aged 57, is a director and deputy general manager of the Guarantor. Prior to joining the Group, Mr. Guo was a staff of Linyi Quality and Technical Supervision Bureau (临沂市质量技术监督局), the deputy director of the general office of Linyi Product Quality Supervision and Inspection Institute (临沂市质检所), a staff of the Linyi Institute of Measurement, Testing and Verification (临沂市计量检定所) and an assistant to the general manager of Linyi City Assets Management and Development Co., Ltd. Mr. Guo holds a college degree.

Mr. LU Xixing (陆西兴), aged 52, is a director and deputy general manager of the Guarantor. Prior to joining the Group, Mr. Lu was a senior staff member of the second secretary division and the third secretary division and the director of the fourth secretary division of the General Office of the Linyi Municipal Government (临沂市政府办公室). Mrs. Lu was also a deputy director of the County Economic Development Office of Linyi City (临沂市县域经济发展办公室). Mr. Lu holds a bachelor's degree.

Ms. FAN Feifei (范飞飞), aged 50, is the employee director of the Guarantor. Prior to joining the Group, Ms. Fan was a staff of Lanzhou District Silk Co., Ltd. (兰山区丝绸公司), Linyiyi Long Fung Hong Yi Keng Real Estate Development Co., Ltd. (临沂隆丰行怡景房地产开发有限公司), Linyi Beicheng Real Estate Co., Ltd. (临沂北城置业有限公司) and Shandong Rongsheng Fuxiang Real Estate Development Co., Ltd. (山东荣盛富翔地产开发有限公司工作). Ms. Fan holds a bachelor's degree.

SUPERVISORS

The Guarantor's board of supervisors (the "**Supervisory Board**") currently consists of five supervisors, including one chairman, two supervisors, and two employee representative supervisors. The responsibilities of the Supervisory Board include, but not limited to, overseeing the Guarantor's financial positions, supervising the implementation of laws, regulations, and the articles of association of the Guarantor, supervising, evaluating, and recording the work performance of the directors and the senior management of the Guarantor.

Name	Age	Position
Mr. WANG Mingdong (王明栋)	52	Chairman of the Supervisory Board
Mr. SU Qingda (苏庆达)	38	Supervisor
Ms. LI Ping (李萍)	36	Supervisor
Ms. YAN Zhe (颜哲)	32	Employee Representative Supervisor
Mr. TANG Long (唐珑)	46	Employee Representative Supervisor

Mr. WANG Mingdong (王明栋), aged 52, is the chairman of the Supervisory Board of the Guarantor. Prior to joining the Group, Mr. Wang was a staff of Linyi Regional Trade Fluff Co., Ltd. (临沂市(地区)外贸绒毛总公司), the deputy head of Linyi Forestry Bureau (临沂市林业局), the deputy Secretary General of the Linyi Municipal Committee of Chinese People's Political Consultative Conference (临沂市政协), the general manager and deputy secretary of the party committee of Shandong Mengshan Tourism Group Co., Ltd. (山东蒙山旅游集团有限公司). Mr. Wang holds a bachelor's degree.

Mr. SU Qingda (苏庆达), aged 38, is a supervisor of the Guarantor. Mr. Su is also a deputy director of Discipline Inspection and Supervision Office of the Guarantor. Prior to joining the Group, Mr. Su was the deputy director of the eighth business division of Linyi Engineering Consulting Institute (临沂市工程咨询院) and a deputy director of the Supervision and Assessment Office of Linyi City Assets Management and Development Co., Ltd. Mr. Su holds a bachelor's degree.

Ms. LI Ping (李萍), aged 36, is a supervisor of the Guarantor. Ms. Li is also a deputy manager of Audit and Risk Management Department of the Guarantor. Prior to joining the Group, Ms. Li was a staff of Huaibei Liuhe Qinqiang Food Co., Ltd. (淮北六和勤强食品有限公司) and Linyi City Assets Management and Development Co., Ltd. Ms. Li was also a deputy manager of Financial Management Department of the Guarantor. Ms. Li holds a master's degree.

Ms. YAN Zhe (颜哲), aged 32, is an employee representative supervisor of the Guarantor. Prior to joining the Group, Ms. Li was a staff of the Linyi branch of China Minsheng Bank Co., Ltd. (民生银行临沂分行) and the Finance Bureau of the Hi-Tech District of Linyi City (临沂高新区财政局). Ms. Yan holds a master's degree.

Mr. TANG Long (唐珑), aged 46, is an employee representative supervisor of the Guarantor. Prior to joining the Group, Mr. Wang was a staff of the automobile repair shop of Linyi Communications Transportations Group Co., Ltd. (临沂交通运输投资集团有限公司), a staff of Linyi Kuaizhisong Transportation Industry Co., Ltd. (临沂快直送运业有限公司), a coordinator and deputy manager of the Linyi Branch of Shandong Quanzhitong High Speed Passenger Transport Co., Ltd. (山东全直通高速客运股份有限公司临沂分公司), the deputy head of Linyi Bus Station (临沂汽车站), a staff of Linyi Chengfa Business Service Group Co., Ltd. (临沂城开商务服务有限公司) and the manager of Market Management Department of Xincheng. Mr. Tang holds a bachelor's degree.

SENIOR MANAGEMENT

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

Name	Age	Position
Mr. LI Dongchun (李东春)	57	Chairman of the Board; General Manager
Ms. LIU Quanfa (刘泉法)	59	Director; Deputy General Manager
Mr. GUO Zheng (郭征)	56	Director; Deputy General Manager
Mr. LU Xixing (陆西兴)	52	Director; Deputy General Manager

Mr. LI Dongchun (李东春), please see "— *Directors*" above.

Ms. LIU Quanfa (刘泉法), please see "— *Directors*" above.

Mr. GUO Zheng (郭征), please see "— *Directors*" above.

Mr. LU Xixing (陆西兴), please see "— *Directors*" above.

EXCHANGE RATE INFORMATION

The People's Bank of China (the "**PBOC**"), the central bank of the PRC, 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 authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on 11 August 2015, Renminbi depreciated significantly against the U.S. dollar. On 11 December 2015, CFETS, a sub-institutional organisation of the PBOC, published the CFETS Renminbi exchange rate index for the first time which weighs the Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. In January and February 2016, Renminbi experienced further fluctuations 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 International Monetary Fund announced on 30 September 2016 that, effective on 1 October 2016, the Renminbi was added to its Special Drawing Rights currency basket. The PRC government has since made and in the future may make future adjustments to the exchange rate system.

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

	Noon Buying Rate			
Period	**Period End**	**Average[(1)]**	**High**	**Low**
	(Renminbi per U.S.$1.00)			
2015	6.4778	6.2869	6.4896	6.1870
2016	6.4480	6.6549	6.9580	6.9430
2017	6.4773	6.7564	6.9575	6.5063
2018	6.2649	6.6090	6.9737	6.8755
2019	6.6822	6.9014	7.1786	6.9618
2020	6.5250	6.9042	7.1681	6.5208
2021	6.3726	6.4508	6.5716	6.3435
December	6.3726	6.3693	6.3772	6.3435
2022				
January	6.3610	6.3556	6.3822	6.3206
February	6.3084	6.3436	6.3660	6.3084
March	6.3393	6.3446	6.3720	6.3116
April	6.6080	6.6243	6.4310	6.3590
May	6.6980	6.7003	6.7880	6.6079
June (through 10 June)	6.7081	6.6760	6.7081	6.6534

Note:

(1) Averages are calculated by averaging the rates on the last business day of each month during the relevant year. Monthly averages are calculated by averaging the daily rates during the relevant monthly period.

PRC LAWS AND REGULATIONS

This section summarises the principal PRC laws and regulations which are relevant to the Group's business and operations and the provision of the Guarantee. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations which are relevant to the Group's business and operations or to the Guarantor.

NDRC Registration

The NDRC issued the NDRC Notice on 14 September 2015, which came into effect on the same day. According to the NDRC Notice, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issues outside the PRC with the NDRC prior to the issue of the securities, and notify the NDRC of the particulars of such issue within 10 PRC Business Days after the completion of such issue. The NDRC Notice 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 Guarantor to perform or comply with any of its obligations under the Bonds. Potential investors in the Bonds are advised to exercise due caution when making their investment decisions. Similarly, there is no clarity on the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Notice.

Cross-Border Security

On 12 May 2014, the SAFE promulgated the Cross-Border Security Provisions which took effect on 1 June 2014 and superseded a series of regulations previously issued by the SAFE and brought substantial changes to the current cross-border security regime.

The Cross-Border Security Provisions require post-event registration of the cross-border security with a local SAFE branch, and subject to the exceptions set out in its appendix 1, the enforcement of any properly registered cross-border security no longer requires prior verification by the SAFE. Also, the registration of cross-border security with a local SAFE branch is no longer a "perfection" requirement, *i.e.* the Cross-Border Security Provisions have clarified that failure to carry out any approval, registration or filing will not impact the validity of the security.

The Cross-Border Security Provisions also allow the cross-border security to be used for securing an offshore bond issuance, provided that (a) the offshore issuer shall be directly or indirectly owned by the onshore security provider; (b) the proceeds obtained from the offshore bond issuance shall be used for certain offshore projects which are related to the onshore security provider from a shareholding perspective; and (c) the Guarantor and such offshore projects have been duly approved by, registered and filed with, the relevant authorities in charge of outbound investment in PRC.

Although the approval/registration requirements relating to the cross-border security were largely relaxed under such Cross-Border Security Provisions, restrictions on the repatriation of proceeds from an offshore debt still applied, which provided that such proceeds may not be repatriated, whether directly or indirectly, from offshore to onshore, whether by way of equity investment or lending (which includes direct or indirect equity investment in an offshore company where 50 per cent. or more of its assets are located in mainland China) without obtaining prior approval from the SAFE. However, according to the Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving Authenticity and Compliance Review (《关于进一步推进外汇管理改革完善真实合规性审核的通知》) newly promulgated by the SAFE on 26 January 2017, proceeds from offshore debt secured by cross-border security may be repatriated to the PRC for use directly or indirectly by way of loans, equity investment, etc.

PRC Currency Controls

Current Account Items

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers. Prior to July 2009, all current account items were required to be settled in foreign currencies with limited exceptions. Following progressive reforms, Renminbi settlement of imports and exports of goods and of services and other current account items became permissible nationwide in 2012, except that the key enterprises on a supervision list determined by the PBOC and five other relevant authorities in the PRC would be subject to enhanced scrutiny when banks process current account cross-border repatriations.

On 5 July 2013, the PBOC promulgated the Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures (《关于简化跨境人民币业务流程和完善有关政策的通知》) (the "**2013 PBOC Circular**") which simplified the procedures for cross-border Renminbi trade settlement under current account items. On 1 November 2014, the PBOC introduced a cash pooling arrangement for qualified multinational enterprise group companies, under which a multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group. On 5 September 2015, the PBOC promulgated the Circular on Further Facilitating the Cross-Border Bi-directional Renminbi Cash Pooling Business by Multinational Enterprise Groups (《关于进一步便利跨国企业集团开展跨境双向人民币资金池业务的通知》) (the "**2015 PBOC Circular**"), which, *inter alia*, has lowered the eligibility requirements for multinational enterprise groups and increased the cap for net cash inflow. The 2015 PBOC Circular also provides that enterprises within a pilot free trade zone in the PRC, such as the China (Shanghai) Pilot Free Trade Zone ("**Shanghai FTZ**") may establish an additional cash pool in the local scheme in such pilot free trade zone, but each onshore company within the group may only elect to participate in one cash pool.

The regulations referred to above are subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these regulations and impose conditions for settlement of current account items.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to the approval of, and/or registration or filing with, the relevant PRC authorities. Until recently, settlement of capital account items, for example, the capital contribution of foreign investors to foreign-invested enterprises in the PRC, were generally required to be made in foreign currencies. Under progressive reforms by the PBOC, the MOFCOM and the SAFE, foreign investors are now permitted to make capital contribution, share transfer, profit allocation and liquidation and certain other transactions in Renminbi for their foreign direct investment within the PRC. Cross-border Renminbi payment infrastructure and trading facilities are being improved. Approval, registration and filing requirements for capital account payments in Renminbi are being removed gradually. The Circular on Reforming the Administrative Approach of the Foreign Exchange Capital Settlement for Foreign Invested Enterprises (《关于改革外商投资企业外汇资本金结汇管理方式的通知》) became effective on 1 June 2015 (the "**2015 SAFE Circular**"). In addition to the option to settle foreign current capital through payment-based foreign exchange settlement (支付结汇制), the 2015 SAFE Circular allows foreign-invested enterprises to settle up to 100 per cent. (subject to future adjustment at discretion of SAFE) of the foreign currency capital (which has been processed through the SAFE's equity interest confirmation procedure for capital contribution in cash or registered by a bank on the SAFE's system for account-crediting for such capital contribution) into Renminbi according to their actual operational needs on a voluntary basis. In principle, the Renminbi proceeds through the aforementioned voluntary settlement shall be deposited into designated bank account called capital account item — account for foreign currency settlement pending payment (资本项目－结汇待支付账户) (the "**Account for Foreign Currency Settlement Pending Payment**") as opened by such foreign-invested enterprise, and accordingly all future payments shall be processed from such Account for Foreign Currency Settlement Pending Payment. A negative list with respect to the usage of the foreign currency capital and the Renminbi proceeds settled therefrom is set forth under the 2015 SAFE Circular. In particular, a foreign-invested enterprise with investment as its main business (including the foreign-invested investment company (外商投资性公司), foreign-invested venture capital enterprise (外商投资创业投资企业) or foreign-invested private equity investment enterprise (外商投资股权投资企业)) is permitted to use the Renminbi proceeds settled from its foreign currency capital (whether directly settled, or from the Renminbi deposit in its Account for Foreign Currency Settlement Pending Payment as previously settled through voluntary settlement) to make equity contribution to its invested enterprises directly, without further filings with SAFE. PRC entities are also permitted to borrow Renminbi-denominated loans from foreign lenders (which are referred to as "**foreign debt**") and lend Renminbi-denominated loans to foreign borrowers (which are referred to as "**outbound loans**"), as long as such PRC entities have the necessary quota, approval or registration. PRC entities may also denominate security or guarantee arrangements in Renminbi and make payments thereunder to parties in the PRC as well as other jurisdictions (which is referred to as "**cross-border security**"). Under current rules promulgated by SAFE, foreign debts borrowed, outbound loans extended, and the cross-border security provided by a PRC onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt, outbound loan and cross-border security regimes applicable to foreign currencies. However, there remains potential inconsistencies between the provisions of the SAFE rules and the provisions of the 2013 PBOC Circular. It is not clear how regulators will deal with such inconsistencies in practice.

According to the 2015 PBOC Circular, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or non-self-use real estate assets, or purchase wealth management products or extend loans to enterprises outside the group.

Enterprises within the Shanghai FTZ may establish another cash pool under the Shanghai FTZ rules to extend inter-company loans, although Renminbi funds obtained from financing activities may not be pooled under this arrangement. Enterprises within the Shanghai FTZ can borrow Renminbi from offshore lenders under a pilot account-based settlement scheme within the prescribed macro prudential management limit. In addition, non-financial enterprises in the Shanghai FTZ are allowed to settle the foreign debt denominated in foreign currency with Renminbi on a voluntary basis, provided that the Renminbi proceeds settled therefrom should not be used (whether directly or indirectly) beyond their business scope or in violation of relevant laws and regulations in the PRC.

Recent reforms introduced were aimed at controlling the remittance of Renminbi for payment of transactions categorised as capital account items. There is no assurance that the PRC government will continue to gradually liberalise the control over Renminbi payments of capital account item transactions in the future. The relevant regulations are relatively new and will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

TAXATION

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

PRC Taxation

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 PRC for the PRC tax purposes. These beneficial owners are referred to as non-resident Bondholders in this "PRC Taxation" section. In considering whether to invest in the Bonds, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Pursuant to the EIT Law effective on 1 January 2008 and the Individual Income Tax Law of the PRC, as amended on 31 August 2018 and effective on 1 January 2019 ("**IIT Law**"), and their implementation rules respectively, an income tax is imposed on the interests by way of withholding in respect of the Bonds, paid by the Issuer or the Guarantor (if such interests are regarded as income derived from sources within the PRC under the EIT Law or the IIT Law (as the case may be)) to non-resident Bondholders, including non-resident enterprises and non-resident individuals. The current rates of such income tax are 20 per cent. (for non-resident individuals) and 10 per cent. (for non-resident enterprises) of the gross amount of the interest. However, the tax so charged on interests paid on the Bonds to non-resident Bondholders who or which are residents of Hong Kong (including enterprise holders and individual holders) as defined under the Arrangement between mainland China and Hong Kong for Purpose of the Avoidance of Double Taxation will be 7 per cent. of the gross amount of the interest pursuant to the arrangement between mainland China and Hong Kong and relevant interpretation of the arrangement formulated by the SAT.

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as incomes derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax under the IIT Law and its implementation rules. 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 an arrangement between the PRC and Hong Kong for avoidance of double taxation, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds.

On 23 March 2016, the MOF and the SAT issued Circular 36, which introduced a new VAT from 1 May 2016. Under Circular 36, VAT is applicable where the entities or individuals provide services within the PRC. The operating income 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 PRC. In the event that foreign 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. Circular 36 further clarified that "loan processing" refers to the activity of lending capital for another's use and receiving the interest income thereon, therefore based on such an interpretation of "loan processing" under the Circular 36, the issuance of Bonds may be treated as the Bondholders providing loans to the Issuer or the Guarantor, which thus shall be regarded as the provision of financial services. Accordingly, the interest and other interest like earnings received by a non-PRC resident Bondholder from the Issuer or the Guarantor will be subject to PRC VAT at the rate of 6 per cent. The Issuer will be obligated to withhold VAT of 6 per cent. and certain surcharges on VAT for payments of interest and certain other amounts on the Bonds paid by the Issuer or the Guarantor to Bondholders that are non-resident enterprises or individuals. And as the withholding agent, the Issuer or the Guarantor shall calculate the withholding tax according to the following formula: withholding tax = price paid by the purchaser ÷ (1 + tax rate) × tax rate. Pursuant to relevant local rules regarding the Urban Maintenance & Construction Tax, the Educational Fund Surcharge and the Local Educational Fund Surcharge respectively as levies on the VAT, such local levies will be applicable when entities and individuals are obliged to pay VAT (at an aggregate rate of approximately 12 per cent. on any VAT payable, so consequently the combined rate of the VAT and such local levies would be around 6.7 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.

The Issuer and the Guarantor have 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 of the Bonds*".

No PRC stamp duty will be imposed on non-resident Bondholders either upon issuance of the Bonds or upon a subsequent transfer of Bonds.

British Virgin Islands Taxation

As at the date of this Offering Circular, the Issuer is exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands. No income, capital gain, estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to any debt obligations or other securities of the Issuer.

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

Hong Kong Taxation

Withholding tax

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

Profits tax

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

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

(a) Interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

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

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

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

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

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

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

Stamp duty

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

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Joint Lead Managers dated 21 June 2022 (the "**Subscription Agreement**") pursuant to which and subject to certain conditions contained in the Subscription Agreement, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to severally and not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds set forth opposite its name below:

Joint Lead Manager	**Principal amount of the Bonds to be subscribed**
Central Wealth Securities Investment Limited,	U.S.$45,000,000
Guotai Junan Securities (Hong Kong) Limited	U.S.$25,000,000
China Industrial Securities International Brokerage Limited	U.S.$25,000,000
Industrial Bank Co., Ltd. Hong Kong Branch	U.S.$25,000,000
Shenwan Hongyuan Securities (H.K.) Limited	U.S.$25,000,000
CNCB (Hong Kong) Capital Limited	U.S.$25,000,000
China Galaxy International Securities (Hong Kong) Co., Limited	U.S.$10,000,000
Haitong International Securities Company Limited	U.S.$10,000,000
China CITIC Bank International Limited	U.S.$10,000,000
China Securities (International) Corporate Finance Company Limited	U.S.$10,000,000
CLSA Limited	U.S.$10,000,000
China International Capital Corporation Hong Kong Securities Limited	U.S.$10,000,000
Huatai Financial Holdings (Hong Kong) Limited	U.S.$10,000,000
Sinolink Securities (Hong Kong) Company Limited	U.S.$10,000,000
Guoyuan Securities Brokerage (Hong Kong) Limited	U.S.$10,000,000
CMBC Securities Company Limited	U.S.$10,000,000
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch	U.S.$10,000,000
ABCI Capital Limited	U.S.$10,000,000
Sigma Capital Management Limited	U.S.$10,000,000
Total	**U.S.$300,000,000**

The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally indemnify the Joint Lead Managers and their affiliates 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.

In connection with the issue of the Bonds, any of the Managers appointed and acting in its capacity as stabilisation manager provided that China CITIC Bank International Limited shall not be appointed and acting as the stabilisation manager (the "**Stabilisation Manager**") (or any person acting on behalf of the Stabilisation Manager) may, to the extent permitted by applicable laws and directives, over-allot and effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail, but in doing so the Stabilisation Manager shall act as principal and not as agent of the Issuer and/or the Guarantor and any loss resulting from over-allotment and stabilisation will be borne, and any profit arising therefrom shall be beneficially retained, by the Managers in the manner agreed by them. Such stabilisation shall be conducted in accordance with all applicable laws and rules.

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

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor, may act as investors and place orders, receive allocations and trade the Bonds for their own account and such orders, allocations or trade of the Bonds may be material. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering 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 or the Guarantor 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 transaction occurs, the trading price and liquidity of the Bonds may be impacted. The Issuer, the Guarantor and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors.

Furthermore, it is possible that a significant proportion of the Bonds may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Bonds may be constrained. The Issuer, the Guarantor and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Guarantor, including the Bonds and could adversely affect the trading price and liquidity of the Bonds. The Joint Lead Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Issuer or the Guarantor, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments of the Issuer or the Guarantor.

General

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

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

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

United States

The Bonds and the Guarantee of the Bonds have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

Each Manager represents that it has not offered or sold, and will not offer or sell, any Bonds constituting part of its distribution at any time except in accordance with Rule 903 of Regulation S. Accordingly, neither it, any of its affiliates, nor any persons acting on its or their behalf has engaged or will engage in any directed selling efforts (as defined in Regulation S) with respect to the Bonds or the Guarantee of the Bonds. Terms used in this paragraph 2 have the meanings given to them by Regulation S under the U.S. Securities Act.

Each of the Managers represents and agrees that neither it nor any of their respective affiliates (as defined in Rule 501(b) of Regulation D under the Securities Act ("**Regulation D**")), nor any person acting on its or their behalf has engaged or will engage in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer and sale of the Bonds and the Guarantee of the Bonds in the United States.

United Kingdom

Prohibition of sales to UK Retail Investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

   (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

   (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

   (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression an "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

Other regulatory restrictions

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

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

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

Hong Kong

Each Joint Lead Manager 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 (i) 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 (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (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 in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager 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 any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (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 interest (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.

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

The People's Republic of China

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

British Virgin Islands

Each of the Joint Lead Managers has represented, warranted and agreed that no invitation has been made or will be made, directly or indirectly, to any natural person, resident or citizen in the British Virgin Islands or to the public in the British Virgin Islands to subscribe for or purchase any of the Bonds and the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

The Guarantor's Consolidated Financial Statements included in this Offering Circular have been prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain modifications which reflect China's unique circumstances and environment.

PRC GAAP is substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS AS APPLICABLE TO THE GROUP

The following is a general summary of certain differences between PRC GAAP and IFRS on recognition and presentation as applicable to the Group. The Group 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 Group, other potentially significant accounting and disclosure differences may have been required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant ongoing projects that could affect future comparisons or events that may occur in the future.

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 Group, the terms of the offering and other disclosure contained herein. Each investor should consult its own professional advisers for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

Government Grant

Under PRC GAAP, an assets-related government grant is only required to be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. However, under IFRS, such assets-related government grants are allowed to be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset. Under PRC GAAP, the relocation compensation for public interests is required to be recognised as special payables. The income from compensation attributable to losses of fixed assets and intangible assets, related expenses, losses from production suspension incurred during the relocation and reconstruction period and purchases of assets after the relocation are transferred from special payables to deferred income and accounted for in accordance with the government grants standard. The surplus reached after deducting the amount transferred to deferred income shall be recognised in capital reserve. Under IFRS, if an entity relocates for reasons of public interests, the compensation received shall be recognised in profit or loss.

Reversal of an Impairment Loss

Under PRC GAAP, once an impairment loss is recognised for a long term asset (including 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.

Related Party Disclosures

Under PRC GAAP, government-related entities are not treated as related parties except such government related entities can exercise significant influence over the reporting entity. Under IFRS, government related entities are treated as related parties.

GENERAL INFORMATION

1. **Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 248980842 and ISIN XS2489808423. The Legal Entity Identifier of the Issuer is 83680038VBS6YX01UU92.

2. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by resolutions of the sole director of the Issuer on 16 June 2022. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of its obligations under the Deed of Guarantee, the Trust Deed and the Agency Agreement. The giving of the Guarantee was authorised by a resolution of the board of directors of the Guarantor on 9 August 2021.

3. **No Material Adverse Change:** There has been no material adverse change, or any development or event likely to involve a prospective change, in the condition (financial or otherwise), prospects, properties, results of operations, business or general affairs of the Issuer, the Guarantor or the Group since 31 December 2021.

4. **Litigation:** Save as disclosed in this Offering Circular, none of the Issuer, the Guarantor or any other member of the Group is not involved in any litigation or arbitration proceedings that the Issuer or Guarantor believes are material in the context of the Bonds and the giving of the Guarantee, and so far as the Issuer and the Guarantor are aware, no such proceedings are pending or threatened.

5. **Available Documents:** So long as any of the Bonds is outstanding, copies of the following documents will be available for inspection from the Issue Date during usual business hours at the registered office of the Issuer and, in the case of last three documents mentioned below, during normal business hours (being 9:00 a.m. to 3:00 p.m. Monday to Friday other than public holidays) at the specified office of the Principal Paying Agent (currently at One Canada Square, London E14 5AL, United Kingdom) following prior written request and proof of holding to the satisfaction of the Principal Paying Agent:

    - the articles of association of the Issuer and the Guarantor;
    - the Guarantor's Consolidated Financial Statements;
    - the Trust Deed;
    - the Deed of Guarantee; and
    - the Agency Agreement.

6. **Financial Statements:** This Offering Circular contains the audited consolidated financial information of the Guarantor as at and for the years ended 2019, 2020 and 2021, which have been derived from the Guarantor's Consolidated Financial Statements. The Guarantor's consolidated financial statements as at and for the year ended 31 December 2020 have been audited by Asia Pacific CPA. The Guarantor's consolidated financial statements as at and for the year ended 31 December 2021 have been audited by Hexin CPA.

7. **Listing:** Application will be made to the Hong Kong Stock Exchange for the listing of the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on 27 June 2022.

INDEX TO FINANCIAL INFORMATION

According to Circular 706, any public assets such as public schools, public hospitals, public cultural facilities, parks, public squares, office buildings of government departments and public institutions, municipal roads, non-toll roads, non-operating water conservancy facilities, no-charge pipe network facilities and other public assets and the usage rights of reserve land cannot be counted towards the Group's assets for the purposes of issuing medium and long-term foreign debts. Please see "Risk Factors — Risks relating to the Group's Business — Any public assets of the Group should not be taken into account when assessing the Group's business, financial condition, results of operations and prospects" for further information.

LINYI CITY DEVELOPMENT GROUP CO., LTD

AUDITORS' REPORT

He Xin Shen Zi (2022) No.000787

Hexin Certified Public Accountants LLP

April 27, 2022

AUDITORS' REPORT

He Xin Shen Zi (2022) No.000787

Linyi City Development Group Co., Ltd:

1. Opinion

We have audited the financial statements of Linyi City Development Group Co., Ltd (hereinafter referred to as City Development), which comprise the consolidated and the parent company's balance sheet as at 31 December 2021, and the consolidated and the parent company's income statement, the consolidated and the parent company's cash flow statement, the consolidated and the parent company's statement of changes in equity for the year then ended, and notes to these financial statements.

In our opinion, the accompanying financial statements of City Development present fairly, in all material respects, the consolidated and the parent company's financial position as at 31 December 2021, the consolidated and the parent company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises (ASBE).

2. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing for Chinese Certified Public Accountants. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section. We are independent of City Development in accordance with the Code of Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities of the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit.

3. Responsibilities of the Management and Those Charged with Governance for the Financial Statements

The Management of Linyi City Development Group Co., Ltd (hereinafter referred to as the Management) is responsible for the preparation of the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation; and designing, implementing and maintaining internal control which is necessary to enable 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 City Development's ability to continue as a going concern, disclosing matters related to going concern if applicable and using the going concern basis of accounting unless the Management either intends to liquidate City Development or to cease operations, or have no realistic alternative but to do so.

Those Charged with Governance of Linyi City Development Group Co., Ltd (hereinafter referred to as Those Charged with Governance) are responsible to overseeing City Development's financial reporting process.

4. Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards could 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.

During the course of audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism. We also carry out the following works:

(1) We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to

provide a basis for our audit. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

(4) We 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 City Development's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements in accordance with the auditing standards or, if such disclosures are inadequate, we shall modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause City Development to cease to continue as a going concern.

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

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

We communicate with Those Charged with Governance regarding the planned scope, timing of the audit and significant audit findings etc., including any significant deficiencies in internal control that we identify during our audit.

Hexin Certified Public Accountants LLP Chinese certified public accountant:

Chinese certified public accountant:

Jinan, China

April 27, 2022

Consolidated Balance Sheet

December 31, 2021

Prepared by: Linyi City Development Group Co., Ltd

Unit: RMB Yuan

Assets	Notes	December 31, 2021	December 31, 2020
Current assets:			
Monetary funds	VI. 1	5,948,841,417.87	3,549,575,271.08
Deposit reservation for balance			
Lending funds			
Trading financial assets			
Derivative financial assets			
Notes receivable	VI. 2	45,981,837.12	2,000,000.00
Accounts receivable	VI. 3	988,547,538.39	584,747,811.62
Receivables financing			
Prepayments	VI. 4	1,670,675,227.45	1,199,087,774.94
Other receivables	VI. 5	1,034,222,016.74	2,376,433,093.99
Including: Interest receivable		2,138,301.09	2,284,714.73
Dividends receivable			
Financial assets purchased under agreements to resell			
Inventories	VI. 6	14,661,558,018.89	12,601,645,305.41
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets	VI. 7	996,922,194.45	672,589,207.69
Total current assets		25,346,748,250.91	20,986,078,464.73
Non-current assets:			
Debt investment			
Other debt investment			
Long-term accounts receivable	VI. 8	25,791,001.78	25,791,001.78
Available-for-sale financial assets	VI. 10		54,051,354.00
Long-term equity investments	VI. 9	2,284,094,640.15	824,308,429.18
Other equity instrument investments	VI. 10	155,551,354.00	
Other non-current financial assets			
Investment properties	VI. 11	4,805,418,736.00	4,804,300,100.00
Fixed assets	VI. 12	10,763,544,047.02	8,113,713,412.38
Construction in progress	VI. 13	4,009,938,362.10	3,296,617,608.03
Productive biological assets			
Oil and gas assets			
Right-of-use assets	VI. 14	7,511,085.67	
Intangible assets	VI. 15	7,220,410,530.21	4,465,511,952.24
Development expenditure			
Goodwill	VI. 16	195,677,936.23	12,565,894.49
Long-term deferred expenses	VI. 17	52,050,610.72	26,221,350.09
Deferred income tax assets	VI. 18	49,134,304.46	47,599,403.97
Other non-current assets	VI. 19	3,723,946,325.58	1,862,601,743.45
Total non-current assets		33,293,068,933.92	23,533,282,249.61
Total assets		58,639,817,184.83	44,519,360,714.34

Legal representative: Person in charge of accounting: Director of accounting department:

Consolidated Balance Sheet (Continued)

December 31, 2021

Prepared by: Linyi City Development Group Co., Ltd | Unit: RMB Yuan

Liablities and shareholders' equity	Note	December 31, 2021	December 31, 2020
Current liabilities:			
Short-term borrowings	VI. 20	1,341,028,898.59	966,850,000.00
Borrowings from central bank			
Deposit funds			
Trading financial liabilities			
Derivative financial liabilities			
Notes payable	VI. 21	497,435,877.91	270,268,528.60
Accounts payable	VI. 22	1,442,594,307.20	583,098,337.76
Payments received in advance			4,212,818,373.54
Contract liabilities	VI. 23	4,651,676,337.45	
Employee compensation payables	VI. 24	74,414,637.76	84,240,045.72
Taxes payable	VI. 25	331,287,172.24	249,391,350.92
Other payables	VI. 26	5,430,966,614.73	3,267,752,064.92
Including: Interest payable			226,095,254.26
Dividends payable			
Handling charges and commission payable			
Accounts payable on reinsurance			
Liabilities held for sale			
Non-current liabilities due within one year	VI. 27	3,229,982,589.91	1,698,896,841.69
Other current liabilities	VI. 28	2,227,634,890.28	
Total current liabilities		19,227,021,326.07	11,333,315,543.15
Non-current liabilities:			
Long-term loans	VI. 29	4,551,596,818.64	3,979,342,422.07
Bonds payable	VI. 30	8,341,473,855.53	6,381,940,567.52
Including: Preferred stock			
Perpetual bond			
Lease liabilities			
Long-term payables	VI. 31	3,228,101,321.94	1,703,700,875.75
Long-term employee compensation payable			
Estimated liabilities			
Deferred incomes	VI. 32	328,511,663.57	329,317,319.46
Deferred income tax liabilities	VI. 18	769,388,303.44	769,108,644.44
Other non-current liabilities			
Total non-current liabilities		17,219,071,963.12	13,163,409,829.24
Total liabilities		36,446,093,289.19	24,496,725,372.39
Shareholders' equity:			
Paid-in capital (or Capital stock)	VI. 33	2,500,000,000.00	2,000,000,000.00
Other equity instruments			
Including: Preferred stocks			
Perpetual bond			
Capital reserve	VI. 34	13,958,867,252.47	12,770,831,753.04
Less: Treasury stock			
Other comprehensive income	VI. 35	-1,980,868.26	
Special reserve	VI. 36	6,654,774.75	
Surplus reserve	VI. 37	226,084,929.15	204,623,946.19
Provision for general risks	VI. 38	2,568,965.00	
Undistributed profits	VI. 39	2,588,222,745.41	2,443,750,960.89
Total equity attributable to the shareholders of parent company		19,280,417,798.52	17,419,206,660.12
Minority shareholders' interests		2,913,306,097.12	2,603,428,681.83
Total shareholders' equity		22,193,723,895.64	20,022,635,341.95
Total liabilities and shareholders' equity		58,639,817,184.83	44,519,360,714.34

Legal representative: Person in charge of accounting: Director of accounting department:

Consolidated income statement

Year 2021

Prepared by: Linyi City Development Group Co., Ltd | Unit: RMB Yuan

Item	Note	2021	2020
I. Gross revenue		8,077,884,242.78	3,622,866,860.11
Including: Operating revenue	VI. 40	8,077,884,242.78	3,622,866,860.11
II. Total operating cost		8,658,130,684.20	3,995,619,758.40
Including: Operating cost	VI. 40	7,381,881,676.45	3,250,943,872.38
Taxes and surcharges	VI. 41	94,389,437.83	76,539,261.26
Selling expenses	VI. 42	201,234,595.95	74,960,189.69
Administration expenses	VI. 43	592,102,839.58	437,134,660.43
Research and development expense			
Financial expenses	VI. 44	388,522,134.39	156,041,774.64
Including: Interest expenses		433,343,950.22	224,658,827.08
Interest incomes		97,920,742.89	75,977,987.31
Add: Other incomes	VI. 45	705,490,112.29	546,704,256.22
Investment incomes (losses to be listed with "-")	VI. 46	105,544,412.08	16,593,060.39
Including: Incomes from investment into associates and joint ventures			
Incomes from derecognition of financial assets measured at amortized cost			
Net exposure hedging (losses to be listed with "-")			
Changes in fair values (losses to be listed with "-")	VI. 47	1,118,636.00	
Assets impairment loss (losses to be listed with "-")	VI. 48		-32,989,426.57
Credit impairment loss (losses to be listed with "-")	VI. 48	-31,336,580.55	
Gain on disposal of assets (losses to be listed with "-")	VI. 49	-359,039.54	
III. Operating profits (losses to be listed with "-")		200,211,098.86	157,554,991.75
Add: Non-operating income	VI. 50	3,382,403.15	1,466,037.24
Less: Non-operating expenditure	VI. 51	2,660,330.29	3,716,375.57
IV. Total profits (total loss to be listed with "-")		200,933,171.72	155,304,653.42
Less: Income tax expenses	VI. 52	22,480,693.47	-11,196,452.66
V. Net profits (net loss to be listed with "-")		178,452,478.25	166,501,106.08
(I) Classified by operation continuity			
(1) Net profit from continued operations (net loss to be listed with "-")		178,452,478.25	166,501,106.08
(2) Net profit from discontinued operations (net loss to be listed with "-")			
(II) Classified by ownership			
(1) Net profit which belongs to shareholders of parent company (net loss to be listed with "-")		168,513,084.67	173,992,452.03
(2) Minority interest (net loss to be listed with "-")		9,939,393.58	-7,491,345.95
VI Net of tax of other comprehensive income		-211,350.52	
(I) Net of tax of other comprehensive income attibutable to the owners of parent company		-211,350.52	
1.Other comprehensive income not subject to reclassification to profit or loss in future		-	
(1) Change in remeasurement of defined benefit plans			
(2) Other comprehensive incomes not reclassified into loss or profit under equity law			
(3) Change in fair value of other equity instrument investments			
(4) Change in fair value of the company's own credit risk			
(5) Others			
2. Other comprehensive income to be reclassified into profit or loss in future		-211,350.52	
(1) Other comprehensive incomes to be reclassified into loss or profit under equity law			
(2) Change in fair value of other debt investment			
(3) Financial asset reclassified to other comprehensive income			
(4) Provision for credit impairment of other debt investment			
(5) Effective part of cash flow hedging reserve			
(6) Conversion difference of foreign currency statement		-351,562.48	
(7) Others		140,211.96	
(II) Net other comprehensive income after-tax which belongs to minority shareholders			
VII. Total comprehensive income		178,241,127.73	166,501,106.08
(I) Total comprehensive income attributable to the shareholders of parent company		168,301,734.15	173,992,452.03
(II) Total comprehensive income attributable to the minority shareholders		9,939,393.58	-7,491,345.95
VIII. Earnings per share:			
(I) Basic earnings per share			
(II) Diluted earnings per share			

Legal representative: Person in charge of accounting: Director of accounting department:

Consolidated Cash Flow Statement

Year 2021

Prepared by: Linyi City Development Group Co., Ltd | Unit: RMB Yuan

Item	Note	2021	2020
I. Cash flow from operating activities:			
Cash received from sales of goods or rendering services		9,185,100,091.31	4,179,990,876.88
Refunds of taxes and levies		83,455,024.55	11,424,335.51
Other cash received from operation-related activities	VI. 53.1	2,988,260,147.56	1,757,866,646.09
Subtotal of cash outflows from operating activities		12,256,815,263.42	5,949,281,858.48
Cash paid for goods purchased and labor services received		7,600,753,804.99	7,727,288,238.79
Cash paid to and for employees		461,280,653.02	425,936,731.70
Cash paid for taxes and surcharges		418,386,642.01	139,240,070.19
Other cash paid related to operating activities	VI. 53.2	2,084,340,150.79	1,706,421,239.57
Subtotal of cash inflows from operating activities		10,564,761,250.81	9,998,886,280.25
Net cash flow from operating activities		1,692,054,012.61	-4,049,604,421.77
II. Cash flow generated from investing activities:			
Cash received from returns on investments		102,000,000.00	10,317,187.85
Cash received from investment incomes		35,270,012.81	8,015,502.75
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		634,834.40	2,334,853.40
Net cash received from disposal of subsidiaries and other business entities			
Other cash received related to investing activities	VI. 53.3	35,653,509.13	899,109,787.70
Subtotal of cash inflows from investing activities		173,558,356.34	919,777,331.70
Cash paid for acquisitions of fixed assets, intangible assets and other long-term assets		4,520,518,393.65	1,853,080,679.66
Cash paid for investments		1,635,000,000.00	268,400,000.00
Net cash paid for acquisitions of subsidiaries and other business entities			1,142,214,719.45
Other cash paid related to investing activities	VI. 53.4	19,000,000.00	
Subtotal of cash outflow from investing activities		6,174,518,393.65	3,263,695,399.11
Net cash flow from investing activities		-6,000,960,037.31	-2,343,918,067.41
III. Cash flows from financing activities:			
Cash received from investment absorption		1,418,500,000.00	1,072,087,448.80
Including: cash received from subsidiaries' absorption of investments from minority shareholders		86,000,000.00	6,440,000.00
Cash received from loans		8,212,734,952.13	8,825,382,988.05
Other cash received relating to financing activities	VI. 53.5	1,876,100,000.00	1,473,000,000.00
Subtotal of cash inflows from financing activities		11,507,334,952.13	11,370,470,436.85
Cash paid for repayment of debts		2,665,113,394.57	2,834,500,000.00
Cash paid for distributing dividends and profits or paying interest		1,182,201,657.38	382,398,802.12
Including: dividends and profits paid to minority shareholders by subsidiaries			
Other cash paid related to financing activities	VI. 53.6	632,744,832.64	87,669,791.83
Subtotal of cash outflows from financing activities		4,480,059,884.59	3,304,568,593.95
Net cash flows from financing activities		7,027,275,067.54	8,065,901,842.90
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents		2,718,369,042.84	1,672,379,353.72
Add: Cash and cash equivalents at the beginning of the period		2,929,355,928.24	1,256,976,574.52
VI. Cash and cash equivalents at the end of the period		5,647,724,971.08	2,929,355,928.24

Legal representative: Person in charge of accounting: Director of accounting department:

Consolidated Statement of Changes in Shareholder's Equity

Prepared by: Linyi City Development Group Co., Ltd

Unit: RMB Yuan

Item	Year 2021													
	Equity attributable to the shareholders of parent company												Minority shareholders' equity	Total of shareholder's equity
	Paid-in capital (Capital stock)	Other equity instruments			Capital surplus	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Undistributed profits	Subtotal		
		Preferred stock	Perpetual bond	Others										
I. Balance at the end of previous year	2,000,000,000.00	-	-	-	12,770,831,753.04	-	-	-	204,623,946.19		2,443,750,960.89	17,419,206,660.12	2,603,428,681.83	20,022,635,341.95
Add: Changes in accounting policies														
Corrections of prior period accounting errors														
Business combination under common control														
Others														
II. Balance at the beginning of current year	2,000,000,000.00	-	-	-	12,770,831,753.04	-	-	-	204,623,946.19	-	2,443,750,960.89	17,419,206,660.12	2,603,428,681.83	20,022,635,341.95
III. Current year increase/decrease (decrease to be listed with "-")	500,000,000.00	-	-	-	1,188,035,499.43	-	-1,980,868.26	6,654,774.75	21,460,982.96	2,568,965.00	144,471,784.52	1,861,211,138.40	309,877,415.29	2,171,088,553.69
(I) Total comprehensive income							-351,562.48				168,513,084.67	168,161,522.19	9,939,393.58	178,100,915.77
(II) Invested and decreased capital of shareholders	500,000,000.00				1,188,035,499.43						-	1,688,035,499.43	299,938,021.71	1,987,973,521.14
1. Shareholder's contribution capital	500,000,000.00				935,940,000.00							1,435,940,000.00	68,393,972.57	1,504,333,972.57
2. Contribution capital of holder of other equity instruments												-		-
3. Amount of share-based payment recognized as share holder's interest												-		-
4. Others					252,095,499.43							252,095,499.43	231,544,049.14	483,639,548.57
(III) Profit distribution	-	-	-	-	-	-	-	-	21,460,982.96	2,568,965.00	-24,041,300.15	-11,352.19	-	-11,352.19
1. Appropriation of surplus reserves									21,460,982.96		-21,460,982.96	-		-
2.Appropriation to general risk provision										2,568,965.00	-2,568,965.00	-		-
3.Distribution to shareholders											-11,352.19	-11,352.19		-11,352.19
4.Others												-		-
(IV) Transfers within owner's equity	-	-	-	-	-	-	-	-	-		-	-	-	-
1. Capital surplus converted to capital												-		-
2. Surplus reserve converted to capital												-		-
3. Surplus reserve to recover losses												-		-
4. Change in the defined benefit plan transferred to retained earnings												-		-
5. Other comprehensive income transferred to retained earnings												-		-
6. Others												-		-
(V) Special reserve	-	-	-	-	-	-	-	6,654,774.75	-		-	6,654,774.75	-	6,654,774.75
1. Appropriation in current year								7,630,260.43				7,630,260.43		7,630,260.43
2. Amount used in current year								975,485.68				975,485.68		975,485.68
(VI) Others							-1,629,305.78					-1,629,305.78		-1,629,305.78
IV. Balance at end of current year	2,500,000,000.00	-	-	-	13,958,867,252.47	-	-1,980,868.26	6,654,774.75	226,084,929.15	2,568,965.00	2,588,222,745.41	19,280,417,798.52	2,913,306,097.12	22,193,723,895.64

Legal representative: Person in charge of accounting: Director of accounting department:

Consolidated Statement of Changes in Shareholder's Equity

Prepared by: Linyi City Development Group Co., Ltd

Unit: RMB Yuan

Item	Year 2020													
	Equity attributable to the shareholders of parent company												Minority shareholders' equity	Total of shareholder's equity
	Paid-in capital (Capital stock)	Other equity instruments			Capital surplus	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Provision for general risks	Undistributed profits	Subtotal		
		Preferred stock	Perpetual bond	Others										
I. Balance at the end of previous year	1,500,000,000.00				10,841,544,312.13				179,087,680.11		2,302,646,950.19	14,823,278,942.43	103,015,726.07	14,926,294,668.50
Add: Changes in accounting policies														
Corrections of prior period accounting errors														
Business combination under common control														
Others														
II. Balance at the beginning of current year	1,500,000,000.00	-	-	-	10,841,544,312.13	-	-	-	179,087,680.11	-	2,302,646,950.19	14,823,278,942.43	103,015,726.07	14,926,294,668.50
III. Current year increase/decrease (decrease to be listed with "-")	500,000,000.00	-	-	-	1,929,287,440.91	-	-	-	25,536,266.08	-	141,104,010.70	2,595,927,717.69	2,500,412,955.76	5,096,340,673.45
(I) Total comprehensive income											173,992,452.03	173,992,452.03	-7,491,345.95	166,501,106.08
(II) Invested and decreased capital of shareholders	500,000,000.00				1,929,287,440.91							2,429,287,440.91	2,507,904,301.71	4,937,191,742.62
1. Shareholder's contribution capital	500,000,000.00				65,647,448.80							565,647,448.80	2,511,511,385.91	3,077,158,834.71
2. Contribution capital of holder of other equity instruments												-		-
3. Amount of share-based payment recognized as share holder's interest												-		-
4. Others					1,863,639,992.11							1,863,639,992.11	-3,607,084.20	1,860,032,907.91
(III) Profit distribution	-	-	-	-	-	-	-	-	25,536,266.08	-	-32,888,441.33		-	
1. Appropriation of surplus reserves									25,536,266.08		-25,536,266.08			
2. Appropriation to general risk provision											-7,012,907.28			
3. Distribution to shareholders														
4. Others											-339,267.97			
(IV) Transfers within owner's equity	-	-	-	-	-	-	-	-	-		-		-	
1. Capital surplus converted to capital														
2. Surplus reserve converted to capital														
3. Surplus reserve to recover losses														
4. Change in the defined benefit plan transferred to retained earnings														
5. Other comprehensive income transferred to retained earnings														
6. Others														
(V) Special reserve	-	-	-	-	-	-	-	-	-		-		-	
1. Appropriation in current year														
2. Amount used in current year														
(VI) Others														
IV. Balance at end of current year	2,000,000,000.00	-	-	-	12,770,831,753.04	-	-	-	204,623,946.19	-	2,443,750,960.89	17,419,206,660.12	2,603,428,681.83	20,022,635,341.95

法定代表人：　　主管会计工作负责人：　　会计机构负责人：

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The Company's Balance Sheet

December 31, 2021

Prepared by: Linyi City Development Group Co., Ltd   Unit: RMB Yuan

Assets	Note	December 31, 2021	December 31, 2020
Current assets:			
Monetary funds		2,925,087,953.09	1,292,824,138.64
Trading financial assets			
Derivative financial assets			
Notes receivable			
Accounts receivable	XIII. 1		4,514.00
Receivables financing			
Prepayments		231,487,212.95	323,979,276.03
Other receivables	XIII. 2	5,070,345,986.19	5,924,913,376.50
Inventories		8,936,503,157.13	7,844,858,918.46
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		254,452,653.67	197,519,096.93
Total current assets		17,417,876,963.03	15,584,099,320.56
Non-current assets:			
Debt investment			
Other debt investment			
Long-term accounts receivable			
Available-for-sale financial assets			22,050,000.00
Long-term equity investments	XIII. 3	9,014,812,658.88	7,006,763,226.73
Other equity instrument investments		122,050,000.00	
Other non-current financial assets			
Investment properties			
Fixed assets		2,104,851,907.12	2,046,282,412.03
Construction in progress		538,840,115.35	232,856,830.72
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		5,419,813,539.33	3,214,133,200.16
Development expenditure			
Goodwill			
Long-term deferred expenses		-	47,823.81
Deferred income tax assets		33,797,214.11	26,002,866.84
Other non-current assets		1,354,416,324.95	894,416,324.95
Total non-current assets		18,588,581,759.74	13,442,552,685.24
Total assets		36,006,458,722.77	29,026,652,005.80

Legal representative: Person in charge of accounting: Director of accounting department:

The Company's Balance Sheet (Continued)

December 31, 2021

Prepared by: Linyi City Development Group Co., Ltd

Unit: RMB Yuan

Liablities and shareholders' equity	Note	December 31, 2021	December 31, 2020
Current liabilities:			
Short-term borrowings		838,400,000.00	588,400,000.00
Trading financial liabilities			
Derivative financial liabilities			
Notes payable		100,000,000.00	
Accounts payable		332,295,237.95	96,770,275.60
Accounts received in advance			2,426,743,218.33
Contract liabilities		2,380,091,695.05	
Employee compensation payables		9,090,059.54	9,739,455.75
Taxes payable		416,860,535.24	382,458,728.80
Other payables		1,790,014,714.75	2,247,180,231.85
Liabilities held for sale			
Non-current liabilities due within one year		1,107,207,111.10	1,127,073,227.68
Other current liabilities		1,732,152,002.55	
Total current liabilities		8,706,111,356.18	6,878,365,138.01
Non-current liabilities:			
Long-term loans		1,247,500,000.00	813,500,000.00
Bonds payable		7,993,261,257.32	5,186,932,543.20
Including: Preferred stocks			
Perpetual bond			
Lease liabilities			
Long-term payables		332,640,903.09	70,000,000.00
Long-term employee compensation payable			
Deferred income		68,250,000.00	
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		9,641,652,160.41	6,070,432,543.20
Total liabilities		18,347,763,516.59	12,948,797,681.21
Shareholders' equity:			
Paid-in capital (or Capital stock)		2,500,000,000.00	2,000,000,000.00
Other equity instruments			
Including: Preferred stocks			
Perpetual bond			
Capital reserves		12,081,277,238.56	11,215,046,186.56
Less: Treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve		222,646,527.51	201,185,544.55
Undistributed profits		2,854,771,440.11	2,661,622,593.48
Total shareholders' equity		17,658,695,206.18	16,077,854,324.59
Total liabilities and shareholder's equity		36,006,458,722.77	29,026,652,005.80

Legal representative: Person in charge of accounting: Director of accounting department:

The Company's Income Statement

Year 2021

Prepared by: Linyi City Development Group Co., Ltd

Unit: RMB Yuan

Item	Note	2021	2020
I. Operating revenue	XIII. 4	1,160,272,414.30	731,780,672.30
Less: Operating costs	XIII. 4	995,440,920.35	562,716,682.91
Taxes and surcharges		23,997,591.10	53,121,949.70
Selling expenses		20,199,151.91	19,517,027.12
Administration expenses		197,435,478.31	193,129,940.73
Research and development expense			
Financial expenses		279,053,338.03	126,883,371.03
Including: Interest expenses		466,941,102.37	272,396,856.46
Interest incomes		235,362,357.45	151,510,791.59
Add: Other incomes		602,019,682.25	500,107,025.00
Investment incomes (losses to be listed with "-")	XIII. 5	-4,741,862.18	4,166,607.39
Including: Incomes from investment into affiliates and joint ventures			
Incomes from derecognition of financial assets measured at amortized cost			
Net exposure hedging income (losses to be listed with "-")			
Incomes from changes in fair value (losses to be listed with "-")			
Credit impairment loss (losses to be listed with "-")		-31,177,389.07	
Assets impairment loss (losses to be listed with "-")			-34,203,173.86
Gains from asset disposal (losses to be listed with "-")			
II. Operating profits (losses to be listed with "-")		210,246,365.60	246,482,159.34
Add: Non-operating income		244,758.00	29,220.01
Less: Non-operating expenditure		139,423.84	918,499.94
III. Total profit (with "-" for total loss)		210,351,699.76	245,592,879.41
Less: Income tax expenses		-4,258,129.83	-9,769,781.40
IV. Net profit (with "-" for net loss)		214,609,829.59	255,362,660.81
(I) Net profit from continued operations(with "-" for net loss)		214,609,829.59	255,362,660.81
(II) Net profit from discontinued operations(with "-" for net loss)			
V. Net of tax of other comprehensive income			
(I) Other comprehensive income not subject to reclassification to profit or loss in future			
1.Change in remeasurement of defined benefit plans			
2. Other comprehensive incomes not reclassified into loss or profit under equity law			
3.Change in fair value of other equity instrument investments			
4.Change in fair value of the company's own credit risk			
...			
(II) Other comprehensive income to be reclassified into profit or loss in future			
1. Other comprehensive incomes to be reclassified into loss or profit under equity law			
2.Change in fair value of other debt investment			
3.Financial asset reclassified to other comprehensive income			
4.Provision for credit impairment of other debt investment			
5. Effective part of cash flow hedging reserve			
6. Conversion difference of foreign currency statement			
...			
VI. Total comprehensive income		214,609,829.59	255,362,660.81
VII. Earnings per share			
(I) Basic earnings per share			
(II) Diluted earnings per share			

Legal representative: Person in charge of accounting: Director of accounting department:

The Company's Cash Flow Statement

Year 2021

Prepared by: Linyi City Development Group Co., Ltd — Unit: RMB Yuan

Item	Note	2021	2020
I. Cash flow from operating activities:			
Cash received from sales of goods or rendering services		1,432,258,174.86	1,054,393,636.55
Refunds of taxes and levies		41,638,779.70	
Other cash received from operation-related activities		3,236,501,644.21	3,427,678,063.52
Subtotal of cash inflows from operating activities		4,710,398,598.77	4,482,071,700.07
Cash paid for goods purchased and labor services received		1,181,648,477.42	4,426,098,093.70
Cash paid to and for employees		44,096,683.81	28,848,625.99
Cash paid for taxes and surcharges		51,538,752.12	46,653,255.83
Other cash paid related to operating activities		3,580,928,916.45	1,895,038,766.45
Subtotal of cash outflows from operating activities		4,858,212,829.80	6,396,638,741.97
Net cash flow from operating activities		-147,814,231.03	-1,914,567,041.90
II. Cash flow generated from investing activities:			
Cash received from redemption of investments		102,000,000.00	10,317,187.85
Cash received from returns on investments		10,164,107.11	764,400.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		199,373.00	
Net cash received from disposal of subsidiaries and other business entities			
Other cash received related to investing activities			
Subtotal of cash inflows from investing activities		112,363,480.11	11,081,587.85
Cash paid for acquisitions of fixed assets, intangible assets and long-term assets		1,763,092,284.90	526,730,404.74
Cash paid for investments		2,517,300,000.00	1,509,057,503.25
Net cash paid for acquisitions of subsidiaries and other business entities			
Other cash paid related to investing activities			300,000,000.00
Subtotal of cash outflows from investing activities		4,280,392,284.90	2,335,787,907.99
Net cash flow from investing activities		-4,168,028,804.79	-2,324,706,320.14
III. Cash flows from financing activities:			
Cash received from investment absorption		1,332,500,000.00	500,000,000.00
Cash received from loans		6,108,400,000.00	6,374,390,565.98
Other cash received relating to financing activities		640,000,000.00	
Subtotal of cash inflows from financing activities		8,080,900,000.00	6,874,390,565.98
Cash paid for repayment of debts		1,558,863,394.57	2,074,500,000.00
Cash paid for distributing dividends and profits or paying interest		514,364,887.96	226,677,248.91
Other cash paid related to financing activities		75,616,372.61	57,669,791.83
Subtotal of cash outflows from financing activities		2,148,844,655.14	2,358,847,040.74
Net cash flows from financing activities		5,932,055,344.86	4,515,543,525.24
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents		1,616,212,309.04	276,270,163.20
Add: Cash and cash equivalents at the beginning of the period		960,636,513.73	684,366,350.53
VI. Cash and cash equivalents at the end of the period		2,576,848,822.77	960,636,513.73

Legal representative: Person in charge of accounting: Director of accounting department:

The Company's Statement of Changes in Shareholder's Equity

Prepared by: Linyi City Development Group Co., Ltd

Unit: RMB Yuan

Item	Year 2021										
	Pain-in Capital (Capital Stock)	Other equity instruments			Capital surplus	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total of shareholder's equity
		Preferred stock	Perpetual bond	Others							
I. Balance at the end of previous year	2,000,000,000.00	-	-	-	11,215,046,186.56	-	-	-	201,185,544.55	2,661,622,593.48	16,077,854,324.59
Add: Changes in accounting policies											
Corrections of prior period accounting errors											
Others											
II. Balance at the beginning of current year	2,000,000,000.00	-	-	-	11,215,046,186.56	-	-	-	201,185,544.55	2,661,622,593.48	16,077,854,324.59
III. Current year increase/decrease (decrease to be listed with "-")	500,000,000.00	-	-	-	866,231,052.00	-	-	-	21,460,982.96	193,148,846.63	1,580,840,881.59
(I) Total comprehensive income										214,609,829.59	214,609,829.59
(II) Invested and decreased capital of shareholders	500,000,000.00				866,231,052.00						1,366,231,052.00
1. Shareholder's contribution capital	500,000,000.00				832,500,000.00						1,332,500,000.00
2. Contribution capital of holder of other equity instruments											-
3. Amount of share-based payment recognized as share holder's interest											-
4. Others					33,731,052.00						33,731,052.00
(III) Profit distribution	-	-	-	-	-	-	-	-	21,460,982.96	-21,460,982.96	-
1. Appropriation of surplus reserves									21,460,982.96	-21,460,982.96	-
2. Distribution to shareholders											-
3. Others											-
(IV) Internal carryover in shareholder's equities	-	-	-	-	-	-	-	-	-	-	-
1. Capital surplus converted to capital											-
2. Surplus reserve converted to capital											-
3. Surplus reserve to recover losses											-
4.Change in defined benefit plan carried forward to retained earning											-
5.other comprehensive income carried forward to retained earning											-
6. Others											-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation in current year											-
2. Amount used in current year											-
(VI) Others											-
IV. Balance at end of current year	2,500,000,000.00	-	-	-	12,081,277,238.56	-	-	-	222,646,527.51	2,854,771,440.11	17,658,695,206.18

Legal representative: Person in charge of accounting: Director of accounting department:

The Company's Statement of Changes in Shareholder's Equity

Prepared by: Linyi City Development Group Co., Ltd

Unit: RMB Yuan

Item	Year 2020										
	Pain-in Capital (Capital Stock)	Other equity instruments			Capital surplus	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total of shareholder's equity
		Preferred stock	Perpetual bond	Others							
I. Balance at the end of previous year	1,500,000,000.00				9,293,596,702.91				175,649,278.47	2,438,809,106.03	13,408,055,087.41
Add: Changes in accounting policies											
Corrections of prior period accounting errors											
Others											
II. Balance at the beginning of current year	1,500,000,000.00	-	-	-	9,293,596,702.91	-	-	-	175,649,278.47	2,438,809,106.03	13,408,055,087.41
III. Current year increase/decrease (decrease to be listed with "-")	500,000,000.00	-	-	-	1,921,449,483.65	-	-	-	25,536,266.08	222,813,487.45	2,669,799,237.18
(I) Total comprehensive income										255,362,660.81	255,362,660.81
(II) Invested and decreased capital of shareholders	500,000,000.00				1,921,449,483.65						2,421,449,483.65
1. Shareholder's contribution capital	500,000,000.00										500,000,000.00
2. Contribution capital of holder of other equity instruments											-
3. Amount of share-based payment recognized as share holder's interest											-
4. Others					1,921,449,483.65						1,921,449,483.65
(III) Profit distribution	-	-	-	-	-	-	-	-	25,536,266.08	-32,549,173.36	-7,012,907.28
1. Appropriation of surplus reserves									25,536,266.08	-25,536,266.08	-
2. Distribution to shareholders										-7,012,907.28	-7,012,907.28
3. Others											-
(IV) Internal carryover in shareholder's equities	-	-	-	-	-	-	-	-	-	-	-
1. Capital surplus converted to capital											-
2. Surplus reserve converted to capital											-
3. Surplus reserve to recover losses											-
4.Change in defined benefit plan carried forward to retained earning											-
5.other comprehensive income carried forward to retained earning											-
6. Others											-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Appropriation in current year											-
2. Amount used in current year											-
(VI) Others											-
IV. Balance at end of current year	2,000,000,000.00	-	-	-	11,215,046,186.56	-	-	-	201,185,544.55	2,661,622,593.48	16,077,854,324.59

Legal representative: Person in charge of accounting: Director of accounting department:

Linyi City Development Group Co., Ltd

Notes to the Financial Statements for the Year 2021

（Except as specified, all amounts in the notes to the financial statements are presented in RMB yuan.）

I. Basic situation of the Company

1. Company profile

Linyi City Development Group Co., Ltd (hereinafter referred to as “City Development” or “the Company”) is a wholly state-owned limited liability company funded by the State-owned Assets Supervision and Administration Commission of Linyi People's Government. At first, the Company was established under the approval of the Linyi Administration for Industry and Commerce on June 8, 2006. Next, the shareholder of the Company was changed from the State-owned Assets Supervision and Administration Commission of Linyi People's Government to Linyi Finance Bureau on August 20, 2010. Then, the name of the Company was changed from “Linyi City Construction Investment and Development Company Limited” to “Linyi City Assets Management and Development Company Limited” on October 28, 2011. After that, the shareholder of the Company was changed from Linyi Finance Bureau to the State-owned Assets Supervision and Administration Commission of Linyi People's Government on August 24, 2018. Later, the name of the Company was changed from “Linyi City Assets Management and Development Company Limited” to “Linyi City Development Group Co., Ltd” on April 18, 2019.

As of December 31, 2021, the Company’s paid-in capital was RMB 2,500,000,000.00 yuan.

Registered address: Chengkai Building, Xiaohe Road, Beicheng New District, Lanshan District, Linyi City, Shandong Province, China

Legal representative: Li Dongchun

Unified social credit code: 91371300789297779G

Registered capital: RMB 2,500,000,000.00 yuan

Organizational form of the Company: Other limited liability company

Business scope: the development and construction of public investment projects and key projects determined by the government in the Northern New District, the Central District, Suhe District and Bingxue District; the development of stock land of the Government; water conservancy construction and the investment, operation and management of water conservancy projects; the reconstruction of old districts and villages within the construction area; the operation and management of naming rights of roads, bridges and squares, advertising rights and land managing rights within the construction area; the development and operation of mineral resources, real estate and affordable housing projects; the operation and development of operational state-owned assets assigned to the Company (the projects that must be approved according to law can only be carried out after approval by relevant departments).

2. The financial report was released after being approved by the board of directors of the Company on April 27, 2021.

3. **Scope and changes of Consolidated Financial Statements**

The Company's consolidated financial statements in year 2021 include 26 subsidiaries, and please refer to relevant contents of "VIII. Interests in Other Entities" in the Notes for details. For details of the changes in the Company's scope of consolidation of the current period, please refer to "VII. Changes in Consolidation Scope".

II. Preparation basis of Financial Statements

1. Preparation basis

On a going-concern basis, the financial statements of the Company have been prepared based on transactions and matters that have actually occurred, and in accordance with Accounting Standards for Business Enterprises-basic standards issued by the Ministry of Finance of the PRC (hereinafter referred to as "ASBE") and relevant regulations, and based on the important accounting policies and accounting estimates described below.

2. Going concern

The Company assessed the ability of going concern for at least 12 months since the end of the reporting period and did not find any significant matters and circumstances which caused a significant doubt on the ability of going concern.

III. Declaration on compliance with ASBE

The financial statements of the Company have met the requirements of ASBE and truly and fully reflected the relevant information such as the consolidated and the Company's financial position on December 31,2021, and the consolidated and the Company's operating results and cash flows, etc. in the year of 2021.

IV. Important accounting policies and accounting estimates

1. Accounting period

The accounting period runs from January 1 to December 31 of Gregorian calendar.

2. Period of operating cycle

The operating cycle of the Company is 12 months, which is used as the dividing standard of liquidity of asset and liability.

3. Recording currency

The currency adopted by the Company for preparation of the financial statements is RMB. Except for special instructions, they are expressed in RMB yuan.

4. Accounting methods for business combinations under common control and business combinations not under common control

The term "business combination" refers to a transaction or event bringing together two or more separate enterprises into one reporting entity. Business combinations are classified into the business combinations under common control and the business combinations not under common control.

4.1 Business combinations under common control

A business combination under common control is a business combination in which all the combining enterprises are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. In such business combination, the merging party is the one that obtains control of another participating entity on the combination date, while the other participating entity is the merged party. The merging date is the date on which the merging party obtains control of the merged party.

For the business combination under the same control, the assets and liabilities of the merged party obtained by the company as the merging party in the combination shall be measured according to the book value of the merged party in the consolidated financial statements of the ultimate controlling party on the combination date, except for the adjustment due to different accounting policies. Difference between the book value of the consideration paid by the Company (or total par value of the shares issued) and the book value of net assets acquired by the merging party shall adjust capital reserve. In case where the capital reserve is insufficient to offset, retained earnings are adjusted.

The intermediary expenses such as audit, legal, valuation fees and general administrative costs and other related administrative expenses incurred by the Company as a merging party in the business combination shall be included in the current profit and losses at the time of occurrence. The transaction costs directly related to the issuance of equity instruments as the merger consideration are offset by the capital reserve (share premium). If the capital reserve (share premium) is insufficient to offset, the surplus reserve and the undistributed profit will be offset in turn. The expenses for the bonds issued for the business combination or for assuming other liabilities shall be recorded in the amount of initial measurement of the debt instruments.

4.2 Business Combination Not under the Same Control

A business combination not under common control is a business combination in which the combining entities or businesses are not ultimately controlled by the same party or parties both before and after the business combination. In such business combination, the acquirer is the entity that obtains control of another entity on the acquisition date, while the other entity is the acquiree. The acquisition date is the date on which the acquirer obtains control of the acquiree.

In a business combination not under common control, the combination costs for the Company as acquirer shall include the acquisition-date fair values of the assets paid, the liabilities incurred or assumed and the equity securities issued by the Company in exchange for the control on the acquiree. The intermediary expenses such as audit, legal, valuation fees and general administrative costs and other related administrative expenses incurred by the Company in the business combination shall be included in the current profit and losses at the time of occurrence. The transaction costs of equity securities or debt securities issued by the Company as a combined counteroffer should be included in the initial recognition amount of equity securities or debt securities. The contingent consideration involved shall be included in the merger cost according to its fair value on the purchase date. If there is new or further evidence of the existing situation on the purchase date within 12 months after the acquisition date and the contingent consideration needs to be adjusted, the consolidated goodwill shall be adjusted accordingly.

The merger costs incurred by the Company as purchaser and the identifiable net assets obtained in the merger are measured at the fair value on the purchase date in a business combination not under same control. The difference between the merger cost and the fair value of the identifiable net assets of the acquiree obtained in the merger on the purchase date is recognized as goodwill; If the merger cost is less than the fair value share of the identifiable net assets of the acquiree obtained in the combination, the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree obtained and the measurement of the combination cost shall be reviewed first. After the review, the combination cost is still less than the fair value share of the identifiable net assets of the acquiree obtained in the merger, the difference is included in the current profit and loss.

5. Compilation method of consolidated financial statements

5.1 Scope of consolidated financial statements

The Company incorporates all the controlled subsidiaries (including individual entities controlled by the Company) into the scope of the consolidated financial statements, including the enterprises controlled by the Company, the divisible part of the investee and the structured entities. Control means that the Company has the power over the invested party, enjoys a variable return by participating in the relevant activities of the invested party, and has the ability to use the power over the invested party to affect the amount of the return.

5.2 Unify the accounting policies, balance sheet date and the accounting period of the parent company and the subsidiary company

During preparation of consolidated financial statements, in the event that the accounting policies or accounting period adopted by subsidiaries are not in line with that of the Company, necessary adjustments shall be made to the financial statements of subsidiaries according to the accounting policy and accounting period of the Company.

5.3 Offsetting items in the consolidated financial statements

All significant internal transactions, balances and unrealized profits between the Company and its subsidiaries and between subsidiaries shall be offset during preparation of consolidated financial statements. In preparing the consolidated financial statements, the Company treat the entire group as an accounting entity, and reflects the overall financial situation, operating results and cash flow of the group in accordance with the recognition, measurement and presentation requirements of the relevant accounting standards for business enterprises and the unified accounting policies. The portion of subsidiary owners' equity which does not belong to the Company, as minority shareholder's equity, shall be separately listed as "minority shareholder's equity" under the owner's equity item in the consolidated balance sheet. The share of the subsidiary's current net profit and loss belongs to the minority shareholders, shall be listed as "minority shareholder's profit and loss" under the net profit in the consolidated income statement.

5.4 Accounting treatment of subsidiaries acquired through merger

For the subsidiaries acquired in the business merger under common control, deemed that the business combination has occurred since time point when the ultimate controlling party started to control, and make adjustments to the opening balance of consolidated balance sheet, the income, expenses and profit of the subsidiaries or businesses from the beginning of the current period to the end of the reporting period shall be included in the consolidated income statement, the cash flow of the subsidiaries or businesses from the beginning of the current period to the end of the reporting period shall be included in the consolidated cash flow statement, meanwhile, make adjustments to related items of the comparative statements.

If the investee under the same control can be controlled for the reasons such as additional investment, it shall be deemed that the parties involved in the merger shall be adjusted in the current state when the ultimate controlling party begins to control. The equity investments held by the company before the consolidation, and the recognized changes of profit or loss, other comprehensive income and net asset occur during the period from the later of the date of the acquisition of the original equity or the date both the merging and the merged party are under the control of the ultimate controller simultaneously, to the combination date, should be offset the opening retained earnings and current profit or loss of comparative statements separately.

For the subsidiary acquired in the business merger not under the control of the same entity, without adjustment to the opening balance of consolidated balance sheet, the income, expenses and profit of the subsidiaries or businesses from the purchase date to the end of the reporting period shall be included in the consolidated income statement; the cash flow of the subsidiaries or businesses from the purchase date to the end of the reporting period shall be included in the consolidated cash flow statement. If the investee not under the same control can be controlled for the reasons such as additional investment, the acquiree's equity held before the acquisition date should be re-measured by the fair value at the acquisition date, and the difference between the fair value and book value will be recorded into the current period's investment income. Other comprehensive income and changes in other shareholder's equity except for the net profit or loss, other comprehensive and profit distribution, and other related other comprehensive income and changes in other shareholder's equity which arise from the acquiree's equity held before the acquisition date and measured by equity method, will be transferred as investment profit in the period that the acquisition occurs. However, the principle is not applicable to the other comprehensive income arises from the changes of net liabilities and net assets due to the investee's recalculation of defined benefit plans.

5.5 Accounting treatment method for disposal of subsidiary equity until loss of control

1) General treatment method

If the Company disposes of a subsidiary or business during the reporting period, the income, expenses and profit from the beginning of the period to the disposal date shall be included in the Company's consolidated income statement; the cash flow from the beginning of the period to the disposal date shall be included in the Company's consolidated cash flow statement.

If the Company loses control over the investees due to reasons such as disposal of part of the equity investments, for the residual equity, a re-measurement shall be carried out according to the fair value on the date of loss of control. The sum of the consideration obtained by disposing of the equity and the fair value of the remaining equity, shall deduct the share of net assets which should be entitled by the Company in the subsidiaries continuously calculated since the purchase date or merger date according to the original shareholding percentage correspondingly to the disposed equity investments, the difference after such deduction shall be recognized into the investment income or losses in the period of loss of control, with goodwill written-off simultaneously. The other comprehensive income related to the equity investments in the subsidiary originally owned shall be transferred as current investment income or losses in the period of loss of control.

2) Step by step disposal of subsidiaries

Where the Company disposes of the equity investment in subsidiaries until losing control step by step through a number of transactions, if the terms, conditions and economic impact of each transaction of the equity investment of the subsidiary meet one or more of the following conditions, the Company shall treat multiple transactions as a package transaction:

①The multiple transactions are entered into at the same time or in contemplation of each other;

②The multiple transactions form a single transaction designed to achieve an overall commercial effect;

③The occurrence of one transaction is dependent on the occurrence of at least one other transaction;

④One transaction considered on its own is not economically justified, but it is economically justified when considered together with other transactions.

If the multiple transactions should be accounted for as a package transaction, the Company recognizes the transactions as a single transaction that results in loss of control of the subsidiary; however, before loss of control, the difference of consideration received and the Company's proportionate share of the subsidiary's net assets for the disposed investments in each transaction shall be recognized in other comprehensive income in consolidated financial statements, and the cumulative amount shall be reclassified to profit or loss in the current period when control is lost.

If the multiple transactions should not be accounted for as a package transaction, the Company shall conduct accounting treatments according to related policies for partial disposal of equity investments without losing control of the subsidiary before losing control; in case of losing control, accounting treatment shall be carried out in accordance with the general treatment method of disposal of subsidiaries.

5.6 Purchase of minority interests in subsidiaries

The difference between the cost of long-term equity investment newly obtained by the Company due to the purchase of minority interests and the share of net assets of the subsidiary calculated continuously from the purchase date (or the merger date) according to the proportion of new shareholding, adjust the share premium in the capital reserve in the consolidated balance sheet. If the share premium in the capital reserve is insufficient to be offset, the retained earnings shall be adjusted.

5.7 Partially disposal of equity investment in subsidiaries without losing control

At the situation when the Company partially disposes long-term equity investments in subsidiaries without losing control, for the difference between disposal price and the share of net assets which should be entitled by the Company in the subsidiaries continuously calculated since the purchase date or merger date correspondingly to the disposed long-term equity investments, such difference shall be adjusted to capital premium. If the capital premium of capital reserve is insufficient to offset, retained earnings shall be adjusted.

6. Types of Joint Arrangements and Accounting Treatment for Joint Operations

A joint arrangement is an arrangement of which two or more parties have joint control. Based on the rights and obligations of the parties to the arrangement, the Company classifies a joint arrangement as a joint operation or a joint venture.

6.1 Joint operation

A joint operation is a joint arrangement whereby the Company that has joint control of the arrangement and has rights to the assets, and obligations for the liabilities relating to the arrangement.

The Company recognizes in relation to its interest in a joint operation in accordance with the related accounting policies: ① recognize the assets held separately by the Company and the assets jointly held according to the Company's share; ② recognize the liabilities held separately by the Company and the liabilities jointly held according to the Company's share; ③ recognize the revenue generated from the sale of the share of the joint operation output enjoyed by the Company; ④ recognize the revenue generated from the sale of output by the joint operation according to the Company's share; ⑤ recognize the expenses incurred separately by the Company and the expenses incurred jointly according to the Company's share.

When the Company, as a joint operator, enters into a transaction with a joint operation, for a contribution or sale of assets (the assets do not constitute a business, the same below), or for a purchase of assets, before the assets are sold to a third party, the Company shall recognize gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation. When such assets are subject to an impairment loss in accordance with the "ASBE No. 8 – Impairment of Assets", the Company shall fully recognize the loss in the case that the Company contributes or sells assets to the joint operation; the Company shall recognize its share of the loss in the case that the Company purchases assets from the joint operation.

6.2 Joint venture

A joint venture is a joint arrangement which the Company only has rights to the net assets of the arrangement. The Company is using equity method for investment in a joint venture, in accordance with the accounting policies described in this note "IV. 19. Long-term equity investment".

7. Criteria for the determination of cash and cash equivalent

Cash in cash flow statement of the Company refers to the cash on hand and deposits that are available for payment at any time.

Cash equivalent in the cash flow statement of the Company refers to the investments which have a short holding period, and are of strong liquidity and readily convertible to known amounts of cash with low risk of value change.

8. Financial instrument

Financial instruments refer to contracts that form financial assets of one party and financial liabilities or equity instruments of other parties. When the Company becomes a party of a financial instrument contract, the Company recognizes a financial asset or a liability, equity instrument.

8.1 Classification, recognition and measurement of financial assets

In the initial recognition of financial assets, according to the business model for managing financial assets and the contractual cash flow characteristics of financial assets, the Company classifies financial assets as the financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss.

At initial recognition, a financial asset measures at its fair value. For financial assets measured at fair value through profit or loss, related transaction costs are directly recorded in profit or loss; for other types of financial assets, related transaction costs are recorded in the amount initially recognized. Trade receivables or notes receivable that arise from sale of goods or rendering of services, which do not contain or involve a significant financing component, shall be measured, at the initial recognition, at the amount of consideration to which the Company expects to be entitled.

1）Debt instruments held by the Company:

① Financial assets measured at amortized cost

For a financial asset measured at amortized cost, it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and its contractual cash flow characteristics are consistent with those of a basic lending arrangement, that is, the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company applies effective interest method and subsequently measures this type of financial assets at amortized costs, a gain or loss arising from amortization or impairment is recognized in current profit or loss. Such financial assets of the Company mainly include monetary capital, notes receivable, accounts receivable, other receivables, debt investment and long-term receivables, etc.

② Financial assets measured at fair value through other comprehensive income

The Company business model for the management of such financial assets is to both collecting contractual cash flows and selling financial assets, and its contractual cash flow characteristics are consistent with those of a basic lending arrangement. A gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses, foreign exchange gains and losses, and interest calculated using the effective interest method, which are recognized in profit or loss. Such financial assets of the Company mainly include accounts receivable financing, other debt investments, etc.

③ Financial assets measured at fair value through profit or loss

The Company classifies the financial assets other than the above-mentioned financial assets measured at amortized cost and financial assets other than those measured at fair value through other comprehensive income as financial assets measured at fair value through profit and loss, listed as trading financial assets. In addition, the Company designates some financial assets as measured at fair value through profit or loss when doing so eliminates or significantly reduces accounting mismatches. The Company subsequently measures this type of financial assets at fair value, changes in fair values are recognized in current profit or loss. The financial assets expire more than one year from the balance sheet date and is expected to be held for more than one year shall be listed as the other non-current financial assets.

2）Equity instrument investment of the Company：

The Company classifies equity instrument investments over which it has no control, joint control or significant influence as financial assets measured at fair value through profit and loss, and listed as trading financial assets; which expected to be held for more than one year from the balance sheet date shall be listed as other non-current financial assets.

In addition, the Company designates partial non-tradable equity instrument investments as the financial assets measured at fair value through other comprehensive income, listed as other equity instrument investment. Once the designation has been made, it shall not be revoked. The relevant dividend income of such financial assets is included in the current profit and loss by the Company, and changes in fair value are recorded in other comprehensive income. When such financial assets are terminated in recognition, the accumulated gains or losses previously recorded in other comprehensive income are transferred to current retained earnings, without included in the current profit and loss.

8.2 Classification, recognition and measurement of financial liabilities

The Company classifies the financial instrument or its components as financial liabilities or equity instruments at the initial recognition according to the contract terms of the issued financial instrument and the economic substance reflected instead of only in the legal form, and in combination with the definitions of financial liabilities and equity instruments.

At initial recognition, financial liabilities are classified by the Company as financial liabilities at fair value through profit or loss, or other financial liabilities.

The financial liabilities measured at fair value through current profits or losses are subsequently measured at fair value. The gain or loss arising from changes in fair value, and interest expenditures paid related to such financial liabilities are recorded in current profit or loss.

Other financial liabilities are subsequently measured at amortized cost by the effective interest method.

8.3 Recognition basis and measurement method of transfers of financial assets

The Company shall derecognizes a financial asset that meets one of the following conditions: ① the contractual rights to the cash flows from the financial asset expire; ② the Company transfers the financial asset, and it transfers substantially all the risks and rewards of the ownership of the financial asset to the transferee;③ the Company transfers the financial asset, it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, however, it has not retained control of the financial asset. When the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, and has retained control of the financial asset, the Company shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset and recognize an associated liability. The extent of the continuing involvement in the transferred financial asset refers to the level of risk faced by the enterprise due to the changes in the value of the financial asset.

When other equity instrument investments are derecognized, the Company includes the difference between its book value and the sum of the consideration received and the accumulated changes in fair value whose original value is directly included in other comprehensive income into retained earnings; when the other financial assets are derecognized, the difference between the book value and the sum of the consideration received and the accumulated amount of changes in the fair value originally included in other comprehensive income shall be included in the current profit and loss.

For a financial asset sold with recourse, or a financial asset transferred through endorsement, the Company determines whether it transfers substantially all the risks and rewards of the ownership of the financial asset. If the Company transfers substantially all the risks and rewards of ownership of the financial asset, it shall derecognize the financial asset; if the Company retains substantially all the risks and rewards of ownership of the financial asset, it shall continue to recognise the financial asset; if the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it shall determine whether it has retained control of the financial asset, and make corresponding accounting treatment based on preceding principles.

8.4 Derecognition of financial liabilities

The Company derecognizes a financial liability (or a part of a financial liability) when the present obligation of the financial liability (or corresponding part of the financial liability) specified in the contract is discharged. If the Company (the borrower) signs agreement with a lender, to replace original financial liability by assuming a new financial liability, and the contract terms of the new financial liabilities are substantially different from the original financial liabilities, the original financial liabilities shall be derecognized, and a new financial liability shall be recognized at the same time. If the company substantially modifies the contract terms of the original financial liability (or part of it), the recognition of the original financial liability shall be derecognized, and a new financial liability shall be recognized in accordance with the modified terms.

When a financial liability (or part of a financial liability) is derecognized, the Company shall include the difference between its book value and the consideration paid (including any non-cash assets transferred or liabilities assumed) in the current profit or loss.

8.5 Offset of financial assets and financial liabilities

The net amount of financial assets and financial liabilities after mutually offset can be shown in the balance sheet when the Company has the legal right to offset the recognized amount of financial assets and financial liabilities, and this legal right is currently enforceable, and the Company plans to settle with the net amount or to realize such financial assets and discharge of the financial liabilities at the same time. Otherwise, the financial assets and financial liabilities of the Company shall be shown separately in the balance sheet, without mutually offset.

8.6 Determination method for the fair value of financial assets and financial liabilities

Fair value refers to the price that market participants can receive from the sale of an asset or pay for the transfer of a liability in an orderly transaction on the measurement date. The Company measures the fair value of financial instruments according to the prices in active markets. Where there is no active market for a financial instrument, the Company adopts valuation techniques to determine its fair value. The Company classifies the input value adopted by the fair value measurement into three levels, and gives the priority to the use of the first level input value, then use the second level input value, and uses the third level input value at last. The input value of the first level is the unadjusted quotation prices in the active market to obtain the same assets or liabilities which can be obtained on the measurement date. The input value of the second level is the direct or indirect observable value of the related assets or liabilities except for the input value of the first level. The input value of the third level is the non-observable value of the related assets or liabilities.

8.7 Equity instruments

The Company differentiates the financial liabilities and the equity instruments according to the following principles: ① if the Company cannot unconditionally avoid performing an item of the contractual obligation by delivering the cash or other financial assets, then such contractual obligation meets the definition of financial liabilities. Although some financial instruments do not explicitly include the terms and conditions of the obligation to deliver the cash or other financial assets, the contractual obligation may be formed indirectly by other terms and conditions. ② For an item of the financial instruments, if the Company must use or may use the equity instruments of its own to carry out the settlement, should consider that whether the Company's own equity instruments used to settle such instrument is taken as the substitute of the cash or other financial assets, or is for the purpose of enabling the holding party to entitle the residual equity in the assets of the issuer after deducting all the liabilities. If the case is the former situation, the instrument is the financial liability of the Company. If the case is the latter situation, the instrument is the equity instrument of the Company.

8.8 Impairment of financial assets

Based on the expected credit losses, the Company recognizes impairment loss on financial assets measured at amortized cost, debt instrument investment at fair value through other comprehensive income, etc.

1）Measurement of expected credit losses

The Company considers reasonable and evidence-based information about past events, current conditions, and forecasts of future economic conditions, and takes the risk of default as the weight to calculate the probability weighted amount of the present value of the difference between the cash flow receivable in the contract and the cash flow expected to be received, and recognizes the expected credit losses.

On each balance sheet date, the Company measures the expected credit losses of financial instruments in different phase. If the credit risk of the financial instrument has not increased significantly since the initial recognition, it is in the first phase, and the Company measures the loss provision according to the expected credit loss in the next 12 months; if the credit risk of the financial instrument increased significantly but no credit impairment has occurred since the initial recognition, it is in the second phase, the Company shall measure the loss provision according to the expected credit loss of the entire duration of the instrument; if the financial instrument has been credit impaired since the initial recognition, it is in the third phase, the Company shall measure the loss provision according to the expected credit loss of the entire duration of the financial instrument.

However, if the Company determines that the financial instrument has only a relatively low credit risk on the balance sheet date, it can be assumed that the credit risk of the financial instrument has not increased significantly since the initial recognition. For financial instruments with lower credit risk at the balance sheet date, the Company assumes that the credit risk has not increased significantly since the initial recognition, and measures the loss provision based on the expected credit loss in the next 12 months.

For the financial instrument in the first phase and the second phase, and with lower credit risk, the Company calculates interest income according to the book balance without deducting the impairment provision and the effective interest rate. For the financial instrument in the third phase, the interest income shall be calculated according to its amortized cost after the book balance deducted the impairment provision and the effective interest rate.

The notes receivable, accounts receivable, contract assets and receivables financing arising from the daily business activities such as selling goods and providing services, regardless of whether there is a significant financing component, the Company shall measure the loss provision according to the expected credit losses of the entire duration

For notes receivable, accounts receivable, other receivables and receivables financing that are subject to individual assessment and there is objective evidence indicating the existence of impairment, the Company conducts individual impairment test and recognizes the expected credit loss and makes individual impairment provision. For notes receivable, accounts receivable, other receivables and receivables financing without objective evidence of impairment or when the information of expected credit losses of individual financial assets cannot be assessed at a reasonable cost, the Company divides notes receivable, accounts receivable, contract assets, receivables financing and other receivables into several portfolio according to the credit risk characteristics, and calculates the expected credit losses on the basis of the portfolio. The basis for determining the portfolio is as follows:

The Company divides notes receivable, accounts receivable, contract assets, receivables financing and other receivables into several portfolio according to the credit risk characteristics, and calculates the expected credit losses on the basis of the portfolio, and then determine the expected credit loss of a portfolio.

For debt investments and other debt investments, the Company calculates the expected credit losses according to the nature of the investment and the various types of counterparties and risk exposures, by the default risk exposure and the expected credit loss rate within the next 12 months or the entire duration.

2) Financial instruments with lower credit risk

If the financial instrument has a lower default risk, the borrower's ability to perform its contractual cash flow obligations in the short term is strong, and even if there are adverse changes in the economic situation and operating environment over a longer period, it may not necessarily reduce the borrower's ability to perform its contractual cash flow obligations, the financial instrument shall be considered to has a lower credit risk.

3) Significant increase in credit risk

The Company determines the relative change of default probability during the expected duration of the financial instrument by comparing the probability of default during the expected duration of the financial instrument by comparing the default probability within the expected duration determined on the balance sheet date and the default probability within the expected duration determined at the time of initial recognition of the financial instrument, to evaluate whether the credit risk of a financial instrument has increased significantly since initial recognition.

9. Inventories

9.1 Classification of inventories

The term "inventories" refers to finished products or merchandise possessed by the Company for sale in the daily of business, or work in progress in the process of production, or materials and supplies to be consumed in the process of production or offering labor service. Mainly including developed products, land to be developed, development costs, etc.

9.2 Valuation method for acquisition and issuance of inventory

Inventories are valued at actual cost when acquired, the cost of inventory consists of purchase costs, processing costs and other costs.

When the inventory is issued, the weighted average method is used to determine the actual cost of the inventory.

9.3 Method of recognition of net realizable value of inventory and provision for impairment of inventories

The net realizable value refers to in the daily business activity the amount after deducting the estimated cost of completion, estimated sale expense and relevant taxes from the estimated sale price of inventories. An enterprise shall confirm the net realizable value of inventories on the ground of reliable evidence obtained, taking into consideration of the purpose for holding inventories and the effects of events occurring after the date of the balance sheet.

On the date of balance sheet, the inventories shall be measured whichever is lower in accordance with the cost and the net realizable value. If the cost of inventories is higher than the net realizable value, the provision for impairment of inventories shall be made. Provision for impairment of inventories is usually drawn on the basis of the difference between the cost of a single inventory item and its net realizable value.

If the factors causing any write-down of the inventories have disappeared, the amount of write-down shall be resumed and be reversed from the provision for the loss on decline in value of inventories that has been made. The reversed amount shall be included in the current profits and losses.

9.4 The inventory system is a perpetual inventory system.

9.5 Amortization method for low-value consumables

Low-value consumables are amortized by one-off amortization method.

10. Contract assets

Contract assets refer to the rights to receive consideration for the transfer of goods by the Company to its customers, and that right depends on factors other than the passage of time. The right of the Company to collect consideration from customers unconditional (only depending on the passage of time) as a result of the transfer of goods to the customer is listed as accounts receivable. Contract assets and contract liabilities under the same contract are presented in net amount, and contract assets and contract liabilities under different contracts shall not be offset.

The determination method and accounting treatment of expected credit loss of contract assets refers to “Note 8. Financial instrument.”

11. Contract costs

11.1 Method for determining the amount of assets related to contract costs

The Company’s assets related to contract costs include contract performance costs and contract acquisition costs.

The contract performance costs refer to the costs incurred by the Company for the performance of the contracts, which do not fall within the scope of other provisions of ASBE and simultaneously meet the following conditions. Such costs are taken as contract performance costs and recognized as an item of assets: the costs are directly related to a current contract or a contract expected to be obtained, including direct labor, direct materials, manufacturing expenses (or similar expenses), the costs clearly borne by the customers and other costs incurred solely because of the contract; the costs increase the Company’s future resources for fulfilling its compliance obligations; the costs are expected to be recovered.

The contract acquisition costs, i.e. the incremental costs expected to be recovered by the Company in order to obtain the contract, are taken as costs to obtain the contract and are recognized as an item of assets; if the amortization period of the asset does not exceed one year, the costs are recognized in current period profits or losses at the time of occurrence. Incremental costs refer to the costs (such as sales commission etc.) that will not occur if the Company does not obtain a contract. The expenditures other than the incremental costs expected to be recovered which are incurred by the Company to obtain a contract (e.g., travel expenses incurred regardless of whether the contract was acquired etc.) are recognized in the current period profits or losses at the time of occurrence. However, the costs clearly borne by the customers are excluded.

11.2 Amortization of assets related to contract costs

The Company's assets related to contract costs shall be amortized on the basis same as the basis of revenue recognition of the goods related to the assets, and shall be recognized in current profits and losses.

11.3 Impairment of assets related to contract costs

When determining the impairment loss of assets related to contract costs, the Company first determines impairment loss of other assets which are recognized in accordance with other relevant provisions of ASBE and which are related to the contract; then the Company should accrued impairment provision according to the excess part by which the book value of the asset is higher than the sum of the following two items, i.e. the residual consideration expected to be received by the Company for the transfer of goods related to the asset and the estimated costs to be incurred for the transfer of the related goods, and the Company should recognize such difference as impairment loss. If the factors of impairment in the previous period incur changes subsequently, so that the above-mentioned balance is higher than the book value of the asset, the originally accrued asset impairment provision will be reversed and will be recognized in current period profits or losses, but the book value of the asset after the reversal shall not exceed the book value of the asset on the date of reversal under the assumption that no impairment provision is accrued.

12. Debt investment

Debt investment reflects the ending book value of long-term debt investment measured at amortized cost on the balance sheet date. The ending book value of long-term debt investment maturing within one year since the balance sheet date is reflected in the item of "non-current assets due within one year". The ending book value of the debt investment purchased by the enterprise, measured at amortized cost and due within one year, is reflected in the item of "other current assets".

For the determination method and accounting treatment method of expected credit loss of debt investment, please refer to “IV.8 Financial instruments”.

13. Other debt investment

Other debt investment reflects the ending book value of long-term debt investment classified by the enterprise as measured at fair value and its changes are included in other comprehensive income on the balance sheet date. The ending book value of long-term debt investments maturing within one year since the balance sheet date is reflected in the item of "non-current assets due within one year". The ending book value of the debt investment purchased by an enterprise measured at fair value and whose change is included in other comprehensive income and due within one year is reflected in the item of "other current assets".

For the determination method and accounting treatment method of other expected credit losses of other debt investment, please refer to “IV.8 Financial instruments”.

14. Long-term accounts receivable

Long-term accounts receivable reflect the long-term receivables on the balance sheet date, including receivables generated by financial leasing, and receivables generated by the sale of goods and provision of services with financing nature by means of deferred payment.

15. Long-term equity investments

Long-term equity investments refer to the long-term equity investment in which the Company has control or joint control of, or significant influence over the investee.

15.1 Determination of investment cost

For long-term equity investment acquired through business merger, see details in the Note “IV.4.

Accounting methods for business combinations under common control and business combinations not under common control”.

Apart from the aforementioned long-term equity investment acquired through business merger, as to long-term equity investment acquired by cash payment, the actual amount paid is taken as the investment cost; as to long-term equity investment acquired through issuing equity securities, the fair value of the issued equity securities is taken as the investment cost; as to long-term equity investment acquired through debt restructuring, the initial investment cost is determined in according with relevant provisions of “Accounting Standards for Enterprises No. 12- debt restructuring”; as to long-term equity investment acquired through exchange of non-monetary assets, the initial investment cost is determined in according with the provisions of relevant accounting rules.

15.2 Subsequent measurement and recognition of profit or loss

The Company use the equity method to account for investments in associate enterprises and joint ventures. Under equity method, when the initial cost of long-term equity investments exceeds the Company's proportionate share in the acquisition-date fair values of the investee's identifiable net assets, the initial cost of investments is not subject to adjustment; when the initial cost of investments is lower than the Company's proportionate share in the acquisition-date fair values of the investee's identifiable net assets, the difference shall be recognized in current profit or loss, and the cost of investments shall be adjusted at the same time.

When the equity method is adopted for accounting, the Company shall recognize the investment income and other comprehensive income respectively according to the share of the net profit and loss and other comprehensive income realized by the investee that shall be enjoyed or shared, and adjust the book value of the long-term equity investment at the same time; the book value of the long-term equity investment shall be reduced correspondingly according to the profit or cash dividend declared to be distributed by the investee. For other changes in the owner's equity of the investee except for net profit and loss, other comprehensive income and profit distribution, the book value of the long-term equity investment shall be adjusted and included in the capital reserve. When the Company recognizes its share of the net profit and loss of the investee, it shall adjust the net profit of the investee based on the fair value of identifiable assets of the investee at the time of obtaining the investment. If the investee's accounting policy and accounting period are not in conformity with those of the Company, appropriate adjustments shall be made based on the Company's accounting policy and accounting period, in order to recognize the amounts of investment income and other comprehensive income.

When the company recognizes the net loss of the investee that should be shared, it shall be limited to the book value of the long-term equity investment and other long-term equity that substantially constitutes the net investment in the investee be written down to zero. In addition, if the Company has the obligation to bear additional losses to the investee, the estimated liabilities shall be recognized according to the estimated obligations and included in the current investment losses. If the investee realizes net profit in the subsequent period, the Company shall resume the recognition of the profit-sharing amount after the profit-sharing amount makes up for the unrecognized loss sharing amount.

15.3 Disposal of long-term equity investment

When the Company disposes of long-term equity investment, the difference between the book value and actually obtained price shall be included in current profits and losses. The long-term equity investment calculated by the equity method shall be disposed of on the same basis as the relevant assets or liabilities directly disposed of by the investee, and the portion originally included in other comprehensive income shall be treated according to the corresponding proportion.

16. Investment properties

Investment properties refers to the real estate held for generating rent or capital appreciation, or both, which includes leased land use right, land use rights readily transferable after capital appreciation, and leased buildings (including buildings for lease after self-construction or development activities and buildings under construction or development for future lease).

The Company adopts the fair value model to follow-up measurement of investment properties, without depreciation or amortization of investment properties.

17. Fixed assets

17.1 Recognition conditions for fixed assets

The Company's fixed assets refer to tangible assets held for commodity production, manpower supply, renting or operation management with a service life of over one year. It shall be recognized when simultaneously meet the following condition:

① The economic interests related to the fixed assets are likely to flow into the Company;

② The cost of fixed assets can be measured reliably.

17.2 Depreciation method of various fixed assets

The fixed assets shall be depreciated within the service life by the straight-line method from the next month after the fixed assets reached its predetermined serviceable condition, except for the fixed assets that have been fully depreciated and are still in use and land that is measured and accounted for separately. The useful life, estimated residual percentage and annual depreciation rate of various fixed assets are as follows:

Classification	Depreciable life (years)	Estimated residual percentage (%)	Annual depreciation rate (%)
Premises and buildings	15.00-50.00	5.00	1.90-6.33
Machinery equipment	5.00-15.00	5.00	6.33-19.00
Transportation equipment	4.00-10.00	5.00	9.50-23.75
Office equipment and others	3.00-5.00	5.00	19.00-31.67

17.3 The method of impairment testing of fixed assets and the method of calculating impairment provision

See note “IV. 22 Impairment of long-term assets”

17.4 Other instructions

Treatment for subsequent expenditure of fixed assets, if the economic benefits related to the fixed asset are likely to flow in and its cost can be reliably measured, they shall be included in the cost of fixed assets, and the book value of replaced parts shall be derecognized; the expenditures which do not conform to the recognition conditions of fixed assets shall be included in current profits and losses when occurred.

If a fixed asset is disposed of or if no economic benefit will be obtained from the use or disposal, the recognition of such fixed asset is terminated. The disposal income from selling, transferring, discarding or damaging of fixed assets shall be deducted by the book value thereof and relevant taxes and then included in current profits and losses.

At the end of the year, the Company recheck and properly adjust the service life, expected net salvage value and depreciation method of the fixed assets. Any change shall be handled as changes in accounting estimates.

18. Construction in progress

The cost of the construction in progress is determined on the basis of the actual project expenditure, including the project expenditure incurred during the construction period, the borrowing cost of capitalization before the project reaches its predetermined serviceable condition, and other related costs, etc. Construction in progress is carried forward to fixed assets when it reaches its predetermined serviceable condition.

For details on the method of impairment test and provision for impairment of construction in progress, please refer to the note “IV. 22 Impairment of long-term assets”.

19. Borrowing costs

Borrowing costs include loan interest, amortization of discount or premium, auxiliary expenses and balance of exchange caused by foreign currency loans. The borrowing costs for construction or production, which can be directly included in assets satisfying capitalization conditions, shall begin capitalization when the expenditures of the assets and the borrowing costs occur and construction or production activities necessary for making the assets available for predicted use or selling begin. The construction or production assets which satisfy capitalization conditions shall stop capitalization when the assets are available for predicted use or sale. Other borrowing costs should be determined as expenditures when incurred.

The amount of interest of special loans actual occurred in current period deducts the interest income from unused loan capital which is deposited in banks, or deducts investment income from temporary investment shall be capitalized. The capitalized amount of general loan shall be determined as per the weighted average of which the accumulative asset expenditures exceed special loan asset expenditures multiplied capitalization rate of general loan used. The capitalization rate shall be calculated with the weighted average interest rate of general loans.

The assets in compliance with capitalization conditions refer to the fixed assets, investment properties and inventory that require considerable long time (usually referred as more than one year) of construction or production to reach their intended usable and marketable condition.

If assets satisfying capitalization conditions are suspended in construction or production for more than 3 months continuously, the capitalization of the suspended borrowing costs shall last until the restart of purchase, construction or production of the assets.

20. Right-of-use asset

Right-of-use asset refers to the right that the Company can use the leased asset during the lease term. At the beginning of the lease, the Company, as the lessee, recognizes the right-of-use assets and lease liabilities for the lease, except for short-term lease and low value asset lease which are simplified.

At the beginning of the lease, the Company initially measures the asset by its cost. The cost includes:

① The initially-recognized amount of the lease liability;

② The lease payment paid at or before the commencement date, if there exists lease incentives, the incentive amount enjoyed by the Company should be deducted;

③ The initial direct cost incurred by the Company as the lessee;

④ The cost expected to incur in order to dismantle and remove the leasing property, to restore the using site, or to restore the leasing property’s condition to the one stipulated by the leasing terms.

The Company adopts the average life method to depreciate right-of-use assets. If it can be reasonably confirmed that the Company can acquire the ownership of the leased asset at the end of the lease term, the leased asset shall be depreciated within the remaining service life; if it can’t be reasonably confirmed that the Company can acquire the ownership of the leased asset at the end of the lease term, then the depreciation period is based on the shorter of the lease term and remaining service life.

When the Company remeasured the lease liabilities according to the related standard, adjustments should be made upon the book value of the right-of-use asset accordingly. If the book value of the right-of-use asset has been reduced to zero, but the lease liability still needs to be further reduced, the remaining amount shall be included in the current profit and loss.

21. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance, which are possessed or controlled by the Company.

21.1 Measurement of intangible assets

The Company’s intangible assets are initially measured at cost. The cost of intangible assets purchased from outsiders is taken as the sum of purchase prices actually paid and other relevant expenditures. The actual cost of the intangible assets injected by investors to the Company is determined according to the value agreed upon in an investment contract or agreement. However, if the agreed value of a contract or agreement is unfair, the actual cost shall be determined according to the fair value. The cost of self-developed intangible assets shall be the total expenses incurred before reaching the intended use. For the intangible assets acquired from merger not under common control which are owned by the purchased party but are not recognized in its financial statements, such intangible assets should be recognized when the Company recognizes the assets of the purchased party. Such intangible assets are recognized as intangible assets according to the fair value.

The subsequent measurement of the Company's intangible assets is as follows:①The intangible assets with limited service life shall be amortized by the straight-line method, and take a review of the useful life and amortization method of the intangible assets at the end of the year. If there is any difference from the original estimate, corresponding adjustment shall be made. ②Intangible assets with indefinite useful life shall not be amortized, but at the end of the year, the useful life is reviewed. When there is conclusive evidence that its useful life is limited, its useful life is estimated and amortized on a straight-line basis.

21.2 For details of the test method and the impairment of intangible assets refer to note “IV. 22. Impairment of long-term assets”.

22. Impairment of long-term assets

For the Company’s long-term assets, such as long-term equity investments, investment properties measured by cost model, fixed assets, construction in progress, intangible assets, etc., when there are signs of impairment on balance sheet date, impairment tests shall be conducted. If impairment test shows that the recoverable amount of the asset is less than its book value, the difference shall be recorded as loss allowance and recognized as impairment loss. The recoverable amount of the asset is the higher of its fair value less costs of disposal and its present value of expected future cash flows. Impairment is calculated and recognized for the individual asset, if it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the asset group to which the said asset belongs. An asset group is the smallest group of assets that generates cash inflows that are independent of the cash inflows from other assets or groups of assets.

As for goodwill and intangible assets with uncertain service life, the Company conduct impairment tests at the end of each year no matter whether there are signs of impairment or not. Intangible assets not yet available for use shall also be tested for impairment annually.

When the Company conducts the goodwill impairment test, the book value of the goodwill resulting from business combination shall be allocated to the relevant asset group in a reasonable way from the purchase date; if it is difficult to allocate it to the relevant asset group, it shall be allocated to the relevant asset group related asset group portfolio. When allocate the book value of goodwill to the related asset group or asset group portfolio, it shall be allocated according to the proportion of the fair value of each asset group or asset group combination to the total fair value of the relevant asset group or asset group portfolio. If the fair value is difficult to measure reliably, it shall be apportioned according to the proportion of the book value of each asset group or combination of asset groups to the total book value of the relevant asset group or portfolio of asset groups.

Once the aforementioned asset impairment loss is recognized, such amount shall not be reversed in the subsequent accounting period.

23. Long-term deferred expenses

The Company's long-term deferred expenses refer to the expenses that have been paid but the benefit period is more than one year (excluding one year). Long term deferred expenses are amortized according to the benefit period of the expense items. If the long-term deferred expenses are no longer beneficial to the subsequent accounting periods, then the amortized value of the item which has not been amortized shall all be transferred to the current profits or losses.

24. Contract liabilities

Contract liabilities reflect the Company's obligation to transfer goods to its customers when the Company has received consideration from the customers or will charge the consideration to the customers. Before the Company transfer the goods to customers, if the customers have paid the contract consideration or the Company has acquired the unconditional right to collect the contract consideration, the contract liabilities shall be recognized in accordance with the amount received or receivable at the earlier time point between the time when the customers actually make the payments and the time when the payments are due.

25. Employee compensation

Various types of remuneration and other related expenses provided by the Company for the services provided by employees, including short-term remuneration, post-employment benefits, post-employment benefits and other long-term benefits.

25.1 Accounting treatment method of short-term remuneration

The Company's short-term remunerations includes salaries, welfare, allowances and subsidies, employee benefits, housing funds, labor union funds and employee education funds, medical insurance premiums, work-related injury insurance premiums, maternity insurance premiums, short-term paid absence, short-term profit-sharing plan, etc. During the accounting period when employees provide services for the Company, the payable short-term remunerations actually occurred are recognized as liabilities, and are recognized in current period profits or losses or relevant asset or costs in according with different beneficiaries and accrual basis principle.

25.2 Accounting treatment method of post-employment benefits

Post-employment benefits include basic endowment insurance, and annuity, etc. and classified as defined contribution plan and defined benefit plan depending on the risk and obligation the Company bears.

The defined contribution plans: The contributions which are made for individual subjects in exchange for the staff's services rendered in the accounting period shall be recognized as liabilities on the balance sheet date and included in current profits and losses or relevant asset costs according to the beneficiaries.

The defined benefit plan: The Company conducts actuarial valuations by independent actuaries on the interim and annual balance sheet dates, and determines the cost of providing benefits using the expected cumulative benefit unit method.

25.3 Accounting treatment method of dismissal benefits

Dismissal benefits refers to the compensation proposed to terminate the labor relationship with the employees before the expiration of the labor contract, or to encourage the employees to voluntarily accept the layoff. When the Company cannot unilaterally withdraw the dismissal welfare provided due to the labor relationship termination plan or the redundancy offer, or when the costs or expenses (whichever is earlier) related to reorganization concerning the dismissal welfare payment are recognized, the liabilities of the employee compensation arising from dismissal welfare shall be recognized and included in current profits or losses.

25.4 Accounting treatment method of other long-term employee benefits

Other long-term employee benefits provided by the Company to employees that meet the defined contribution plan shall be accounted for in accordance with the defined contribution plan, otherwise, they shall be accounted for in accordance with the defined benefit plan.

26. Estimated liabilities

The obligation pertinent to a contingency shall be recognized as an estimated liability when the following conditions are satisfied simultaneously：(1) The obligation is a current obligation of the enterprise; (2) It is likely to cause any economic benefit to flow out of the enterprise as a result of performance of the obligation; (3) The amount of the obligation can be measured in a reliable way.

The estimated liabilities of the Company are initially measured according to the best estimate of the expenditure required to perform the relevant current obligations. If the required expenditure has a continuous range, and the probability of occurrence of various results within this range is the same, the best estimate is determined according to the middle value within the range; if more than one project is involved, the best estimate shall be determined according to various possible results and relevant probability calculation.

The Company reviews the book value of the estimated liabilities at the balance sheet date, if there is conclusive evidence that the book value cannot truly reflect the current best estimate, the book value shall be adjusted according to the current best estimate.

When all or part of the expenses necessary for the liquidation of the estimated liabilities of an enterprise are expected to be compensated by a third party, the compensation should be separately recognized as an asset only when it is virtually certain that the reimbursement will be obtained. And the amount recognized for the reimbursement should not exceed the book value of the estimated liabilities.

27. Revenue

The Company's operating income mainly includes real estate development income, commodity sales income, labor service income, heating supply income and so on.

The Company recognizes revenue when the performance obligation in the contract is fulfilled, namely when the customer acquires the control over the relevant goods or services.

The Company shall recognize revenue when the customer obtains control of promised goods when the contract with customer meets all of the following criteria : the parties to the contract have approved the contract and are committed to perform their respective obligations; each party’s rights and obligations regarding the goods or services to be transferred are identified; the payment terms for the goods or services to be transferred are identified; the contract has commercial substances, i.e. the risk, timing or amount of the Company’s future cash flow is expected to change as a result of the contract; it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

At the commencement of the contract, the Company shall identify every single performance obligation in the contract, and allocate the transaction price in proportion to each performance obligation based on the stand-alone selling prices of the promised goods or services underlying each obligation. When determining the transaction price, the Company shall consider the effects of variable consideration, the existence of a significant financing component in the contract, non-cash consideration and consideration payable to a customer.

For each of the performance obligation, the Company shall recognize the revenue over time at an amount of transaction price allocated to that performance obligation based on its progress towards complete satisfaction of the performance obligation, If one of the following criteria is met: the customer simultaneously receives and consumes the benefits provided by the Company’s performance as the Company performs; the Company’s performance creates work in progress that the customer controls as it is created; and the Company’s performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Progress towards complete satisfaction of a performance obligation is measured in accordance with input methods or output methods based on the nature of the goods to be transferred. If the Company may not be able to reasonably measure the progress towards complete satisfaction of a performance obligation, but the Company expects to recover the costs incurred in satisfying the performance obligation, the Company shall recognize revenue only to the extent of the costs incurred until such time that it can reasonably measure the progress towards complete satisfaction of that performance obligation.

If any of above criteria is not satisfied, the Company shall recognize revenue at an amount of transaction price allocated to the performance obligation at a point in time at which the customer obtains control of the promised goods or services. In determining the point in time at which a customer obtains control of the promised goods, the Company shall consider following indicators: the Company has a present right to payment for the promised goods, i.e. the customer is presently obliged to pay for such goods; the Company has transferred the legal title of the promised goods to the customer, i.e. the customer has legal tile to such goods; the Company has transferred physical possession of the promised goods, i.e. the customer has physical possession of such goods; the Company has transferred the significant risks and rewards of ownership of the promised goods to the customer, i.e. the customer has the significant risks and rewards of ownership of such goods; and the customer has accepted the promised goods, and other indicators of the customer obtains control of the promised goods.

Real estate development income: The Company's commercial housing sales income is mostly recognized on the date of handling the housing handover procedures, and the money received before the date is regarded as the advance payment in accounting, and then carried forward into the "main business income" after the confirmed sales income is realized on the delivery date.

Commodity sales income: Revenue is recognized at the point of transfer of control of goods through the sales contract between the Company and the customer.

Labor service income: Revenue is recognized after the corresponding performance obligations are fulfilled.

Heating supply income: The heating company recognizes revenue on an accrual basis and calculates the total revenue evenly based on the actual heating period.

28. Government grant

A government grant means the monetary or non-monetary assets obtained free by an enterprise from the government, but excluding the capital invested by the government as the owner of the enterprise. Government grants is divided into asset-related government grant and revenue-related government grants.

As the monetary assets, the government grants shall be measured based on the actually received amounts; as for the non-monetary assets, the government grants shall be measured based on the fair value, if the fair value cannot be estimated reliably, it shall be measured based on nominal amount. The government subsidies measured at their nominal amounts shall be directly included in the current profits and losses.

The government grant pertinent to assets shall offset the book value of relevant assets or be recognized as deferred income. The government grant pertinent to assets that is recognized as deferred income shall be equally distributed within the useful lives of the relevant assets, and included in the current profits and losses. But the government subsidies measured at their nominal amounts shall be directly included in the current profits and losses in a reasonable and systematic way.

For the Company's government grant pertinent to incomes, the subsidies used for compensating the related future expenses or losses of the enterprise shall be recognized as deferred income and shall be included in the current profits and losses or off set related costs during the period when the relevant expenses or losses are recognized; the subsidies used for compensating the related expenses or losses incurred to the Company shall be directly included in the current profits and losses or offset related expenses or losses. Government grants related to the daily activities of the Company shall be included in other income or offset against relevant costs and expenses in accordance with the essence of economic business; government grants unrelated to the daily activities of the Company shall be included in non-operating income.

The discount interest of policy preferential loans obtained by the company shall be accounted for separately according to the following two cases:

(1) If the department finance allocates the discount interest fund to the loan bank, and the loan bank provides the loan to the Company at the preferential policy interest rate, the Company shall take the actual amount of the loan received as the entry value of the loan, and calculate the relevant borrowing costs according to the loan principal and the preferential policy interest rate.

(2) If the department of finance allocates the discount funds directly to the Company, the Company shall offset the relevant borrowing costs with corresponding discount interest.

29. Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities of the Company shall be recognized by calculating the difference (temporary difference) between the tax base and book value.

The Company recognizes deferred income tax assets for deductible temporary difference to the extent of the future taxable income that is likely to be obtained to deduct the deductible temporary differences. Deductible tax losses or tax credit that can be carried forward in subsequent years to the extent of the future taxable income that is likely to be obtained to deduct the deductible losses or tax credit are recognized as deferred income tax assets. For taxable temporary differences, deferred income tax liabilities shall be recognized except for special circumstances.

The Company recognizes the corresponding deferred income tax assets to the extent of the future taxable income that is likely to be obtained to deduct the deductible temporary differences. On the balance sheet date, if there is conclusive evidence that it is probable that sufficient taxable income will be obtained in the future period to deduct the deductible temporary difference, the unrecognized deferred income tax assets in the previous accounting period shall be recognized. The Company reduces the book value of deferred income tax assets when it is no longer probable that sufficient taxable income will be obtained in the future period to deduct the deferred income tax assets.

For taxable temporary differences associated with investments in subsidiaries and associates, the Company shall recognize the deferred income tax liabilities, unless the Company is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. For deductible temporary differences associated with investments in subsidiaries and associates, the Company shall recognize the deferred income tax assets when it is probable that the temporary difference will reverse in the foreseeable future, and it is probable to obtain the taxable income to deduct the deductible temporary differences in the future.

For taxable temporary differences associated with the initial recognition of goodwill, no deferred income tax liabilities shall be recognized. For the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither the accounting profit nor taxable profit (or deductible loss), no corresponding deferred income tax assets or deferred income tax liabilities shall be recognized. At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Deferred income tax assets and deferred income tax liabilities that meet the following conditions simultaneously are presented on a net basis after offset:

(1) Deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax collection and administration department on the same taxpayer within the Company;

(2) The taxpayer in the Company has the legal right to settle the current income tax assets and current income tax liabilities on a net basis.

30. Lease

A lease is a contract within a defined period of time and in which the lessor delivers the lessee the right to use the asset in order to obtain a consideration.

On the contract commencement date or change date, the Company evaluates whether the contract is a lease or contains a lease. If a contractual party transfers the control right to use one or more identified assets over a period of time in exchange for consideration, then the contract is a lease or includes a lease. The Company shall not reevaluates whether the contract is a lease or includes a lease unless the terms and conditions of the contract have changes.

If the contract contains a number of separate leases, the lessee and the lessor shall separate the contract and account for those separate leases individually. If both the lease and non-lease parts are included in the contract, the lessee and the lessor shall separate the lease and non-lease parts.

30.1 The Company as lessee

The major class of the Company's leased assets includes premises and buildings, transportation equipment, land use right, etc.

1) Recognition of lease

At the beginning of the lease period, the Company recognizes the right-of- use assets and lease liabilities for the lease.

The Company initially measures the asset by its cost, the cost includes:

(1) the initially recognized amount of the lease liability;

(2) the lease payment paid at or before the commencement date, if there exist lease incentives, the incentive amount enjoyed by the Company should be deducted;

(3) the initial direct cost incurred by the Company as the lessee；

(4) the cost expected to incur in order to dismantle and remove the leasing property, to restore the using site, or to restore the leasing property's condition to the one stipulated by the leasing terms.

The Company adopts the average life method to depreciate right-of-use assets. If the Company is able to reasonably determine the ownership of the leased asset at the end of the lease term, depreciation shall be made within the remaining service life of the leased asset. If it cannot be reasonably determined that the ownership of the leased asset can be obtained at the expiration of the lease term, the Company shall accrue depreciation within the shorter of the lease term and the remaining service life of the leased asset

When the Company re-measures lease liabilities according to the standards, the book value of the right-of-use asset shall be adjusted accordingly. If the book value of the right-of-use asset has been reduced to zero, but the lease liability still needs to be further reduced, the remaining amount shall be included in the current profit and loss.

The Company's lease liabilities are initially measured at the present value of unpaid lease payments at the commencement date of the lease term, except for simplified short-term leases and leases of low-value assets.

In calculating the present value of the lease payment, the Company adopt the implicit interest rate as the discount rate. If the implicit interest rate cannot be determined, the Company (i.e. the lessee) take the incremental borrowing rate as the discount rate.

The implicit interest rate referred to the interest rate that makes the sum of the present value of the lease receipts and the present value of the unguaranteed residual value equal to the sum of the fair value of the leased asset and the initial direct expenses of the lessor. The incremental borrowing rate of lessee is the interest rate paid by the Company as the lessee for borrowing funds under similar mortgage terms and in similar period, in order to get the asset of which value is similar to the right-to-use asset under similar economic environment.

The Company calculate the interest expenses of the lease liability for each period of the lease term according to the fixed cyclical interest rates, and the expenses shall be included to the current profit and loss or assets and costs.

After the commencement date of the lease term, if the evaluation results of the Company's options for renewal, termination or purchase changes, the lease payment shall be re-determined, and the lease liability shall be re-measured according to the present value of the changed lease payment and the revised discount rate.

After the commencement date of the lease term, if the expected payable amount based on the guaranteed residual value changes, or the future lease payment changes due to the change of the index or ratio used to determine the lease payment, the Company shall remeasure the lease liability according to the present value of the lease payment after the change. Under such situation, the discount rate adopted by the Company shall not change; however, if the lease payment's change arises from the change of floating rate, the revised discount rate shall be used.

2) The change of lease

If the lease changes while satisfying the following criteria simultaneously, the Company shall treat the change of lease as a separate lease and make accounting treatment individually:

(1) The change has extended the lease scope by increasing the use right of one or more leased assets;

(2) The incremental consideration is equivalent to the single price of the extended portion of the lease adjusted by the contract conditions.

If the change of lease is not accounted for as a separate lease, on the effective date of the change, the Company shall allocate the consideration of the changed contract, and redefine the adjusted lease period, meanwhile, the Company shall discount the changed lease payment with the revised discount rate to recalculate the lease liability.

If the lease change leads to the narrow scope or shortened period of the lease, the Company should reduce the book value of the right-of-use asset, and charge the relative gain or loss arise from the partially or completely-terminated lease to current profit and loss. If other lease changes result in the re-measurement of the lease liabilities, the lessee shall adjust the book value of the right-of-use assets accordingly.

3) Short-term leases and leases of low-value assets

For short-term leases (lease term within 12 months or less) and leases of low-value assets, a simplified method is adopted by the Company. Instead of recognizing right-of-use asset and lease liability, the Company recognizes the lease payments on either a straight-line basis over the lease term or another systematic basis in each period of the lease term.

30.2 The Company as the lessor

If a lease substantially transfers almost all the risks and rewards associated with the ownership of the leased asset, it shall be classified as a financial lease, otherwise, it shall be identified as an operating lease.

1) Operating lease

During the respective periods of the lease term, the Company adopts a straight-line method to recognize the lease receipts of operating leases as rental income. The initial direct costs of the Company which are related to the operating lease shall be capitalized when incurred, and charged to current profit and loss in instalments during the lease period, based on the same recognition basis as rental income. The variable lease payments related to the operating lease, which are not included in lease receipts, should be included in current profit and loss when actually occurred.

2) Financial lease

On the commencement date of the lease, the Company recognizes the financial lease receivable for the financial lease and derecognizes the financial lease asset. At the time of initial recognition for the financial lease receivable, the Company take the net investment amount of the lease as its entry value. The net investment in the lease is the sum of the present value of the unguaranteed residual value and the not-received lease receipts at the commencement date, which is discounted by the implicit interest rate of the lease.

31. Changes of important accounting policies and accounting estimates

31.1 Changes of important accounting policies

(1) On December 7, 2018, the Ministry of Finance of PRC issued and revised the "ASBE No.

21 – Leases" (Caikuai [2018] No. 35, hereinafter referred to as "New Lease Standard").

(2) Implement the "ASBE No. 22- Recognition and Measurement of Financial Instruments", "ASBE No.23 – Transfer of Financial Assets", "ASBE No.24 –Hedging Accounting" and "ASBE No.37- Presentation of Financial Instruments" (revised in 2017) (hereinafter referred to as "New Financial Instrument Standards")

(3) Implement the "ASBE No. 14- Revenue" (Caikuai [2017] No. 22) issued and revised by the Ministry of Finance of PRC.

The Company implemented the New Lease Standard since January 1, 2021. According to the provisions of the New Lease Standard, the Company chooses not to re-evaluate whether the contract is a lease or contains a lease for the contract that existed before the date of initial implementation. For the lease contract, the Company, as the lessee, chooses to make adjustments only to the cumulative impact of lease contracts that have not been completed as of January 1, 2021. The cumulative impact amount of the initial implementation adjusts the amount of retained earnings and other related items in the financial statements at the beginning of the initial implementation period (i.e., January 1, 2021) and no adjustment is made to the comparable period information.

Adjustments on relevant items in financial statements at the beginning of the year of first implementation of the New Lease Standard since 2021

	Consolidated financial statements			The Company's financial statements		
Item	December 31,2020	December 31,2021	Adjustment	December 31,2020	December 31,2021	Adjustment
Right-of-use assets		12,163,066.91	12,163,066.91			
Lease liabilities						
Lease liabilities due within one year		12,163,066.91	12,163,066.91			

The Company implemented the New Financial Instrument Standards since January 1, 2021. According to the regulations of the New Financial Instrument Standards, the Company makes no adjustment to the comparable period information, and the difference between the initial implementation of the new standard and the current standard will be retrospectively adjusted to the undistributed profit or other comprehensive income at the beginning of the reporting period.

Adjustments on relevant items in financial statements at the beginning of the year of first implementation of the New Financial Instrument Standards since 2021

Item	Consolidated financial statements			The Company's financial statements		
	December 31, 2020	December 31, 2021	Adjustment	December 31, 2020	December 31, 2021	Adjustment
Available-for-sale financial assets	54,051,354.00		-54,051,354.00	22,050,000.00		-22,050,000.00
Other equity instrument investments		54,051,354.00	54,051,354.00		22,050,000.00	22,050,000.00

(Continued)

Item	Consolidated financial statements			The Company's financial statements		
	December 31, 2020	December 31, 2021	Adjustment	December 31, 2020	December 31, 2021	Adjustment
Assets impairment loss	-32,989,426.57		32,989,426.57	-46,989,789.75		46,989,789.75
Credit impairment loss		-32,989,426.57	-32,989,426.57		-46,989,789.75	-46,989,789.75

The Company implemented the New Revenue Standards since January 1, 2021. In according with the regulations of the New Revenue Standards, make adjustments to the amount of retained earnings and relevant items in the financial statements on January 1, 2021 according to the cumulative impact of the initial implementation of the New Revenue Standards, and the information of comparable period will not be adjusted.

Adjustments on relevant items in financial statements at the beginning of the year of first implementation of the New Revenue Standards since 2021

Item	Consolidated financial statements			The Company's financial statements		
	December 31, 2020	December 31, 2021	Adjustment	December 31, 2020	December 31, 2021	Adjustment
Accounts received in advance	4,212,818,373.54		-4,212,818,373.54	2,426,743,218.33		-2,426,743,218.33
Contract liabilities		3,851,159,979.91	3,851,159,979.91		2,226,369,925.07	2,226,369,925.07
Other current liabilities		361,658,393.63	361,658,393.63		200,373,293.26	200,373,293.26

V. Taxation

Main taxes and rates

Tax Category	Taxation Basis	Tax Rate
Value-added tax	The amount of value-added tax payable (the amount of tax payable is calculated on the balance of the taxable sales amount multiplied the applicable tax rate after deducting the deductible input tax for the current period)	3%、6%、9%、10%、11%、13%
Urban maintenance and construction tax	The amount of value-added tax and consumption tax paid	7%
Corporate income tax	Income tax payable	25%
Educational surcharges	The amount of value-added tax and consumption tax paid	3%
Local educational surcharges	The amount of value-added tax and consumption tax paid	2%
Local water conservancy fund	Turnover tax actually paid	0.5%
Land appreciation tax	Take the value added after deducting the project amount determined by the transfer income deduction method as the tax basis, and implement the progressive tax rate of 4 levels exceeding the rate	

VI. Notes to items in Consolidated Financial Statement

1. Monetary funds

Item	December 31, 2021	December 31, 2020
Cash in hand	554,396.81	1,278,817.29
Bank deposit	5,644,669,568.51	2,926,866,901.20
Other monetary funds	303,617,452.55	621,429,552.59
Total	**5,948,841,417.87**	**3,549,575,271.08**

2. Notes receivable

Item	December 31, 2021	December 31, 2020
Bank acceptance bills	200,000.00	2,000,000.00
Commercial acceptance bills	45,781,837.12	
Total	**45,981,837.12**	**2,000,000.00**

3. Accounts receivable

3.1 Presentation of accounts receivable by aging

Aging	December 31, 2021	December 31, 2020
Within 1 year	679,808,296.45	501,068,054.87
1-2 years	315,711,613.37	114,743,551.40
2-3 years	19,222,560.80	2,239,584.68
3-4 years	220,114.15	59,103.80
4-5 years	56,321.80	744,011.98
Above 5 years	5,119,323.86	6,237,384.19
Subtotal	**1,020,138,230.43**	**625,091,690.92**
Less：bad debt provision	31,590,692.04	40,343,879.30
Total	**988,547,538.39**	**584,747,811.62**

3.2 Presentation of accounts receivable by classification according to the accrual method of bad debt provision

Classification	December 31, 2021				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable that are individually significant and are provided for bad debts on individual basis	13,763,188.24	1.35	13,763,188.24	100.00	
Accounts receivable that are provided for bad debts according to combination	1,002,298,637.20	98.25	13,751,098.81	1.37	988,547,538.39
Including： 1 Combination by age	828,627,352.10	81.23	13,751,098.81	1.66	814,876,253.29
2 Combination without risk	173,671,285.10	17.02			173,671,285.10

Classification	December 31, 2021				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable that are individually insignificant but are individually provided for bad debts	4,076,404.99	0.40	4,076,404.99	100.00	
Total	**1,020,138,230.43**	**100.00**	**31,590,692.04**	**3.10**	**988,547,538.39**

(Continued)

Classification	December 31, 2020				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable that are individually significant and are provided for bad debts on individual basis	13,763,188.24	2.20	13,763,188.24	100.00	
Accounts receivable that are provided for bad debts according to combination	587,367,563.42	93.97	2,619,751.80	0.45	584,747,811.62
Including： 1 Combination by age	121,171,678.12	19.38	2,619,751.80	2.16	118,551,926.32
2 Combination without risk	466,195,885.30	74.59			466,195,885.30
Accounts receivable that are individually insignificant but are individually provided for bad debts	23,960,939.26	3.83	23,960,939.26	100.00	
Total	**625,091,690.92**	**100.00**	**40,343,879.30**	**6.45**	**584,747,811.62**

① In the combination, accounts receivable that are provided for bad debts according to aging combination

Aging	December 31, 2021		
	Amount	Bad debt provision	Expected credit loss rate (%)
Within 1 year	723,518,855.65	7,235,188.56	1.00
1-2 years	93,052,425.32	4,652,621.27	5.00

Aging	December 31, 2021		
	Amount	Bad debt provision	Expected credit loss rate (%)
2-3 years	11,190,511.91	1,119,051.19	10.00
3-4 years	220,114.15	110,057.08	50.00
4-5 years	56,321.80	45,057.44	80.00
Above 5 years	589,123.27	589,123.27	100.00
Total	**828,627,352.10**	**13,751,098.81**	

(Continued)

Aging	December 31, 2020		
	Amount	Bad debt provision	Expected credit loss rate (%)
Within 1 year	103,385,426.26	1,033,854.26	1.00
1-2 years	14,743,551.40	737,177.58	5.00
2-3 years	2,239,584.68	223,958.47	10.00
3-4 years	59,103.80	29,551.90	50.00
4-5 years	744,011.98	595,209.58	80.00
Total	**121,171,678.12**	**2,619,751.79**	

② In the combination, accounts receivable without risk

Entity name	December 31, 2021		
	Amount	Bad debt provision	Expected credit losses rate (%)
Government agencies	173,671,285.10		
Total	**173,671,285.10**		

(Continued)

Entity name	December 31, 2020		
	Amount	Bad debt provision	Expected credit losses rate (%)
Government agencies	466,195,885.30		
Total	**466,195,885.30**		

3.3 The bad-debt provision accrued, reversed or recovered in current period

Category	December 31, 2020	Changes of amount in current year				December 31, 2021
		Accrual	Reversed or recovered	Transferred or written off	Others	
Bad debt provision for accounts receivable	40,343,879.30	-8,753,187.26				31,590,692.04
Total	**40,343,879.30**	**-8,753,187.26**				**31,590,692.04**

3.4 The top five accounts receivable sorted by the parties of debtors

Entity name	Relationship with the Company	Nature	December 31, 2021	Aging	Proportion of total accounts receivable as at December 31,2021 (%)	Bad-debt provision as at December 31, 2021
Linyi Trade City Administrative Commission	Non-related party	Land development income	354,072,281.13	Within 1 year, 1-2 years	34.71	
Shandong Aode Wisdom New Energy Co., Ltd	Non-related party	Payment for goods	55,323,300.00	Within 1 year	5.42	553,233.00
Linyi ZhuzongJiurun Real Estate Co., Ltd	Non-related party	Factoring payment	50,000,000.00	Within 1 year	4.90	500,000.00
Linyi Tianlong Construction Installation Co., Ltd	Non-related party	Factoring payment	50,000,000.00	Within 1 year	4.90	500,000.00
Shandong Yongkang Coal Industry Co., Ltd	Non-related party	Payment for goods	48,794,000.00	Within 1 year	4.79	487,940.00
Total			**558,189,581.13**		54.72	**2,041,173.00**

4. Prepayments

4.1 Prepayments listed by aging

Aging	December 31, 2021		December 31, 2020	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	1,411,189,587.99	84.46	921,142,720.40	76.82
1-2 years	116,712,380.25	6.99	31,133,165.80	2.60

Aging	December 31, 2021		December 31, 2020	
	Amount	Proportion (%)	Amount	Proportion (%)
2-3 years	29,905,987.52	1.79	246,192,515.05	20.53
3-4 years	112,783,757.50	6.75	619,349.69	0.04
4-5years	83,514.19	0.01	24.00	0.01
Total	**1,670,675,227.45**	**100.00**	**1,199,087,774.94**	**100.00**

4.2 The top five prepayments sorted by the parties of prepayments

Entity name	Relationship with the Company	Nature	December 31, 2021	Proportion of the total prepayments (%)	Aging
Qingdao Qijin International Trading Co., Ltd	Non-related party	Payment for goods	631,487,652.60	37.80	Within 1 year
Shanghai Xinchi Petroleum Co., Ltd	Non-related party	Payment for goods	125,593,362.50	7.52	Within 1 year
Shandong Xiangyu Real Estate Development Co., Ltd	Non-related party	Payment for purchase	101,884,570.46	6.10	Within 1 year
Linyi ZhuzongJiurun Real Estate Co., Ltd	Non-related party	Payment for purchase	80,000,000.00	4.79	Within 1 year, 2-3 years
Lanling County State-owned Assets Operation Co., Ltd	Non-related party	Payment for purchase	69,000,000.00	4.13	Within 1 year
Total			**1,007,965,585.56**	**60.34**	

5. Other receivables

Item	December 31, 2021	December 31, 2020
Interest receivable	2,138,301.09	2,284,714.73
Other receivables	1,032,083,715.65	2,374,148,379.26
Total	**1,034,222,016.74**	**2,376,433,093.99**

5.1 Other receivables listed by aging

Aging	December 31, 2021	December 31, 2020
Within 1 year	719,008,779.72	1,769,471,381.95
1-2 years	79,441,349.96	395,858,211.84
2-3 years	230,620,936.20	244,075,999.63

Aging	December 31, 2021	December 31, 2020
3-4 years	86,920,798.72	5,265,940.62
4-5 years	4,058,201.08	6,524,461.50
Above 5 years	6,897,655.28	7,726,621.21
Subtotal	**1,126,947,720.96**	**2,428,922,616.75**
Less: bad debt provision	94,864,005.31	54,774,237.49
Total	**1,032,083,715.65**	**2,374,148,379.26**

5.2 Accrual situation of the bad debt provision of other receivables

Bad debt provision	Phase I	Phase II	Phase III	Total
	Expected credit losses in the next 12 months	Expected credit loss for the whole life period (where credit impairment has not incurred)	Expected credit loss for the whole life period (where credit impairment has already incurred)	
Balance as at December 31, 2020	54,774,237.49			54,774,237.49
Reassessed balance as at January 1, 2021	54,774,237.49			54,774,237.49
Accrued in this year	40,089,767.82			40,089,767.82
Reversed in this year				
Cancelled in this year				
Written off in this year				
Other changes				
Balance as at December 31, 2021	94,864,005.31			94,864,005.31

5.3 Changes in provision for bad debts

Category	December 31, 2020	Change amount in this year				December 31, 2021
		Accrual	Recovered or reversed	Cancelled or written off	Others	
Bad debt provision for	54,774,237.49	40,089,767.82				94,864,005.31

Category	December 31, 2020	Change amount in this year				December 31, 2021
		Accrual	Recovered or reversed	Cancelled or written off	Others	
other receivables						
Total	**54,774,237.49**	**40,089,767.82**				**94,864,005.31**

5.4 The top five other receivables sorted by the parties of debtors

Entity name	Relationship with the Company	Nature	December 31, 2021	Aging	Proportion in total ending balance of other receivables (%)	Ending balance of bad debt provision
Linyi National Control Asset Management Co., Ltd	Non-related party	Current account	583,136,959.61	Within 1 year, 2-3 years	51.74	48,313,695.96
Shandong Longyuanchancheng Technology Development Co., Ltd	Non-related party	Current account	103,968,893.71	Within 1 year	9.23	1,039,750.00
Yishui City State Owned Assets Operation Co., Ltd	Non-related party	Current account	85,000,000.00	2-3 years	7.54	27,672,444.45
Ping An International Financial Leasing Co., Ltd	Non-related party	Security deposit	20,000,000.00	Within 1 year	1.77	200,000.00
Ping An International Finance Leasing (Shenzhen) Co., Ltd	Non-related party	Security deposit	20,000,000.00	Within 1 year	1.77	200,000.00
Total			**812,105,853.32**		**72.05**	**77,425,890.41**

6. Inventories

6.1 Classification of inventories

Item	December 31, 2021		
	Book balance	Provision for inventories/ provision for impairment of contract performance costs	Book value
Development costs	14,170,984,009.23		14,170,984,009.23
Merchandise inventory	262,524,885.28		262,524,885.28
Raw materials	131,212,072.33		131,212,072.33

Item	December 31, 2021		
	Book balance	Provision for inventories/ provision for impairment of contract performance costs	Book value
Low-value consumables	3,304,517.40		3,304,517.40
Revolving material	3,440,350.48		3,440,350.48
Project construction	90,092,184.17		90,092,184.17
Total	**14,661,558,018.89**		**14,661,558,018.89**

(Continued)

Item	December 31, 2020		
	Book balance	Provision for inventories/ provision for impairment of contract performance costs	Book value
Development costs	12,333,691,088.42		12,333,691,088.42
Merchandise inventory	241,390,092.64		241,390,092.64
Raw materials	19,032,294.47		19,032,294.47
Low-value consumables	6,849,060.31		6,849,060.31
Revolving material	682,769.57		682,769.57
Total	**12,601,645,305.41**		**12,601,645,305.41**

7. Other current assets

Item	December 31, 2021	December 31, 2020
Input tax to be deducted	551,953,677.83	436,597,224.61
Financial products	324,000,000.00	155,000,000.00
Tax paid in advance	118,862,141.30	80,074,464.91
Deferred and prepaid expenses	2,106,375.32	917,518.17
Total	**996,922,194.45**	**672,589,207.69**

8. Long-term accounts receivable

Item	Nature	December 31, 2021	December 31, 2020
Linyi Shikang Water Co., Ltd	Project account	25,791,001.78	25,791,001.78
Total		**25,791,001.78**	**25,791,001.78**

9. Long-term equity investments

Invested company	December 31, 2020	Changes of increase or decrease in the year				
		Additional investment	Reduced investments	Decrease in business merger	Investment profits or losses recognized under equity method	Adjustment of other comprehensive income
I. Associated enterprises						
Bunge Sanwei Grease Co., Ltd	128,362,826.89				-38,735,463.57	
Linyi Shikang Water Co., Ltd	107,445,011.90				3,906,961.55	
Linyi Shouchuang Water Co., Ltd	36,102,263.15				5,397,777.48	
Dajiang (Shandong) Investment Co., Ltd		93,000,000.00				
Linyi Chengzixinoupeng Real Estate Development Co., Ltd					130,928,219.10	
Shandong Ruiling Automobile Co., Ltd		1,310,000,000.00			-10,258,649.99	
Linyi Aodechengkai New Energy Co., Ltd	33,903,973.97				-13,031.32	
Fei County Dreamers Film and Television Base Co., Ltd	28,979,028.35					
Shandong Expressway Xintai Expressway Co., Ltd	200,000,000.00	100,000,000.00				
Linyi Financing Guarantee Group Co., Ltd	48,535,879.89				400,320.30	
Linyi City Development Real Estate Group Co., Ltd	6,815,298.56		6,815,298.56			
Linyi City Development International Trade Co., Ltd	107,034,608.28		107,034,608.28			
Linyi Xinyimeng Financing Guarantee Co., Ltd	4,960,205.26		4,960,205.26			
Linyi Finance Big Data Co., Ltd	2,874,774.60					
Shandong Roberson Logistics Co., Ltd	18,126,674.86				-2,554,833.65	
Linyi Linshang Investment Co., Ltd	8,465,732.97					

Invested company	December 31, 2020	Changes of increase or decrease in the year				
		Additional investment	Reduced investments	Decrease in business merger	Investment profits or losses recognized under equity method	Adjustment of other comprehensive income
Linyi Trade City Xintong Folk Capital Management Co., Ltd	90,209,291.07				11,555,138.48	
Linyi Dongzheng Supply Chain Management Co., Ltd	2,492,859.43					
Shandong Longyuan Chancheng Technology Development Co., Ltd		4,400,000.00			-773,277.45	
Total	**824,308,429.18**	**1,507,400,000.00**	**118,810,112.10**		**99,853,160.93**	

（Continued）

Invested company	Changes of increase or decrease in the year				December 31, 2021	Shareholding ratio (%)
	Other changes in equity	Declaration of distribution of cash dividends or profits	Accrual of impairment provision	Others		
I. Associated enterprises						
Bunge Sanwei Grease Co., Ltd		13,650,000.00			75,977,363.32	39.00
Linyi Shikang Water Co., Ltd					111,351,973.45	40.04
Linyi Shouchuang Water Co., Ltd		6,006,837.86			35,493,202.77	30.00
Dajiang (Shandong) Investment Co., Ltd					93,000,000.00	45.00
Linyi Chengzixinoupeng Real Estate Development Co., Ltd					130,928,219.10	51.00
Shandong Ruiling Automobile Co., Ltd					1,299,741,350.01	30.00
Linyi Aodechengkai New Energy Co., Ltd					33,890,942.65	40.00
Fei County Dreamers Film and Television Base Co., Ltd					28,979,028.35	47.50
Shandong Expressway Xintai Expressway Co., Ltd					300,000,000.00	16.80
Linyi Financing Guarantee Group Co., Ltd					48,936,200.19	5.37
Linyi City Development Real Estate Group Co., Ltd						

Invested company	Changes of increase or decrease in the year				December 31, 2021	Shareholding ratio (%)
	Other changes in equity	Declaration of distribution of cash dividends or profits	Accrual of impairment provision	Others		
Linyi City Development International Trade Co., Ltd						
Linyi Xinyimeng Financing Guarantee Co., Ltd						
Linyi Finance Big Data Co., Ltd					2,874,774.60	14.29
Shandong Roberson Logistics Co., Ltd					15,571,841.21	20.00
Linyi Linshang Investment Co., Ltd					8,465,732.97	18.45
Linyi Trade City Xintong Folk Capital Management Co., Ltd		9,000,000.00			92,764,429.55	50.00
Linyi Dongzheng Supply Chain Management Co., Ltd					2,492,859.43	30.00
Shandong Longyuan Chancheng Technology Development Co., Ltd					3,626,722.55	22.00
Total		**28,656,837.86**			**2,284,094,640.15**	

10. Investments of other equity instruments

Item	December 31, 2021	December 31, 2020
Shandong Linyi Lanshan Rural Commercial Bank Co., Ltd	4,871,870.00	4,871,870.00
Linshang Bank Co., Ltd	22,129,484.00	22,129,484.00
Linyi International Eco City Construction Investment Group Co., Ltd	100,000,000.00	
Shandong Donglian Asset Management Co., Ltd	700,000.00	700,000.00
Linyi Hedong Qishang Village Bank Co., Ltd	22,050,000.00	22,050,000.00
Linyi Trade City Hengrui Decoration Engineering Co., Ltd	800,000.00	800,000.00
Shandong Exchange Clearing House Co., Ltd	3,000,000.00	1,500,000.00
Linyi Trade City E-Commerce Technology Co., Ltd	2,000,000.00	2,000,000.00
Total	**155,551,354.00**	**54,051,354.00**

11. Investment properties

11.1 Investment properties measured by the fair value pattern

Item	Houses and buildings	Total

I. December 31, 2020	4,804,300,100.00	4,804,300,100.00
II. changes in the year		
Add：Purchased		
Transferred in		
Transferred from inventories/ fixed assets/ construction in progress		
Increased from mergers		
Less：Disposal		
Transferred out to construction in progress		
Other transfer-out		
Changes in fair value	1,118,636.00	1,118,636.00
III. December 31, 2021	**4,805,418,736.00**	**4,805,418,736.00**

12. Fixed assets

Item	December 31, 2021	December 31, 2020
Fixed assets	10,579,350,471.11	8,113,713,412.38
Disposal of fixed assets	184,193,575.91	
Total	**10,763,544,047.02**	**8,113,713,412.38**

12.1 Details of fixed assets

Item	Houses and buildings	Machinery and equipment	Transportation equipment	Office equipment and others	Total
I. Original book value					
1. December 31, 2020	8,702,503,853.65	954,753,538.67	32,304,406.11	278,270,931.34	9,967,832,729.77
2. Increased amount in the current year	2,482,194,060.93	357,429,294.23	23,111,716.57	25,484,937.04	2,888,220,008.77
(1) Purchase	469,805,117.74	308,511,323.76	20,604,988.25	23,040,936.64	821,962,366.39
(2) Transferred from construction in progress	1,828,230,226.62	37,811,694.81			1,866,041,921.43
(3) Increased due to merger	184,158,716.57	11,106,275.66	2,506,728.32	2,444,000.40	200,215,720.95
3. Decreased amount in the current year	71,425,981.49	153,387,897.14	2,406,900.60	4,902,453.15	232,123,232.38
(1) Disposal or scrap	71,416,981.49	153,379,397.14	1,694,044.83	4,895,681.06	231,386,104.52
(2) Others rolled out	9,000.00	8,500.00	712,855.77	6,772.09	737,127.86
4. December 31, 2021	11,113,271,933.09	1,158,794,935.76	53,009,222.08	298,853,415.23	12,623,929,506.16
II. Accumulated depreciation					

Item	Houses and buildings	Machinery and equipment	Transportation equipment	Office equipment and others	Total
1. December 31, 2020	1,239,010,154.08	472,905,911.13	15,545,231.13	126,658,021.05	1,854,119,317.39
2. Increased amount in the current year	313,066,650.30	12,050,423.90	7,967,787.57	32,831,194.17	365,916,055.94
(1) Accrual	313,066,650.30	12,050,423.90	7,967,787.57	32,831,194.17	365,916,055.94
3. Decreased amount in the current year	41,970,868.21	127,165,566.41	1,654,991.30	4,664,912.36	175,456,338.28
(1) Disposal or scrap	41,970,868.21	127,164,355.19	1,537,225.98	4,664,912.36	175,337,361.74
(2) Others rolled out		1,211.22	117,765.32		118,976.54
4. December 31, 2021	1,510,105,936.17	357,790,768.62	21,858,027.40	154,824,302.86	2,044,579,035.05
III. Provision for impairment					
1. December 31, 2020					
2. Increased amount in the current year					
(1) Accrual					
3. Decreased amount in the current year					
(1) Disposal or scrap					
4. December 31, 2021					
IV. Book value					
1. December 31, 2021	9,603,165,996.92	801,004,167.14	31,151,194.68	144,029,112.37	10,579,350,471.11
2. December 31, 2020	7,463,493,699.57	481,847,627.54	16,759,174.98	151,612,910.29	8,113,713,412.38

13. Construction in progress

Item	December 31, 2021	December 31, 2020
Construction in progress	4,009,938,362.10	3,296,617,608.03
Total	**4,009,938,362.10**	**3,296,617,608.03**

13.1 Changes in major construction projects in progress during the current period

Name of project	December 31, 2020	Increased amount of current year	Transferred to fixed assets	Other decreases	December 31, 2021
Linyi Technology Vocational College	1,367,753,348.78	488,993,837.71			1,856,747,186.49
Yinjiayu Pastoral Complex Project	467,982,717.84	100,344,747.69			568,327,465.53

Name of project	December 31, 2020	Increased amount of current year	Transferred to fixed assets	Other decreases	December 31, 2021
Xiangyu hotel		406,607,069.52			406,607,069.52
Plant of City Development Steel Base New Material Company		548,454,570.83	291,758,433.68		256,696,137.15
Modern Agricultural Research Institute project	121,079,899.60	96,605,419.88			217,685,319.48
Tancheng High-tech Electronic Industrial Park phase III Project	52,069,648.91	89,905,536.68			141,975,185.59
Applied Science City Phase II		140,868,535.26			140,868,535.26
Second Water Purification Plant Construction Project	456,674,259.72	694,039,881.32	1,150,714,141.04		
Rural Drinking Water Safety Projects	285,231,019.80	50,753,805.17	335,984,824.97		
Total	**2,750,790,894.65**	**2,616,573,404.06**	**1,778,457,399.69**		**3,588,906,899.02**

14. Right-of-use asset

Item	Houses and buildings	Total
I. Original book value		
1. December 31, 2020	12,163,066.91	12,163,066.91
2. Increased amount in the current year		
(1) Adding lease		
3. Decreased amount in the current year		
4. December 31, 2021	12,163,066.91	12,163,066.91
II. Accumulated amortization		
1. December 31, 2020		
2. Increased amount in the current year	4,651,981.24	4,651,981.24
(1) Accrual	4,651,981.24	4,651,981.24
3. Decreased amount in the current year		
4. December 31, 2021		
III. Impairment provision		
1. December 31, 2020		

Item	Houses and buildings	Total
2. Increased amount in the current year		
3. Decreased amount in the current year		
4. December 31, 2021		
IV. Book value		
1. December 31, 2021	7,511,085.67	7,511,085.67
2. December 31, 2020	12,163,066.91	12,163,066.91

15. Intangible assets

Item	Land use right	Software	Exclusive right to use water resources	Total
I. Original book value				
1.December 31, 2020	1,289,164,723.05	57,962,594.51	4,026,314,600.00	5,373,441,917.56
2.Increased amount in the current year	2,909,940,792.83	4,235,281.06		2,914,176,073.89
(1) Purchase	2,595,511,561.91	3,879,081.06		2,599,390,642.97
(2) Transferred	287,207,201.24	356,200.00		287,563,401.24
(3) Increased due to merger and others	27,222,029.68			27,222,029.68
3. Decreased amount in the current year		754,263.83		754,263.83
(1) Disposal or scrap		754,263.83		754,263.83
(2) Decreased due to company merger				
4.December 31, 2021	4,199,105,515.88	61,443,611.74	4,026,314,600.00	8,286,863,727.62
II. Accumulated amortization				
1.December 31, 2020	75,981,787.86	19,974,733.53	811,973,443.93	907,929,965.32
2.Increased amount in the current year	73,996,224.20	4,599,376.60	80,526,291.96	159,121,892.76
(1) Accrual	65,780,727.43	4,599,376.60	80,526,291.96	150,906,395.99
(2) Increased due to merger	8,215,496.77			8,215,496.77
3.Decreased amount in the current year		598,660.67		598,660.67
(1) Disposal or scrap		390,704.76		390,704.76
(2) Decreased due to company merger		207,955.91		207,955.91

Item	Land use right	Software	Exclusive right to use water resources	Total
4.December 31, 2021	149,978,012.06	23,975,449.46	892,499,735.89	1,066,453,197.41
III. Impairment provision				
1.December 31, 2020				
2.Increased amount in the current year				
(1) Accrual				
3.Decreased amount in the current year				
(1) Disposal or scrap				
4.December 31, 2021				
IV. Book value				
1.December 31, 2021	4,049,127,503.82	37,468,162.28	3,133,814,864.11	7,220,410,530.21
2.December 31, 2020	1,213,182,935.19	37,987,860.98	3,214,341,156.07	4,465,511,952.24

16. Goodwill

Name of the invested entity or the matter of forming business goodwill	December 31, 2020	Increase in current year	Decrease in current Year	December 31, 2021
		Increased due to merger	Disposal	
Linyi Chengkaijianlu Real Estate Co., Ltd	12,319,620.55			12,319,620.55
Linyi Chengkaishuyue International Hotel Co., Ltd	246,273.94			246,273.94
Linyi High Tech Zone Xinquan Water Co., Ltd		91,400.13		91,400.13
Linyi Shengquan Tap Water Co., Ltd		190,539.22		190,539.22
Linyi Luoquan Tap Water Co., Ltd		3,871,849.65		3,871,849.65
Linyi City Development Steel Base New Material Technology Co., Ltd		178,958,252.74		178,958,252.74
Total	**12,565,894.49**	**183,112,041.74**		**195,677,936.23**

17. Long-term deferred expenses

Item	December 31, 2021	December 31, 2020
Decorating Project	17,212,727.61	4,632,091.43
Rental fees of houses	14,617,344.76	10,442,914.66
Leasing fees of lands	378,286.98	531,706.96
Nightscape lighting projects	6,512,449.49	9,768,674.21
Others	2,878,410.26	845,962.83
Advertising and publicity cost	10,451,391.62	
Total	**52,050,610.72**	**26,221,350.09**

18. Deferred income tax assets/ liabilities

18.1 Details of deferred income tax assets without being offset

Item	December 31, 2021		December 31, 2020	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Preparation for the impairment of assets	126,454,697.35	31,613,674.37	95,893,088.81	23,779,529.25
Advance housing receipts	70,082,520.36	17,520,630.09	95,279,498.87	23,819,874.72
Total	**196,537,217.68**	**49,134,304.46**	**191,172,587.68**	**47,599,403.97**

18.2 Deferred income tax liabilities without being offset

Item	December 31, 2021		December 31, 2020	
	Taxable temporary difference	Deferred income tax liability	Taxable temporary difference	Deferred income tax liability
Appreciation of assessment	3,077,553,213.76	769,388,303.44	3,076,434,577.76	769,108,644.44
Total	**3,077,553,213.76**	**769,388,303.44**	**3,076,434,577.76**	**769,108,644.44**

19. Other non-current assets

Item	December 31, 2021	December 31, 2020
Infrastructure of the park	989,530,000.63	968,185,418.50
Investment on Linyi Grand Theater Management Co., Ltd	894,416,324.95	894,416,324.95
Certificate of deposit	640,000,000.00	
Restructured investment	1,200,000,000.00	

Total	**3,723,946,325.58**	**1,862,601,743.45**

20. Short-term borrowing

20.1 Classification of short-term borrowings

Item	December 31, 2021	December 31, 2020
Loan in credit	715,000,000.00	400,000,000.00
Loan in assurance	153,000,000.00	90,450,000.00
Loan in mortgage	100,000,000.00	100,000,000.00
Loan in pledge	366,309,357.60	376,400,000.00
Letter of credit loan	6,719,540.99	
Total	**1,341,028,898.59**	**966,850,000.00**

21. Notes payable

Item	December 31, 2021	December 31, 2020
Bank acceptance bills	497,435,877.91	270,268,528.60
Total	**497,435,877.91**	**270,268,528.60**

22. Accounts payable

22.1 Presentation of accounts payable

Aging	December 31, 2021		December 31, 2020	
	Balance	Proportion (%)	Balance	Proportion (%)
Within 1 year	1,334,127,168.71	92.48	361,870,937.55	62.06
1-2 years	61,484,306.95	4.26	157,525,703.56	27.01
2-3 years	44,022,290.81	3.05	17,700,672.71	3.04
Above 3 years	2,960,540.73	0.21	46,001,023.94	7.89
Total	**1,442,594,307.20**	**100.00**	**583,098,337.76**	**100.00**

23. Contract liabilities

Item	December 31, 2021	December 31, 2020
Contract liabilities related to goods sales	4,651,676,337.45	3,851,159,979.91
Total	**4,651,676,337.45**	**3,851,159,979.91**

24. Employee compensation payable

24.1 Presentation of employee compensation payable

Item	December 31, 2020	Increase in Current Year	Decrease in Current Year	December 31, 2021
I. Short-term remuneration	68,984,911.36	628,681,912.50	633,032,916.72	64,633,907.14
II. Post-employment benefits-Defined contribution plans	15,255,134.36	124,252,564.68	129,726,968.42	9,780,730.62
Total	**84,240,045.72**	**752,934,477.18**	**762,759,885.14**	**74,414,637.76**

24.2 Presentation of short-term remuneration

Item	December 31, 2020	Increase in Current Year	Decrease in Current Year	December 31, 2021
1. Salary, bonus, allowance and subsidy	56,759,131.11	523,737,916.95	528,061,646.82	52,435,401.24
2. Employee welfare expenses	170,959.92	20,156,483.84	19,700,431.33	627,012.43
3. Social insurance premiums	6,775,929.69	56,354,493.56	58,768,269.58	4,362,153.67
Including: Medical insurance premiums	5,901,628.22	53,643,950.61	55,394,456.31	4,151,122.52
Work-related injury insurance premiums	327,863.05	2,657,592.98	2,774,424.88	211,031.15
Maternity insurance premiums	546,438.42	52,949.97	599,388.39	
4. Housing fund	38,838.84	21,267,537.51	20,897,635.63	408,740.72
5. Labor union expenditure and employee education fund	5,240,051.80	7,165,480.64	5,604,933.36	6,800,599.08
6. Short-term paid leave				
7. Short-term profit-sharing plan				
8. Other short-term remuneration				
Total	**68,984,911.36**	**628,681,912.50**	**633,032,916.72**	**64,633,907.14**

24.3 Presentation of defined contribution plan

Item	December 31, 2020	Increase in Current Year	Decrease in Current Year	December 31, 2021
1. Basic endowment insurance	13,770,621.28	108,793,493.35	113,700,604.29	8,863,510.34
2.Unemployment insurance premium	1,311,466.20	9,110,971.86	9,578,240.64	844,197.42
3. Company annuity	173,046.88	6,348,099.47	6,448,123.49	73,022.86
Total	**15,255,134.36**	**124,252,564.68**	**129,726,968.42**	**9,780,730.62**

25. Tax payable

Item	December 31, 2021	December 31, 2020
Property tax	134,369,638.32	132,507,076.59
Land use tax	69,092,838.92	68,621,390.29
Land appreciation tax	864,579.03	1,603,960.04
Urban maintenance and construction tax	15,776,079.16	14,275,861.60
Educational surcharges	11,364,851.72	9,473,149.32
Additional local education surcharges	4,263,474.24	
Stamp duty	9,157,708.02	9,649,232.76
Corporate income tax	29,617,863.61	1,390,497.92
Water conservancy fund	1,178,103.46	1,281,218.89
Individual income tax	599,356.03	10,588,963.51
Deed tax	50,538,847.92	
Water resources tax	4,463,831.81	
Total	**331,287,172.24**	**249,391,350.92**

26. Other payables

26.1 Presentation of other payables

Item	December 31, 2021	December 31, 2020
Other payables	5,430,966,614.73	3,041,656,810.66
Total	**5,430,966,614.73**	**3,041,656,810.66**

26.2 Situation of other payables with significant ending balance

Entity name	December 31, 2021	Reasons for outstanding or carryover
Qingdao City Investment Management Co., Ltd	476,000,000.00	Still in the payment period
Shandong Ruiling Automobile Co., Ltd	400,000,000.00	Still in the payment period
Shandong Guangyang Intelligent Technology Co., Ltd	234,000,000.00	Still in the payment period
Linyi Ruixing Market Development Co., Ltd	229,478,624.00	Still in the payment period
Linyi New Growth Drivers Fund Investment Co., Ltd	200,000,000.00	Still in the payment period
Total	**1,539,478,624.00**	

27. Non-current labilities due within one year

Item	December 31, 2021	December 31, 2020
Long-term loans due within one year	1,662,837,500.00	1,288,700,000.00
Bonds payable due within one year	992,209,407.78	240,000,000.00
Long-term payables due within one year	516,674,571.03	170,196,841.69
Interest accrued on long-term loans and bonds payable	58,261,111.10	226,095,254.26
Total	**3,229,982,589.91**	**1,924,992,095.95**

28. Other current liabilities

Item	December 31, 2021	December 31, 2020
Debt financing plan - 21 Lu Mall Holdings (Old Revolutionary base Area) ZR001	280,000,000.00	
Corporate bonds not publicly developed (Sinolink Securities 21 Linyi D1)	1,517,943,750.00	
Tax received in advance	429,691,140.28	361,658,393.63
Total	**2,227,634,890.28**	**361,658,393.63**

29. Long-term loans

29.1 Classifications of long-term loans

Item	December 31, 2021	December 31, 2020
Loan in credit	180,000,000.00	
Guaranteed loans	1,029,420,000.00	1,767,000,000.00
Mortgage loans	655,000,000.00	1,065,000,000.00
Trust loans	598,000,000.00	
Guarantee + mortgage loans	2,990,514,318.64	1,529,542,422.07
Guarantee + pledge loans	211,500,000.00	211,500,000.00
Mortgage + pledge loans		95,000,000.00
Guarantee + mortgage+ pledge loans	550,000,000.00	600,000,000.00
Less：Long-term loans due within one year	1,662,837,500.00	1,288,700,000.00
Total	**4,551,596,818.64**	**3,979,342,422.07**

30. Bonds payable

30.1 Classifications of bonds payable

Item	December 31, 2021	December 31, 2020
Corporate bonds	9,333,683,263.31	6,621,940,567.52
Subtotal	9,333,683,263.31	6,621,940,567.52
Less: bonds payable due within1 year	992,209,407.78	240,000,000.00
Total	**8,341,473,855.53**	**6,381,940,567.52**

30.2 Change of bonds payable

Bonds name	Face value	Issuing date	Duration	Issue amount	December 31, 2021
Bonds of Linyi City Assets Management and Development Co., Ltdin 2016	1,200,000,000.00	2016/11/22	7 years	1,200,000,000.00	481,540,000.00
Non-public Corporate Bonds (Zhongtianguofu 20 Linfa 01)	1,900,000,000.00	2020/4/30	5 years	1,900,000,000.00	1,950,540,000.00
Non-public Company Bonds (Zhongtianguofu 20 Linfa 02)	600,000,000.00	2020/4/30	5 years	600,000,000.00	617,600,000.00
20 Linyi City PPN001	1,800,000,000.00	2020/5/26	5 years	1,800,000,000.00	1,841,790,000.00
The First Phase of Debt Financing Plan in 2020	200,000,000.00	2020/9/9	5 years	200,000,000.00	199,971,566.67
The Second Phase of Debt Financing Plan in 2020	230,000,000.00	2020/11/9	5 years	230,000,000.00	231,285,733.33
Non-public Company Bonds 19 Trade City 01	650,000,000.00	2019/7/26	3 years	650,000,000.00	549,209,407.78
Non-public Company Bonds 20 Trade City 01	350,000,000.00	2020/6/5	3 years	350,000,000.00	348,212,598.21
Land Reserve Special Bonds	200,000,000.00	2019/7/2	3 years	200,000,000.00	200,000,000.00
21 Linyi City PPN001	400,000,000.00	2021/3/17	5 years	400,000,000.00	402,566,666.67
Non-public offering of green bonds G21 development 2	800,000,000.00	2021/8/31	5 years	800,000,000.00	813,226,666.67
Non-public offering of green bonds G21 development 1	1,000,000,000.00	2021/8/31	5 years	1,000,000,000.00	1,013,033,333.33
The First Phase of Debt Financing Plan in 2021	70,000,000.00	2021/1/11	5 years	70,000,000.00	70,424,977.78
Non-public private Equity company bonds 21 Linfa 03	600,000,000.00	2021/11/3	5 years	600,000,000.00	614,282,312.87
Less: bonds payable due					992,209,407.78

Bonds name	Face value	Issuing date	Duration	Issue amount	December 31, 2021
within1 year					
Total	**10,000,000,000.00**			**10,000,000,000.00**	**8,341,473,855.53**

（Continued）

Bonds name	Face value	Issuing date	Duration	Issue amount	December 31, 2020
Bonds of Linyi City Assets Management and Development Co., Ltdin 2016	1,200,000,000.00	2016/11/22	7 years	1,200,000,000.00	717,292,312.87
Non-public Corporate Bonds (Zhongtianguofu 20 Linfa 01)	1,900,000,000.00	2020/4/30	3 years	1,900,000,000.00	1,893,740,341.80
Non-public Company Bonds (Zhongtianguofu 20 Linfa 02)	600,000,000.00	2020/4/30	5 years	600,000,000.00	596,324,631.69
20 Linyi City PPN001	1,800,000,000.00	2020/5/28	5 years	1,800,000,000.00	1,791,022,796.58
The First Phase of Debt Financing Plan in 2020	200,000,000.00	2020/9/9	5 years	200,000,000.00	199,468,990.88
The Second Phase of Debt Financing Plan in 2020	230,000,000.00	2020/11/9	5 years	230,000,000.00	229,083,469.38
Non-public Company Bonds 19 Trade City 01	650,000,000.00	2019/7/26	3 years	650,000,000.00	647,271,285.00
Non-public Company Bonds 20 Trade City 01	350,000,000.00	2020/6/5	3 years	350,000,000.00	347,736,739.32
Land Reserve Special Bonds	200,000,000.00	2019/7/2	3 years	200,000,000.00	200,000,000.00
Less: bonds payable due within1 year					240,000,000.00
Total	**7,130,000,000.00**			**7,130,000,000.00**	**6,381,940,567.52**

31. Long-term payables

31.1 Classification of long-term payables

Item	December 31, 2021	December 31, 2020
Accrued financial lease outlay	1,787,235,892.97	1,873,897,717.44
Special local government bonds to be paid	1,957,540,000.00	
Less: long-term payables due within 1 year	516,674,571.03	170,196,841.69
Total	**3,228,101,321.94**	**1,703,700,875.75**

32. Deferred income

Item	December 31, 2020	Increase in current year	Decrease in current year	December 31, 2021
Heating pipe network construction supporting fees	189,844,060.66	25,064,528.78	23,174,378.96	191,734,210.48
Cultural industry development fund	950,000.00			950,000.00
North City phase I fire hydrant construction project	1,230,000.00	3,090,000.00		4,320,000.00
Linyi applied science city construction project	40,000,000.00			40,000,000.00
Special funds for the construction of comprehensive bonded areas	70,000,000.00		1,750,000.00	68,250,000.00
Special funds for the comprehensive harbor public rental housing project	4,630,000.00			4,630,000.00
Special funds for the work safety examination center project	97,658.80		97,658.80	
Compensation for removal of unit 5.6 of intake hydropower station of Linyi City phase I water diversion postponed project	2,065,600.00		2,065,600.00	
Tech incubator mass innovation space	500,000.00		20,331.81	479,668.19
Demonstration complex for entrepreneurship and innovation	20,000,000.00		2,018,659.58	17,981,340.42
Linyi municipal demonstration Digital Economy Park		200,000.00	33,555.52	166,444.48
Total	**329,317,319.46**	**28,354,528.78**	**29,160,184.67**	**328,511,663.57**

33. Paid-in capital

Name of investors	December 31, 2020		Increase in current year	Decrease in current year	December 31, 2021	
	Investment amount	Proportion (%)			Investment amount	Proportion (%)
The State-owned Assets Supervision and Administration Commission of Linyi People's Government	2,000,000,000.00	100.00	500,000,000.00	219,750,000.00	2,280,250,000.00	91.21
Shandong Caixin Asset Management Co., Ltd			219,750,000.00		219,750,000.00	8.79
Total	**2,000,000,000.00**	**100.00**	**719,750,000.00**	**219,750,000.00**	**2,500,000,000.00**	**100.00**

34. Capital reserves

Item	December 31, 2020	Increase in current year	Decrease in current year	December 31, 2021
Other capital reserves	12,770,831,753.04	1,188,035,499.43		13,958,867,252.47
total	**12,770,831,753.04**	**1,188,035,499.43**		**13,958,867,252.47**

35. Other comprehensive income

Item	December 31, 2020	Amount incurred in current year						December 31, 2021
		Pre-tax incurred amount in the year	Others	Less：Other comprehensive income recorded early and transferred to profit and loss currently	Less：Income tax expense	Belong to the parent company after tax	belong to minority shareholders after tax	
1.Other comprehensive income that cannot be reclassified into profit and loss later								
2.Other comprehensive income reclassified into profit and loss later								
(1)Foreign currency financial statement translation difference		-351,562.48	-1,629,305.78					-1,980,868.26
(2) Others								
Subtotal		-351,562.48	-1,629,305.78					-1,980,868.26
3.Total of other comprehensive income		**-351,562.48**	**-1,629,305.78**					**-1,980,868.26**

36. Special reserve

Item	December 31, 2021	December 31, 2020
Safety production costs	6,654,774.75	

Item	December 31, 2021	December 31, 2020
Total	**6,654,774.75**	

37. Surplus reserves

Item	December 31, 2020	Increase in current year	Decrease in current year	December 31, 2021
Statutory surplus reserves	204,623,946.19	21,460,982.96		226,084,929.15
Total	**204,623,946.19**	**21,460,982.96**		**226,084,929.15**

38. Provision for general risks

Item	December 31, 2021	December 31, 2020
Provision for general risks	2,568,965.00	
Total	**2,568,965.00**	

39. Undistributed profits

Item	December 31, 2021	December 31, 2020
Ending balance of previous year before adjustment	2,443,750,960.89	2,302,646,950.19
Beginning adjustment for undistributed profit		
Adjusted undistributed profit at the beginning of the year	2,443,750,960.89	2,302,646,950.19
Add: net profits attributable to the parent company's shareholders in the current year	168,513,084.67	173,992,452.03
Less：Accrual of statutory surplus reserves	21,460,982.96	25,536,266.08
Distribution to owners	11,352.19	7,012,907.28
Accrual of provision for general risks	2,568,965.00	339,267.97
Ending balance of undistributed profit	2,588,222,745.41	2,443,750,960.89

40. Operating revenue and operating costs

40.1 Presentation of operating revenue and operating costs

Item	2021		2020	
	Revenue	Cost	Revenue	Cost
Main business	7,825,666,827.19	7,181,656,600.61	3,501,277,635.96	3,152,652,355.83
Other business	252,217,415.59	200,225,075.84	121,589,224.15	98,291,516.55
Total	**8,077,884,242.78**	**7,381,881,676.45**	**3,622,866,860.11**	**3,250,943,872.38**

41. Taxes and surcharges

Item	2021	2020
Urban maintenance and construction tax	10,071,460.31	3,041,479.33
Educational surcharges	10,019,379.55	2,530,613.28
Local educational surcharges	3,214,525.29	
Land appreciation tax	17,991,412.90	29,244,872.25
Property tax	15,211,815.20	21,452,085.83
Land use tax	22,622,084.05	10,237,521.78
Vehicle and vessel use tax	31,429.26	25,521.58
Stamp duty	5,055,112.99	2,695,980.57
Water conservancy fund	298,534.70	247,878.01
Resource tax	9,663,542.46	6,619,829.90
Environmental protection tax	28,126.32	70,986.50
Others	182,014.80	372,492.23
Total	**94,389,437.83**	**76,539,261.26**

42. Selling expenses

Item	2021	2020
Service charge	29,614,062.18	19,734,433.44
Repair charge	15,475,451.27	10,172,696.28
Depreciation and amortization expense	30,385,107.64	8,913,349.40
Property management fee	8,944,977.14	3,349,654.74
Wage and salary	89,197,781.85	16,765,092.86
Leasing and storage costs	330,738.37	2,184,750.98
Labor protection fee		575,411.55
Office expense	7,333,454.56	5,574,558.59
Travel and entertainment expense	2,300,756.78	668,672.70
Freight charges	1,440,626.70	5,869,838.50
Others	1,751,148.23	1,151,730.65
Transportation expense	9,706,130.65	
Renovation costs	3,548,466.70	
Material consumption	857,591.74	
Insurance expenses	348,302.14	

Item	2021	2020
Total	**201,234,595.95**	**74,960,189.69**

43. Administrative expenses

Item	2021	2020
Employee compensation	199,959,386.62	133,442,507.49
Depreciation and amortization expense	280,799,370.33	233,926,729.10
Service charge	31,283,636.97	17,796,721.34
Office expense	26,313,511.96	33,639,575.23
Vehicle cost and transportation cost	3,842,662.07	1,767,008.23
Low priced and easily worn articles	632,268.13	2,449,401.30
Unamortized expense	16,081,099.04	5,346,396.51
Travel and entertainment expense	5,200,577.96	2,010,197.31
Rental expense	22,789,398.97	3,488,211.12
Others	3,109,919.53	3,267,912.80
Repair charge	1,033,782.31	
Property charge	1,057,225.69	
Total	**592,102,839.58**	**437,134,660.43**

44. Financial expenses

Item	2021	2020
Interest expenditure	433,343,950.22	224,658,827.08
Less: Interest income	97,920,742.89	75,977,987.31
Less: Exchange earnings	-33,704.09	-22,927.33
Bank charge and others	53,065,222.97	7,338,007.54
Total	**388,522,134.39**	**156,041,774.64**

45. Other income

Item	2021	2020
Water supply network matching equipment fees amortization	23,174,378.96	6,650,843.27
Additional VAT deductions	5,262,367.15	599,005.52
Government subsidy	676,892,372.18	539,288,068.68
Others	160,994.00	166,338.75

Item	2021	2020
Total	**705,490,112.29**	**546,704,256.22**

46. Investment income

Item	2021	2020
Investment income of long-term equity accounted by equity method	99,853,160.93	6,963,621.90
Investment income of investment in subsidiaries		118,271.32
Dividend income of other equity instrument investment during holding period	535,905.70	5,124,003.41
Investment income from redemption of financial products	2,977,071.23	2,244,660.99
Investment income from disposal of long-term equity investments	5,129,498.83	
Investment income from disposal of subsidiaries	-4,871,224.61	
Others	1,920,000.00	2,142,502.77
Total	**105,544,412.08**	**16,593,060.39**

47. Incomes from changes in fair value

Item	2021	2020
Changes in fair value of investment properties	1,118,636.00	
Total	**1,118,636.00**	

48. Impairment loss of credit

Item	2021	2020
Bad debt loss	-31,336,580.55	-32,989,426.57
Total	**-31,336,580.55**	**-32,989,426.57**

49. Gain on disposal of assets

Item	2021	2020	Amount included in current non-recurring profits and losses
Gain or loss on disposal of non-current assets	-359,039.54		-359,039.54
Total	**-359,039.54**		**-359,039.54**

50. Non-operating income

Item	2021	2020	Amount included in current non-recurring profits and losses
Gains on destruction or scrap of non-current assets	460,220.70	16,578.00	460,220.70
Governmental subsidy	693,495.48		693,495.48
Penalty income	1,294,001.53	679,113.00	1,294,001.53
Others	934,685.44	770,346.24	934,685.44
Total	**3,382,403.15**	**1,466,037.24**	**3,382,403.15**

51. Non-operating expenses

Item	2021	2020	Amount included in current non-recurring profits and losses
Losses on destruction or scrap of non-current assets	1,502,388.28	173,369.89	1,502,388.28
Overdue payment expenditure	553,255.11	1,744,083.51	553,255.11
Penalty and tax delay charge	264,670.80	1,241,473.20	264,670.80
Others	340,016.10	557,448.97	340,016.10
Total	**2,660,330.29**	**3,716,375.57**	**2,660,330.29**

52. Income tax expenses

Item	2021	2020
Current year income tax expense	30,314,838.61	11,306,279.67
Deferred income tax expense	-7,834,145.14	-22,502,732.33
Total	**22,480,693.47**	**-11,196,452.66**

53. Consolidated cash flow statement items

53.1 Other cash received in relation to operating activities

Item	2021	2020
Government grants income and interest income, etc.	774,786,305.07	615,266,055.99
Current account	2,213,473,842.49	1,142,600,590.10
Total	**2,988,260,147.56**	**1,757,866,646.09**

53.2 Other cash paid in relation to operating activities

Item	2021	2020
Selling expenses, administrative expenses, non-operating expenses, etc.	194,153,731.10	122,590,176.95

Item	2021	2020
Current account	1,890,186,419.69	1,583,831,062.62
Total	**2,084,340,150.79**	**1,706,421,239.57**

53.3 Other cash received in relation to investing activities

Item	2021	2020
Acquisition of shares of subsidiaries	35,653,509.13	899,109,787.70
Total	**35,653,509.13**	**899,109,787.70**

53.4 Other cash paid in relation to investing activities

Item	2021	2020
Shareholders withdraw their investments	19,000,000.00	
Total	**19,000,000.00**	

53.5 Other cash received in relation to financing activities

Item	2021	2020
Special local government bonds	545,000,000.00	1,300,000,000.00
Fund for the conversion of old and new drivers		173,000,000.00
Fund for financing lease	1,331,100,000.00	
Total	**1,876,100,000.00**	**1,473,000,000.00**

53.6 Other cash paid in relation to financing activities

Item	2021	2020
Fund for financing lease	632,744,832.64	87,669,791.83
Total	**632,744,832.64**	**87,669,791.83**

54. Supplementary information of consolidated cash flow statemen

54.1 Supplementary information of consolidated cash flow statement

Supplementary information	December 31, 2021	December 31, 2020
1. Reconciliation of net profit to cash flows from operation activities:		
Net Profit	178,452,478.25	166,501,106.08
Add：Provision for impairment of credit	31,336,580.55	32,989,426.57
Depreciation of fixed assets, depreciation of oil and gas assets and depreciation of productive biological assets	365,241,017.34	266,959,649.49

Supplementary information	December 31, 2021	December 31, 2020
Depreciation of right-of-use assets		
Amortization of intangible assets	150,698,440.08	85,194,686.87
Amortization of long-term deferred expenses	10,564,691.96	23,526,530.77
Losses from disposal of fixed assets, intangible assets and other long-term assets (income is listed with "-")	359,039.54	
Loss from scrapped fixed assets (income is listed with "-")	1,042,167.58	156,791.89
Losses from changes in fair value (income is listed with "-")	-1,118,636.00	
Financial expenses (income is listed with "-")	453,343,950.22	224,658,827.08
Investment losses (income is listed with "-")	-122,785,942.55	-16,593,060.39
Decreases of deferred income tax assets (increase is listed with "-")	-1,534,900.49	-46,928,302.19
Increases of deferred income tax liabilities (decrease listed with "-")	279,659.00	
Decreases of inventory (increase is listed with "-")	-2,059,912,713.48	-5,549,229,805.01
Decreases of operating receivables (increase is listed with "-")	-646,421,338.50	1,116,841,942.25
Increases of operating payables (decrease is listed with "-")	3,332,509,519.11	-353,682,215.18
Others		
Net cash flows from operating activities	**1,692,054,012.61**	**-4,049,604,421.77**
2. Significant investing and financing activities not related to cash receipts and payments:		
Conversion of debts into capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance lease		
3. Net changes in cash and cash equivalents:		
Ending balance of cash	5,647,724,971.08	2,929,355,928.24
Less: Beginning Balance of cash	2,929,355,928.24	1,256,976,574.52
Add: Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	2,718,369,042.84	1,672,379,353.72

54.2 Composition of cash and cash equivalents

Item	December 31, 2021	December 31, 2020
I. Cash		
Including: cash on hand	554,396.81	1,278,817.29

Item	December 31, 2021	December 31, 2020
Bank deposit available for payments at any time	5,644,669,568.51	2,926,866,901.20
Other monetary funds available for payments at any time	2,501,005.76	1,210,209.75
Funds deposited at the Central Bank to make payments		
Interbank deposits		
Loans to banks		
II. Cash equivalents		
Including：Bond investments due within three months		
III. Balance of cash and cash equivalents at the end of the year	5,647,724,971.08	2,929,355,928.24

54.3 Assets with restricted owning right or use right

Item	December 31, 2021	Reason for restrict
Monetary funds	301,116,446.79	Security deposit
Inventories	429,832,200.00	Pledged for loans
Fixed assets	298,424,191.17	Pledged for loans
Intangible assets	696,022,406.40	Pledged for loans
Other non-current assets	80,000,000.00	Bank deposit slips
Total	**1,805,395,244.36**	

VII. Changes in consolidation scope

1. Main companies newly included in the scope of consolidation in 2021

Name of Subsidiary	Equity acquiring date	Proportion of Shareholding (%)	Acquiring method
Linyi City Development Steel Base New Material Technology Co., Ltd	2021/4/22	57.14	Purchase under different controls
Linyi City Development Luxin (Tianjin) Commercial Factoring Co., Ltd	2021/4/20	51.00	Establishment
Linyi City Development Wandefu Freeze Drying Technology Co., Ltd	2021/6/2	51.00	Establishment
Linyi Chenggang Investment Development Co., Ltd	2021/9/10	80.00	Establishment
Qingdao Chengfaxin Real Estate Development Co., Ltd	2021/4/7	51.00	Establishment
Shandong Yimeng Spirit Training Center Co., Ltd	2021/6/21	100.00	Establishment

2. Companies deceased from the scope of consolidation in 2021

Name of Subsidiary	Decreasing date	Proportion of Shareholding (%)	Reason for decrease
Linyi Yushangquan Agricultural Comprehensive Development Co., Ltd	2021/7/22	100.00	Write off
Linyi Chengfa International Tourism Industry Group Co., Ltd	2021/10/25	100.00	Write off

VIII. Interests in other entities

1. Composition

Name of Subsidiary	Main business place	Registration place	Nature of business	Proportion of shareholding (%)		Acquiring method
				Directly	Indirectly	
Linyi Water Group Co., Ltd	Linyi	Linyi	Centralized water supply, sewage treatment, water reuse, etc.	100.00		Equity transfer
Shandong Sanwei Holding Group Co., Ltd	Linyi	Linyi	Production and processing edible vegetable oil	100.00		Purchase under different controls
Linyi City Development Luxin (Tianjin) Commercial Factoring Co., Ltd	Tianjin	Tianjin	Commercial factoring	100.00		Establishment
Linyi Xincheng Thermal Power Co., Ltd	Linyi	Linyi	Heating power sale	100.00		Establishment
Linyi City Development International Trade Co., Ltd	Linyi	Linyi	Project management and operation	100.00		Establishment
Linyi City Development Wisdom Development Group Co., Ltd	Linyi	Linyi	Development and construction of Smart City	100.00		Establishment
Linyi City Development Real Estate Group Co., Ltd	Linyi	Linyi	Investment and construction of government-subsidized housing projects	100.00		Establishment
Linyi City Development Emergency Service Group Co., Ltd	Linyi	Linyi	Business operation management and business services	100.00		Establishment
Linyi City Development	Linyi	Linyi	Development and	100.00		Establishment

Education and Culture Industry Group Co., Ltd			operation of educational and cultural industry projects			
Linyi Talent Working Group Co., Ltd	Linyi	Linyi	Talent apartment, talent community and talent entrepreneurship park development and management	100.00		Establishment
Linyi City Development Construction Engineering Group Co., Ltd	Linyi	Linyi	Industrial and civil construction projects, road and bridge construction projects	100.00		Equity transfer
Linyi City Development Construction Management Co., Ltd	Linyi	Linyi	Real estate development and land consolidation	100.00		Establishment
Shandong Yimeng Spirit Training Center Co., Ltd	Linyi	Linyi	For-profit private training service institutions	100.00		Establishment
Linyi City Development Yizhou Li Commercial Management Co., Ltd	Linyi	Linyi	Commercial complex management services and marketing planning	100.00		Establishment
Linyi City Development International Hotel Co., Ltd	Linyi	Linyi	Accommodation and food production and sales	100.00		Establishment
Linyi City Development Property Group Co., Ltd	Linyi	Linyi	Property management	100.00		Establishment
Linyi Chenggang Investment Development Co., Ltd	Linyi	Linyi	Engaging in investment activities with its own funds; Enterprise management consulting	80.00		Establishment
Linyi City Development Qingyi New Material Technology Co., Ltd	Linyi	Linyi	Chemical fiber manufacturing industry	66.00		Establishment
Shandong Yuquan Rural Agricultural Development Group Co.,	Linyi	Linyi	Ecological agriculture sightseeing	60.00		Establishment

Ltd			tourism and tourism development			
Linyi Chengkaihongye High Tech Industrial Park Management and Development Co., Ltd	Linyi	Linyi	Investment in project development and construction	60.00		Establishment
Shandong Tiandiyuan Hot Spring Co., Ltd	Linyi	Linyi	Accommodation and conference services	60.00		Establishment
Shandong Changlin International Hotel Co., Ltd	Linyi	Linyi	Dinner service and tourist hotel	60.00		Establishment
Linyi Trade City Holding Group Co., Ltd	Linyi	Linyi	Real estate development and sales; Wholesale sales	58.33		Equity transfer
Linyi City Development Steel Base New Material Technology Co., Ltd	Linyi	Linyi	Import and export of goods; Customs supervision of goods warehousing services	57.14		Purchase under different controls
Linyi City Development Wandefu Freeze Drying Technology Co., Ltd	Linyi	Linyi	Engineering and technological research and test development; Technical service	51.00		Establishment
Qingdao Chengfaxin Real Estate Development Co., Ltd	Qingdao	Qingdao	Real estate development and operation	51.00		Establishment

2. Important subsidiaries which are not wholly-owned

Name of Subsidiary	Proportion of shares held by minority shareholders	Profits and losses attributable to minority shareholders at December 31,2021	Dividend declared to minority shareholders in the current period	Balance of minority shareholders' interests at December 31,2021
Linyi Chengkaihongye High Tech Industrial Park Management & Development Co., Ltd	40.00%	1,532,251.87		77,236,593.27

3. Material financial information of important subsidiaries which are not

wholly-owned

Name of Subsidiary	December 31, 2021					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Linyi Chengkaihongye High Tech Industrial Park Management & Development Co., Ltd	59,657,626.99	400,866,865.21	460,524,492.20	38,033,009.02	229,400,000.00	267,433,009.02

（Continued）

Name of Subsidiary	2021			
	Operating revenue	Net profits	Total comprehensive income	Cash flows from operating activities
Linyi Chengkaihongye High Tech Industrial Park Management & Development Co., Ltd	37,115,955.33	3,830,629.67	3,830,629.67	-2,078,741.74

4. Rights and interests in joint ventures or associated enterprises

Name of joint venture or associated enterprise	Main business place	Registration place	Nature of business	Proportion of shareholding (%)		Accounting treatment for investment in joint venture and associated enterprise
				Directly	Indirectly	
Bunge Sanwei Grease Co., Ltd	Rizhao	Rizhao	Processing of food from agricultural product	39.00		Equity method
Linyi Shikang Water Co., Ltd	Linyi	Linyi	Tap water production and sales, installation and maintenance of water facilities		40.04	Equity method
Linyi Shouchuang Water Co., Ltd	Linyi	Linyi	Wastewater treatment		30.00	Equity method
Da Jiang (Shandong) Investment Co., Ltd	Jinan	Jinan	Capital Market Services	45.00		Equity method
Linyi Chengzixinoupeng	Linyi	Linyi	Exploitation of real	51.00		Equity method

Real Estate Development Co., Ltd			estate			
Shandong Ruiling Automobile Co., Ltd	Linyi	Linyi	Motor industry	30.00		Equity method
Linyi Aodechengkai New Energy Co., Ltd	Linyi	Linyi	Production and supply for electricity, heat, gas and water	40.00		Equity method
Feixian Dreamer Film Base Co., Ltd	Linyi	Linyi	Film and television filming service	47.50		Equity method
Shandong Expressway Xintai Expressway Co., Ltd	Linyi	Linyi	Investment, construction and operation of Xintai Expressway Construction project	16.80		Equity method
Linyi Financing Guarantee Group Co., Ltd	Linyi	Linyi	Financing assurance	5.37		Equity method
Linyi Finance Big Data Co., Ltd	Linyi	Linyi	Software and information technology services	14.29		Equity method
Shandong Roberson Logistics Co., Ltd	Linyi	Linyi	Road transport	20.00		Equity method
Linyi Linshang Investment Co., Ltd	Linyi	Linyi	Commercial service industry	18.45		Equity method
Linyi Trade City Xintong Folk Capital Management Co., Ltd	Linyi	Linyi	Other Financial industries	50.00		Equity method
Linyi Dongzheng Supply Chain Management Co., Ltd	Linyi	Linyi	Retail industry	30.00		Equity method
Shandong Longyuanchancheng Technology Development Co., Ltd	Linyi	Linyi	Research and experimental development	22.00		Equity method

IX. Related Parties and Related-party Transaction

1. The actual control part of the Company

Name	Proportion of shareholding (%)	Proportion of voting rights (%)
The State-owned Assets Supervision and Administration Commission of Linyi People's Government	91.21	91.21
Total	**91.21**	**91.21**

2. The situation of the Company's subsidiaries

Please refer to note VIII.1 for details of subsidiaries of the Company.

3. The situation of joint ventures and associated enterprises

Please refer to note VIII.4 for details of joint ventures and associated enterprises of the Company.

4. Related-party Transaction

Sales of goods and services provided

Item	Related party	2021	2020
Tap water	Linyi Shikang Water Co., Ltd	39,586,463.54	31,036,765.30

5. Accounts receivable and payable of related party

Item	Related party	December 31, 2021	December 31, 2020
		Book balance	Book balance
Accounts receivable	Linyi Shikang Water Co., Ltd	7,661,879.44	9,091,565.25
Other receivables	Feixian Dreamer Film Base Co., Ltd		30,649,159.00
Other receivables	Yinshang Technology (Shandong) Co., Ltd		160,943.14
Other receivables	Linyi Trade City Xintong Folk Financing Service Co. Ltd		101,122,222.22
Other receivables	Shandong Longyuanchancheng Technology Development Co., Ltd	103,968,893.71	
Other receivables	Linyi Trade City Hengrui Decoration Engineering Co., Ltd	35,116.87	
Long-term accounts receivable	Linyi Shikang Water Co., Ltd	25,791,001.78	25,791,001.78

（Continued）

Item	Related party	December 31, 2021	December 31, 2020

		Book balance	Book balance
Other payables	Linyi Chengzi Xinoupeng Real Estate Development Co., Ltd	102,000,000.00	102,000,000.00
Other payables	Linyi International Ecological City Construction Investment Group Co., Ltd	100,000,000.00	
Other payables	Linyi Aodechengkai New Energy Co., Ltd	14,300,533.35	13,890,266.67
Other payables	Shandong Robinson Logistics Co., Ltd	581,333.00	581,333.00

X. Contingencies and Commitments

The external guarantee details of the company are as follows: Unit: RMB (yuan)

Guarantee entity	Borrower	Loan date	Maturity date	Guaranteed balance
Linyi City Development Group Co., Ltd	Pingyi County livable Infrastructure Construction and Development Co., Ltd	2021/6/23	2026/6/22	150,000,000.00
Linyi City Development Group Co., Ltd	Pingyi County livable Infrastructure Construction and Development Co., Ltd	2021/11/25	2026/6/22	420,000,000.00
Linyi City Development Group Co., Ltd	Pingyi County livable Infrastructure Construction and Development Co., Ltd	2022/1/14	2026/6/22	120,000,000.00
Linyi City Development Group Co., Ltd	Linyi Guantong Construction Project Management Co., Ltd	2021/1/7	2036/1/4	530,000,000.00
Linyi City Development Group Co., Ltd	Feixian Siyuan Project Construction Management Co., Ltd	2021/7/29	2036/7/28	780,000,000.00
Linyi City Development Group Co., Ltd	Linyi Fiance Investment Group Co., Ltd	2021/8/31	2022/8/31	100,000,000.00
Linyi City Development Group Co., Ltd	Linyi Fiance Investment Group Co., Ltd	2021/9/14	2022/9/14	50,000,000.00
Linyi City Development Group Co., Ltd	Linyi Fiance Investment Group Co., Ltd	2021/9/24	2022/9/24	100,000,000.00
合计	——	——	——	**2,250,000,000.00**

XI. Events after balance sheet date

As at financial reporting day, the Company has no event after balance sheet date to disclosure.

XII. Other major matter

As at balance sheet date, the Company has no other major matter to disclosure.

XIII. Notes to major items of the parent Company's financial statements

1. Accounts receivable

1.1 Presentation of accounts receivable by aging

Category	December 31, 2021	December 31, 2020
Within 1 year		4,514.00
Subtotal		**4,514.00**
Less: bad debt provision		
Total		**4,514.00**

1.2 Presentation of accounts receivable by classification according to the accrual method of bad debt provision

Classification	December 31, 2020				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable that are individually significant and are provided for bad debts on individual basis					
Accounts receivable that are provided for bad debts according to combination	4,514.00	100.00			4,514.00
Including: 1 Combination by age					
2 Combination without risk	4,514.00	100.00			4,514.00
Subtotal	4,514.00	100.00			4,514.00
Accounts receivable that are individually insignificant but are individually provided for bad debts					
Total	**4,514.00**	**100.00**			**4,514.00**

2. Other receivables

Item	December 31, 2021	December 31, 2020
Other receivables	5,070,345,986.19	5,924,913,376.50
Total	**5,070,345,986.19**	**5,924,913,376.50**

2.1 Presentation of other receivables by aging

Aging	December 31, 2021	December 31, 2020
Within 1 year	3,169,512,478.33	5,168,293,620.77
1-2 years	1,618,968,932.67	559,125,351.88
2-3 years	229,714,606.36	231,737,003.67
Above 3 years	117,569,957.72	
Subtotal	**5,135,765,975.08**	**5,959,155,976.32**
Less: bad debt provision	65,419,988.89	34,242,599.82
Total	**5,070,345,986.19**	**5,924,913,376.50**

2.2 Accrual situation of the bad debt provision of other receivables

Bad debt provision	Phase I	Phase II	Phase III	Total
	Expected credit losses in the next 12 months	Expected credit loss for the whole life period (where credit impairment has not incurred)	Expected credit loss for the whole life period (where credit impairment has already incurred)	
Balance as of December 31, 2020	34,242,599.82			34,242,599.82
Reassessed balance as of January 1, 2021	34,242,599.82			34,242,599.82
Accrued in this year	31,177,389.07			31,177,389.07
Reversed in this year				
Cancelled in this year				
Written off in this year				
Other changes				
Balance as of December 31, 2021	65,419,988.89			65,419,988.89

2.3 Changes in provision for bad debts

Category	December 31, 2020	Change amount in current year				December 31, 2021
		Accrual	Recovered or reversed	Cancelled or written off	Others	
Bad debt provision for other receivables	34,242,599.82	31,177,389.07				65,419,988.89

Category	December 31, 2020	Change amount in current year				December 31, 2021
		Accrual	Recovered or reversed	Cancelled or written off	Others	
Total	**34,242,599.82**	**31,177,389.07**				**65,419,988.89**

2.4 Top five other receivables sorted by the parties of debtors

Entity name	Relationship with the Company	Nature	December 31, 2021	Aging	Proportion in total other receivables (%)	Ending balance of bad debt provision
Linyi Zongbao International Trade Investment and Development Co., Ltd	Related party	Current account	1,409,810,336.67	Within 1 year	27.45	
Linyi Zhidu City Development and Construction Co., Ltd	Related party	Current account	778,864,552.93	Within 1 year, 1-2years	15.17	
Qingdao Chengfaxin Real Estate Development Co., Ltd	Related party	Current account	615,666,333.33	Within 1 year	11.99	
Linyi City Development Xiangyuwenlvkangyang Industry Development Co., Ltd	Related party	Current account	502,708,966.86	Within 1 year	9.79	
Linyi Chengkaijianlu Real Estate Co., Ltd	Related party	Current account	403,979,999.87	Within 1 year, 1-2years	7.87	
Total	——	——	**3,711,030,189.66**	——	**72.26**	

3. Long-term equity investments

Item	December 31, 2021			December 31, 2020		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	7,303,265,137.68		7,303,265,137.68	6,581,494,437.68		6,581,494,437.68
Investment in joint ventures and associates	1,711,547,521.20		1,711,547,521.20	425,268,789.05		425,268,789.05
Total	**9,014,812,658.88**		**9,014,812,658.88**	**7,006,763,226.73**		**7,006,763,226.73**

3.1 Investment in subsidiaries

Invested entity	December 31, 2020	Increased in current period	Decreased in current period	December 31, 2021	Accrual of impairment provision	Ending balance of impairment provision
Linyi Water Group Co., Ltd	591,798,019.67			591,798,019.67		
Shandong Sanwei Holding Group Co., Ltd	1,181,257,503.25			1,181,257,503.25		
Linyi City Development Luxin (Tianjin) Commercial Factoring Co., Ltd		400,000,000.00		400,000,000.00		
Linyi Xincheng Thermal Power Co., Ltd	398,426,700.00			398,426,700.00		
Linyi City Development International Trade Investment Group Co., Ltd	170,000,000.00			170,000,000.00		
Linyi City Development Wisdom Industry Investment and Operation Co., Ltd	40,000,000.00	20,000,000.00		60,000,000.00		
Linyi City Development Emergency Services Group Co., Ltd	11,000,000.00	10,000,000.00		21,000,000.00		
Linyi City Development Education and Culture Industry Group Co., Ltd	50,000,000.00			50,000,000.00		
Linyi Talent Working Group Co., Ltd	5,000,000.00			5,000,000.00		
Linyi City Development Construction Group Co., Ltd		20,190,000.00		20,190,000.00		
Linyi City Development Construction	2,000,000.00			2,000,000.00		

Invested entity	December 31, 2020	Increased in current period	Decreased in current period	December 31, 2021	Accrual of impairment provision	Ending balance of impairment provision
Management Co., Ltd						
Shandong Yimeng Spirit Training Center Co., Ltd		500,000.00		500,000.00		
Linyi City Development Yizhouli Commercial Management Co., Ltd		2,000,000.00		2,000,000.00		
Linyi City Development International Hotel Group Co., Ltd	1,660,218,183.88			1,660,218,183.88		
Linyi City Development Property Group Co., Ltd	3,000,000.00			3,000,000.00		
Shandong Chengshan Water Conservancy Engineering Co., Ltd	3,902,547.23			3,902,547.23		
Linyi Chenggang Investment Development Co., Ltd		80,000,000.00		80,000,000.00		
Linyi City Development Qingyi New Material Technology Co., Ltd		6,600,000.00		6,600,000.00		
Shandong Yuquan Rural Agriculture Comprehensive Development Co., Ltd	186,000,000.00			186,000,000.00		
Linyi Chengkaihongye High Tech Industrial Park Management and Development Co., Ltd	107,742,000.00			107,742,000.00		
Shandong Changlin	6,000,000.00			6,000,000.00		

Invested entity	December 31, 2020	Increased in current period	Decreased in current period	December 31, 2021	Accrual of impairment provision	Ending balance of impairment provision
International Hotel Co., Ltd						
Linyi Trade City Holding Group Co., Ltd	1,921,449,483.65			1,921,449,483.65		
Linyi City Development Steel Base New Material Technology Co., Ltd		405,780,700.00		405,780,700.00		
Linyi City Development Wandefu Freeze Drying Technology Co., Ltd		15,300,000.00		15,300,000.00		
Qingdao Chengfaxin Real Estate Development Co., Ltd		5,100,000.00		5,100,000.00		
Linyi Technology Venture Capital Management Service Co., Ltd	100,000,000.00		100,000,000.00			
Linyi Zhidu City Development and Construction Co., Ltd	84,000,000.00		84,000,000.00			
Linyi Chengkaijianlu Real Estate Co., Ltd	24,000,000.00		24,000,000.00			
Linyi City Development Yicheng Real Estate Co., Ltd	30,600,000.00		30,600,000.00			
Linyi City Development Xiangyuwenlvkangyang Industry Development Co., Ltd	5,100,000.00		5,100,000.00			
Total	**6,581,494,437.68**	**965,470,700.00**	**243,700,000.00**	**7,303,265,137.68**		

3.2 Investment in joint ventures and associates

Invested entity	December 31, 2020	Increase or decrease in 2021				
		Additional investment	Reduce investments	Reduce due to merger	Investment profits or losses recognized under equity method	Other comprehensive income adjustments
Associated enterprises						
Shandong Ruiling Automobile Co., Ltd		1,310,000,000.00			-10,258,649.99	
Linyi Aodechengkai New Energy Co., Ltd	33,903,973.97				-13,031.32	
Fei County Dreamers Film and Television Base Co., Ltd	28,979,028.35					
Shandong Expressway Xintai Expressway Co., Ltd	200,000,000.00	100,000,000.00				
Linyi Financing Guarantee Group Co., Ltd	48,535,879.89				400,320.30	
Linyi City Development Real Estate Group Co., Ltd	6,815,298.56		6,815,298.56			
Linyi City Development International Trade Co., Ltd	107,034,608.28		107,034,608.28			
Total	**425,268,789.05**	**1,410,000,000.00**	**113,849,906.84**		**-9,871,361.01**	

（Continued）

Invested entity	Increase or decrease in 2021				December 31, 2021	Shareholding ratio (%)
	Other changes in equity	Declaration of distribution of cash dividends or profits	Accrual of impairment provision	Others		
Associated enterprises						

Invested entity	Increase or decrease in 2021				December 31, 2021	Shareholding ratio (%)
	Other changes in equity	Declaration of distribution of cash dividends or profits	Accrual of impairment provision	Others		
Shandong Ruiling Automobile Co., Ltd					1,299,741,350.01	30.00
Linyi Aodechengkai New Energy Co., Ltd					33,890,942.65	40.00
Fei County Dreamers Film and Television Base Co., Ltd					28,979,028.35	47.50
Shandong Expressway Xintai Expressway Co., Ltd					300,000,000.00	16.80
Linyi Financing Guarantee Group Co., Ltd					48,936,200.19	5.37
Linyi City Development Real Estate Group Co., Ltd						
Linyi City Development International Trade Co., Ltd						
Total					**1,711,547,521.20**	

4. Operating revenue and operating costs

Item	2021		2020	
	Revenue	Cost	Revenue	Cost
Main business	1,146,627,296.79	994,965,361.21	731,780,672.30	562,716,682.91
Other business	13,645,117.51	475,559.14		
Total	**1,160,272,414.30**	**995,440,920.35**	**731,780,672.30**	**562,716,682.91**

5. Investment income

Item	2021	2020
Investment income of long-term equity accounted by equity method	-4,741,862.18	2,024,104.62
Others		2,142,502.77
Total	**-4,741,862.18**	**4,166,607.39**

(There is no text on this page, which is the signature page of financial statements of Linyi City Development Group Co., Ltd for year 2021)

Linyi City Development Group Co., Ltd

April 27, 2022

The Notes to the Financial Statements on pages 17 to 103 are signed by:

Legal representative:	**Person in charge of accounting:**	**Director of accounting department:**
Signature: ______	Signature: ______	Signature: ______
Date: ______	Date: ______	Date: ______

LINYI CITY DEVELOPMENT GROUP CO., LTD

AUDITORS' REPORT

Ya Kuai Shen Zi (2021)No.01330018

Asia Pacific (Group) CPAs (Special General Partnership)

亚太(集团)会计师事务所(特殊普通合伙)
11010200430704

山东省 注册会计师 行业报告防伪页

报告标题：临沂城市发展集团有限公司2019-2020年度审计报告

报告文号：亚会审字（2021）第01330018号

客户名称：临沂城市发展集团有限公司

报告时间：2021-04-15

签字注册会计师：梁军　（CPA：370100200017）

周海洋　（CPA：110101705069）

011092021041603555240

报告文号：亚会审字（2021）第01330018号

事务所名称：亚太（集团）会计师事务所（特殊普通合伙）

事务所电话：13969132397

传真：

通讯地址：

电子邮件：547327827@qq.com

防伪查询网址：http://sdcpacpvfw.cn(防伪报备栏目)查询

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AUDITORS' REPORT

Ya Kuai Shen Zi (2021) No. 01330018

Linyi City Development Group Co., Ltd:

1. Opinion

We have audited the financial statements of Linyi City Development Group Co., Ltd (hereinafter referred to as City Development), which comprise the consolidated and the parent company's balance sheet respectively as at December 31, 2019 and December 31, 2020, and the consolidated and the parent company's income statement, the consolidated and the parent company's cash flow statement, the consolidated and the parent company's statement of changes in equity for the year of 2019 and 2020, and notes to these financial statements.

In our opinion, the accompanying financial statements of City Development present fairly, in all material respects, the consolidated and the parent company's financial position respectively as at December 31, 2019 and December 31, 2020, the consolidated and the parent company's results of operations and cash flows annually in accordance with Accounting Standards for Business Enterprises (ASBE).

2. Basis for Opinion

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

3. Responsibilities of the Management and Those Charged with Governance for the Financial Statements

The Management is responsible for the preparation of the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation; and designing, implementing and maintaining internal control which is necessary to enable 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 City Development's ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless the Management either intends to liquidate City Development or to cease operations, or have no realistic alternative but to do so.

Those Charged with Governance are responsible to overseeing City Development's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

During the course of audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism. We also carry out the following works:

(1) We 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 audit. The risk of not detecting a material misstatement resulting from fraud is higher than for one

resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) We 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 its internal control.

(3) We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

(4) We 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 City Development's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements in accordance with the auditing standards or, if such disclosures are inadequate, we shall modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause City Development to cease to continue as a going concern.

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

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

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

There is no text on this page, and it is the signature page of "Linyi City Development Group Co., Ltd's Report for the Year of 2019 and 2020".

Asia Pacific (Group) CPAs

(Special General Partnership)

Chinese certified public accountant:

Beijing, China

Chinese certified public accountant:

会计师
周海洋
110101705069

April 15, 2021

Consolidated Balance Sheet

Prepared by: Linyi City Development Group Co., Ltd | Unit: RMB Yuan

Item	Notes V	December 31, 2020	December 31, 2019
Current assets:			
Monetary funds	V.1	3,549,575,271.08	1,623,533,927.05
Deposit reservation for balance			
Lending funds			
Financial assets at fair value through profits or losses			
Derivative financial assets			
Notes receivable	V.2	2,000,000.00	
Accounts receivable	V.3	584,747,811.62	82,566,364.60
Prepayments	V.4	1,199,087,774.94	439,617,983.92
Premiums receivable			
Provision of cession receivable			
Other receivables	V.5	2,376,433,093.99	3,190,793,950.10
Recoursable financial assets acquired			
Inventories	V.6	12,601,645,305.41	5,223,942,493.51
Assets held for sale			
Non-current assets due within one year			
Other current assets	V.7	672,589,207.69	1,649,352,501.06
Total current assets		20,986,078,464.73	12,209,807,220.24
Non-current assets:			
Loans and payments			
Long-term accounts receivable	V.8	25,791,001.78	25,791,001.78
Available-for-sale financial assets	V.9	54,051,354.00	22,050,000.00
Held-to-maturity investments			
Long-term equity investments	V.10	824,308,429.18	291,648,903.46
Investment properties	V.11	4,804,300,100.00	1,571,155,158.02
Fixed assets	V.12	8,113,713,412.38	5,036,844,319.89
Construction in process	V.13	3,296,617,608.03	1,586,868,848.71
Productive biological assets			
Oil and gas assets			
Intangible assets	V.14	4,465,511,952.24	3,975,232,340.35
Development expenditure			
Goodwill	V.15	12,565,894.49	12,565,894.49
Long-term deferred expenses	V.16	26,221,350.09	14,519,061.88
Deferred income tax assets	V.17	47,599,403.97	671,101.78
Other non-current assets	V.18	1,862,601,743.45	2,258,890,576.31
Total non-current assets		23,533,282,249.61	14,796,237,206.67
Total assets		44,519,360,714.34	27,006,044,426.91

Legal representative: Person in charge of accounting: Director of accounting department:

(The accompanying notes are an integral part of the financial statements)

Consolidated Balance Sheet (Continued)

Prepared by: Linyi City Development Group Co., Ltd Unit: RMB Yuan

Item	Notes V	December 31, 2020	December 31, 2019
Current liabilities:			
Short-term borrowings	V.19	966,850,000.00	1,060,000,000.00
Borrowings from central bank			
Deposit funds			
Financial liabilities at fair value through profits or losses			
Notes payable	V.20	270,268,528.60	
Accounts payable	V.21	583,098,337.76	491,499,199.28
Accounts received in advance	V.22	4,212,818,373.54	2,861,188,247.81
Funds from sales of financial assets with repurchasement agreement			
Deposits from customers and interbank			
Receivings from vicariously traded securities			
Receivings from vicariously sold securities			
Employee compensation payables	V.23	84,240,045.72	13,271,208.55
Tax payable	V.24	249,391,350.92	479,342,475.75
Other payables	V.25	3,041,656,810.66	3,102,986,234.64
Handling charges and commissions payable			
Dividend payable for reinsurance			
Liabilities held for sale			
Non-current liabilities due within one year	V.26	1,924,992,095.95	1,372,047,812.66
Other current liabilities			
Total current liabilities		11,333,315,543.15	9,380,335,178.69
Non-current liabilities:			
Long-term loans	V.27	3,979,342,422.07	1,256,500,000.00
Bonds payable	V.28	6,381,940,567.52	720,000,000.00
Including: Preferred stock			
Perpetual bond			
Long-term payables	V.29	1,703,700,875.75	463,124,714.01
Specific item payables			
Estimated liabilities	V.30	-	1,378,102.77
Deferred income	V.31	329,317,319.46	258,411,762.94
Deferred income tax liabilities	V.17	769,108,644.44	
Other non-current liabilities			
Total non-current liabilities		13,163,409,829.24	2,699,414,579.72
Total liabilities		24,496,725,372.39	12,079,749,758.41
Shareholders' equity:			
Paid-up capital	V.32	2,000,000,000.00	1,500,000,000.00
Other equity instruments			
Including: Preferred stocks			
Perpetual bond			
Capital reserve	V.33	12,770,831,753.04	10,841,544,312.13
Less: Treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve	V.34	204,623,946.19	179,087,680.11
Provision for general risks			
Undistributed profits	V.35	2,443,750,960.89	2,302,646,950.19
Total equity attributable to the shareholders of parent company		17,419,206,660.12	14,823,278,942.43
Minority shareholders' interests		2,603,428,681.83	103,015,726.07
Total shareholders' equity		20,022,635,341.95	14,926,294,668.50
Total liabilities and shareholders' equity		44,519,360,714.34	27,006,044,426.91

Legal representative: Person in charge of accounting: Director of accounting department:

(The accompanying notes are an integral part of the financial statements)

Consolidated Income Statement

Prepared by: Linyi City Development Group Co., Ltd Unit: RMB Yuan

Item	Notes V	2020	2019
I. Gross revenue		3,622,866,860.11	1,269,966,741.04
Including: Operating revenue	V.36	3,622,866,860.11	1,269,966,741.04
Interests income			
Insurance premiums earned			
Handling charges and commissions income			
II. Total operating cost		4,028,609,184.97	1,408,796,121.40
Including: Operating cost	V.36	3,250,943,872.38	1,052,030,909.46
Interests expenses			
Handling charges and commissions expenses			
Refund of insurance premiums			
Net payments for insurance claims			
Net provision for insurance contracts			
Commissions on insurance policies			
Cession charges			
Taxes and surcharges	V.37	76,539,261.26	60,776,910.99
Selling expenses	V.38	74,960,189.69	58,735,036.99
Administrative expenses	V.39	437,134,660.43	226,705,836.79
Research and development expenses			
Financial expenses	V.40	156,041,774.64	2,931,217.50
Including: Interest expenses		224,658,827.08	148,658,305.55
Interest income		75,977,987.31	151,251,915.50
Add: Other income	V.41	546,704,256.22	19,464,067.61
Investment income (losses to be listed with "-")	V.42	16,593,060.39	18,844,241.27
Including: Income from investment into affiliates and joint ventures			
Exchange earnings (losses to be listed with "-")			
Net exposure hedging (losses to be listed with "-")			
Changes in fair values (losses to be listed with "-")		-	
Credit impairment losses (losses to be listed with "-")			
Assets impairment losses (losses to be listed with "-")	V.43	32,989,426.57	7,616,209.67
Gain on disposal of assets (losses to be listed with "-")	V.44		68,860.35
III. Operating profits (losses to be listed with "-")		157,554,991.75	-100,452,211.13
Add: Non-operating income	V.45	1,466,037.24	255,626,394.77
Less: Non-operating expenditure	V.46	3,716,375.57	17,006,437.59
IV. Total profits (total loss to be listed with "-")		155,304,653.42	138,167,746.05
Less: Income tax expenses	V.47	-11,196,452.66	10,343,840.28
V. Net profits (net loss to be listed with "-")		166,501,106.08	127,823,905.77
(I) Classified by operation continuity			
1. Net profit from continued operations (net loss to be listed with "-")		166,501,106.08	127,823,905.77
2. Net profit from discontinued operations (net loss to be listed with "-")			
(II) Classified by ownership			
1. Net profit which belongs to shareholders of parent company (net loss to be listed with "-")		173,992,452.03	144,064,125.07
2. Minority interest (net loss to be listed with "-")		-7,491,345.95	-16,240,219.30
VI. Net of tax of other comprehensive income			
(I) Net of tax of other comprehensive income attibutable to the owners of parent company			
1. Other comprehensive income not subject to reclassification to profit or loss in future			
(1) Change in remeasurement of defined benefit plans			
(2) Other comprehensive income not reclassified into loss or profit under equity law			
(3) Change in fair value of other equity instrument investment			
(4) Change in fair value of enterprise's own credit risk			
······			
2. Other comprehensive income to be reclassified into profit or loss in future			
(1) Other comprehensive income to be reclassified into loss or profit under equity law			
(2) Change in fair value of other debt investment			
(3) Financial asset reclassified to other comprehensive income			
(4) Provision for credit impairment of other debt investment			
(5) Effective part of cash flow hedging reserve			
(6) Conversion difference of foreign currency statement			
Net other comprehensive income after-tax which belongs to minority shareholders			
VII. Total comprehensive income		166,501,106.08	127,823,905.77
Total comprehensive income attributable to the shareholders of parent company		173,992,452.03	144,064,125.07
Total comprehensive income attributable to the minority shareholders		-7,491,345.95	-16,240,219.30
VII. Earnings per share (EPS)			
(I) Basic EPS			
(II) Diluted EPS			

Legal representative: Person in charge of accounting: Director of accounting department:

(The accompanying notes are an integral part of the financial statements)

Consolidated Cash Flow Statement

Prepared by: Linyi City Development Group Co., Ltd　　　　Unit: RMB Yuan

Item	Notes V	2020	2019
I. Cash flows from operating activities:			
Cash received from sales of goods and rendering of services		4,179,990,876.88	2,341,904,009.51
Net increase in deposits from customers and deposits from other banks			
Net increase in loans from central bank			
Net increase in loans from other financial institutions			
Cash receipts of premium of direct insurance contracts			
Net cash received from reinsurance contracts			
Net increase in deposits from insurance policy holders and investment			
Cash receipts of interest, fees and commission			
Net increase in placement from banks and other financial institution			
Net increase in sales and repurchase operations			
Net cash received by acting as an agent in the sale and purchase of securities			
Cash received from taxes refund		11,424,335.51	
Other cash received in relation to operating activities	V.48	1,757,866,646.09	1,285,039,838.07
Subtotal of cash inflows from operating activities		5,949,281,858.48	3,626,943,847.58
Cash paid for purchase of goods and acceptance of services		7,727,288,238.79	1,500,496,040.83
Net increase in loans and disbursement to customers			
Net increase in deposit with central bank and inter-banks			
Cash paid for original insurance contract claims			
Net increase in funds lent to banks and other financial institutions			
Cash receipts of interest, fees and commission			
Cash paid for dividends of insurance policies			
Cash paid to and for employees		425,936,731.70	116,458,925.24
Payments of taxes and surcharges		139,240,070.19	129,081,419.69
Other cash paid in relation to operating activities	V.48	1,706,421,239.57	1,366,254,517.58
Subtotal of cash outflows from operating activities		9,998,886,280.25	3,112,290,903.34
Net cash flows from operating activities		-4,049,604,421.77	514,652,944.24
II. Cash flows from investment activities:			
Cash received from redemption of investments		10,317,187.85	6,780,485,886.30
Cash received from investments income		8,015,502.75	59,029,296.71
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,334,853.40	4,365,959.08
Net cash received from disposal of subsidiaries and other business units			
Other cash received in relation to investing activities	V.48	899,109,787.70	
Subtotal of cash inflows from investing activities		919,777,331.70	6,843,881,142.09
Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,853,080,679.66	2,923,720,798.22
Cash paid for investments		268,400,000.00	6,514,980,496.60
Net increase in pledged deposits			
Net cash paid to acquire subsidiaries and other business units		1,142,214,719.45	
Other cash paid in relation to investing activities			
Subtotal of cash outflow from investing activities		3,263,695,399.11	9,438,701,294.82
Net cash flows from investing activities		-2,343,918,067.41	-2,594,820,152.73
III. Cash flows from financing activities			
Cash received from investment absorption		1,072,087,448.80	503,720,000.00
Including: Cash received by subsidiaries from investment absorpotion of minority interest		6,440,000.00	
Cash received from loans granted		8,825,382,988.05	2,172,000,000.00
Other cash received in relation to financing activities	V.48	1,473,000,000.00	1,268,264,318.24
Subtotal of cash inflows from financing activities		11,370,470,436.85	3,943,984,318.24
Cash paid for settlement of borrowings		2,834,500,000.00	1,405,564,517.51
Cash paid for dividends, profits appropriation or payments of interest		382,398,802.12	216,416,756.22
Including: Dividends and profits paid by subsidiaries to minority shareholders			
Other cash paid in relation to financing activities	V.48	87,669,791.83	419,600,322.00
Subtotal of cash outflows from financing activities		3,304,568,593.95	2,041,581,595.73
Net cash flows from financing activities		8,065,901,842.90	1,902,402,722.51
IV. Effect of changes in foreign exchange rate on cash and cash equivalents			
V. Net increase in cash and cash equivalents		1,672,379,353.72	-177,764,485.98
Add: Cash and cash equivalents at the beginning of the year		1,256,976,574.52	1,434,741,060.50
VI. Cash and cash equivalents at the end of the year		2,929,355,928.24	1,256,976,574.52

Legal representative:　　　　Person in charge of accounting:　　　　Director of accounting department:

(The accompanying notes are an integral part of the financial statements)

Consolidated Statement of Changes in Shareholder's Equity

Prepared by: Linyi City Development Group Co., Ltd

Unit: RMB Yuan

Item	No.	2020													
		Equity attributable to the shareholders of parent company												Minority shareholders' equity	Total of shareholder's equity
		Capital stock	Other equity instruments			Capital surplus	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Subtotal		
			Preferred stock	Perpatual bond	Others										
I. Balance at the end of previous year	1	1,500,000,000.00				10,841,544,312.13				179,087,680.11		2,302,646,950.19	14,823,278,942.43	103,015,726.07	14,926,294,668.50
Add: Changes in accounting policies	2														
Corrections of prior period accounting errors	3														
Others	4														
II. Balance at the beginning of current year	5	1,500,000,000.00	-	-	-	10,841,544,312.13	-	-	-	179,087,680.11	-	2,302,646,950.19	14,823,278,942.43	103,015,726.07	14,926,294,668.50
III. Current year increase/decrease (decrease to be listed with "-")	6	500,000,000.00	-	-	-	1,929,287,440.91	-	-	-	25,536,266.08	-	141,104,010.70	2,595,927,717.69	2,500,412,955.76	5,096,340,673.45
(I) Total comprehensive income	7											173,992,452.03	173,992,452.03	-7,491,345.95	166,501,106.08
(II) Invested and decreased capital of shareholders	8	500,000,000.00	-	-	-	1,929,287,440.91	-	-	-	-	-	-	2,429,287,440.91	2,507,904,301.71	4,937,191,742.62
1. Common shares contributed by owners	9	500,000,000.00				65,647,448.80							565,647,448.80	2,511,511,385.91	3,077,158,834.71
2. Capital contributed by holders of other equity instrument	10														
3. Amounts of share-based payments recognized in owner's equity	11														
4. Others	12					1,863,639,992.11							1,863,639,992.11	-3,607,084.20	1,860,032,907.91
(III) Profit distribution	13	-	-	-	-	-	-	-	-	25,536,266.08	-	-32,888,441.33		-	
1. Appropriation to surplus reserves	14									25,536,266.08		-25,536,266.08			
2. Appropriation to general risk provision	15														
3. Distribution to shareholders	16											-7,012,907.28			
4. Others	17											-339,267.97			
(IV) Transfers within owner's equity	18														
1. Capital surplus converted to capital	19														
2. Surplus reserve converted to capital	20														
3. Surplus reserve to recover losses	21														
4. Change in the defined benefit plan transferred to retained earnings															
5. Other comprehensive income transferred to retained earnings															
6. Others	22														
IV. Ending balance of this year	27	2,000,000,000.00	-	-	-	12,770,831,753.04	-	-	-	204,623,946.19	-	2,443,750,960.89	17,419,206,660.12	2,603,428,681.83	20,022,635,341.95

Legal representative: Person in charge of accounting: Director of accounting department:

(The accompanying notes are an integral part of the financial statements)

Consolidated Statement of Changes in Shareholder's Equity (Continued)

Prepared by: Linyi City Development Group Co., Ltd

Unit: RMB Yuan

Item	No.	2019													
		Equity attributable to the shareholders of parent company												Minority shareholders' equity	Total of shareholder's equity
		Capital stock	Other equity instruments			Capital surplus	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Subtotal		
			Preferred stock	Perpatual bond	Others										
I. Balance at the end of previous year	1	1,500,000,000.00				10,356,026,612.13				161,063,379.82		2,188,526,358.33	14,205,616,350.28	75,115,945.37	14,280,732,295.65
Add: Changes in accounting policies	2														
Corrections of prior period accounting errors	3														
Others	4														
II. Balance at the beginning of current year	5	1,500,000,000.00	-	-	-	10,356,026,612.13	-	-	-	161,063,379.82	-	2,188,526,358.33	14,205,616,350.28	75,115,945.37	14,280,732,295.65
III. Current year increase/decrease (decrease to be listed with "-")	6	-	-	-	-	485,517,700.00	-	-	-	18,024,300.29	-	114,120,591.86	617,662,592.15	27,899,780.70	645,562,372.85
(I) Total comprehensive income	7											144,064,125.07	144,064,125.07	-16,240,219.30	127,823,905.77
(II) Invested and decreased capital of shareholders	8	-	-	-	-	485,517,700.00	-	-	-	-	-	-		44,140,000.00	529,657,700.00
1. Common shares contributed by owners	9					485,517,700.00								44,140,000.00	529,657,700.00
2.Capital contributed by holders of other equity instrument	10														
3.Amounts of share-based payments recognized in owner's equity	11														
4.Others	12														
(III) Profit distribution	13	-	-	-	-	-	-	-	-	18,024,300.29	-	-29,943,533.21	-11,919,232.92	-	-11,919,232.92
1.Appropriation to surplus reserves	14									18,024,300.29		-18,024,300.29			
2.Appropriation to general risk provision	15														
3.Distribution to shareholders	16											-11,919,232.92	-11,919,232.92		-11,919,232.92
4.Others	17														
(IV) Transfers within owner's equity	18														
1. Capital surplus converted to capital	19														
2. Surplus reserve converted to capital	20														
3. Surplus reserve to recover losses	21														
4. Change in the defined benefit plan transferred to retained earnings															
5. Other comprehensive income transferred to retained earnings															
6. Others	22														
IV. Ending balance of this year	27	1,500,000,000.00	-	-	-	10,841,544,312.13	-	-	-	179,087,680.11	-	2,302,646,950.19	14,823,278,942.43	103,015,726.07	14,926,294,668.50

Legal representative: Person in charge of accounting: Director of accounting department:

(The accompanying notes are an integral part of the financial statements)

Parent Company's Balance Sheet

Prepared by: Linyi City Development Group Co., Ltd | Unit: RMB Yuan

Item	Notes XIV	December 31, 2020	December 31, 2019
Current assets:			
Monetary funds		1,292,824,138.64	1,044,321,508.69
Financial assets at fair value through profits or losses			
Derivative financial assets			
Notes receivable			
Accounts receivable	XIV.1	4,514.00	4,468.86
Prepayments		323,979,276.03	339,297,135.97
Other receivables	XIV.2	5,924,913,376.50	5,632,645,715.14
Inventories		7,844,858,918.46	3,987,126,504.21
Assets held for sale			
Non-current assets due within one year			
Other current assets		197,519,096.93	1,298,036,128.96
Total current assets		15,584,099,320.56	12,301,431,461.83
Non-current assets:			
Available-for-sale financial assets		22,050,000.00	22,050,000.00
Held-to-maturity investments			
Long-term accounts receivable			
Long-term equity investments	XIV.3	7,006,763,226.73	3,584,432,135.21
Investment properties		-	14,907,468.12
Fixed assets		2,046,282,412.03	2,023,408,627.00
Construction in process		232,856,830.72	60,794,206.56
Productive biological assets			
Oil and gas assets			
Intangible assets		3,214,133,200.16	3,295,018,143.01
Development expenditure			
Goodwill			
Long-term deferred expenses		47,823.81	2,502,715.77
Deferred income tax assets		26,002,866.84	
Other non-current assets		894,416,324.95	894,418,986.68
Total non-current assets		13,442,552,685.24	9,897,532,282.35
Total assets		29,026,652,005.80	22,198,963,744.18

Legal representative: Person in charge of accounting: Director of accounting department:

(The accompanying notes are an integral part of the financial statements)

Parent Company's Balance Sheet (Continued)

Prepared by: Linyi City Development Group Co., Ltd — Unit: RMB Yuan

Item	Notes XIV	December 31, 2020	December 31, 2019
Current liabilities:			
Short-term borrowings		588,400,000.00	900,000,000.00
Financial liabilities at fair value through profits or losses			
Derivative financial liabilities			
Notes payable			
Accounts payable		96,770,275.60	207,091,737.15
Accounts received in advance		2,426,743,218.33	2,090,758,520.73
Employee compensation payables		9,739,455.75	1,980.29
Tax payable		382,458,728.80	466,011,914.17
Other payables		2,247,180,231.85	2,482,923,382.15
Liabilities held for sale			
Non-current liabilities due within one year		1,127,073,227.68	1,232,169,791.83
Other current liabilities			
Total current liabilities		6,878,365,138.01	7,378,957,326.32
Non-current liabilities:			
Long-term loans		813,500,000.00	576,500,000.00
Specific item payables		5,186,932,543.20	720,000,000.00
Bonds payable			
Including: Preferred stock			
Perpetual bond			44,073,227.68
Long-term payables		70,000,000.00	70,000,000.00
Estimated liabilities		-	1,378,102.77
Deferred incomes			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		6,070,432,543.20	1,411,951,330.45
Total liabilities		12,948,797,681.21	8,790,908,656.77
Shareholders' equity:			
Paid-up capital		2,000,000,000.00	1,500,000,000.00
Other equity instruments			
Including: Preferred stocks			
Perpetual bond			
Capital reserve		11,215,046,186.56	9,293,596,702.91
Less: Treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve		201,185,544.55	175,649,278.47
Undistributed profits		2,661,622,593.48	2,438,809,106.03
Total shareholders' equity		16,077,854,324.59	13,408,055,087.41
Total liabilities and shareholders' equity		29,026,652,005.80	22,198,963,744.18

Legal representative: Person in charge of accounting: Director of accounting department:

(The accompanying notes are an integral part of the financial statements)

Parent Company's Income Statement

Prepared by: Linyi City Development Group Co., Ltd　　　　Unit: RMB Yuan

Item	Notes XIV	2020	2019
I. Operating revenue	XIV.4	731,780,672.30	628,262,721.54
Less: Operating costs	XIV.4	562,716,682.91	478,439,009.85
Taxes and surcharges		53,121,949.70	50,467,925.06
Selling expenses		19,517,027.12	23,073,242.62
Administrative expenses		193,129,940.73	159,952,797.32
Research and development expense			
Financial expenses		126,883,371.03	-23,235,150.69
Including: Interest expenses		272,396,856.46	146,438,022.70
Interest income		151,510,791.59	174,525,281.23
Add: Other income		500,107,025.00	
Investment income (losses to be listed with "-")	XIV.5	4,166,607.39	6,483,048.22
Including: Income from investment into affiliates and joint ventures			
Income from changes in fair value (losses to be listed with "-")			
Assets impairment loss (losses to be listed with "-")		34,203,173.86	
Gains from asset disposal (losses to be listed with "-")			
II. Operating profits (losses to be listed with "-")		246,482,159.34	-53,952,054.40
Add: Non-operating income		29,220.01	250,025,852.97
Less: Non-operating expenditure		918,499.94	15,830,795.72
III. Total profit (with "-" for total loss)		245,592,879.41	180,243,002.85
Less: Income tax expenses		-9,769,781.40	
IV. Net profit (with "-" for net loss)		255,362,660.81	180,243,002.85
(I) Net profit from continued operations(with "-" for net loss)		255,362,660.81	180,243,002.85
(II) Net profit from discontinued operations(with "-" for net loss)			
V. Net of tax of other comprehensive income			
(I) Other comprehensive income not subject to reclassification to profit or loss in future			
1.Change in remeasurement of defined benefit plans			
2. Other comprehensive income not reclassified into loss or profit under equity law			
......			
(II) Other comprehensive income to be reclassified into profit or loss in future			
1. Other comprehensive income to be reclassified into loss or profit under equity law			
2. Gains and losses from changes in fair value of available-for-sale financial assets			
3. Profits or losses generated from reclassifying held-to-maturity investments to available-for-sale financial assets			
4. Effective part of cash flow hedging reserve			
5. Conversion difference of foreign currency statement			
......			
VI. Total comprehensive income		255,362,660.81	180,243,002.85
VII. Earnings per share (EPS)			
(I) Basic EPS			
(II) Diluted EPS			

Legal representative:　　　　Person in charge of accounting:　　　　Director of accounting department:

(The accompanying notes are an integral part of the financial statements)

Parent Company's Cash Flow Statement

Prepared by: Linyi City Development Group Co., Ltd | Unit: RMB Yuan

Item		2020	2019
I. Cash flow from operating activities:			
Cash received from sales of goods or rendering services		1,054,393,636.55	1,236,445,988.49
Cash received from taxes refund			
Other cash received in relation to operating activities		3,427,678,063.52	2,291,870,887.60
Subtotal of cash inflows from operating activities		4,482,071,700.07	3,528,316,876.09
Cash paid for goods purchased and labor services received		4,426,098,093.70	697,858,350.24
Cash paid to and for employees		28,848,625.99	26,674,158.62
Cash paid for taxes and surcharges		46,653,255.83	114,448,802.15
Other cash paid related to operating activities		1,895,038,766.45	2,329,291,637.93
Subtotal of cash outflows from operating activities		6,396,638,741.97	3,168,272,948.94
Net cash flow from operating activities		-1,914,567,041.90	360,043,927.15
II. Cash flow generated from investing activities:			
Cash received from returns on investments		10,317,187.85	6,057,022,900.00
Cash received from investments income		764,400.00	46,575,217.67
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			2,700.00
Net cash received from disposal of subsidiaries and other business entities			
Other cash received in relation to investing activities			
Subtotal of cash inflows from investing activities		11,081,587.85	6,103,600,817.67
Cash paid for acquisitions of fixed assets, intangible assets and long-term assets		526,730,404.74	1,319,608,057.67
Cash paid for investments		1,509,057,503.25	6,188,250,496.60
Net cash paid for acquisitions of subsidiaries and other business entities			
Other cash paid in relation to investing activities		300,000,000.00	
Subtotal of cash outflows from investing activities		2,335,787,907.99	7,507,858,554.27
Net cash flow from investing activities		-2,324,706,320.14	-1,404,257,736.60
III. Cash flows from financing activities:			
Cash received from investment absorption		500,000,000.00	200,000,000.00
Cash received from loans		6,374,390,565.98	1,712,000,000.00
Other cash received in relation to financing activities			996,975,159.65
Subtotal of cash inflows from financing activities		6,874,390,565.98	2,908,975,159.65
Cash paid for repayment of debts		2,074,500,000.00	1,385,564,517.51
Cash paid for distributing dividends and profits or paying interest		226,677,248.91	147,106,793.28
Other cash paid in relation to financing activities		57,669,791.83	317,000,322.00
Subtotal of cash outflows from financing activities		2,358,847,040.74	1,849,671,632.79
Net cash flows from financing activities		4,515,543,525.24	1,059,303,526.86
IV. Effect of foreign exchange rate changes on cash and cash equivalents		-	-
V. Net increase in cash and cash equivalents		276,270,163.20	15,089,717.41
Add: Cash and cash equivalents at the beginning of the period		684,366,350.53	669,276,633.12
VI. Cash and cash equivalents at the end of the period		960,636,513.73	684,366,350.53

Legal representative: Person in charge of accounting: Director of accounting department:

(The accompanying notes are an integral part of the financial statements)

Parent Company's Statement of Changes in Shareholder's Equity

Prepared by: Linyi City Development Group Co., Ltd

Unit: RMB Yuan

Item	No.	2020										
		Capital stock	Other equity instruments			Capital surplus	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total of shareholders' equity
			Preferred stock	Perpatual bond	Others							
I、Balance at the end of last year	1	1,500,000,000.00				9,293,596,702.91				175,649,278.47	2,438,809,106.03	13,408,055,087.41
Add: Changes of accounting policies	2											-
Correction of prior period errors	3											-
Others	4											-
II、Beginning balance of this year	5	1,500,000,000.00	-	-	-	9,293,596,702.91	-	-	-	175,649,278.47	2,438,809,106.03	13,408,055,087.41
III、Increase/ Decrease for the year (Decrease listed with "-")	6	500,000,000.00	-	-	-	1,921,449,483.65	-	-	-	25,536,266.08	222,813,487.45	2,669,799,237.18
(I) Total comprehensive income	7										255,362,660.81	255,362,660.81
(II) Invested and decreased capital of shareholders	8	500,000,000.00	-	-	-	1,921,449,483.65	-	-	-	-	-	2,421,449,483.65
1. Common shares contributed by owners	9	500,000,000.00										500,000,000.00
2. Capital contributed by holders of other equity instrument	10											
3. Amounts of share-based payments recognized in owner's equity	11											-
4.Others	12					1,921,449,483.65						1,921,449,483.65
(III) Profit distribution	13	-	-	-	-	-	-	-	-	25,536,266.08	-32,549,173.36	-7,012,907.28
1. Appropriation to surplus reserves	14									25,536,266.08	-25,536,266.08	-
2. Distribution to shareholders	16										-7,012,907.28	-7,012,907.28
3. Others	17											
(IV) Transfers within owner's equity	18	-	-	-	-	-	-	-	-	-	-	-
1. Capital surplus converted to capital	19											-
2. Surplus reserve converted to capital	20											-
3. Surplus reserve to recover losses	21											-
4. Change in the defined benefit plan transferred to retained earnings												
5. Others	22											-
(V) Special reserve	23	-	-	-	-	-	-	-	-	-	-	-
1. Accrued in this year	24											-
2. Used in this year	25											-
(VI) Others	26											-
IV、Ending balance of this year	27	2,000,000,000.00	-	-	-	11,215,046,186.56	-	-	-	201,185,544.55	2,661,622,593.48	16,077,854,324.59

Legal representative: Person in charge of accounting: Director of accounting department:

(The accompanying notes are an integral part of the financial statements)

Parent Company's Statement of Changes in Shareholder's Equity (Continued)

Prepared by: Linyi City Development Group Co., Ltd

Unit: RMB Yuan

Item	No.	2019											
		Capital stock	Other equity instruments			Capital surplus	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Total of shareholders' equity
			Preferred stock	Perpatual bond	Others								
I、Balance at the end of last year	1	1,500,000,000.00				10,018,628,525.14				157,624,978.18		2,282,635,666.97	13,958,889,170.29
Add: Changes of accounting policies	2												-
Correction of prior period errors	3												-
Others	4												-
II、Beginning balance of this year	5	1,500,000,000.00	-	-	-	10,018,628,525.14	-	-	-	157,624,978.18	-	2,282,635,666.97	13,958,889,170.29
III、Increase/ Decrease for the year (Decrease listed with "-")	6	-	-	-	-	-725,031,822.23	-	-	-	18,024,300.29	-	156,173,439.06	-550,834,082.88
(I) Total comprehensive income	7											180,243,002.85	180,243,002.85
(II) Invested and decreased capital of shareholders	8	-	-	-	-	-725,031,822.23	-	-	-	-	-	-	-725,031,822.23
1. Common shares contributed by owners	9					-725,031,822.23							-725,031,822.23
2.Capital contributed by holders of other equity instrument	10												
3.Amounts of share-based payments recognized in owner's equity	11												-
4.Others	12												-
(III) Profit distribution	13	-	-	-	-	-	-	-	-	18,024,300.29	-	-24,069,563.79	-6,045,263.50
1.Appropriation to surplus reserves	14									18,024,300.29		-18,024,300.29	-
2.Appropriation to general risk provision	15												-
3.Distribution to shareholders	16											-6,045,263.50	-6,045,263.50
4.Others	17												-
(IV) Transfers within owner's equity	18	-	-	-	-	-	-	-	-	-	-	-	-
1. Capital surplus converted to capital	19												-
2. Surplus reserve converted to capital	20												-
3. Surplus reserve to recover losses	21												-
4. Others	22												-
(V) Special reserve	23	-	-	-	-	-	-	-	-	-	-	-	-
1. Accrued in this year	24												-
2. Used in this year	25												-
(VI) Others	26												-
IV、Ending balance of this year	27	1,500,000,000.00	-	-	-	9,293,596,702.91	-	-	-	175,649,278.47	-	2,438,809,106.03	13,408,055,087.41

Legal representative: Person in charge of accounting: Director of accounting department:

(The accompanying notes are an integral part of the financial statements)

Linyi City Development Group Co., Ltd

Financial Statements Notes

January 1, 2019 – December 31, 2020

Unit: RMB Yuan

I. Company profile

Linyi City Development Group Co., Ltd (hereinafter referred to as "City Development" or "the Company") is a wholly state-owned limited liability company funded by the State-owned Assets Supervision and Administration Commission of Linyi People's Government. At first, the Company was established under the approval of the Linyi Administration for Industry and Commerce on June 8, 2006. Next, the shareholder of the Company was changed from the State-owned Assets Supervision and Administration Commission of Linyi People's Government to Linyi Finance Bureau on August 20, 2010. Then, the name of the Company was changed from "Linyi City Construction Investment and Development Company Limited" to "Linyi City Assets Management and Development Company Limited" on October 28, 2011. After that, the shareholder of the Company was changed from Linyi Finance Bureau to the State-owned Assets Supervision and Administration Commission of Linyi People's Government on August 24, 2018. Later, the name of the Company was changed from "Linyi City Assets Management and Development Company Limited" to "Linyi City Development Group Co., Ltd" on April 18, 2019.

The unified social credit code of the Company is 91371300789297779G and the registered capital is RMB 2 billion as at December 31, 2020.

Legal representative: Li Dongchun

Legal address: Chengkai Building, Xiaohe Road, Beicheng New District, Lanshan District, Linyi City, Shandong Province, China

Business scope: the development and construction of public investment projects and key projects determined by the government in the Northern New District, the Central District, Suhe District and Bingxue District; the development of stock land of the Government; water conservancy construction and the investment, operation and management of water conservancy projects; the reconstruction of old districts and villages within the construction area; the operation and management of naming rights of roads, bridges and squares, advertising rights and land managing rights within the construction area; the development and operation of mineral resources, real estate and affordable housing projects; the operation and development of operational state-owned assets assigned to the Company (the projects that must be approved according to law can only be carried out after approval by relevant departments).

II. Preparation basis of financial statements

1. Preparation basis

On a going-concern basis, the financial statements of the Company have been confirmed, measured and prepared based on transactions and matters that have actually occurred, and in accordance with Accounting Standards for Business Enterprises-Basic Standards and the specific accounting standards, application guidelines of the Accounting Standards for Business Enterprises, interpretation of the Accounting Standards for Business Enterprises, and other relevant regulations (hereinafter collectively referred to as ASBE).

2. Going concern

The Company assessed the ability of going concern for the 12 months since the end of the reporting period and did not find any significant matters and circumstances which caused a significant doubt on the ability of going concern.

III. Important accounting policies and accounting estimates

Note of specific accounting policies and accounting estimates:

A series of specific accounting policies and accounting estimates on transactions and events, such as revenue recognition, have been formulated based on producing and operating characteristics of the parent company and its subsidiaries, and in accordance with ASBE. For details of these policies and estimates, please refer to "III. 24. Revenue". In addition, descriptions of the material accounting judgments and estimates made by the Management are as detailed in"III. 30. Important accounting judgments and accounting estimates".

1. Declaration on compliance with ASBE

The financial statements of the Company have met the requirements of ASBE and truly and fully reflected the relevant information such as the consolidated and the parent company's financial position on December 31,2020 and December 31,2019, and the consolidated and the parent company's operating results and cash flows, etc. in the year of 2020 and 2020.

2. Accounting period

The accounting period runs from January 1 to December 31 of Gregorian calendar.

3. Period of operating cycle

The normal operating cycle refers to the period from the Company's purchase of assets for processing to the realization of cash or cash equivalents. The operating cycle of the Company is 12 months, which is used as the dividing standard of liquidity of asset and liability.

4. Recording currency

RMB is the currency of the main economic environment in which the Company operates, the currency adopted by the Company for preparation of the financial statements is RMB. Except for special instructions, they are expressed in RMB yuan.

5. Accounting methods for business combinations under common control and business combinations not under common control

5.1 Multiple transactions are accounting treated as a package transaction when terms, conditions and economic effects of each transaction, in the process of step-by-step business merger, meet one or more of the following conditions:

①The multiple arrangements are entered into at the same time or in contemplation of each other;

②They form a single transaction designed to achieve an overall commercial effect;

③The occurrence of one arrangement is dependent on the occurrence of at least one other arrangement;

④One arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

5.2 Business Combinations under Common Control

5.2.1 Individual financial statements

If the company pays cash, transfers non-cash assets, assumes debt or issues equity securities as the consideration for merger, the initial investment cost of long-term equity investment shall be based on the carrying amount of the shareholders' equity of the merged party in the consolidated financial statement of the ultimate controlling party on the date of combination. The difference between the initial investment cost of long-term equity investment and the merger consideration which it pays shall adjust the capital reserve. If the capital reserve is not sufficient to be offset, the retained earnings shall be adjusted. Similarly, if there is contingent consideration, and recognition of projected liabilities or assets is required, the difference between the amount of those projected liabilities or assets and the amount of the follow-up contingent consideration shall adjust the capital reserve (capital premium or stock premium). If the capital reserve is not sufficient to be offset, the retained earnings shall also be adjusted.

The Company's direct costs for the business combination, including the expenses for audit, assessment and legal services, shall be recorded in the current profit and loss. The transaction costs directly related to the issuance of equity instruments as the merger consideration are offset by the capital reserve. If the capital reserve is insufficient to offset, the surplus reserve and the undistributed profit will be offset in turn. The expenses for the bonds issued for the business combination or for assuming other liabilities shall be recorded in the amount of initial measurement of the debt instruments.

If the merged part has consolidated financial statements, the initial investment cost of long-term equity investment shall be based on the total equity attributable to the shareholders of parent company in the consolidated financial statement of the merged party on the date of combination.

5.2.2 Consolidated financial statements

The assets and liabilities that the merging party obtains in a business combination shall be based on the carrying amount of shareholders' equity of the merged party in the consolidated financial statement of the ultimate controlling party on the date of combination. If the accounting policy adopted by the merged party is different from that adopted by the merging party, the merging party shall adjust items according to accounting policies that it adopts on the date of combination, and recognize them on the basis of such adjustment according to ABSE.

5.3 Business Combination Not under the Same Control

For a business combination not under common control, the combination costs shall be the fair values, on the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity instruments issued or the debt instruments issued by the acquirer in exchange for the control on the acquiree. In the case that future items, that may affect the merger cost, are agreed in the merger contract, the merger cost shall be considered if the future items are estimated to be likely to occur and the amount of impact on the merger cost can be measured reliably.

The intermediary costs and other relevant administration expenses for the business combination, including the expenses for audit, assessment, legal services and so on, shall be recorded into the profits and losses at the current period. The transaction costs of equity securities or debt securities issued by the purchaser as a combined counteroffer should be included in the initial recognition amount of equity securities or debt securities.

The difference between the merger cost and the fair value of the identifiable net assets of the acquiree obtained in the merger is recognized as goodwill. If the merger cost is less than the fair value share of the identifiable net assets of the acquiree obtained in the combination, the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree obtained and the measurement of the combination cost shall be reviewed first. After the review, if the combination cost is still less than the fair value share of the identifiable net assets of the acquiree obtained in the merger, the difference is included in the profits and losses at the current period.

6. Compilation method of consolidated financial statements

The scope of consolidation of the consolidated financial statements is determined on the basis of control. It means that all subsidiaries, including separate entities controlled by parent company, shall all be included in the consolidated financial statements.

All accounting policies and accounting period adopted by subsidiaries in the scope of consolidation of the consolidated financial statements have to be in accordance with those adopted by the Company. If a subsidiary uses accounting policies or accounting period different with those adopted by the Company, appropriate adjustments are made to those subsidiaries' financial statements in preparing the consolidated financial statements to ensure the conformity with the Company's accounting policies and reporting period.

The consolidated financial statements are prepared by the Company, and based on financial statements of the Company and its subsidiaries and other relevant information.

Impacts of internal transactions between the Company and its subsidiaries or between subsidiaries on the consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in shareholders' equity shall be counteracted when preparing the consolidated financial statements.

If the loss of a subsidiary shared by minority shareholders exceeds the share of minority shareholders in the beginning shareholders' equity of the subsidiary, it shall offset the minority shareholders' equity.

During the reporting period, if subsidiaries are added in a business combination under the same control, the opening balance of the consolidated balance sheet have been adjusted; revenues, expenses and profits of subsidiaries and businesses, from the beginning of the current period to the end of the reporting period, have been included in the consolidated income statement; cash flows of subsidiaries and business, from the beginning of the current period to the end of the reporting period, have homoplastically been included in the consolidated statement of cash flows.

During the reporting period, if subsidiaries are added in a business combination not under the same control, the opening balance of the consolidated balance sheet have not been adjusted; but revenues, expenses and profits of subsidiaries and businesses, from the acquisition date to the end of the reporting period, have been included in the consolidated income statement; cash flows of subsidiaries and businesses, from the acquisition date to the end of the reporting period, have homoplastically been included in the consolidated statement of cash flows.

During the reporting period, if the Company disposes subsidiaries and businesses, revenues, expenses and profits of subsidiaries and businesses from the beginning of the period to the disposal date have been included in the consolidated income statement; cash flows of subsidiaries and businesses, from the beginning of the period to the disposal date, have homoplastically been included in the consolidated statement of cash flows.

If the Company loses control of a subsidiary due to partial disposal of equity investments or other reasons, the Company recognizes the investment retained in the former subsidiary at its fair value when control is lost. Excess of the sum of fair value of the consideration received from the disposal of equity investments and fair value of the investment retained, over the Company's previous pro rata share in the former subsidiary's net assets calculated since acquisition date, shall be recognized in investment income in the period when control is lost. Other comprehensive income related to the equity investment of the original subsidiary shall be converted into investment income of the current period when it loses control.

7. Types of joint arrangements and accounting treatment for joint operations

7.1 Types of Joint Arrangements

Based on the structure of joint arrangement, legal form, terms agreed in the joint arrangement and other relevant facts and circumstances, the Company classifies a joint arrangement as a joint operation or a joint venture.

A joint arrangement not reached through a separate entity has been classified as a joint operation; a joint arrangement reached through a separate entity has usually been classified as a joint venture; in addition, a joint arrangement has been classified as a joint operation when there is conclusive evidence that any of the following conditions are met and relevant laws and regulations are complied with:

①The legal form of joint arrangement states that the joint operator enjoys the rights and assumes the obligations respecting the relevant assets and liabilities in the arrangement.

②The contract terms of joint arrangement agree that the joint operator enjoys the rights and assumes the obligations respecting the relevant assets and liabilities in the arrangement.

③Other relevant facts and circumstances indicate that the joint operator enjoys the rights and assumes the obligations respecting the relevant assets and liabilities in the arrangement, if virtually all outputs related to joint arrangement are enjoyed by the joint operator and continuous settlement of liabilities in the arrangement is dependent on the support of the joint operator.

7.2 Accounting Treatment for Joint Operations

The Company confirms the following items related to the Company in the share of interests in joint operation, and conducts accounting treatment in accordance with relevant accounting standards for enterprises:

①The Company recognizes its assets held separately and share of assets held jointly;

②The Company recognizes its liabilities incurred separately and share of liabilities incurred jointly;

③The Company recognizes its revenues from the sale of its share of the output arising from the joint operation;

④The Company recognizes its share of revenues from the sale of the output by the joint operation;

⑤The Company recognizes its expenses incurred separately and share of expenses incurred jointly.

When the Company enters into a transaction with a joint operation for a contribution or sale of assets (except the assets constitute a business), before the assets are sold to a third party, the Company shall recognize gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation. When such assets are subject to an impairment loss in accordance with the "Accounting Standards for Business Enterprises No. 8 – Impairment of Assets", the Company shall fully recognize the loss.

When the Company enters into a transaction with a joint operation for a purchase of assets (except the assets constitute a business), before the assets are sold to a third party, the Company shall recognize gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation. When such assets are subject to an impairment loss in accordance with the "Accounting Standards for Business Enterprises No. 8 – Impairment of Assets", the Company shall fully recognize the loss.

When the Company, as a joint operator, enters into a transaction with a joint operation, for a contribution or sale of assets (the assets do not constitute a business, the same below), or for a purchase of assets, before the assets are sold to a third party, the Company shall recognize gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation. When such assets are subject to an impairment loss in accordance with the "Accounting Standards for Business Enterprises No. 8 – Impairment of Assets", the Company shall recognize its share of the loss.

The Company does not enjoy joint control over the joint operation. If the company holds assets related to the joint operation and assumes liabilities related to the joint operation, the accounting treatment shall still be carried out in accordance with the above principles; otherwise, the accounting treatment shall be carried out in accordance with the relevant accounting standards for enterprises.

8. Criteria for the determination of cash and cash equivalent

Cash refers to cash on hand held by the Company and deposits available for payment at any time, hence deposits that cannot be used at any time are not cash here.

Cash equivalent refers to the investments which have a holding period of not more than 3 months and are of strong liquidity and readily convertible to known amounts of cash with low risk of value change.

9. Foreign currency transaction and foreign currency statement translation

9.1 Foreign currency transaction

In the initial confirmation of foreign currency transactions, the spot exchange rate on the transaction date shall be used as the converted exchange rate to convert the transaction into RMB.

On the balance sheet date, foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date, and the resulting exchange difference shall be accounted into the current profit and loss, except the exchange difference generated by special foreign currency borrowing, which is related to the acquisition and construction of assets eligible for capitalization, shall be accounting treated according to the principle of capitalization of borrowing costs. As for foreign currency non-monetary items measured at historical cost, they shall be translated at the spot exchange rate on the transaction date without change of the amount of recording currency.

Furthermore, foreign currency non-monetary items measured at fair value shall be translated at the spot exchange rate on the date when fair value is determined, and the resulting exchange difference shall be recorded into current profit and loss as profit and loss of change in fair value. In addition, the exchange difference generated by non-monetary item of foreign currency available for sale shall be included in other comprehensive income.

9.2 Foreign currency statement translation

Assets and liabilities in the balance sheet shall be translated at the spot exchange rate on the balance sheet date; shareholders' equity except "undistributed profit" shall be translated at the spot rate at the time of occurrence. As for income and expenses in the income statement shall be translated at the spot exchange rate on the transaction date. Differences of translation of foreign currency financial statements arising from the above translations shall be included in other comprehensive income.

When disposing overseas operations, differences of translation of foreign currency financial statements related to the overseas operations and listed in other comprehensive income in the balance sheet shall be transferred from other comprehensive income to the current profits and losses; in addition, when partly disposing overseas operations, differences of translation of foreign currency financial statements of the disposed part shall be determined on a proportional calculation of the proportion of disposal and then transferred to the current profit and loss.

10. Financial instruments

Financial instruments include financial assets, financial liabilities and equity instruments.

10.1 Classification of financial instruments

Taking the purpose of acquiring and holding financial assets and assuming financial liabilities into consideration, the management classifies financial assets and financial liabilities into different categories by the contractual terms of the financial instruments issued and the economic substance reflected by them rather than just by legal form: financial assets at fair value and whose changes are recorded in current profits and losses (or financial liabilities), held-to-maturity investments, accounts receivable, available-for-sale financial assets, other financial liabilities and so on.

10.2 Principle of recognition and measurement of financial instruments

10.2.1 Financial assets at fair value and whose changes are recorded in current profits and losses (or financial liabilities)

Financial assets, or financial liabilities, at fair value and whose changes are recorded in current profits and losses, includes trading financial assets, or trading financial liabilities, and financial assets, or financial liabilities, designated at fair value and whose changes are recorded in current profits and losses.

Trading financial assets, or trading financial liabilities, refer to financial assets, or financial liabilities, that meet one of the following conditions:

①The purpose of acquiring the financial asset or financial liability is to sell, repurchase or redeem in a short period of time;

②They are part of a portfolio of identifiable financial instruments under centralized management, and there is objective evidence that the Company has recently managed the portfolio by means of short-term profit;

③They are part of derivative financial instruments except those designated as effective hedging instruments, those included in financial guarantee contracts, and those linked to an equity instrument investment without quoted price in the active market or reliably measured fair value but settled by delivering the equity instrument.

Financial assets, or financial liabilities, can only be designated as financial assets, or financial liabilities, measured at fair value and whose changes are recorded in current profits and losses at the initial measurement when they meet one of the following conditions:

①The designation can eliminate or significantly reduce the inconsistency in recognition or measurement of related gains or losses resulting from different measurement bases of financial assets or financial liabilities;

②The portfolio of financial assets, the portfolio of financial liabilities, or the portfolio of financial assets financial liabilities are managed, evaluated and reported to key managers based on fair value as stated in formal written documents of risk management or investment strategy;

③There is a hybrid instrument containing one or more embedded derivatives, unless the embedded derivatives do not materially change the cash flow of the hybrid instrument, or it is clear that the embedded derivatives should not be separated from the related hybrid instrument;

④There is a hybrid instrument containing embedded derivatives that need to be demurred but cannot be measured separately on the acquisition date or on the subsequent balance sheet date.

For financial assets, or financial liabilities, measured at fair value and whose changes are recorded in current profits and losses, the Company shall take the fair value (deducting cash dividends declared but not yet paid or bond interests which have reached the interest payment period but not yet received) as the initial recognized amount and record the relevant transaction costs into current profits and losses. Bond interests or cash dividends shall be recognized as investment income during the holding period, and change in fair value shall be recorded into the current profits and losses at the end of the period. When financial assets, or financial liabilities, are disposed, the difference between the fair value and the initial amount recorded in the book is recognized as investment income, and fair value flexible loss and profit is simultaneously adjusted.

10.2.2 Accounts receivable

For right of credit receivable arising from sale of goods or provision of services, and right of credit of other enterprises' debt instruments held by the Company except those quoted in the active market, such as accounts receivable, other receivables, long-term receivables and so on, the initial recognition amount shall be recognized as the contract or agreement price receivable from the purchaser; as for that with financing nature, the initial recognition amount shall be recognized as present value.

Furthermore, the difference between the price obtained and the carrying amount of accounts receivable shall be recorded into the current profits and losses while recalling or disposing.

10.2.3 Held-to-maturity investments

Held-to-maturity investments refer to non-derivative financial assets that the maturity date is fixed, the recovery amount is fixed or determinable and the Company has clear intention and ability to hold them until maturity.

For hold-to-maturity investments, the Company shall take the sum of fair value (deducting bond interests that have reached the interest-paying period but have not yet been collected) and relevant transaction costs as the initial recognized amount. During the holding period, interest income is calculated and recognized according to amortized cost and effective interest rate, and recorded into investment income. The effective rate of interest is determined at the time of acquisition and remains constant for the expected duration or for applicable shorter period. The difference between the price obtained and the carrying amount of that investment shall be included in the investment income while disposing.

If the amount of held-to-maturity investments disposed or reclassified into other financial assets is large relative to the total amount of the Company's total held-to-maturity investments before sale or reclassification, the remaining held-to-maturity investments shall be reclassified into available-for-sale financial assets immediately after disposal or reclassification; on the reclassification date, the difference between the carrying amount of the investment and its fair value shall be recorded into other comprehensive income, or be transferred into current profits and losses if the available-for-sale financial asset is impaired or derecognized. Exceptions may be made, however, in the following cases:

①The sale date or reclassification date is close to the maturity date or redemption date of the investment (e.g., three months before maturity), and there is no significant effect of changes of market interest rate on the fair value of the investment.

②The Company has recovered almost all the initial principal according to the reimbursement method agreed in the contract.

③The sale or reclassification is caused by independent events beyond control of the Company, which are expected to occur non-repeatedly and difficult to reasonably predict.

10.2.4 Available-for-sale financial assets

Available-for-sale financial assets refer to non-derivative financial assets designated as available for sale upon initial recognition, and financial assets except other financial assets.

For available-for-sale financial assets, the Company shall, at the time of acquisition, take the sum of fair value (deducting cash dividends declared but not yet paid or bond interests which have reached the interest payment period but not yet received) and relevant transaction costs as the initial recognition amount. Interests or cash dividends calculated at the effective rate of interest are recognized as investment income during the holding period. Gains or losses arising from changes on the fair value of available-for-sale financial assets shall be directly recorded into other comprehensive income except impairment losses and exchange differences arising from foreign currency monetary financial assets. When disposing the available-for-sale financial assets, differences between the price obtained and the carrying amount of financial assets shall be recorded into investment profits and losses; at the same time, the amount corresponding to the disposal part of the accumulative amount of fair value changes that was directly included in other comprehensive income shall be transferred out and recorded into investment profits and losses.

For the equity instrument investments without quoted price in the active market or reliably measured fair value, and the derivative financial assets linked to the equity instrument which must be settled by delivering the equity instrument, the Company measure them at cost.

10.2.5 Other financial liabilities

The initial recognition amount is the sum of fair value and relevant transaction expenses, and then amortized cost is used for subsequent measurement.

10.3 The confirmation basis and measurement method of financial assets transfer

When financial assets are transferred, the recognition of financial assets shall be terminated if almost all the risks and rewards associated with the ownership of financial assets have been transferred to the transferee; while the recognition of financial assets shall not be terminated if almost all the risks and rewards associated with the ownership of financial assets are retained.

The principle of substance over form is adopted in judging whether the transfer of financial assets satisfies the above derecognition conditions of financial assets. Financial assets transfers are divided into overall transfers and partial transfers. If overall transfers satisfy derecognition conditions, differences of the following two amounts shall be recorded into the current profits and losses:

①The carrying amount of transferred financial assets

②The sum of the consideration received resulting from the transfer and the accumulative amount of changes in fair value that directly recorded in the shareholders' equity (when financial assets transferred are available-for-sale financial assets)

If partial transfers satisfy derecognition conditions, the overall carrying amount of the transferred financial assets shall be apportioned between the part whose recognition has been terminated and the part whose recognition has not been terminated according to their respective relative fair values, and difference of the following two amounts shall be recorded into the current profits and losses:

①The carrying amount of the terminated recognition part

②The sum of the consideration of the terminated recognition part and the amount of the corresponding terminated recognition part in the accumulative amount of changes in fair value directly recorded in the shareholders' equity (when financial assets transferred are available-for-sale financial assets)

If financial assets transfers fail to meet derecognition conditions, the financial assets shall be still recognized and the consideration received shall be recognized as a financial liability.

10.4 Conditions for derecognition of financial liabilities

If the current obligations of the financial liabilities have been fully or partially discharged, the financial liabilities or part thereof shall be derecognized; if the Company signs an agreement with the creditors to replace the existing financial liabilities by assuming new financial liabilities, and the contract terms of the new financial liabilities are substantially different from the existing financial liabilities, the Company shall terminate the recognition of the existing financial liabilities and simultaneously recognize the new financial liabilities.

The Company shall terminate the recognition of all or part of the existing financial liabilities and recognize the financial liabilities after modification as new financial liabilities, if all or part of the contract terms of the existing financial liabilities are substantially modified.

When the recognition of the financial liabilities is terminated in whole or in part, the difference between the carrying amount of the financial liabilities terminated and the consideration paid (including non-cash assets transferred or new financial liabilities undertaken) shall be recorded into the current profits and losses.

The Company shall distribute the carrying amount of the financial liabilities according to the relative fair value of the continued recognition part and the terminated recognition part on repurchasing date, if it repurchases part of the financial liabilities. The difference between the carrying amount allocated to the terminated recognition portion and the consideration paid (including non-cash assets transferred or new financial liabilities assumed) is recorded in the current profits and losses.

10.5 The determination method of the fair value of financial assets and financial liabilities

The fair value of financial assets. or financial liabilities, measured by fair value in an active market shall be determined by the quoted price in the active market; while that of financial assets. or financial liabilities, not in an active market, shall be determined by the valuation technology (referring to the price used by parties that are familiar with the situation and volunteering in the recent market transactions, the fair value of other financial instruments which are essentially the same, the discounted cash flow method and the option pricing model, etc.); meanwhile, the fair value of financial assets initially acquired or derived, or financial liabilities assumed, shall be determined on the basis of market transaction prices.

10.6 Provision for impairment of financial assets (excluding accounts receivable)

The carrying amount of financial assets other than those measured at fair value and whose changes are recorded into the current profits and losses shall be checked on the balance sheet date. Provision for impairment shall be made if there is objective evidence indicating that the financial asset is impaired.

Objective evidence of impairment of financial assets includes but not limits to:

①The issuer or debtor has serious financial difficulties;

②The debtor violated the terms of the contract, such as default or overdue payment of interest or principal;

③The creditor makes concessions to the debtor in financial difficulties due to economic or legal considerations;

④The debtor is likely to go bankrupt or undergo other financial restructuring;

⑤The financial assets cannot continue to be traded in the active market due to the significant financial difficulties of the issuer;

⑥It is impossible to identify whether the cash flow of a certain asset in a group of financial assets has decreased, however, based on the overall evaluation of the public data, it is found that the expected future cash flow of this group of financial assets since the initial recognition has indeed decreased and is measurable, such as the gradual deterioration of the debtor's payment ability of the group of financial assets, or the increase of the unemployment rate in the country or region where the debtor is located, the significant decrease in the price of the collateral in the region where it is located, the recession in the industry, etc;

⑦Major adverse changes in the technology, market, economic or legal environment in which the equity instrument issuer operates, which may make the equity instrument investor unable to recover the investment cost;

⑧The fair value of equity instrument investment has experienced a serious or non-temporary decline;

The specific methods of impairment of financial assets are as follows:

①Impairment provisions for available-for-sale financial assets

The Company evaluates impairment losses of various available-for-sale financial assets by means of individual identification on the balance sheet date. One of the objective evidences indicating the impairment of available-for-sale equity instrument investment is serious or non-temporary decline in the fair value of equity instrument investment, whose specific quantitative standard is as follows: if the fair value of the equity instrument investment on the balance sheet date is lower than its cost by more than 50% (including 50%) or lower than its cost for more than one year (including one year), it indicates that it has suffered an impairment; but if the fair value of the equity instrument investment on the balance sheet date is lower than its cost by more than 20% (including 20%) but less than 50%, the Company shall take other relevant factors such as price volatility into consideration to determine whether the equity instrument investment is impaired.

"Cost" mentioned in the preceding paragraph is determined by the original acquisition cost of the available-for-sale equity instrument investment deducting the recovered principal, the amortized amount and the impairment loss originally recorded in profits and losses; and "fair value" mentioned in the preceding paragraph is determined by the closing price of the

Stock Exchange at the end of the period unless there is a restricted period for the available-for-sale equity instrument investment. For an available-for-sale equity instrument investment with a restricted period, it is determined by the closing price of the Stock Exchange at the end of the period after deducting the amount of compensation required by the market participant for assuming the risk of not being able to sell the equity instrument in the open market during the specified period.

When the available-for-sale equity instrument investment is impaired, the accumulated losses caused by the decline in fair value that was directly recorded into other comprehensive income are transferred from other comprehensive income to the current profits and losses, even if the financial asset has not been terminated for recognition. The cumulative losses transferred shall be equal to the balance of the initial acquisition cost of the available-for-sale financial assets after deducting the recovered principal, the amortized amount, the current fair value and the impairment loss originally recorded in the profits and losses.

For the available-for-sale debt instruments with recognized impairment losses, the original recognized impairment losses are converted back into the current profits and losses if the fair value of the debt instruments has increased in the subsequent accounting period and is objectively related to the events occurring after the recognition of the original impairment loss; and the impairment losses of the available-for-sale equity instrument investments are reversed through equity when the value of the equity instrument rises; however, the impairment losses incurred by an equity instrument investment without quoted price in the active market and whose fair value cannot be reliably measured, or by a derivative financial asset linked to the equity instrument which must be settled by delivery, are not reversed.

①Impairment provisions for held-to-maturity investments

The impairment losses of held-to-maturity investments with objective evidence that it has been impaired are calculated and recognized according to the difference between the carrying amount and the present value of the expected future cash flow. The impairment losses originally recognized may be turned back and recorded in the current profits and losses if there is evidence that the value of the financial asset has been recovered. Significantly, the carrying amount of the turned back does not exceed the amortized cost of the financial asset on the turning back date under the assumption of no impairment provisions.

10.7 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are listed separately in the balance sheet without offsetting against each other. However, the net offset shall be listed in the balance sheet if the following conditions are met at the same time:

①The Company has a legal right to set off the confirmed amount, and such legal right is currently enforceable;

②The Company plans to settle on a net basis, or set off the financial asset and discharge the financial liability simultaneously.

11. **Accounts receivable**

Receivables include accounts receivable, other receivables, long-term accounts receivable, etc.

11.1 Accounts receivable that are individually significant and are provided for bad debts on individual basis

Basis and standard of individually significant amount	Individually significant amount means that the individual amount of accounts receivable is above RMB 2,000,000.00 (inclusive), or the individual amount of other receivables and long-term receivables is above RMB 500,000.00 (inclusive).
Accrual methods of accounts receivable that are individually significant and are provided for bad debts on individual basis	A separate impairment test is carried out if accounts receivable are individually significant. When there is objective evidence that recovering all the money according to the original contract terms is unable, bad debt provision is based on the difference between the present value of its expected future cash flow and the carrying amount.

11.2 Accounts receivable that are provided for bad debts on combination of credit risk characteristics

The Company classifies the financial assets according to the similarity and relevance of the credit risk characteristics for the accounts receivable that are not individually significant and that are individually significant but not impaired in the single test. These credit risks usually reflect the debtor's ability to repay all due amounts in accordance with the contractual terms of the assets, and are related to the calculation of the future cash flow of the asset under inspection.

Name of combination	The basis for determining combinations
Combination by age	Receivables without individually significant amount except deposit, reserve funds or those from related party
Combination without provision for bad debts	Receivables from government departments or controlled sole proprietorship enterprise, deposit, reserve fund, social security, and others without provision for bad debts
Combination of related party	Receivables whose debtor is not affiliated with the Company and therefore without credit risk
Name of combination	Method of provision for bad debts
Combination by age	Aging analysis method
Combination without provision for bad debts	Without provision for bad debts
Combination of related party	Without provision for bad debts

Combination with provision for bad debts by aging analysis method:

Aging	Accrual proportion of accounts receivable	Accrual proportion of other receivables
Within 1 year (including 1 year)	1.00%	1.00%
1-2 years (including 2 years)	5.00%	5.00%
2-3 years (including 3 years)	10.00%	10.00%
3-4 years (including 4 years)	50.00%	50.00%
4-5 years (including 5 years)	80.00%	80.00%
Over 5 years	100.00%	100.00%

11.3 Accounts receivable that are not individually significant but are provided for bad debts on individual basis:

Reasons of individual provision for bad debts	Accounts receivable with evidential high credit risk shall be provided for bad debts on individual basis.
Method of provision for bad debts	Specific identifying method

11.4 Reversal of bad debt provision

If there is objective evidence that the value of the accounts receivable has been recovered, and it is objectively related to the events occurring after the recognition of the loss, the originally recognized impairment loss shall be reversed and included in the current profits and losses. However, the carrying amount after the reversal does not exceed the amortized cost of the account receivable on the reversal date under the assumption that no impairment provision is made.

11.5 The Company's receivables (including accounts receivable and other receivables) shall be recorded as the initial amount based on the contract or agreement price, and be confirmed as bad debt loss according to the following standards: if the debtor goes bankrupt, receivables cannot be recovered after the legal liquidation; or after the death of the debtor, there is neither an estate for liquidation nor an obligation taker, and recovery is consequently impossible; or if the debtor fails to fulfill debt repayment obligations on time, such receivables shall also be classified as bad debt losses upon examination and approval of legal procedures.

12. Inventories

12.1 Classification: raw materials, products in process, development costs, products under development, inventory goods, low value consumables, etc.

12.2 Valuation: purchased inventory is valued at actual cost, and delivered inventory is calculated by weighted average method at the end of the month.

12.3 Inventory system: perpetual inventory system

12.4 Amortization method for low-value consumables: amortized by one-off amortization method

12.5 Basis of recognition of net realizable value and provision for impairment of inventories: On the date of balance sheet, the inventories shall be measured whichever is lower in accordance with the cost and the net realizable value. If there is evidence that an inventory has been substantially impaired, provision for impairment of the inventory is usually drawn on the basis of the difference between the net realizable value of a single inventory item and its cost. If there is evidence that an inventory has no use value or transfer value, provision for impairment of the inventory is usually drawn the whole. Net realizable value is determined at the estimated selling price deducting estimated costs up to completion and estimated expenses necessary for sale in the normal course of business. Furthermore, net realizable value of inventories held for the execution of sales or service contracts is based on contract prices, while that held in excess of the quantity ordered under the sales contract is based on the general selling price. If the factors causing any write-down of the inventories have disappeared, the amount of write-down shall be resumed and be reversed from the provision for the loss on decline in value of inventories that has been made. The reversed amount shall be included in the current profits and losses.

13. Long-term equity investments

Long-term equity investments refer to the long-term equity investment in which the Company has control or joint control of, or significant influence over, the investee. Long-term equity investments in which the Company has no control or joint control of, or significant influence over, the investee shall be recognized as available-for-sale financial assets or financial assets measured at fair value through profit or loss. See the accounting policies in the note "10. Financial instruments"

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

13.1 Cost of investments

For long-term equity investments recognized in a business combination under common control, on the combination date, the initial cost shall be measured at the proportionate share of the carrying amount of the acquiree's shareholders' equity in the acquiree's ultimate controlling party's consolidated financial statements. Difference between the initial cost of long-term equity investments and the carrying amount of consideration paid (including any cash paid, non-cash assets transferred or liabilities assumed) shall change capital reserve, and then change retained earnings if capital reserve balance is reduced to zero. If a company issues equity interests in exchange for control of the acquiree, on the combination date, the initial cost of long-term equity investments shall be measured at the proportionate share of the carrying amount of the acquiree’s shareholders’ equity in the acquiree’s ultimate controlling party’s consolidated financial statements, the total par value of the shares issued shall be recognized as share capital, difference between the initial cost of long-term equity investments and the total par value of the shares issued shall change capital reserve, and then change retained earnings if capital reserve balance is reduced to zero. (If the equity of the merged party under the same control is obtained step by step through multiple transactions, and the enterprise merger under the same control is finally formed, it shall be treated separately whether it belongs to the "package transaction". Each transaction shall be treated as one transaction to gain control if it belongs to the "package transaction". If it is not a "package transaction", the initial cost shall be measured at the proportionate share of the carrying amount of the acquiree’s shareholders’ equity in the acquiree’s ultimate controlling party’s consolidated financial statements, and the difference between the initial cost of long-term equity investments and the sum of the carrying amount of the long-term equity investment before the merger and the carrying amount of the newly paid consideration of the shares obtained on the merger date shall change capital reserve, and then change retained earnings if capital reserve balance is reduced to zero. The equity investment held prior to the merger date is not accounting treated temporarily due to the adoption of the equity method or the recognition of other comprehensive income as available-for-sale financial asset.)

For long-term equity investments recognized in a business combination not under common control, on the acquisition date, the initial cost shall be measured at the cost of combination, which includes fair values of the assets transferred by the acquirer, the liabilities incurred or assumed by the acquirer, and the equity interests issued by the acquirer in exchange for control of the acquiree. (If the equity of the acquiree is obtained step by step through multiple transactions, and the enterprise merger not under the same control is finally formed, it shall be treated separately whether it belongs to the "package transaction". Each transaction shall be treated as one transaction to gain control if it belongs to the "package transaction". If it is not a "package transaction", the sum of the carrying amount of the previously held equity investment of the acquiree and the additional investment costs shall be used as the initial investment cost of the long-term equity investment calculated according to the cost method. Other comprehensive income related to the previously held equity calculated by the equity method is not accounting treated temporarily. For the previously held equity investment calculated as available-for-sale financial asset, the difference between its fair value and carrying amount, as well as the accumulated changes in fair value originally recorded in other comprehensive income, shall be transferred to the current profits and losses.)

Professional fees such as audit, legal, valuation fees and general administrative costs incurred for the business combination shall be included in the current profits and losses.

Equity investments, other than those arise in business combinations, are recognized at cost on initial recognition; based on ways of acquisition, the cost is accounted for at the amount of cash paid by the Company, the fair value of equity interests issued by the Company, the agreed value in the investment contract, the fair value or original carrying amount of non-cash assets transferred by the Company, or the fair value of the long-term equity investments, etc. Any direct expense, tax and necessary cost are recognized in the cost of investments. For the additional investment leading to significant impact on the invested entity or implementation of common control but without control, the cost of long-term equity investment is the sum of the fair value of the previously held equity investment and new investment costs according to “Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments”.

13.2 Subsequent measurement and recognition of profit or loss

Long-term equity investments where the Company has joint control (except for joint operation) of or significant influence over the investee are accounted for by equity method. In addition, the Company's financial statements adopt the cost method to calculate the long-term equity investment that can control the invested unit.

13.2.1 Long-term equity investments measured at cost

Long-term equity investments are recognized at cost on initial recognition; if the Company increases or recovers the cost of its investments in the investee, the cost of long-term equity investments shall be adjusted accordingly. The Company accounts for investment income for current period at the amount of its share of cash dividends declared and profits to be distributed by the investee, except for cash dividends declared but undistributed or undistributed profits, which are included in the consideration paid for the investments.

13.2.2 Long-term equity investments using equity method

Under equity method, when the initial cost of long-term equity investments exceeds the Company’s proportionate share in the acquisition-date fair values of the investee’s identifiable net assets, the initial cost of investments is not subject to adjustment; when the initial cost of investments is lower than the Company’s proportionate share in the acquisition-date fair values of the investee’s identifiable net assets, the difference shall be recognized in profit or loss, and the cost of investments shall be adjusted at the same time.

When the equity method is adopted, the investment income and other comprehensive income shall be recognized separately according to the share of the net profit and loss and other comprehensive income realized by the investee, and the book value of the long-term equity investment shall be adjusted; The book value of the long-term equity investment shall be reduced correspondingly according to the profit or cash dividend declared to be distributed by the investee; For other changes in the owner's equity of the investee other than net profit or loss, other comprehensive income and profit distribution, the book value of the long-term equity investment shall be adjusted and included in the capital reserve. When confirming the share of the net profit and loss of the investee, the net profit of the investee shall be adjusted and confirmed based on the fair value of the identifiable assets of the investee when the investment is obtained. If the accounting policy and accounting period adopted by the investee are inconsistent with the Company, the financial statements of the investee shall be adjusted in accordance with the Company's accounting policies and accounting period, and investment income and other comprehensive income shall be recognized accordingly.

When confirming that the net losses incurred by the investee should be shared, the book value of the long-term equity investment and other long-term equity that actually constitute the net investment in the investee shall be written down to zero as the limit. If the Company has incurred obligations to assume additional losses for the investee, the Company shall recognize a liability and relevant loss in current period. If the investee subsequently reports profits, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

13.2.3 Acquisition of minority stakes

When preparing consolidated financial statements, the difference between the newly added long-term equity investment due to the purchase of minority stakes and the share of net assets continuously calculated since the purchase date (or the merger date) according to the proportion of newly added shares shall change capital reserve, and then change retained earnings if capital reserve balance is reduced to zero.

13.2.4 Disposal of long-term equity investments

In the consolidated financial statements, for the partial disposal of long-term equity investments without losing control of the subsidiary, the difference between consideration received and the proportionate share of the subsidiary's net assets for the disposed investments shall be recognized in shareholders' equity; for the partial disposal of long-term equity investments that results in loss of control of the subsidiary, see "6. Compilation method of consolidated financial statements" for the accounting treatment.

In other circumstances of disposal of long-term equity investments, the difference between the book amount of the disposed investments and the consideration received shall be recognized in the current profit or loss.

After the disposal of long-term equity investments accounted for using equity method, if the equity method still applies for the investments retained, the Company shall account for the proportionate amounts previously recognized in other comprehensive income on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. Any equity previously recognized for changes of investee's equity excluding changes in investee's net profit or loss, other comprehensive income and profit distribution, is proportionately reclassified to profit or loss.

After the Company disposes long-term equity investments measured at cost, if the investments retained are still measured at cost, the Company shall account for the amounts previously recognized in other comprehensive income, that are recognized according to equity method or recognition and measurement requirements of financial instruments before the Company obtains control of the investee, on the same basis as would have been required if the investee had directly disposed of related assets or liabilities, and the proportionate amounts shall be reclassified to profit or loss; any equity previously recognized under equity method for changes of investee's equity excluding changes in investee's net profit or loss, other comprehensive income and profit distribution, is proportionately reclassified to profit or loss.

While losing control over the invested entity due to the disposal of part of the equity investment, if the remaining equity after disposal can jointly control or exert significant influence on the invested entity in the preparation of individual financial statements, the equity method shall be used, and the remaining equity shall be adjusted as the equity method has been adopted since acquisition; otherwise, accounting treatment shall be carried out in accordance with the relevant provisions of financial instrument recognition and measurement standards, and the difference between the fair value and carrying amount on the date of loss of control shall be recorded into the current profits and losses. For other comprehensive income recognized by the equity method or financial instrument recognition and measurement standards before obtaining control over the invested entity, accounting treatment shall be carried out on the same basis as the direct disposal of related assets or liabilities by the invested entity when losing control over the invested entity. And any change in shareholders' equity except net profit and loss, other comprehensive income or profit distribution in the net assets of the invested entity confirmed by the equity method shall be transferred to the current profits and losses when losing control over the invested entity. Furthermore, if the remaining equity after disposal is calculated by equity method, other comprehensive income and other shareholders' equity shall be carried forward in proportion; but if the remaining equity after disposal is converted to financial instrument recognition and measurement standards for accounting treatment, other comprehensive income and other shareholders' equity shall be carried forward in full.

If the joint control or significant influence on the invested entity is lost due to the disposal of part of the equity investment, the remaining equity after disposal shall be calculated according to the recognition of financial instruments and measurement standards, and the difference between the fair value and the carrying amount on the date when the joint control or significant influence is lost shall be recorded into the current profits and losses. Other comprehensive income confirmed by the equity method from the original equity investment shall be accounted on the same basis as the direct disposal of related assets or liabilities by the invested entity when stop using the equity method. And the shareholders' equity confirmed by change in shareholders' equity except net profit and loss, other comprehensive income or profit distribution of the invested entity shall be transferred to the current profits and losses when stop using the equity method.

In the case that the Company disposes its equity investment in a subsidiary until losing control step by step through multiple transactions, transactions shall be accounted for as one transaction in which equity investment in a subsidiary is disposed until losing control, if the transactions belong to the package. The difference between the disposal price and the carrying amount of the long-term equity investment corresponding to the equity disposed before the loss of control shall be recognized as other comprehensive income first, and then transferred to the current profits and losses when losing the control.

14. Investment properties

Investment properties include leased-land use rights, holding and preparing to transfer land use rights after appreciation and buildings which have already been rented out. When the rental income or value-added income related to the investment properties can be obtained and the cost of investment properties can be measured reliably, the Company shall confirm the amount at the actual expenditure of acquisition or construction.

Under normal circumstances, the Company shall use the cost model to measure the follow-up expenditure of investment properties, which are depreciated or amortized in accordance with the Company's accounting policy for fixed assets or intangible assets.

If there is conclusive evidence that the fair value of the relevant investment properties can be obtained continuously and reliably, the fair value model shall be adopted for subsequent measurement. For such investment properties, they shall not be depreciated or amortized, and their carrying amount shall be adjusted based on the fair value on the balance sheet date. In addition, the difference between the fair value and the original carrying amount shall be recorded into the current profits and losses.

When the Company changes the use of the investment properties, such as for its own use, the relevant investment properties shall be transferred to other assets.

15. Fixed assets

15.1 Recognition conditions

Fixed assets refer to tangible assets held for commodity production, manpower supply, renting or operation management with a service life of over one year. Fixed assets are recognized only when the economic interests related to them are likely to flow into the enterprise, and the cost of fixed assets can be measured reliably. Fixed assets are initially measured at cost and taking into account the impact of expected disposal costs.

15.2 Depreciation method

Classification	Depreciable life（years）	Estimated residual percentage (%)	Annual depreciation rate (%)
Buildings and structures	15.00-50.00	5.00	1.90-6.33
Machinery equipment	5.00-15.00	5.00	6.33-19.00
Transportation equipment	4.00-10.00	5.00	9.50-23.75
Office equipment and others	3.00-5.00	5.00	19.00-31.67

15.3 Recognition basis, valuation method and depreciation method of financing leased fixed assets

When the fixed assets leased by the Company meet one or more of the following standards, they are recognized as financing leased fixed assets:

①The ownership of the leased assets is transferred to the Company at the expiration of the lease term.

②The Company has options to purchase the leased assets and the purchase price entered into contracts is expected to be well below the fair value when the option is exercised, so it is reasonably certain on the lease inception that the Company will exercise such option.

③Even if the ownership of the assets is not transferred, the lease term accounts for the majority of the service life of the leased assets.

④The present value of the minimum lease payment on the lease inception day is almost equal to the fair value of the leased asset on the lease inception day.

⑤The leased assets are special in nature and can only be used by the Company if major modifications are not made.

The fixed assets leased by finance lease shall be recorded as the value whichever is lower between the fair value of the leased assets on the lease inception day and the present value of the minimum lease payment. The minimum lease payment is recorded as the value of long-term payables and its difference is recorded as unrecognized financing charges. Initial direct expenses, such as handling fee, attorney's fee, travel expense and stamp duty, which can be attributed to the leasing project, incurred in the process of lease negotiation and contract signing, shall be included in the value of leased assets. Unrecognized financing charges are apportioned for each period of the lease term by using the effective interest rate method.

The company uses the depreciation policy consistent with its own fixed assets to calculate the depreciation of financing leased fixed assets. If the ownership of the leased asset can be reasonably determined at the end of the lease term, depreciation shall be made within the service life of the leased asset; if it cannot be reasonably determined that the ownership of the leased asset can be obtained at the expiration of the lease term, depreciation shall be accrued during the shorter period of the lease term and the useful life of the leased asset.

The method of impairment testing of fixed assets and the method of calculating impairment provision are detailed in “19. Impairment of long-term assets”.

16. Construction in progress

Construction in progress of the company shall be accounted separately according to the project, and the actual expenditures shall be recorded in the account. When the project reaches the scheduled state of use, the total cost of the project shall be carried over to the fixed assets. Borrowing costs directly related to the acquisition and construction of construction in progress, such as loan interest expenses, exchange gains and losses and foreign currency translation differences, shall be capitalized and accounted in the project costs before the project reaches the scheduled state of use; while after the project reaches the scheduled state of use, they shall be accounted in the present profits and losses.

The construction projects to be operated by the Company after completion shall be regarded as construction in progress, while those sold or transferred after completion shall be regarded as inventories (development products). If the business purpose of the project changes significantly during the construction period, the accounting subject shall be changed since the date of change. Construction projects purchased or added in other forms are also accounted for in this way.

For details on the method of impairment test and provision for impairment of construction in progress, please refer to the note “19. Impairment of long-term assets”.

17. Borrowing costs

Borrowing costs include loan interest, amortization of discount or premium, auxiliary expenses and balance of exchange caused by foreign currency loans. The borrowing costs for construction or production, which can be directly included in assets satisfying capitalization conditions, shall begin capitalization when the expenditures of the assets and the borrowing costs occur and construction or production activities necessary for making the assets available for predicted use or selling begin. The construction or production assets which satisfy capitalization conditions shall stop capitalization when the assets are available for predicted use or sale. Other borrowing costs should be determined as expenditures when incurred.

The amount of interest of special loans actual occurred in current period deducts the interest income from unused loan capital which is deposited in banks, or deducts investment income from temporary investment shall be capitalized. The capitalized amount of general loan shall be determined as per the weighted average of which the accumulative asset expenditures exceed special loan asset expenditures multiplied capitalization rate of general loan used. The capitalization rate shall be calculated with the weighted average interest rate of general loans.

During the capitalization period, all the exchange differences of special foreign currency loans shall be capitalized; and the exchange difference of foreign currency general loan shall be accounted in the current profits and losses.

The assets in compliance with capitalization conditions refer to the fixed assets, investment properties and inventory that require considerable long time (usually referred as more than one year) of construction or production to reach the their intended usable and marketable condition.

If assets satisfying capitalization conditions are suspended in construction or production for more than 3 months continuously, the capitalization of the suspended borrowing costs shall last until the restart of purchase, construction or production of the assets.

18. Intangible assets

18.1 Valuation method, service life and impairment tests

Intangible assets are identifiable non-monetary assets without physical substance, which are possessed or controlled by the Company.

The intangible assets are initially measured at cost. Expenditure on the intangible assets, if it is probable that the expected economic benefits that are attributable to the assets will flow to the entity, and the cost of the assets can be measured reliably, shall be included in the cost of the intangible assets. Expenditure other than these shall be included in the current profit or loss as incurred.

The land use right is usually recognized as intangible asset. For buildings such as plants that are developed and constructed by the Company, relevant land use rights and buildings are recognized as intangible assets and fixed assets respectively. For purchased buildings, the payments shall be reasonably allocated to land use right and buildings, if it is difficult to allocate reasonably, then all are treated as fixed assets.

For the intangible asset with a finite useful life, when it is available for use, its original value less estimated residual value and accumulative impairment shall be amortized using straight line method over its useful life. The intangible asset with an indefinite useful life shall not be amortized.

The useful life and amortization method of intangible asset with a finite useful life shall be reviewed at period end, and the change is accounted for as a change in accounting estimate. The useful life of the intangible asset with an indefinite useful life shall be reviewed as well, if there is evidence showing a foreseeable limit to the period over which such asset is expected to generate economic benefits for the entity, it, over its estimated useful life, shall be amortized according to the policy for intangible asset with a finite useful life.

For the impairment test method and impairment provision method of intangible assets, please refer to note “19. Impairment of long-term assets”.

18.2 Accounting policy for internal research and development expenditure

The Company's internal research and development project expenditure is divided into research stage expenditure and development stage expenditure.

Research stage expenditure shall be recorded into the current profits and losses when occurring.

Development stage expenditure that simultaneously meet the following conditions shall be recognized as intangible assets, otherwise recorded into the current profits and losses:

①It is technically feasible to complete the intangible asset for prospectively use or sale.

②It has the intention to complete, use or sell the intangible asset.

③The ways in which intangible assets generate economic benefits include proving the existence of the market for the products produced by the use of intangible assets or the existence of the market for the intangible assets themselves, and proving the usefulness of intangible assets.

④There are sufficient technical, financial and other supporting resources to complete the development of the intangible assets and follow-up ability to use or sell them.

⑤The expenditure attributable to the intangible asset development stage can be measured reliably.

If it is impossible to distinguish between research stage expenditure and development stage expenditure, all the research and development expenditure shall be recorded into the present profits and losses.

19. Impairment of long-term assets

For fixed assets, construction in progress, intangible assets with finite useful lives, investment property measured at cost model, long-term equity investment on subsidiaries, joint-ventures or associates, goodwill and other non-current and non-financial assets, the Company assesses at the reporting date whether there is any indication that the asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset and carries out impairment test. Goodwill, intangible assets with indefinite useful lives or intangible assets not yet available for use will be tested for impairment annually, irrespective of whether there is any indication of impairment.

If impairment test shows that the recoverable amount of the asset is less than its carrying amount, the difference shall be recorded as loss allowance and recognized as impairment loss. The recoverable amount of the asset is the higher of its fair value less costs of disposal and its present value of expected future cash flows. The fair value of the asset is determined by price as agreed in the sales agreement in an arm’s length transaction. Where there is no sales agreement, but there is active market, the fair value is determined by the quoted price by the buyer of the asset. Where there is neither sales agreement nor active market, the fair value is estimated based on the best information available. Costs of disposal include legal costs, related taxes and surcharges, costs of removing the asset, and direct incremental costs to bring the asset into condition for its sale. Present value of the expected future cash flow is calculated by estimating the future cash flows to be derived from continuing use of the asset and from its ultimate disposal, and applying the appropriate discount rate to those future cash flows.

Impairment is calculated and recognized for the individual asset, if it is not possible to estimate the recoverable amount of the individual asset, the Company determines the recoverable amount of the cash-generating unit to which the said asset belongs. A cash-generating unit is the smallest group of assets that generates cash inflows that are independent of the cash inflows from other assets or groups of assets.

For the purpose of impairment testing, the book amount of the goodwill presented separately in the financial statement is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination. The impairment loss is recognized for the cash-generating unit or group of the cash-generating units to which goodwill has been allocated if the recoverable amount of the unit is less than the book amount of the unit. The impairment loss is allocated to first reduce the book amount of the goodwill allocated to the cash-generating unit, and then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

Above-mentioned impairment loss, once recognized, shall not be reversed in a subsequent period.

20. Long-term deferred expenses

Long-term deferred expenses include expenses that have been incurred and should be shared by the current period and subsequent periods for a period of more than one year, and are amortized on an average basis according to the benefit period.

21. Employee compensation

21.1 Accounting method of short-term remunerations

Short-term remunerations mainly include salaries, welfare, allowances and subsidies, employee benefits, medical insurance premiums, maternity insurance premiums, work-related injury insurance premiums, housing funds, labor union funds and employee education funds, non-monetary benefits, etc. During the accounting period when the employees provide service for the Company, the actual short-term remunerations are recognized as liabilities, and included in current profits or losses or relevant asset cost. Non-monetary benefits are measured at fair value.

21.2 Accounting method of post-employment benefits

To terminate the labor relationship with the employees before the expiration of the labor contract, or to propose compensation to encourage the employees to voluntarily accept the layoff, when the Company cannot unilaterally withdraw the dismissal welfare provided due to the labor relationship termination plan or the redundancy offer, or when the costs or expenses (whichever is earlier) related to reorganization concerning the dismissal welfare payment are recognized, the liabilities of the employee compensation arising from dismissal welfare shall be recognized and included in current profits or losses. However, if the termination benefit is not expected to be fully paid within 12 months after the end of the annual reporting period, it shall be treated as other long-term employee compensation.

Post-employment benefits mainly include the defined contribution plan which mainly includes the basic endowment insurance and unemployment insurance. In this case, the corresponding amount shall be included in the relevant asset cost or current profits and losses when occurring.

21.3 Accounting method of termination benefits

The internal retirement plan of employees shall be treated in the same principle as the above-mentioned termination benefits. The company shall include the salaries and social insurance premiums paid by the employees to be paid during the period from the day when the employees stop providing services to the normal retirement date, and include them in the current profit and loss (termination benefits) when they meet the conditions for the recognition of estimated liabilities.

21.4 Accounting method of other long-term employee benefits

Other long-term employee benefits provided by the company to employees that meet the defined contribution plan will be accounted for in accordance with the defined contribution plan, otherwise, they shall be accounted for in accordance with the defined benefit plan.

22. Estimated liabilities

The obligation pertinent to a contingency shall be recognized as an estimated liability when the following conditions are satisfied simultaneously：(1) the obligation is a current obligation of the enterprise; (2) it is likely to cause any economic benefit to flow out of the enterprise as a result of performance of the obligation; (3) the amount of the obligation can be measured in a reliable way.

On the balance sheet date, the estimated liabilities are measured according to the best estimate of the expenditure required to perform the relevant current obligations, taking into account the risks, uncertainties and time value of money related to the contingencies.

When all or part of the expenses necessary for the liquidation of the estimated liabilities of an enterprise are expected to be compensated by a third party, the compensation should be separately recognized as an asset only when it is virtually certain that the reimbursement will be obtained. The amount recognized for the reimbursement should not exceed the book value of the estimated liabilities.

23. Accounting method of share payment

23.1 Type of share payment

Equity-settled share-based payments and cash-settled share-based payments are included.

23.2 Method of determining the fair value of equity instruments

①If there is an active market, it shall be determined by the quotation in the active market.

②If there is no active market, it shall be determined by the valuation technology, in accordance with the price used by parties that are familiar with the situation and volunteering in the recent market transactions, the fair value of other financial instruments which are essentially the same, the discounted cash flow method and the option pricing model, etc.

23.3 Basis for optimal estimation of the viable equity instruments

Estimates are made based on subsequent information such as changes in the number of newly acquired viable employees.

23.4 Related accounting treatment of implementing, modifying or terminating share payment plan

23.4.1 Equity-settled share-based payment

Equity-settled share-based payments in exchange for employee services that are immediately feasible after the grant shall be recorded into relevant costs or expenses according to the fair value of the equity instrument on the grant date, and the capital reserve shall be adjusted accordingly. Equity-settled share-based payments in exchange for employee services that feasible only if completing the service within the waiting period or meeting the prescribed performance conditions, whose services obtained in the current period are recorded into relevant costs or expenses on each balance sheet date during the waiting period, shall be based on the optimal estimation of the viable equity instruments and the fair value of the equity instrument on the grant date. Similarly, the capital reserve shall also be adjusted accordingly.

If the fair value of the services of other parties can be measured reliably, the equity-settled share-based payments in exchange for services of other parties shall be measured based on the fair value of the services of other parties on the acquisition date. However, if the fair value of the services of other parties cannot be reliably measured but that of the equity instruments can be reliably measured, it shall be measured according to the fair value of the equity instruments on the date of service acquisition and accounted in the relevant costs or expenses. Similarly, the shareholders' equity shall also be adjusted accordingly.

23.4.2 Cash-settled share-based payments

Cash-settled share-based payments in exchange for employee services that are immediately feasible after the grant shall be recorded into relevant costs or expenses according to the fair value of liabilities borne by the Company, and liabilities shall be adjusted accordingly.

Cash-settled share-based payments in exchange for employee services that feasible only if completing the service within the waiting period or meeting the prescribed performance conditions, whose services obtained in the current period are recorded into relevant costs or expenses and related liabilities on each balance sheet date during the waiting period, shall be based on the optimal estimation of the viable equity instruments and the fair value of liabilities borne by the Company.

23.4.3 Modifying or terminating share payment plan

If the modification increases the fair value of the granted equity instrument, the Company shall recognize the increase of the acquired services in accordance with the increase in the fair value of the equity instrument; but if the modification increases the number of equity instruments granted, the Company shall recognize the fair value of the increased equity instruments as the increase in the acquisition of services accordingly; furthermore, if the Company modifies the conditions of viability in a way that benefits the employees, the Company shall consider the modified conditions of viability when dealing with them.

Oppositely, if the modification reduces the fair value of the granted equity instrument, the Company shall continue recognizing the amount of services acquired based on the fair value of the equity instrument on the grant date, regardless of the reduction in the fair value of the equity instrument; and if the modification reduces the number of equity instruments granted, the Company shall treat such reduction as cancellation of the equity instruments granted; in addition, if the Company modifies the conditions of viability in a way that not benefits the employees, the modified conditions shall not be taken into account in dealing with the conditions of viability.

Moreover, if the Company cancels or settles the granted equity instrument during the waiting period (except for the cancellation due to failure to meet the conditions of viability), the cancellation or settlement shall be treated as an accelerated viability and the amount originally recognized during the remaining waiting period shall be immediately recognized.

24. Revenue

24.1 General principles of revenue recognition

24.1.1 Sales of goods: The Company has transferred the main risks and rewards of the ownership of the goods to the buyer; the Company no longer exercises the continued management right or actual control over the goods in relation to the ownership, nor does it exercise control over the sold goods; the economic benefits related to the transaction can flow into the enterprise; it is recognized as realization of revenue if the associated revenues and costs can be reliably measured.

24.1.2 Providing labor services: For services started and completed in the same year, the realization of operating revenue shall be recognized when the services are completed; for those started and completed in different fiscal years, the related operating revenue shall be recognized on the balance sheet date according to the percentage of completion method if the result of service transactions can be reliably estimated; but in the case that the result of the service transactions cannot be reliably estimated, the revenue shall be recognized according to the amount of the labor cost incurred, and the cost shall be recognized according to the same amount, if the labor cost incurred is expected to be fully compensated; but if the labor cost incurred is not expected to be fully compensated, the revenue shall be recognized according to the amount of labor costs that can be compensated, and the labor cost incurred shall be accounted in current expenses; and if all the labor cost incurred is not expected to be compensated, the labor cost incurred shall be accounted in current expenses without recognized revenue.

24.1.3 Transfer of asset use rights: The economic benefits related to the transaction can flow into the enterprise; revenue is recognized in accordance with the contract or agreement if it can be measured reliably.

24.1.4 Revenue from charge for use: Revenue is recognized on an accrual basis according to the relevant contract or agreement.

24.2 Specific principles of revenue recognition

Specific principles of revenue recognition of the Company's sales of goods are as follows: ①Sales revenue is recognized after delivery paid if customers take delivery in cash; ②Sales revenue is recognized after prepaid delivery if customers have paid advances; ③If the sales are made on credit in a certain account period, it shall be settled by the account period and sales revenue shall be recognized after the goods are delivered according to the customer's order and acceptance and confirmation are made by the customer.

Revenue from the transfer of land use right is recognized when the economic benefits related to the transaction are likely to flow into the enterprise and the amount of revenue can be measured reliably.

The Company is mainly engaged in sales of develop products, water supply, heat supply, catering and accommodation, etc., and recognizes the realization of revenue according to the above principles. Various operating revenues of the Company are as follows:

24.2.1 Sales of develop products: ①The house is completed and accepted; ②Complete the completion of the settlement or obtain other information of reliably measuring the cost; ③ Sign the contract and collect the house payment; ④The house has been handed over to the owner.

24.2.2 Water supply: Revenue is recognized after collecting payments for individual users while according to the amount of water supply for unit customers.

24.2.3 Heat supply: For customers with advance payments, heating income is accounted in the revenue monthly from November of the first year of benefit period to March of the second year of benefit period after heat supply has been provided; while for customers without advance payments, revenue is recognized according to the number of heating days and corresponding unit price after heat supply has been provided.

24.2.4 Catering and accommodation: If the Company provides hotel room service externally, revenue shall be recognized when the hotel room service has been provided and the Company has gotten the right to collect service fees.

25. Government grant

The monetary assets or non-monetary assets acquired by the Company free of charge from the relevant government departments shall be recognized when meeting the conditions attached to the government grant and able to receive the government grant.

As the monetary assets, the government grants shall be measured based on the actually received amounts; as for the non-monetary assets, the government grants shall be measured based on the fair value; if the fair value cannot be estimated reliably, it shall be measured based on nominal amount.

①The government grant pertinent to assets shall be recognized as deferred income, equally distributed within the useful lives of the relevant assets, and included in the current profits and losses. But the government grant measured at its nominal amounts shall be directly included in the current profits and losses.

②The government grant pertinent to incomes shall be treated, respectively, in accordance with the circumstances as follows: The grant used for compensating the related future expenses or losses of the Company shall be recognized as deferred income and included in the current profits and losses; that used for compensating the related expenses or losses incurred to the Company shall be directly included in the current profits and losses.

When it is necessary to refund any government grant which has been recognized, if there is the deferred income concerned, the book balance of the deferred income shall be offset against, but the excessive part shall be included in the current profits and losses; if there is not the deferred income concerned, it shall be directly included in the current profits and losses.

26. Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities are calculated and recognized based on the difference (temporary difference) between the tax base and the carrying amount of the assets and liabilities. On the balance sheet date, deferred income tax assets and deferred income tax liabilities shall be measured according to the applicable tax rate for the period during which the assets are expected to be recovered or the liabilities are paid off.

26.1 Basis for recognizing deferred income tax assets

The Company recognizes the deferred income tax assets arising from the deductible temporary differences according to the taxable income obtained to offset the deductible temporary differences or carry forward the deductible losses and tax deductions in the following years. However, the deferred income tax assets arising from the initial recognition of assets or liabilities in a transaction with the following characteristics shall not be recognized: ①the transaction is not a business combination; ②Neither accounting profit nor taxable income or deductible loss will be affected when the transaction occurs.

For the deductible temporary difference related to the investment of the associated enterprise, the corresponding deferred tax asset is recognized if the following conditions are met simultaneously: the temporary difference is likely to be reversed in the foreseeable future and the taxable income to offset the deductible temporary difference is likely to be obtained in the future.

26.2 Basis for recognizing deferred income tax liabilities

The Company recognizes the taxable temporary difference between the current period and previous periods as a deferred income tax liability but except:

①Temporary differences resulting from the initial recognition of goodwill;

②Temporary differences resulting from transactions or events that are not due to merger and have no effect on either accounting profit or taxable income (or deductible loss) when occurring;

③For taxable temporary differences related to investments of subsidiaries or associated enterprises, the time of reversal of such temporary differences can be controlled and such temporary differences are likely not to be reversed in the foreseeable future.

27. Lease

27.1 Accounting treatment of operating lease

When the Company is a lessee, the rent shall be recorded into the cost of relevant assets or recognized as the current profits and losses in accordance with the straight-line method during each period of the lease term, and the initial direct expenses incurred shall be directly recorded into the current profits and losses. What’s more, contingent rents shall be recorded in current profits and losses when actually incurred.

When the company is a lesser, the rent shall be recognized as current profits and losses in accordance with the straight-line method during each period of the lease term, and the initial direct expenses incurred shall be directly recorded into current profits and losses, except for the large amount which shall be capitalized and recorded into profits and losses by stages. What’s more, contingent rents are recorded in current profits and losses when actually incurred.

27.2 Accounting treatment of finance lease

27.2.1 Assets acquired under finance leases: On the commencement date of leasing, the Company takes the lower of the fair value of the leased asset and the present value of the minimum lease payment as the recorded value of the leased asset, the minimum lease payment as the recorded value of the long-term payables, and the difference as the unrecognized financing cost.

The Company adopts the effective interest rate method to amortize the unrecognized financing costs during the asset leasing period and record them into financial expenses.

27.2.2 Assets leased out under finance leases: On the lease inception date, difference between the total unguaranteed residual value of the financing lease accounts receivable and their present value shall be recognized as unrealized financing income, and further recognized as rental income during the periods for which rent received. The initial direct costs associated with the rental transaction shall be included in the initial measurement of the financing lease accounts receivable and reducing the amount of income confirmed during the lease term .

When the Company is a lessee, the rent shall be recorded into the cost of relevant assets or recognized as the current profits and losses in accordance with the straight-line method during each period of the lease term, and the initial direct expenses incurred shall be directly recorded into the current profits and losses. What’s more, contingent rents shall be recorded in current profits and losses when actually incurred.

When the company is a lesser, the rent shall be recognized as current profits and losses in accordance with the straight-line method during each period of the lease term, and the initial direct expenses incurred shall be directly recorded into current profits and losses, except for the large amount which shall be capitalized and recorded into profits and losses by stages. What’s more, contingent rents are recorded in current profits and losses when actually incurred.

28. Changes of main accounting policies and accounting estimates

28.1 Explanation of changes in accounting policies

There were no changes in accounting policies during the reporting period.

28.2 Explanation of changes in accounting estimates

The ratio of bad debt provision using aging method in credit risk characteristic portfolio has changed as follows since January 1, 2020:

Aging	Accrual proportion after change	Accrual proportion before change
Within 1 year (including 1 year)	1.00%	1.00%
1-2 years (including 2 years)	5.00%	5.00%
2-3 years (including 3 years)	10.00%	10.00%
3-4 years (including 4 years)	50.00%	50.00%
4-5 years (including 5 years)	80.00%	50.00%
Above 5 years	100.00%	50.00%

29. Correction of accounting errors in early period

The Company has no significant accounting errors during the reporting period.

30. Material accounting judgments and estimates

In the process of applying accounting policies, due to the inherent uncertainty of business activities, the Company needs to judge, estimate and assume the carrying amount of the statement items that cannot be accurately measured. These judgments, estimates and assumptions are based on the past historical experience of the Management, taking into account other relevant factors as well. These judgments, estimates and assumptions may affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities on the balance sheet date. However, the actual results resulting from the uncertainty of these estimates may differ from the current estimates of the Management, which in turn may cause a material adjustment to the carrying amount of the future affected assets or liabilities.

The Company periodically reviews the foregoing judgments, estimates and assumptions on the basis of going concern. If the change in accounting estimates only affects the current period of change, the impact shall be confirmed in the current period of change; while if it affects both the current period of change and the future period, the impact shall be confirmed in both periods.

On the balance sheet date, the Company is required to make judgments, estimates and assumptions about the amounts of items in the financial statements in the following important areas:

30.1 Provision for bad debts

The Company adopts the allowance method to calculate the loss of bad debts in accordance with the accounting policy of receivables. The impairment of accounts receivable is based on the assessment of the recoverability of accounts receivable. Identifying the impairment of accounts receivable requires the judgment and estimation of the Management. The difference between the actual results and the original estimate may affect the carrying amount of accounts receivable, the provision of bad debts for accounts receivable and the reversal of them during the period in which the estimate is changed.

30.2 Inventory revaluation reserves

The Company makes provision for inventory revaluation reserves on inventories obsolete or unsalable, or whose cost is higher than net realizable value, based on lower of cost and net realizable value and in accordance with the inventory accounting policy. Impairment of inventory to net realizable value is based on an assessment of the marketability of inventory and its net realizable value. Identification of inventory impairment requires the Management to make judgments and estimates based on obtaining conclusive evidence and taking into account factors such as the purpose of holding inventory and the impact of events occurring after the balance sheet date. The difference between the actual results and the original estimate may affect the carrying amount of the inventory, the provision and the reversal for inventory depreciation during the period in which the estimate is changed.

30.3 Held-to-maturity investments

The Company classifies qualified non-derivative financial assets that have fixed or definable repayment amount and fixed maturity and that the Company has clear intention and ability to hold to maturity as held-to-maturity investments. A great deal of judgment is involved in making this classification. In making such judgments, the Company evaluates its willingness and ability to hold such investments to maturity. In addition to the specific conditions (such as selling investment without significant amount when close to maturity date), if the Company failed to hold these investments to maturity, all these investments have to be reclassified to available-for-sale financial assets, and these financial assets shall not be classified back to held-to-maturity investments in the current and next two fiscal years. Such circumstances may have a material impact on the value of the relevant financial assets reported in the financial statements and affect the Company's risk management strategy for financial instruments.

30.4 Impairment of held-to-maturity investments

The Company's determination of impairment of held-to-maturity investment is largely dependent on the Management's judgment. Objective evidence of impairment includes the issuer's serious financial difficulties that prevent the financial assets from continuing trading in an active market, inability to fulfill the terms of the contract (e.g., default on interest payments or principal payments), etc. In making judgment, the Company evaluates the impact of the objective evidence of impairment on the projected future cash flows of the investment.

30.5 Impairment of available-for-sale financial assets

The Company's determination of impairment of available-for-sale financial assets largely depends on the Management's judgment and assumptions to determine whether recognition of impairment losses in the income statement is in need. In making judgments and assumptions, the Company is required to assess the extent to which and for how long the fair value of the investment is below cost, as well as the financial condition and short-term business outlook of the investee, including industry conditions, technological change, credit ratings, default rates and counterparty risk.

30.6 Impairment provision for non-financial non-current assets

On the balance sheet date, the Company judges whether there is any indication of possible impairment of non-current assets other than financial assets. For intangible assets with uncertain service life, in addition to the impairment test conducted annually, impairment test shall also be conducted when there are signs of impairment. Other non-current assets other than financial assets shall be tested for impairment when there are indications that their carrying amount is not recoverable.

An impairment occurs when the carrying amount of an asset or group of assets is higher than the recoverable amount, that is, the higher of the net fair value after deducting disposal expenses and the present value of projected future cash flows.

The net fair value after deducting disposal expenses is determined by the agreed sale price or observable market price of similar assets in fair trade, deducting the incremental cost directly attributable to the disposal of such assets.

When estimating the present value of future cash flows, the Company makes significant judgments about the production, selling price, related operating costs, and the discount rate used to calculate the present value of the assets (or group of assets). In estimating recoverable amounts, the Company uses all relevant information available, including projections of production, selling prices and related operating costs based on reasonable and supported assumptions.

The Company tests goodwill for impairment at least annually. It requires an estimate of the present value of the future cash flows of the asset group or portfolio to which goodwill is allocated. When estimating the present value of the future cash flow, the Company needs to predict the cash flow generated by the future asset group or portfolio, and select an appropriate discount rate to determine the present value of the future cash flow.

30.7 Depreciation and amortization

Depreciation and amortization of investment properties, fixed assets and intangible assets shall be calculated by the straight-line method during their service life after taking into account their residual value. The Company periodically reviews the service life to determine the amount of depreciation and amortization expense credited in each reporting period. The service life is determined by the Company based on previous experience of similar assets and expected technological updates. Adjustments to depreciation and amortization expense are made in future periods if previous estimates change materially.

30.8 Income tax

In the normal operating activities of the Company, there are certain uncertainties in the final tax treatment and calculation of some transactions. Whether items can be itemized before tax requires the examination and approval of tax authorities. If the final determination of these tax matters is different from the amount originally estimated, the difference would have an impact on the current and deferred income tax during the final determination period.

30.9 Internal retirement benefits and supplementary retirement benefits

The amount of expenses and liabilities of the Company's internal retirement benefits and supplementary retirement benefits are determined based on various assumptions. These assumptions include discount rates, the growth rate of average medical costs, the growth rate of benefits for retirees and other factors. Differences in actual results and assumptions are recognized and charged to current year expenses as soon as they occur. Although the Management believes that reasonable assumptions have been adopted, changes in actual experience values and assumptions would still affect balance of expense and liability of the Company's internal retirement benefits and supplementary retirement benefits.

IV. Taxes

1. Main taxes and rates

Tax Category	Taxation basis	Tax Rate
Value-added tax (VAT)	Taxable sales income	6%、9%、10%、11%、13%、16%
Urban maintenance and construction tax	Value-added tax actually paid	7%、5%
Educational surcharges	Value-added tax actually paid	3%
Local educational surcharges	Value-added tax actually paid	2%
Corporate income tax	Taxable income	25%
Land appreciation tax	The value added for transferring real estate and related rate	Four super-rate progressive tax rate

2. Tax incentives and approvals

2.1 According to the provisions of the Notice on the Treatment of Enterprise Income Tax for Special-purpose Financial Funds (Caishui[2011] No.70):

"I. The financial funds obtained by an enterprise from the financial departments and other departments of the people's governments at or above the county level that should be included in the total income can be treated as non-taxable income and deducted from the total income when calculating the taxable income amount if both of the following conditions are met simultaneously:

i. The enterprise can provide funds allocation documents for specified special purposes;

ii. The finance department or other government department that appropriates funds has special funds management methods or specific management requirements for the funds;

iii. The enterprise shall separately account for such funds and expenditures incurred with such funds."

2.2 According to Article I of The Notice of the Ministry of Finance and the State Administration of Taxation on the Pilot Program of Replacing Business Tax with Value-added Tax (Caishui[2016] No.36) (attachment 3: Provisions of Transitional Policy on the Pilot Program of Replacing Business Tax with Value-added Tax), the following items shall be exempt from value-added tax: land owners transfer the land use right and land users return the land use right to the land owner.

2.3 According to Article VIII of Provisional Regulations of the People's Republic of China on Land Value-added Tax: "Real estate legally expropriated or recovered due to national construction, the real estate exempt from land value-added tax."

According to Article XIof Detailed Implementing Rules on Provisional Regulations of the People's Republic of China on Land Value-added Tax (Caifa Zi[1995] No.6): " Real estate legally expropriated or recovered due to national construction mentioned in Article VIII.iiof the Regulation refers to the real estate expropriated or land use right recovered by the government for the purpose of urban planning or national construction."

V. Notes to items in consolidated financial statement

1. Monetary funds

1.1 Details of monetary funds

Item	December 31, 2020	December 31, 2019
Cash in hand	1,278,817.29	167,409.76
Bank deposit	2,926,866,901.20	1,255,906,754.20
Other monetary funds	621,429,552.59	367,459,763.09
Total	**3,549,575,271.08**	**1,623,533,927.05**

1.2 Details of other monetary funds

Item	December 31, 2020	December 31, 2019
Security deposit	109,219,342.84	367,332,354.13
Wechat deposit and Alipay deposit	1,210,209.75	
Fixed term deposit	511,000,000.00	127,408.96
Total	**621,429,552.59**	**367,459,763.09**

Note：Other monetary funds except Wechat deposits and Alipay deposits are restricted monetary funds.

2. Notes receivable

Item	December 31, 2020	December 31, 2019
Bank acceptance	2,000,000.00	
Total	**2,000,000.00**	

3. Accounts receivable

3.1 Accounts receivable listed by category

Category	December 31, 2020				
	Book Balance		Provision for Bad Debt		Book Value
	Amount	Proportion (%)	Amount	Accrual proportion（%）	
Accounts receivable that are individually significant and are provided for bad debts on individual basis	13,763,188.24	2.20	13,763,188.24	100.00	
Accounts receivable that are provided for bad debts according to combination of credit risk characteristics					
Combination 1：Combination by aging analysis method	121,171,678.12	19.38	2,619,751.80	2.16	118,551,926.32
Combination 2: Combination without provision for bad debts	466,195,885.30	74.58			466,195,885.30
Subtotal of combinations	587,367,563.42	93.97	2,619,751.80	0.45	584,747,811.62
Accounts receivable that are individually insignificant but are individually provided for bad debts	23,960,939.26	3.83	23,960,939.26	100.00	

Category	December 31, 2020				
	Book Balance		Provision for Bad Debt		Book Value
	Amount	Proportion (%)	Amount	Accrual proportion （%）	
Total	**625,091,690.92**	**100.00**	**40,343,879.30**	**6.45**	**584,747,811.62**

（Continued）

Category	December 31, 2019				
	Book Balance		Provision for Bad Debt		Book Value
	Amount	Proportion (%)	Amount	Accrual proportion （%）	
Accounts receivable that are individually significant and are provided for bad debts on individual basis	13,763,188.24	13.39	13,763,188.24	100.00	
Accounts receivable that are provided for bad debts according to combination of credit risk characteristics					
Combination 1: Combination by aging analysis method	73,795,669.68	71.80	1,140,610.66	1.55	72,655,059.02
Combination 2: Combination without provision for bad debts					
Subtotal of combinations	73,795,669.68	71.80	1,140,610.66	1.55	72,655,059.02
Accounts receivable that are individually insignificant but are individually provided for bad debts	15,219,892.65	14.81	5,308,587.07	34.88	9,911,305.58
Total	**102,778,750.57**	**100.00**	**20,212,385.97**	**19.67**	**82,566,364.60**

Accounts receivable that are individually significant and are provided for bad debts on individual basis:

Accounts receivable (by unit)	December 31, 2020			
	Accounts receivable	Provision for Bad Debt	Accrual proportio	Reasons for provision
Linshu Jinmingyu Real Estate Development Co., Ltd	13,763,188.24	13,763,188.24	100.00	Expected to be irrecoverable
Total	**13,763,188.24**	**13,763,188.24**	**100.00**	

（Continued）

Accounts receivable (by unit)	December 31, 2019			
	Accounts receivable	Provision for Bad Debt	Accrual proportion	Reasons for provision
Linshu Jinmingyu Real Estate Development Co., Ltd	13,763,188.24	13,763,188.24	100.00	Expected to be irrecoverable
Total	**13,763,188.24**	**13,763,188.24**	**100.00**	

In the combination, the accounts receivable on which the bad debt provision is accrued according to the age analysis method:

Aging	December 31, 2020		
	Accounts receivable	Bad debt provision	Accrual proportion（%）
Within 1 year	103,385,426.26	1,033,854.26	1.00
1-2 years	14,743,551.40	737,177.58	5.00
2-3 years	2,239,584.68	223,958.47	10.00
3-4 years	59,103.80	29,551.90	50.00
4-5 years	744,011.98	595,209.58	80.00
Total	**121,171,678.12**	**2,619,751.79**	**2.16**

（Continued）

Aging	December 31, 2019		
	Accounts receivable	Bad debt provision	Accrual proportion（%）
Within 1 year	70,443,911.98	663,625.39	1.00
1-2 years	938,727.90	46,936.40	5.00
2-3 years	1,941,165.08	194,116.51	10.00
Above 3 years	471,864.72	235,932.36	50.00
Total	**73,795,669.68**	**1,140,610.66**	**1.55**

In the combination, accounts receivable without provision for bad debts:

Accounts receivable (by unit)	December 31, 2020	
	Accounts receivable	Proportion (%)
Linyi Trade City Administrative Commission	439,539,779.99	70.31
Linyi Municipal Bureau of Finance	21,055,511.31	3.37
Coordination and Promotion Office of Expropriation and Renovation of Key Districts in Old Urban Areas	4,486,640.00	0.72

Tancheng Hongchuang High Tech Electronic Industrial Park Co., Ltd	1,113,954.00	0.18
Total	**466,195,885.30**	**74.58**

3.2The top five accounts receivable sorted by the parties of debtors

Entity name	Relationship with the Company	Book balance	Proportion of accounts receivable (%)
Linyi Trade City Administrative Commission	Non-related party	439,539,779.99	70.31
Shandong Tianyuan Construction Group Co., Ltd	Non-related party	33,605,505.95	5.38
Linyi Municipal Bureau of Finance	Non-related party	21,055,511.31	3.37
Linshu Jinmingyu Real Estate Development Co., Ltd	Non-related party	13,763,188.24	2.20
Coordination and Promotion Office of Expropriation and Renovation of Key Districts in Old Urban Areas	Non-related party	4,486,640.00	0.72
Total		**512,450,625.49**	**81.98**

4. Prepayments

4.1 Prepayments listed by age

Age	December 31, 2020		December 31, 2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	921,142,720.40	76.82	174,720,864.99	39.74
1-2 years	31,133,165.80	2.60	89,603,686.96	20.38
2-3 years	246,192,515.05	20.53	50,435,599.20	11.47
3-4 years	619,349.69	0.04	124,857,832.77	28.41
4-5 years	24.00	0.01		
Total	**1,199,087,774.94**	**100.00**	**439,617,983.92**	**100.00**

4.2 The top five prepayments sorted by the parties of prepaid

Entity name	Book balance	Age	Proportion of prepayments (%))
Qingdao Qijin International Trading Co., Ltd	490,545,000.00	Within 1 year	40.91
The Second Construction Engineering Branch of Tianyuan Construction Group Co., Ltd	132,442,862.00	Within 1 year; 2-3 years	11.05
Lanling County State-owned Assets Operation Co., Ltd	95,000,000.00	2-3 years	7.92

Entity name	Book balance	Age	Proportion of prepayments (%))
Linyi Blue Sky Heating Co., Ltd	46,233,529.51	Within 1 year	3.86
Linyi ZhuzongJiurun Real Estate Co., Ltd	40,000,000.00	Within 1 year; 1-2 years	3.34
Total	**804,221,391.51**		**67.08**

5. Other receivables

Item	December 31, 2020	December 31, 2019
Interest receivable	2,284,714.73	
Dividends receivable		5,408,715.65
Other receivables	2,374,148,379.26	3,185,385,234.45
Total	**2,376,433,093.99**	**3,190,793,950.10**

5.1 Interest receivable

Item	December 31, 2020	December 31, 2019
Interest receivable	2,284,714.73	
Total	**2,284,714.73**	

5.2 Dividends receivable

Item	December 31, 2020	December 31, 2019
Linyi Shouchuang Water Co., Ltd		5,408,715.65
Total		**5,408,715.65**

5.3 Other receivables

5.3.1 Other receivables listed by category

Category	December 31, 2020				
	Book Balance		Provision for Bad Debt		Book Value
	Amount	Proportion (%)	Amount	Accrual proportion （%）	
Other receivables that are individually significant and are provided for bad debts on individual basis	6,861,364.62	0.28	6,861,364.62	100.00	
Other receivables that are provided for bad debts according to combination of					

Category	December 31, 2020				
	Book Balance		Provision for Bad Debt		Book Value
	Amount	Proportion (%)	Amount	Accrual proportion (%)	
credit risk characteristics					
Combination 1：Combination by aging analysis method	1,565,723,580.90	64.46	47,854,546.49	3.06	1,517,869,034.41
Combination 2: Combination without provision for bad debts	856,279,344.85	35.25			856,279,344.85
Subtotal of combinations	2,422,002,925.75	99.71	47,854,546.49	1.98	2,374,148,379.26
Other receivables that are individually insignificant but are individually provided for bad debts	58,326.38	0.01	58,326.38	100.00	
Total	**2,428,922,616.75**	**100.00**	**54,774,237.49**	**2.26**	**2,374,148,379.26**

（Continued）

Category	December 31, 2019				
	Book Balance		Provision for Bad Debt		Book Value
	Amount	Proportion (%)	Amount	Accrual proportion (%)	
Other receivables that are individually significant and are provided for bad debts on individual basis					
Other receivables that are provided for bad debts according to combination of credit risk characteristics					
Combination 1：Combination by aging analysis method	9,700,852.76	0.30	2,097,287.21	21.62	7,603,565.55
Combination 2: Combination without provision for bad debts	3,171,404,351.64	99.44			3,171,404,351.64
Subtotal of combinations	3,181,105,204.40	99.74	2,097,287.21	0.07	3,179,007,917.19
Other receivables that are individually insignificant but are individually provided for bad debts	8,255,547.11	0.26	1,878,229.85	22.75	6,377,317.26
Total	**3,189,360,751.51**	**100.00**	**3,975,517.06**		**3,185,385,234.45**

5.3.2 In the combination, other receivables on which the bad debt provision is accrued according to the age analysis method:

Aging	December 31, 2020		
	Other receivables	Bad debt provision	Accrual proportion（%）
Within 1 year	1,188,104,437.74	11,881,044.37	1.00
1-2 years	125,493,980.42	6,274,699.03	5.00
2-3 years	244,075,999.63	24,407,599.96	10.00
3-4 years	5,265,940.62	2,632,970.31	50.00
4-5 years	624,948.42	499,958.74	80.00
Above 5 years	2,158,274.08	2,158,274.08	100.00
Total	**1,565,723,580.91**	**47,854,546.49**	**3.05**

（Continued）

Aging	December 31, 2019		
	Other receivables	Bad debt provision	Accrual proportion（%）
Within 1 year	4,752,534.73	47,209.44	1.00
1-2 years	35,072.27	1,753.62	5.00
2-3 years	1,020,746.82	102,074.68	10.00
Above 3 years	3,892,498.94	1,946,249.47	50.00
Total	**9,700,852.76**	**2,097,287.21**	**21.62**

5.3.3 In the combination, other receivables without provision for bad debts:

Item	December 31, 2020	Proportion (%)	December 31, 2019	Proportion (%)
Loans to government departments and individual proprietorship or other enterprises under their control	546,739,580.24	22.51	3,088,738,145.17	96.85
Security deposit	307,220,614.30	12.65	77,256,875.49	2.42
Imprest	413,650.31	0.02	5,313,236.12	0.17
Money for social security	1,905,500.00	0.08	96,094.86	0.01
Total	**856,279,344.85**	**35.26**	**3,171,404,351.64**	**99.45**

5.3.4 The top five other receivables sorted by the parties of debtors

Entity name	Nature	Book balance	Proportion of other receivables (%)
Yinan City Development Group Co., Ltd	Current account	400,000,000.00	16.47
Yinan County Finance Bureau	Current account	288,400,000.00	11.87
Linyi Guokong Asset Management Co., Ltd	Current account	200,000,000.00	8.23

Entity name	Nature	Book balance	Proportion of other receivables (%)
Linyi Hedong City Development Investment Group Co., Ltd	Current account	200,000,000.00	8.23
Shandong Jinsheng Non-ferrous Group Co., Ltd	Current account	191,905,224.95	7.90
Total		**1,280,305,224.95**	**52.71**

5.3.5 The Company has no other receivables involving government subsidies.

5.3.6 The Company has no other receivables terminated due to transfer of financial assets.

5.3.7 The Company has no assets or liabilities formed due to transfer of other receivables and continued involvement.

6. Inventories

6.1 Inventories listed by category

Category	December 31, 2020			December 31, 2019		
	Book Balance	Provision for inventories	Book Value	Book Balance	Provision for inventories	Book Value
Development costs	12,333,691,088.42		12,333,691,088.42	5,200,315,089.32		5,200,315,089.32
Merchandise inventory	241,390,092.64		241,390,092.64	11,891,807.13		11,891,807.13
Raw materials	19,032,294.47		19,032,294.47	9,415,383.61		9,415,383.61
Low priced and easily worn articles	6,849,060.31		6,849,060.31	1,636,675.92		1,636,675.92
Revolving material	682,769.57		682,769.57	683,537.53		683,537.53
Total	**12,601,645,305.41**		**12,601,645,305.41**	**5,223,942,493.51**		**5,223,942,493.51**

6.2 There is no provision for inventories during the reporting period.

7. Other current assets

Item	December 31, 2020	December 31, 2019
Input tax to be deducted	436,597,224.61	256,534,471.80

Item	December 31, 2020	December 31, 2019
Financial products	155,000,000.00	1,265,520,000.00
Tax paid in advance	80,074,464.91	125,629,938.54
Others	917,518.17	1,668,090.72
Total	**672,589,207.69**	**1,649,352,501.06**

8. Long-term accounts receivable

8.1 Details of long-term accounts receivable

Item	Nature	December 31, 2020	December 31, 2019
Linyi Shikang Water Co., Ltd	Project account	25,791,001.78	25,791,001.78
Total		**25,791,001.78**	**25,791,001.78**

9. Available-for-sale financial assets

9.1 Available-for-sale financial assets

Item	December 31, 2020	December 31, 2019
Available-for-sale debt instruments		
Available-for-sale equity instruments	54,051,354.00	22,050,000.00
Including: Measured at fair value		
Measured at cost	54,051,354.00	22,050,000.00
Total	**54,051,354.00**	**22,050,000.00**

9.2 Details of available-for-sale financial assets

Invested unit	Book balance				Provision for impairment			
	December 31, 2019	Increase in the year	Decrease in the year	December 31, 2020	December 31, 2019	Increase in the year	Decrease in the year	December 31, 2020
Linyi Hedong Qishang Village Bank Co., Ltd	22,050,000.00			22,050,000.00				
Shandong Linyi Lanshan Rural Commercial Bank Co., Ltd		4,871,870.00		4,871,870.00				
Linshang Bank Co., Ltd		22,129,484.00		22,129,484.00				
Shandong Donglian Asset		700,000.00		700,000.00				

Management Co., Ltd								
Linyi Trade City Electronic Commerce Technology Co., Ltd		2,000,000.00		2,000,000.00				
Linyi Trade City Hengrui Decoration Engineering Co., Ltd		800,000.00		800,000.00				
Shandong Exchange Clearing House Co., Ltd		1,500,000.00		1,500,000.00				
Total	**22,050,000.00**	**32,001,354.00**		**54,051,354.00**				

10. Long-term equity investments

Invested unit	December 31, 2019	Changes of increase or decrease in the year				
		Make additional investments	Reduce investments	Investment profits or losses recognized under equity method	Other comprehensive income adjustments	Changes in other equity
1. Associated enterprises						
Fei County Dreamers Film and Television Base Co., Ltd	28,979,028.35					
Shandong Expressway Xintai Expressway Co., Ltd	33,600,000.00	166,400,000.00				
Linyi Financing Guarantee Group Co., Ltd	49,943,035.00			-1,407,155.11		
Linyi City Chengkai New Urbanization Industry Development and Management Co., Ltd	8,500,000.00			-1,684,701.44		
Linyi Aodechengkai New Energy Co., Ltd	33,822,621.08			81,352.89		
Linyi City Development International Trade Co., Ltd		102,000,000.00		5,034,608.28		
Linyi Talent Association	30,000.00		30,000.00			
Linyi Xinyimeng Financing Guarantee Co., Ltd	4,960,205.26					
Linyi Shouchuang Water	29,878,972.88			6,223,290.27		

Co., Ltd						
Linyi Shikang Water Co., Ltd	101,935,040.89			-1,283,772.99		6,793,744.00
Bunge Sanwei Grease Co., Ltd		128,362,826.89				
Linyi Finance Big Data Co., Ltd		2,874,774.60				
Shandong Roberson Logistics Co., Ltd		18,126,674.86				
Linyi Linshang Investment Co., Ltd		8,465,732.97				
Linyi Trade City Xintong Folk Capital Management Co., Ltd		90,209,291.07				
Linyi Dongzheng Commodity Trading Center Co., Ltd		2,492,859.43				
Total	**291,648,903.46**	**518,932,159.82**	**30,000.00**	**6,963,621.90**		**6,793,744.00**

（Continued）

Invested unit	Changes of increase or decrease in the year			December 31, 2020	Provision for impairment
	Declare cash dividends or profits	Provision for impairment	Others		
1. Associated enterprises					
Fei County Dreamers Film and Television Base Co., Ltd				28,979,028.35	
Shandong Expressway Xintai Expressway Co., Ltd				200,000,000.00	
Linyi Financing Guarantee Group Co., Ltd				48,535,879.89	
Linyi City Chengkai New Urbanization Industry Development and Management Co., Ltd				6,815,298.56	
Linyi Aodechengkai New Energy Co., Ltd				33,903,973.97	
Linyi City Development International Trade Co., Ltd				107,034,608.28	
Linyi Talent Association					
Linyi Xinyimeng Financing Guarantee Co., Ltd				4,960,205.26	
Linyi Shouchuang Water Co., Ltd				36,102,263.15	
Linyi Shikang Water Co., Ltd				107,445,011.90	
Bunge Sanwei Grease Co., Ltd				128,362,826.89	

Linyi Finance Big Data Co., Ltd				2,874,774.60	
Shandong Roberson Logistics Co., Ltd					
Linyi Linshang Investment Co., Ltd				8,465,732.97	
Linyi Trade City Xintong Folk Capital Management Co., Ltd				90,209,291.07	
Linyi Dongzheng Commodity Trading Center Co., Ltd				2,492,859.43	
Total				**824,308,429.18**	

11. Investment properties

Item	December 31, 2019	Increase in the current period	Decrease in the current period	December 31, 2020
Investment properties adopting the cost model for follow-up measurement	1,571,155,158.02		1,571,155,158.02	
Investment properties adopting the fair value model for follow-up measurement		4,804,300,100.00		4,804,300,100.00
Less：impairment provisions of investment properties				
Total	**1,571,155,158.02**	**4,804,300,100.00**	**1,571,155,158.02**	**4,804,300,100.00**

11.1 Investment properties with the adoption of cost measurement model

Item	Houses and buildings	Total
I. Original book value		
1.December 31, 2019	1,571,155,158.02	1,571,155,158.02
2. Increased amount in the current year		
①Purchase		
②Transferred from intangible assets or construction in progress		
3. Decreased amount in the current year	1,571,155,158.02	1,571,155,158.02
①Disposal		
②Switched back	1,571,155,158.02	1,571,155,158.02
4. December 31, 2020		
II. Accumulated depreciation and amortization		

Item	Houses and buildings	Total
1.December 31, 2019		
2. Increased amount in the current year		
①Accrual		
②Transferred from intangible assets or construction in progress		
3. Decreased amount in the current year		
①Disposal		
4. December 31, 2020		
III. Provision for impairment		
1. December 31, 2019		
2. Increased amount in the current year		
①Accrual		
3. Decreased amount in the current year		
①Disposal		
4. December 31, 2020		
IV. Book value		
1. Value as at December 31,2020		
2. Value as at December 31,2019	1,571,155,158.02	1,571,155,158.02

11.2 Investment properties adopting the fair value model for follow-up measurement

Item	Houses and buildings	Total
I. December 31, 2019		
II. changes in the year		
Add：Purchased		
Transferred in		
Increased from mergers	4,804,300,100.00	4,804,300,100.00
Less：Disposal		
Other transfer-out		
Changes in fair value		

III. December 31, 2020	4,804,300,100.00	4,804,300,100.00

12. Fixed assets

12.1 Details of fixed assets

Item	Premises and buildings	Machinery and equipment	Transportation equipment	Office and electronic equipment	Total
I. Original book value					
1.December 31, 2019	5,516,367,874.23	247,940,321.00	14,736,623.19	151,881,767.65	5,930,926,586.07
2. Increased amount in the current year	3,200,312,756.73	707,884,966.29	19,225,773.92	127,493,468.12	4,054,916,965.06
①Purchase	1,209,210.65	35,502,674.40	4,840,896.71	6,441,905.05	47,994,686.81
② Transferred from construction in progress	866,097,773.46				866,097,773.46
③Increased from mergers	1,032,784,664.71	672,382,291.89	14,384,877.21	121,051,563.07	1,840,603,396.88
④Turned back from investment properties	1,300,221,107.91				1,300,221,107.91
3. Decreased amount in the current year	14,176,777.31	1,071,748.62	1,657,991.00	1,104,304.43	18,010,821.36
①Disposal or scrap	14,176,777.31	1,071,748.62	1,657,991.00	1,104,304.43	18,010,821.36
②Others					
4.December 31, 2020	8,702,503,853.65	954,753,538.67	32,304,406.11	278,270,931.34	9,967,832,729.77
II. Accumulated depreciation					
1.December 31, 2019	795,100,169.29	47,279,487.51	4,871,955.21	46,830,654.17	894,082,266.18
2. Increased amount in the current year	445,516,695.63	425,723,841.30	11,948,392.94	80,887,103.26	964,076,033.13
①Accrual	185,579,360.98	44,450,487.60	1,971,881.15	34,957,919.76	266,959,649.49
②Increased from mergers	233,114,366.85	381,273,353.70	9,976,511.79	45,929,183.50	670,293,415.84
③Turned back from investment properties	26,822,967.80				26,822,967.80
3. Decreased amount in the current year	1,606,710.84	97,417.68	1,275,117.02	1,059,736.38	4,038,981.92
①Disposal or scrap	1,606,710.84	97,417.68	1,275,117.02	1,059,736.38	4,038,981.92
②Others					
4.December 31, 2020	1,239,010,154.08	472,905,911.13	15,545,231.13	126,658,021.05	1,854,119,317.39
III. Provision for					

Item	Premises and buildings	Machinery and equipment	Transportation equipment	Office and electronic equipment	Total
impairment					
1.December 31, 2019					
2. Increased amount in the current year					
3. Decreased amount in the current year					
4.December 31, 2020					
IV. Book value					
1. Value as at December 31,2020	7,463,493,699.57	481,847,627.54	16,759,174.98	151,612,910.29	8,113,713,412.38
2. Value as at December 31,2019	4,721,267,704.94	200,660,833.49	9,864,667.98	105,051,113.48	5,036,844,319.89

13. Construction in progress

Item	December 31, 2020	December 31, 2019
Construction in progress	3,296,617,608.03	1,561,685,179.22
Project goods and material		25,183,669.49
Total	**3,296,617,608.03**	**1,586,868,848.71**

14. Intangible assets

14.1 Details of intangible assets

Item	Land use right	Software	Exclusive right to use water resources	Total
I. Original book value				
1.December 31, 2019	720,454,856.90		4,026,314,600.00	4,746,769,456.90
2. Increased amount in the current year	573,170,111.95	57,962,594.51		631,132,706.46
①Purchase	65,143,970.65	6,620,794.38		71,764,765.03
②Increased from mergers	195,295,432.89	51,341,800.13		246,637,233.02
③Turned back from investment properties	312,730,708.41			312,730,708.41
3. Decreased amount in the current year	4,460,245.80			4,460,245.80
①Transferred out	4,460,245.80			4,460,245.80
4.December 31, 2020	1,289,164,723.05	57,962,594.51	4,026,314,600.00	5,373,441,917.56

Item	Land use right	Software	Exclusive right to use water resources	Total
II. Accumulated amortization				
1.December 31, 2019	40,089,964.58		731,447,151.97	771,537,116.55
2. Increased amount in the current year	35,891,823.28	19,974,733.53	80,526,291.96	136,392,848.77
①Accrual	1,442,206.46	3,226,188.45	80,526,291.96	85,194,686.87
② Increased from mergers	19,475,926.32	16,748,545.08		36,224,471.40
③Turned back from investment properties	14,973,690.50			14,973,690.50
3. Decreased amount in the current year				
①Transferred out				
4.December 31, 2020	75,981,787.86	19,974,733.53	811,973,443.93	907,929,965.32
III.. Book value				
1. Value as at December 31,2020	1,213,182,935.19	37,987,860.98	3,214,341,156.07	4,465,511,952.24
2. Value as at December 31,2019	680,364,892.32		3,294,867,448.03	3,975,232,340.35

Note: According to Notice of Linyi People's Government on Issues Related to Free Transfer of Andi Reservoir Assets (Linzheng Zi [2010] No. 246) and Transfer Letter of Transferred Assets from the management office of Andi Reservoir, the right of management and earnings on drinking water resource of Mengyin Andi Reservoir from December 15, 2010 to December 14, 2060, which valued at 4,026,314,600.00 yuan, was transferred to the Company free of charge.

15. Goodwill

15.1 Original book value of goodwill

Name of the invested entity or the matter of forming business goodwill	December 31, 2019	Increase in current year	Decrease in current Year	December 31, 2020
		Increased from mergers	Disposal	
Linyi Chengkaijianlu Real Estate Co., Ltd	12,319,620.55			12,319,620.55
Linyi Chengkaishuyue International Hotel Co., Ltd	246,273.94			246,273.94
Total	**12,565,894.49**			**12,565,894.49**

15.2 Impairment provision of goodwill

Nothing.

Note: When conducting the impairment test, the Company predicts the cash flow of each asset group in the next five years based on the expected use arrangement, business planning and profit forecast for each asset group, combined with the historical performance growth and industry development trend, on the assumption that the cash flow level of the fifth year of the forecast period is maintained in the following years. The key data used in cash flows including projected revenues, operating costs and other related expenses is determined by the historical experience of each subsidiary and forecast of industry development. The Company adopts reasonable discount rate as the pre-tax discount rate to calculate the present value of future cash flow. The discount rate adopted has taken into account the cost of debt, the interest rate of long-term national bonds, the expected market return rate and other factors, reflecting the risk of each asset group. According to the pre-tax discount rate of each asset group, the estimated future cash flow of each asset group is discounted to calculate the recoverable amount of the asset group containing goodwill and determine whether it is necessary to make impairment provision for goodwill.

No impairment of goodwill was found in the final test on Linyi Chengkaijianlu Real Estate Co., Ltd and Linyi Chengkaishuyue International Hotel Co., Ltd according to the above methods.

16. Long-term deferred expenses

Item	December 31, 2019	Increase in current year	Amortization amount in current year	Other decrease in current year	December 31, 2020
Decorating Project	2,207,036.49	14,687,433.91	12,262,378.97		4,632,091.43
Rental fees of houses	707,142.82	12,078,058.53	2,342,286.69		10,442,914.66
Leasing fees of lands	2,502,715.77	2,143,571.77	4,114,580.58		531,706.96
Nightscape lighting projects	9,092,363.66	4,915,669.05	4,239,358.50		9,768,674.21
Others	9,803.14	1,404,085.72	567,926.03		845,962.83
Total	**14,519,061.88**	**35,228,818.98**	**23,526,530.77**		**26,221,350.09**

17. Deferred income tax assets and deferred income tax liabilities

17.1 Details of deferred income tax assets

Item	December 31, 2020		December 31, 2019	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for inventories of assets	95,893,088.81	23,779,529.25	2,724,824.83	671,101.78
Advance real estate receipts	95,279,498.87	23,819,874.72		
Total	**191,172,587.68**	**47,599,403.97**	**2,724,824.83**	**671,101.78**

17.2 Details of deferred income tax liabilities

Item	December 31, 2020		December 31, 2019	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities s
Appreciation of assessment	3,076,434,577.76	769,108,644.44		
Total	**3,076,434,577.76**	**769,108,644.44**		

18. Other non-current assets

Item	December 31, 2020	December 31, 2019
Infrastructure of the park	968,185,418.50	1,364,265,560.08
Investment on Linyi Grand Theater Management Co., Ltd	894,416,324.95	894,354,659.77
Others		270,356.46
Total	**1,862,601,743.45**	**2,258,890,576.31**

19. Short-term borrowing

19.1 Classification of short-term borrowings

Item	December 31, 2020	December 31, 2019
Loan in credit	400,000,000.00	100,000,000.00
Loan in assurance	90,450,000.00	160,000,000.00
Loan in mortgage	100,000,000.00	
Loan in pledge	376,400,000.00	
Loan in assurance and mortgage		800,000,000.00
Total	**966,850,000.00**	**1,060,000,000.00**

19.2 Details of loan in credit

Borrowing unit	Term of borrowing	Loan Bank	Loan balance
Linyi City Development Group Co., Ltd	2020/9/30-2021/9/27	Linshang Bank	100,000,000.00
Linyi City Development Group	2020/12/18-2021/12/17	Linshang Bank	100,000,000.00

Borrowing unit	Term of borrowing	Loan Bank	Loan balance
Co., Ltd			
Linyi Xincheng Heating Co., Ltd	2020/1/19-2021/1/19	Linyi Trade City Branch of China Merchants Bank	30,000,000.00
Linyi Water Group Co., Ltd	2020/3/20-2021/3/20	Evergrowing Bank	30,000,000.00
Linyi Water Group Co., Ltd	2020/4/7-2021/4/7	Evergrowing Bank	20,000,000.00
Linyi Water Group Co., Ltd	2020/9/30-2021/9/30	Industrial and Commercial Bank of China	50,000,000.00
Linyi Water Group Co., Ltd	2020/9/3-2021/9/3	Bank of China	50,000,000.00
Linyi Trade City Blue Ocean Hotel Co., Ltd	2020/12/9-2021/12/9	Linyi Branch of Qingdao Bank	10,000,000.00
Shandong Hengde Construction Investment Co., Ltd	2020/12/10-2021/12/10	Linyi Branch of Qingdao Bank	10,000,000.00
Total			**400,000,000.00**

19.3 Details of loan in assurance

Borrowing unit	Term of borrowing	Loan Bank	Loan balance	Guarantor
Linyi Water Group Co., Ltd	2020/4/8-2021/4/7	Jining Bank	29,450,000.00	
Linyi Zongbao International Trade Investment and Development Co., Ltd	2020/1/17-2021/1/15	Shandong Linyi Lanshan Rural Commercial Bank	10,000,000.00	Linyi Trade City Holding Group Co., Ltd
Linyi Zongbao International Trade Investment and Development Co., Ltd	2020/4/10-2021/4/9	Shandong Linyi Lanshan Rural Commercial Bank	15,000,000.00	Linyi Trade City Holding Group Co., Ltd
Linyi Trade City Blue Ocean Hotel Co., Ltd	2020/11/25-2021/11/18	Linyi Branch of China Merchants Bank	7,000,000.00	Linyi Trade City Holding Group Co., Ltd
Linyi Trade City Holding Group Co., Ltd	2020/10/21-2021/10/18	Linyi Branch of Evergrowing Bank	20,000,000.00	Linyi City Development Group Co., Ltd
China Linyi Global Trade Center Co., Ltd	2020/11/4-2021/5/3	Linyi Branch of Qishang Bank	5,000,000.00	Linyi Trade City Holding Group Co., Ltd
China Linyi Global Trade Center Co., Ltd	2020/12/16-2021/6/15	Linyi Branch of Qishang Bank	4,000,000.00	Linyi Trade City Holding Group Co., Ltd
Total			**90,450,000.00**	

19.4 Details of loan in mortgage

Borrowing unit	Term of borrowing	Loan Bank	Loan balance	Mortgage
Linyi City Development Group Co., Ltd	2020/1/20-2021/1/19	Linyi Branch of China Merchants Bank	100,000,000.00	Land use rights
Total			**100,000,000.00**	

19.5 Details of loan in pledge

Borrowing unit	Term of borrowing	Loan Bank	Loan balance	Pledge
Linyi City Development Group Co., Ltd	2020/8/31-2021/8/31	Qingdao Bank	288,400,000.00	Certificate of deposit
Linyi Trade City Holding Group Co., Ltd	2020/7/21-2021/7/19	Kaiyuan Branch of Linshang Bank	50,000,000.00	Certificate of deposit
Linyi Trade City Holding Group Co., Ltd	2020/8/19-2021/8/19	Kaiyuan Branch of Linshang Bank	38,000,000.00	Certificate of deposit
Total			**376,400,000.00**	

20. Notes payable

Item	December 31, 2020	December 31, 2019
Bank acceptance bills	270,268,528.60	
Total	**270,268,528.60**	

21. Accounts payable

21.1 Accounts payable listed by category

Item	December 31, 2020	December 31, 2019
Engineering accounts payable	469,630,208.71	215,362,904.27
Trade accounts payable	101,484,811.20	248,300,915.68
Service accounts payable	3,123,089.82	27,657,475.49
Others	8,860,228.03	177,903.84
Total	**583,098,337.76**	**491,499,199.28**

21.2 Accounts payable listed by aging

Aging	December 31, 2020		December 31, 2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	361,870,937.55	62.06	407,682,540.36	82.95
1-2 years	157,525,703.56	27.01	37,399,226.33	7.61
2-3 years	17,700,672.71	3.04	8,973,778.09	1.83
Above 3 years	46,001,023.94	7.89	37,443,654.50	7.61
Total	**583,098,337.76**	**100.00**	**491,499,199.28**	**100.00**

21.3 Significant accounts payable above 1 year

Entity name	Relationship with	December 31,	Proportion of

	Relationship with the Company	December 31, 2020	Proportion of accounts payable（%）
Shandong Maosheng Anticorrosive Thermal Insulation Engineering Co., Ltd	Non-related party	23,909,680.85	4.10
Shandong Blue Ocean Hotel Management Co., Ltd	Non-related party	18,982,173.54	3.26
China Investment (Tianjin) Smart Pipe Co., Ltd	Non-related party	18,777,584.52	3.22
Linyi Ruilian Pipe Industry Co., Ltd	Non-related party	16,360,533.81	2.81
Shandong Linyi Water Conservancy Engineering Company	Non-related party	14,395,028.63	2.47
Beijing Urban Construction and Zhongnan Group of Civil Engineering Co., Ltd	Non-related party	10,728,277.12	1.84
Total		**103,153,278.47**	**17.70**

21.4 The top five accounts payable

Entity name	Relationship with the Company	December 31, 2020	Proportion of accounts payable（%）
Shandong Tianyuan Installation Engineering Co., Ltd	Non-related party	73,869,747.39	12.67
Shandong Maosheng Anticorrosive Thermal Insulation Engineering Co., Ltd	Non-related party	23,909,680.85	4.10
Shandong Blue Ocean Hotel Management Co., Ltd	Non-related party	18,982,173.54	3.26
China Investment (Tianjin) Smart Pipe Co., Ltd	Non-related party	18,777,584.52	3.22
Linyi Ruilian Pipe Industry Co., Ltd	Non-related party	16,360,533.81	2.81
Total		**151,899,720.11**	**26.06**

22. Accounts received in advance

22.1 Accounts received in advance listed by category

Category	December 31, 2020	December 31, 2019
Payments for house sales received in advance	3,738,864,861.68	2,440,758,520.73
Payments for heating received in advance	279,826,381.55	
Payments for engineering received in advance	163,857,076.32	419,998,596.98
Payments for goods sales received in advance	20,129,241.77	
Others received in advance	10,140,812.22	431,130.10
Total	**4,212,818,373.54**	**2,861,188,247.81**

22.2 Accounts received in advance listed by aging

Aging	December 31, 2020		December 31, 2019	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	2,386,893,007.92	56.66	1,781,869,320.16	62.28
1-2 years	1,608,110,619.23	38.17	1,037,661,833.79	36.27
2-3 years	217,814,746.39	5.17	40,973,090.84	1.43
Above 3 years			684,003.02	0.02
Total	**4,212,818,373.54**	**100.00**	**2,861,188,247.81**	**100.00**

22.3 Significant accounts received in advance above 1 year

Nothing.

22.4 Significant accounts received in advance

Item	Relationship with the Company	December 31, 2020	Aging	Proportion of accounts payable（%）
Payments for house sales received in advance	Non-related party	3,738,864,861.68	Within 1 year, 1-2 years, 2-3 years	88.75
Payments for heating received in advance	Non-related party	279,826,381.55	Within 1 year, 1-2 years	6.64
Total		**4,018,691,243.23**		**95.39**

23. Employee compensation payable

23.1 Classification of employee compensation payable

Item	December 31, 2019	Increase in Current Year	Decrease in Current Year	December 31, 2020
I.Short-term remuneration	12,984,369.20	490,947,273.90	420,151,971.47	83,779,671.63
II.Post-employment benefits-Defined contribution plans	286,839.35	5,958,294.97	5,784,760.23	460,374.09
Total	**13,271,208.55**	**496,905,568.87**	**425,936,731.70**	**84,240,045.72**

23.2 Short-term remuneration

Item	December 31, 2019	Increase in Current Year	Decrease in Current Year	December 31, 2020
1. Salary, bonus, allowance and subsidy	11,060,718.67	378,714,003.46	333,015,591.02	56,759,131.11
2. Employee welfare expenses	2,280.00	12,131,355.97	11,962,676.05	170,959.92
3. Social insurance premiums	93.26	27,492,514.70	20,716,678.27	6,775,929.69
Including: Medical insurance premiums	93.26	23,945,093.45	18,043,558.49	5,901,628.22
Work-related injury insurance premiums		1,330,282.97	1,002,419.92	327,863.05

Item	December 31, 2019	Increase in Current Year	Decrease in Current Year	December 31, 2020
Maternity insurance premiums		2,217,138.28	1,670,699.86	546,438.42
4. Housing fund		10,806,886.88	10,768,048.04	38,838.84
5. Labor union expenditure and employee education fund	1,921,277.27	6,343,835.91	3,025,061.38	5,240,051.80
Total	**12,984,369.20**	**435,488,596.92**	**379,488,054.76**	**68,984,911.36**

23.3 Defined contribution plan

Item	December 31, 2019	Increase in Current Year	Decrease in Current Year	December 31, 2020
1.Basic endowment insurance	373.04	55,871,884.72	42,101,636.48	13,770,621.28
2.Unemployment insurance premium	13.99	5,321,131.88	4,009,679.67	1,311,466.20
3.Enterprise annuity payment	286,452.32	1,045,325.29	1,158,730.73	173,046.88
Total	**286,839.35**	**62,238,341.89**	**47,270,046.88**	**15,255,134.36**

24. Tax payable

Item	December 31, 2020	December 31, 2019
Property tax	132,507,076.59	126,064,382.77
Value-added tax (VAT)		180,824,520.72
Deed tax		65,536,447.92
Land use tax	68,621,390.29	60,355,044.54
Land appreciation tax	1,603,960.04	
Urban maintenance and construction tax	14,275,861.60	14,580,375.55
Educational surcharges	9,473,149.32	10,646,759.70
Stamp duty	9,649,232.76	10,087,144.97
Corporate income tax	1,390,497.92	6,028,322.02
Water resources tax		2,147,919.72
Water conservancy fund	1,281,218.89	1,522,646.97
Individual income tax	10,588,963.51	163,874.01
Others		1,385,036.86
Total	**249,391,350.92**	**479,342,475.75**

25. Other payables

Item	December 31, 2020	December 31, 2019
Interest payable		25,626,957.27
Other payables	3,041,656,810.66	3,077,359,277.37
Total	**3,041,656,810.66**	**3,102,986,234.64**

25.1 Interest payable

Item	December 31, 2020	December 31, 2019
Interest payable of long-term borrowings with periodic interest paid and principal paid at maturity		1,570,403.85
Interest payable on corporate bonds		23,793,698.63
Interest payable on short-term borrowings		262,854.79
Total		**25,626,957.27**

25.2 Other payables

25.2.1 Other payables listed by nature

Item	December 31, 2020	December 31, 2019
Borrowing	2,270,539,217.66	2,061,724,256.01
Security deposit	184,933,018.38	110,259,250.84
Related party transactions		58,721,600.00
Jointly-operating investment		351,497,535.04
Asset acquisition payment	571,949,665.66	214,834,103.29
Others	14,234,908.96	280,322,532.19
Total	**3,041,656,810.66**	**3,077,359,277.37**

25.2.2 The top five other payables at the end of reporting period

Entity name	Relationship with the Company	December 31, 2020	Nature	Proportion in other payables（%）
Linyi Century Fuyuan Real Estate Co., Ltd	Non-related party	232,345,828.25	Current account	7.64
Linyi Ruixing Market Development Co., Ltd	Non-related party	229,478,624.00	Purchase account	7.54
Linyi New Growth Drivers Fund Investment Co., Ltd	Non-related party	200,000,000.00	Current account	6.58
Yishui County Off-budget Fund Management Center	Non-related party	160,000,000.00	Current account	5.26
Shandong Huayuan Enterprise Group General Company	Non-related party	142,049,247.47	Purchase account	4.67
Total		**963,873,699.72**		**31.69**

26. Non-current liabilities due within one year

Item	December 31, 2020	December 31, 2019
Long-term loans due within one year (V.27)	1,288,700,000.00	134,500,000.00
Bonds payable due within one year (V.28)	240,000,000.00	1,140,000,000.00
Long-term payables due within	170,196,841.69	97,547,812.66

Item	December 31, 2020	December 31, 2019
one year (V.29)		
Interest accrued on long-term loans	9,926,802.06	
Interest accrued on bonds payable	216,168,452.20	
Total	**1,924,992,095.95**	**1,372,047,812.66**

27. Long-term loans

27.1 Classifications of long-term loans

Item	December 31, 2020	December 31, 2019
Guaranteed loans	1,767,000,000.00	780,000,000.00
Mortgage loans	1,065,000,000.00	391,000,000.00
Guarantee + mortgage loans	1,529,542,422.07	220,000,000.00
Guarantee + pledge loans	211,500,000.00	
Mortgage + pledge loans	95,000,000.00	
Guarantee + mortgage+ pledge loans	600,000,000.00	
Less：Long-term loans due within one year	1,288,700,000.00	134,500,000.00
Total	**3,979,342,422.07**	**1,256,500,000.00**

27.2 Details of long-term loans

Debtor	Loan period	Creditor	Loan balance	Guarantor& mortgage & pledge
Linyi Water Group Co., Ltd	2020/6/15-2045/6/14	Shandong Branch of China Development Bank	187,000,000.00	Linyi City Development Group Co., Ltd as guarantor
Linyi Zongbao International Trade Investment and Development Co., Ltd	2018/3/29-2023/3/29	Changan International Trust Co., Ltd	540,000,000.00	Linyi City Development Group Co., Ltd as guarantor
Linyi Zongbao International Trade Investment and Development Co., Ltd	2017/11/28-2022/11/28	Bocom International Trust Co., Ltd	140,000,000.00	Linyi City Development Group Co., Ltd as guarantor
Linyi Trade City Holding Group Co., Ltd	2017/6/21-2022/6/20	Western Trust Co., Ltd	400,000,000.00	Linyi City Development Group Co., Ltd as guarantor
Linyi Trade City Holding Group Co., Ltd	2020/12/2-2023/12/1	Linyi Branch of China Minsheng Bank	200,000,000.00	Linyi City Development Group Co., Ltd as guarantor
Linyi Trade City Holding Group Co., Ltd	2020/12/25-2022/12/25	CCB Trust Co., Ltd	300,000,000.00	Linyi City Development Group Co., Ltd as guarantor
Linyi City Development Group Co., Ltd	2019/12/11-2021/11/21	Linyi Branch of Jining Bank	750,000,000.00	Land use rights as mortgage

Debtor	Loan period	Creditor	Loan balance	Guarantor& mortgage & pledge
Linyi Trade City Holding Group Co., Ltd	2017/6/19-2022/6/18	Kaiyuan Branch of Linshang Bank	315,000,000.00	Land use rights as mortgage
Linyi Water Group Urban Water Supply Co., Ltd	2020/9/28-2050/9/9	Economic and Technological Development Zone Brunch of Bank of China	66,542,422.07	Linyi City Development Group Co., Ltd as guarantor and land use rights as mortgage
Linyi City Development Education and Culture Industry Group Co., Ltd	2020/5/29-2034/5/29	Linyi Branch of Weihai Commercial Bank	1,000,000,000.00	Linyi City Development Group Co., Ltd as guarantor and land use rights as mortgage
Shandong Yuquan Rural Agricultural Development Group Co., Ltd	2020/6/12-2032/6/5	Linyi Branch of Agricultural Bank of China	250,000,000.00	Linyi City Development Group Co., Ltd as guarantor and land use rights as mortgage
Linyi Chengkaihongye High Tech Industrial Park Management and Development Co., Ltd	2020/5/25-2029/12/20	Linyi Branch of Weifang Bank	213,000,000.00	Linyi City Development Group Co., Ltd as guarantor and land use rights as mortgage
Linyi City Development Group Co., Ltd	2018/4/28-2033/4/27	Pingyi County Branch of Agricultural Development Bank of China	211,500,000.00	Linyi Xingmeng Tourism Development Group Co., Ltd as guarantor and accounts receivable as pledge
Linyi City Development Group Co., Ltd	2014/12/26-2024/12/26	Shandong Branch of China Development Bank	95,000,000.00	Accounts receivable as pledge and land use rights as mortgage
Linyi City Development Group Co., Ltd	2020/9/14-2025/9/14	Qingdao bank	600,000,000.00	Mortgage from Linyi Trade City Holding Group Co., Ltd, stock equity of Shandong Sanwei Holding Group Co., Ltd as pledge and land use rights as mortgage
Total			**5,268,042,422.07**	

28. Bonds payable

Bonds name	Duration	Issuing date	The total par value	December 31, 2020
Bonds of Linyi City Assets Management and Development Co., Ltdin 2016	7 years	2016/11/22	1,200,000,000.00	717,292,312.87

Non-public Corporate Bonds (Zhongtianguofu 20 Linfa 01)	3 years	2020/4/30	1,900,000,000.00	1,893,740,341.80
Non-public Company Bonds (Zhongtianguofu 20 Linfa 02)	5 years	2020/4/30	600,000,000.00	596,324,631.69
20 Linyi City PPN001	5 years	2020/5/28	1,800,000,000.00	1,791,022,796.58
The First Phase of Debt Financing Plan in 2020	5 years	2020/9/9	200,000,000.00	199,468,990.88
The Second Phase of Debt Financing Plan in 2020	5 years	2020/11/9	230,000,000.00	229,083,469.38
Non-public Company Bonds 19 Trade City 01	3 years	2019/7/26	650,000,000.00	647,271,285.00
Non-public Company Bonds 20 Trade City 01	3 years	2020/6/5	350,000,000.00	347,736,739.32
Land Reserve Special Bonds	3 years	2019/7/2	200,000,000.00	200,000,000.00
Less: bonds payable due within1 year				240,000,000.00
Total			**7,130,000,000.00**	**6,381,940,567.52**

（Continued）

Bonds name	Duration	Issuing date	The total par value	December 31, 2019
Bonds of Linyi City Assets Management and Development Co., Ltd in 2016	7 years	2016/11/22	1,200,000,000.00	960,000,000.00
Corporate bonds in 2017	3 years		900,000,000.00	900,000,000.00
Less: bonds payable due within1 year				1,140,000,000.00
Total			**2,100,000,000.00**	**720,000,000.00**

29. Long-term payables

Item	December 31, 2020	December 31, 2019
Accrued financial lease outlay	1,873,897,717.44	383,672,526.67
Long-term loans payable		177,000,000.00
Less: Long-term payables due within one year (V.24)	170,196,841.69	97,547,812.66
Total	**1,703,700,875.75**	**463,124,714.01**

30. Estimated liabilities

Item	December 31, 2020	December 31, 2019
Excess losses of the investee		1,378,102.77

Total		**1,378,102.77**

31. Deferred income

31.1 Details of deferred income

Item	December 31, 2019	Increase in current year	Decrease in current year	December 31, 2020
Heating pipe network construction supporting fees	139,438,504.14	50,405,556.52		189,844,060.66
Cultural industry development fund	950,000.00			950,000.00
North City phase I fire hydrant construction project	1,230,000.00			1,230,000.00
Linyi applied science city construction project	40,000,000.00			40,000,000.00
Special funds for the construction of comprehensive bonded areas	70,000,000.00			70,000,000.00
Special funds for the comprehensive harbor public rental housing project	4,630,000.00			4,630,000.00
Special funds for the work safety examination center project	97,658.80			97,658.80
Compensation for removal of unit 5.6 of intake hydropower station of Linyi City phase I water diversion postponed project	2,065,600.00			2,065,600.00
Tech incubator mass innovation space		500,000.00		500,000.00
Demonstration complex for entrepreneurship and innovation		20,000,000.00		20,000,000.00
Total	**258,411,762.94**	**70,905,556.52**		**329,317,319.46**

32. Paid-up capital

Name of investors	December 31, 2019	Increase in current year	Decrease in current year	December 31, 2020	Proportion of shareholding
The State-owned Assets Supervision and Administration Commission of Linyi People's Government.	1,500,000,000.00	500,000,000.00		2,000,000,000.00	100.00
Total	**1,500,000,000.00**	**500,000,000.00**		**2,000,000,000.00**	**100.00**

33. Capital reserve

Item	December 31, 2019	Increase in current year	Decrease in current year	December 31, 2020
Other capital reserves	10,841,544,312.13	1,929,287,440.91		12,770,831,753.04
Total	**10,841,544,312.13**	**1,929,287,440.91**		**12,770,831,753.04**

34. Surplus reserve

Item	December 31, 2019	Increase in current year	Decrease in current year	December 31, 2020
Statutory surplus reserves	179,087,680.11	25,536,266.08		204,623,946.19
Total	**179,087,680.11**	**25,536,266.08**		**204,623,946.19**

35. Undistributed profits

Item	December 31, 2020	December 31, 2019
Ending balance of previous period before adjustment	2,302,646,950.19	2,188,526,358.33
Total amount of adjustment on undistributed profit at the beginning of the period		
Undistributed profit at the beginning of the period after adjustment	2,302,646,950.19	2,188,526,358.33
Add: net profits attributable to the parent company's shareholders in the current period	173,992,452.03	144,064,125.07
Add: net other comprehensive income after tax attributable to the parent company's shareholders in the current period		
Less：Accrual of statutory surplus reserves	25,536,266.08	18,024,300.29
Accrual of generic risk reserves		
Common stock dividends payable		
Distribution to owners or shareholders	7,012,907.28	
Others	339,267.97	11,919,232.92
Ending balance of current period	2,443,750,960.89	2,302,646,950.19

36. Operating revenue and operating costs

Item	2020		2019	
	Revenue	Cost	Revenue	Cost
Main business	3,501,277,635.96	3,152,652,355.83	1,248,010,166.66	1,035,175,647.65
Other business	121,589,224.15	98,291,516.55	21,956,574.38	16,855,261.81
Total	**3,622,866,860.11**	**3,250,943,872.38**	**1,269,966,741.04**	**1,052,030,909.46**

37. Taxes and surcharges

Item	2020	2019
Urban maintenance and construction tax	3,041,479.33	2,877,191.05

Item	2020	2019
Educational surcharges	2,530,613.28	2,921,783.77
Land appreciation tax	29,244,872.25	17,140,781.41
Property tax	21,452,085.83	19,658,361.38
Land use tax	10,237,521.78	12,248,117.63
Vehicle and vessel use tax	25,521.58	18,660.72
Stamp duty	2,695,980.57	1,483,798.15
Water conservancy fund	247,878.01	313,079.62
Resource tax	6,619,829.90	4,103,737.26
Environmental protection tax	70,986.50	
Others	372,492.23	11,400.00
Total	**76,539,261.26**	**60,776,910.99**

38. Selling expenses

Item	2020	2019
Marketing planning fee	19,734,433.44	22,239,354.35
Repair charge	10,172,696.28	7,328,134.23
Depreciation and amortization expense	8,913,349.40	11,638,648.25
Property management fee	3,349,654.74	
Wage and salary	16,765,092.86	8,380,972.76
Advertising expense	2,184,750.98	3,108,156.69
Labor protection fee	575,411.55	
Office expense	5,574,558.59	2,642,927.40
Travel and entertainment expense	668,672.70	
Freight charges	5,869,838.50	
Brand use charge		1,320,747.83
Others	1,151,730.65	2,076,095.48
Total	**74,960,189.69**	**58,735,036.99**

39. Administrative expenses

Item	2020	2019
Employee compensation	133,442,507.49	58,894,884.55
Depreciation and amortization expense	233,926,729.10	139,619,149.38
Royalty expense of GOP		3,753,790.10
Service charge	17,796,721.34	3,637,769.87

Item	2020	2019
Office expense	33,639,575.23	3,072,538.81
Vehicle cost	1,767,008.23	
Low priced and easily worn articles	2,449,401.30	
Unamortized expense	5,346,396.51	2,273,090.88
Intermediary service fee		2,684,837.29
Travel and entertainment expense	2,010,197.31	1,119,964.80
Rental expense	3,488,211.12	
Others	3,267,912.80	11,649,811.11
Total	**437,134,660.43**	**226,705,836.79**

40. Financial expenses

Item	2020	2019
Interest expenditure	224,658,827.08	148,658,305.55
Less: Interest income	75,977,987.31	151,251,915.50
Exchange losses		
Less: Exchange earnings	-22,927.33	
Commission expense	6,692,059.79	5,475,373.27
Others	645,947.75	49,454.18
Total	**156,041,774.64**	**2,931,217.50**

41. Other income

Item	2020	2019
Water supply network matching equipment fees amortization	6,650,843.27	9,131,097.50
Investment and operation subsidy on standard factory of the Management Committee of Bonded Area		8,154,300.00
Heat supply network matching equipment fees amortization		1,681,894.17
Additional VAT deductions	599,005.52	477,689.09
Government subsidy	539,288,068.68	
Others	166,338.75	19,086.85
Total	**546,704,256.22**	**19,464,067.61**

42. Investment income

Item	2020	2019
Investment income of long-term equity accounted by equity method	6,963,621.90	10,686,241.16
Investment income of investment in subsidiaries	118,271.32	
Dividend income of other equity instrument investment during holding period	5,124,003.41	
Investment income of available-for-sale financial assets during the holding period		147,000.00
Investment income of redemption of financial products	2,244,660.99	5,508,535.15
Profits and losses of joint ventures undertaken by the parties of joint ventures		2,502,464.96
Others	2,142,502.77	
Total	**16,593,060.39**	**18,844,241.27**

43. Assets impairment losses

Item	2020	2019
Provision for bad debts	32,989,426.57	7,616,209.67
Total	**32,989,426.57**	**7,616,209.67**

44. Gain on disposal of assets

Item	2020	2019
Gain or loss on disposal of non-current assets		68,860.35
Total		**68,860.35**

45. Non-operating income

Item	2020	2019
Government subsidies unrelated to daily business activities		254,864,024.12
Gains on destruction or scrap of non-current assets	16,578.00	14,370.00
Penalty income	679,113.00	
Others	770,346.24	748,000.65
Total	**1,466,037.24**	**255,626,394.77**

46. Non-operating expenditure

Item	2020	2019
Losses on destruction or scrap of non-current assets	173,369.89	-
Expenditure on external donations	1,744,083.51	16,364,517.48
Penalty expenditure	1,241,473.20	101,590.87

Item	2020	2019
Compensation for property damage		377,360.13
Anti-poverty expenditure		
Others	557,448.97	162,969.11
Total	**3,716,375.57**	**17,006,437.59**

47. Income tax expenses

47.1 Details of income tax expenses

Item	2020	2019
Current year income tax expense	11,306,279.67	10,134,525.76
Deferred income tax expense	-22,502,732.33	209,314.52
Total	**-11,196,452.66**	**10,343,840.28**

48. Consolidated cash flow statement items

48.1 Other cash received in relation to operating activities

Item	2020	2019
Government grants income and interest income, etc.	615,266,055.99	414,270,239.62
Current account	1,142,600,590.10	870,769,598.45
Total	**1,757,866,646.09**	**1,285,039,838.07**

48.2 Other cash paid in relation to operating activities

Item	2020	2019
Selling expenses, administrative expenses, non-operating expenses, etc.	122,590,176.95	83,913,656.43
Current account	1,583,831,062.62	1,282,340,861.15
Total	**1,706,421,239.57**	**1,366,254,517.58**

48.3 Other cash received in relation to investing activities

Item	2020	2019
Acquisition of shares of subsidiaries	899,109,787.70	
Total	**899,109,787.70**	

48.4 Other cash received in relation to financing activities

Item	2020	2019
Special local government bonds	1,300,000,000.00	
Fund for the conversion of old and new drivers	173,000,000.00	
Temporary loans		2,172,000,000.00
Total	**1,473,000,000.00**	**2,172,000,000.00**

48.5 Other cash paid in relation to financing activities

Item	2020	2019
Financing lease fund	87,669,791.83	
Temporary loans		397,000,322.00
Others		22,600,000.00
Total	**87,669,791.83**	**419,600,322.00**

49. Supplementary information of consolidated cash flow statement

49.1 Supplementary information of consolidated cash flow statement

Supplementary information	2020	2019
1. Reconciliation of net profit to cash flows from operation activities:		
Net Profit	166,501,106.08	127,823,905.77
Add：Provision for impairment of assets	32,989,426.57	7,616,209.67
Depreciation of fixed assets, depreciation of investment properties and depreciation of productive biological assets	266,959,649.49	192,508,588.31
Amortization of intangible assets	85,194,686.87	92,078,080.11
Amortization of long-term deferred expenses	23,526,530.77	2,959,252.54
Losses from disposal of fixed assets, intangible assets and other long-term assets		-68,860.35
Loss from scrapped fixed assets	156,791.89	
Losses from changes in fair value		
Financial expenses	224,658,827.08	148,658,305.55
Investment losses(gains to be listed with "-")	-16,593,060.39	-18,844,241.27
Decreases of deferred income tax assets	-46,928,302.19	209,314.52
Increases of deferred income tax liabilities		
Decreases of inventory	-5,549,229,805.01	-1,221,732,675.37
Decreases of operating receivables	1,116,841,942.25	5,147,895,642.57
Increases of operating payables	-353,682,215.18	-3,964,450,577.81
Others		
Net cash flows from operating activities	-4,049,604,421.77	514,652,944.24
2. Significant investing and financing activities not related to cash receipts and payments:		
3. Net changes in cash and cash equivalents:		
Ending balance of cash	2,929,355,928.24	1,256,976,574.52
Less: Beginning Balance of cash	1,256,976,574.52	1,434,741,060.50
Add: Ending balance of cash equivalents		

Supplementary information	2020	2019
Less: Beginning balance of cash equivalents		
Net increase in cash and cash equivalents	1,672,379,353.72	-177,764,485.98

49.2 Related information of cash and cash equivalents

Item	2020	2019
I. Cash		
Including: cash in hand	1,278,817.29	167,409.76
Bank deposit available for payments at any time	2,926,866,901.20	1,255,906,754.20
Other monetary funds available for payments at any time	1,210,209.75	902,410.56
II. Cash equivalents		
III. Balance of cash and cash equivalents at the end of the year	2,929,355,928.24	1,256,976,574.52

50. Assets with restricted owning right or use right

Item	December 31, 2020	Reason for restrict
Monetary funds	620,219,342.84	As security deposit or bank deposit slips
Fixed assets	2,059,532,806.40	Pledged for loans
Intangible assets	1,496,278,389.00	Pledged for loans
Total	**4,176,030,538.24**	

VI. Changes in consolidation scope

1. Merger under different controls

1.1 subsidiaries added sin 2020

Name of the acquiree	Equity acquiring date	Equity acquiring cost	Proportion of equity acquired	Equity acquiring method	Purchase date	Basis of determination on purchase date	Income of the acquiree from purchase date to the end of the period	Net profits of the acquiree from purchase date to the end of the period
Shandong Sanwei Holding Group Co., Ltd	2020/3/31	1,181,257,503.25	100.00	Purchase	2020/3/31	Acquisition of control	450,798,489.92	21,425,876.61
Linyi Trade City Holding Group Co., Ltd	2020/12/31	1,921,449,483.65	100.00	Free transfer	2020/12/31	Acquisition of control	0.00	0.00
Shandong Think Tank Education	2020/6/31	1,800,000.00	100.00	Purchase	2020/6/31	Acquisition of	160,703,706.41	-666,305.57

Name of the acquiree	Equity acquiring date	Equity acquiring cost	Proportion of equity acquired	Equity acquiring method	Purchase date	Basis of determination on purchase date	Income of the acquiree from purchase date to the end of the period	Net profits of the acquiree from purchase date to the end of the period
Development Co., Ltd						control		

1.2 Cost of merger and goodwill

Cost of merger	Shandong Sanwei Holding Group Co., Ltd	Linyi Trade City Holding Group Co., Ltd	Shandong Think Tank Education Development Co., Ltd
Cash	1,181,257,503.25		1,800,000.00
Fair value of non-cash assets			
Fair value of debt issued or assumed			
Fair value of equity securities issued			
Fair value of the contingent consideration			
Fair value of the equity which held prior to the purchase date on the purchase date			
Others			
Total	1,181,257,503.25	0.00	1,800,000.00
Less: share of fair value of identifiable net assets acquired	1,116,654,267.71	1,921,449,483.65	1,800,000.00
Amount of goodwill or merger cost less than share of fair value of identifiable net assets acquired	64,603,235.54	-1,921,449,483.65	0.00

Note 1: Shandong Sanwei Holding Group Co., Ltd belongs to bankruptcy reorganization. The Company's acquisition of the bankrupt enterprise is a non-market behavior without recognized goodwill and the capital reserve of the Company is not written down.

Note 2: According to the provisions of Notice on Adjusting the Management System of The Management Committee of Linyi Trade City issued by the Municipal Party Committee Office and Municipal Government Office on March 10, 2020, the state-owned equity of Linyi Trade City Holding Group Co., Ltd is assigned to Linyi City Development Group Co., Ltd And Linyi City Development Group Co., Ltd obtains the control right of Linyi City Holding Group Co., Ltd free of charge, in which the merger cost is zero and the amount of merger cost less than share of fair value of identifiable net assets acquired is included in the capital reserve.

1.3 Identifiable assets and liabilities of the acquiree on the purchase date

Item	Shandong Sanwei Holding Group Co., Ltd	
	Fair value on the purchase date	Book value on the purchase date
Assets:	1,253,537,994.27	1,030,950,391.12

Item	Shandong Sanwei Holding Group Co., Ltd	
	Fair value on the purchase date	Book value on the purchase date
Monetary funds	39,042,783.80	39,042,783.80
Accounts receivable	83,666,205.18	83,666,205.18
Inventories	63,087,431.05	63,087,431.05
Fixed assets	677,850,785.40	503,619,576.30
Intangible assets	137,540,798.85	89,184,404.80
Long-term deferred expenses	41,249.35	41,249.35
Liabilities:	136,883,726.56	136,883,726.56
Loans		
Accounts payable	121,624,291.98	121,624,291.98
Deferred income tax liabilities		
Net assets	1,116,654,267.71	894,066,664.56
Less: Minority shareholders' interests		
Net assets	1,116,654,267.71	894,066,664.56

（Continued）

Item	Linyi Trade City Holding Group Co., Ltd	
	Fair value on the purchase date	Book value on the purchase date
Assets:	9,681,704,627.87	9,681,704,627.87
Monetary funds	1,032,599,265.20	1,032,599,265.20
Accounts receivable	1,065,792,157.51	1,065,792,157.51
Inventories	1,828,473,006.89	1,828,473,006.89
Fixed assets	508,253,656.76	508,253,656.76
Intangible assets	162,806,808.56	162,806,808.56
Long-term deferred expenses	3,849,805.00	3,849,805.00
Liabilities:	5,253,869,801.41	5,253,869,801.41
Loans	2,723,830,260.23	2,723,830,260.23
Accounts payable	1,500,833,880.85	1,500,833,880.85
Deferred income tax liabilities	769,108,644.44	769,108,644.44
Net assets	4,427,834,826.46	4,427,834,826.46
Less: Minority shareholders' interests	2,006,385,342.81	2,006,385,342.81
Net assets	2,421,449,483.65	2,421,449,483.65

（Continued）

Item	Shandong Think Tank Education Development Co., Ltd	
	Fair value on the purchase date	Book value on the purchase date
Assets:	27,701,302.94	27,701,302.94

Item	Shandong Think Tank Education Development Co., Ltd	
	Fair value on the purchase date	Book value on the purchase date
Monetary funds	15,125,064.90	15,125,064.90
Accounts receivable	12,135,153.47	12,135,153.47
Inventories		
Fixed assets	210,216.53	210,216.53
Intangible assets		
Long-term deferred expenses	230,868.04	230,868.04
Liabilities:	24,701,302.94	24,701,302.94
Loans		
Accounts payable	2,710,000.00	2,710,000.00
Deferred income tax liabilities		
Net assets	3,000,000.00	3,000,000.00
Less: Minority shareholders' interests		
Net assets	3,000,000.00	3,000,000.00

2. Merger under the same control

Nothing.

3. Changes in consolidation scope for other reasons

3.1 Subsidiaries added in 2020

Entity name	Proportion of voting rights (%)	Proportion of shareholding (%)	Net assets as at December 31, 2020	Net profits as at December 31, 2020
Linyi City Development Xiangyuwenlvkangyang Industry Development Co., Ltd	51.00	51.00	9,998,083.33	-1,916.67
Linyi City Development Qingyi New Material Technology Co., Ltd	66.00	66.00	0.00	0.00

3.2 Subsidiaries added in 2019

Entity name	Proportion of voting rights (%)	Proportion of shareholding (%)	Net assets as at December 31, 2020	Net profits as at December 31, 2020
Linyi City Development Wisdom Industry Investment and Operation Co., Ltd	100.00	100.00	8,053,059.66	-1,946,940.34
Linyi City Development Lepo Parking Operation Management Co., Ltd	51.00	51.00	192,125.70	-47,874.30
Linyi Talent Working Group Co., Ltd	100.00	100.00	1,372,218.90	-627,781.10
Linyi City Development	100.00	100.00	49,900,558.65	-99,441.35

Entity name	Proportion of voting rights (%)	Proportion of shareholding (%)	Net assets as at December 31, 2020	Net profits as at December 31, 2020
Education and Culture Industry Group Co., Ltd				
Linyi Chengkaijianlu Real Estate Co., Ltd	60.00	60.00	40,324.32	-39,959,675.68
Linyi Chengkaishuyue International Hotel Co., Ltd	60.00	60.00	9,589,543.44	-410,456.56
Shandong Tiandiyuan Hot Spring Co., Ltd	60.00	60.00	-7,200.53	-7,200.53
Linyi City Development Yicheng Real Estate Co., Ltd	51.00	51.00	29,999,417.89	-582.11
Linyi City Development Luomei Real Estate Co., Ltd	51.00	51.00	1,946,026.49	-53,973.51
Linyi City Development International Tourism Industry Group Co., Ltd	100.00	100.00	0.00	0.00
Shandong Chengshan Water Conservancy Engineering Co., Ltd	100.00	100.00	7,852,516.07	3,949,968.84

3.3 Subsidiaries reduced in 2020

Entity name	Proportion of voting rights (%)	Proportion of shareholding (%)	Reducing date	Reason for reduction
Linyi Yicheng Sojourn Real Estate Development Co., Ltd	100.00	100.00	June, 2020	Company cancellation
Linyi Mengshan Tourist Resort Chengrui Sojourn Development Co., Ltd	51.00	51.00	October, 2020	Company cancellation
Linyi Runquan Farmers Market Co., Ltd				

VII. Interests in other entities

1. Composition

Name of Subsidiary	Main business place	Registration place	Nature of business	Nature of business	Proportion of shareholding (%)	Acquiring method
				Directly	Indirectly	
Linyi Xincheng Thermal Power Co., Ltd	Linyi	Linyi	Heating power sale	100.00		Investment
Linyi Technology Venture Capital Management Service Co., Ltd	Linyi	Linyi	External investment	100.00		Investment
Linyi City Development	Linyi	Linyi	Property	100.00		Establishm

Property Group Co., Ltd			management			ent
Linyi Chengkaihongye High Tech Industrial Park Management and Development Co., Ltd	Linyi	Linyi	Investment in project development and construction	67.70		Establishment
Linyi Chengkai International Hotel Co., Ltd	Linyi	Linyi	Accommodation, food production and sale	100.00		Establishment
Linyi Zongbao International Trade Investment & Development Co., Ltd	Linyi	Linyi	Project management and operation	100.00		Establishment
Linyi Chengkai Business Service Co., Ltd	Linyi	Linyi	Business operation and management, business services	100.00		Establishment
Shandong Yuquan Rural Agriculture Comprehensive Development Co., Ltd	Linyi	Linyi	Ecological agriculture sightseeing tourism, tourism development	80.00		Establishment
Linyi Zhidu City Development and Construction Co., Ltd	Linyi	Linyi	City development and construction	80.00		Establishment
Linyi Chengfa Smart Industry Investment and Operation Co., Ltd	Linyi	Linyi	Smart City development and construction	100.00		Establishment
Linyi Talent Working Group Co., Ltd	Linyi	Linyi	development and management on talent apartment, talent community and talent entrepreneurship park	100.00		Establishment
Linyi Chengfa Education and Culture Industry Group Co., Ltd	Linyi	Linyi	Development and operation on educational and cultural industry projects	100.00		Establishment
Linyi Chengkaijianlu Real Estate Co., Ltd	Linyi	Linyi	Real estate development and sale	60.00		Establishment
Linyi Chengkaishuyue International Hotel Co., Ltd	Linyi	Linyi	Dinner service, tourist hotel	60.00		Establishment
Shandong Tiandiyuan Hot Spring Co., Ltd	Linyi	Linyi	Accommodation, conference services	60.00		Establishment
Linyi City Development Yicheng Real Estate Co., Ltd	Linyi	Linyi	Real estate development, land consolidation	51.00		Establishment

Linyi City Development Luomei Real Estate Co., Ltd	Linyi	Linyi	Real estate development, land consolidation	51.00		Establishment
Linyi Chengfa International Tourism Industry Group Co., Ltd	Linyi	Linyi	Commercial service	100.00		Establishment
Linyi Yushangquan Agricultural Comprehensive Development Co., Ltd	Linyi	Linyi	Fruit and vegetable planting and sale	80.00		Establishment
Shandong Chengshan Water Conservancy Engineering Co., Ltd	Linyi	Linyi	Construction, installation and foundation construction of water conservancy, hydropower projects and auxiliary production facilities	100.00		Share transfer
Linyi Water Group Co., Ltd	Linyi	Linyi	Centralized water supply, sewage treatment, water reuse, etc.	100.00		Share transfer
Linyi City Development Qingyi New Material Technology Co., Ltd	Linyi	Linyi	Chemical fiber manufacturing	66.00		Establishment
Shandong Sanwei Holding Group Co., Ltd	Linyi	Linyi	Edible vegetable oil production and processing	100.00		Purchase under different control
Linyi Trade City Holding Group Co., Ltd	Linyi	Linyi	Real estate development and sale, wholesale sale	58.33		Share Transfer

2. Important subsidiaries which are not wholly-owned

2.1 December 31, 2020

Name of Subsidiary	Proportion of shares held by minority shareholders	Profits and losses attributable to minority shareholders in the current period	Dividend declared to minority shareholders in the current period	Balance of minority shareholders' interests at the end of the period
Linyi Chengkaihongye High Tech Industrial Park Management & Development Co., Ltd	40.00%	3,081,695.24		56,975,140.10

2.2 December 31, 2019

Name of Subsidiary	Proportion of shares held by minority shareholders	Profits and losses attributable to minority shareholders in the current period	Dividend declared to minority shareholders in the current period	Balance of minority shareholders' interests at the end of the period
Linyi Chengkaihongye High Tech Industrial Park Management & Development Co., Ltd	40.00%	1,132,372.29		52,761,072.57

3. Material financial information of important subsidiaries which are not wholly-owned

Name of Subsidiary	December 31, 2020					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Linyi Chengkaihongye High Tech Industrial Park Management & Development Co., Ltd	87,044,736.83	305,099,111.95	392,143,859.38	22,212,207.17	199,400,000.00	221,612,207.17

(Continued)

Name of Subsidiary	2020			
	Operating revenue	Net profits	Total comprehensive income	Cash flows from operating activities
Linyi Chengkaihongye High Tech Industrial Park Management & Development Co., Ltd	36,965,260.18	7,704,238.11	7,704,238.11	49,411,539.65

(Continued)

Name of Subsidiary	December 31, 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Linyi Chengkaihongye High Tech Industrial Park Management & Development Co., Ltd	14,101,419.48	284,279,062.59	298,380,482.07	135,553,067.97		135,553,067.97

(Continued)

Name of Subsidiary	2019			
	Operating revenue	Net profits	Total comprehensive income	Cash flows from operating activities
Linyi Chengkaihongye High Tech Industrial Park Management & Development Co., Ltd	34,995,908.84	2,830,930.73	2,830,930.73	25,264,045.13

4. Rights and interests in joint ventures and associated enterprises

Name of joint venture and associated enterprise	Main business place	Registration place	Nature of business	Proportion of shareholding (%)		Accounting treatment for investment in joint venture and associated enterprise
				Directly	Indirectly	
Linyi Chengzixinoupeng Real Estate Development Co., Ltd	Linyi	Linyi	Exploitation of real estate	51.00		Equity method
Feixian Dreamer Film Base Co., Ltd	Linyi	Linyi	Film and television filming service	25.00		Equity method
Qilu Xintai Expressway Co., Ltd	Linyi	Linyi	Investment, construction and operation on the construction project of Xintai Expressway	16.80		Equity method
Linyi Financing Guarantee Group Co., Ltd	Linyi	Linyi	Financing assurance	25.00		Equity method
Linyi Chengkai New Urbanization Industry Development and Management Co., Ltd	Linyi	Linyi	Investment and construction of municipal government-subsidized housing projects	100.00		Equity method
Linyi Aodechengkai New Energy Co., Ltd	Linyi	Linyi	Construction and operation of photovoltaic solar power generation systems	40.00		Equity method
Linyi Talent Association	Linyi	Linyi		100.00		Equity method
Linyi Xinyimeng Financing Guarantee Co., Ltd	Linyi	Linyi	Financing assurance	40.00		Equity method
Linyi City Development International Trade Co., Ltd	Linyi	Linyi	Wholesale trade	51.00		Equity method
Linyi Shouchuang Water Co., Ltd	Linyi	Linyi	Wastewater treatment		30.00	Equity method
Linyi Shikang Water Co., Ltd	Linyi	Linyi	Tap water production and sales, installation and maintenance of water facilities		40.04	Equity method

VIII. Related Parties and Related-party Transaction

1. The actual control part of the Company

Name	Proportion of shareholding (%)	Proportion of voting rights (%)
The State-owned Assets Supervision and Administration Commission of Linyi People's Government	100.00	100.00
Total	**100.00**	**100.00**

2. The situation of the Company's subsidiaries

Please refer to note VII.1 for details of subsidiaries of the Company.

3. The situation of joint ventures and associated enterprises

Please refer to note VII.4 for details of joint ventures and associated enterprises of the Company.

4. Related-party Transaction and relevant amount

4.1 Accounts receivable and payable of related party

Item	Related party	December 31, 2020	December 31, 2019
		Book balance	Book balance
Accounts receivable	Linyi Shikang Water Co., Ltd	9,091,565.25	28,647,420.20
Dividends receivable	Linyi Shouchuang Water Co., Ltd		5,408,715.65
Other receivables	Feixian Dreamer Film Base Co., Ltd	30,649,159.00	23,649,159.00
Other receivables	Yinshang Technology (Shandong) Co., Ltd	160,943.14	
Other receivables	Linyi Trade City Xintong Folk Financing Service Co. Ltd	101,122,222.22	
Long-term accounts receivable	Linyi Shikang Water Co., Ltd	25,791,001.78	25,791,001.78

（Continued）

Item	Related party	December 31, 2020	December 31, 2019
		Book balance	Book balance
Other payables	Linyi Chengzi Xinoupeng Real Estate Development Co., Ltd	102,000,000.00	51,000,000.00
Other payables	Linyi Aodechengkai New Energy Co., Ltd	13,890,266.67	7,721,600.00
Other payables	Shandong Robinson Logistics Co., Ltd	581,333.00	

IX. Contingencies

1. The guarantee provided by the Company for external enterprises as at December 31, 2020 is as follows:

Serial number	Money lending bank	Debtor	Period	Amount (0,000 yuan)
1	Laishang Bank	Linyi Fiance Investment Group Co., Ltd	2020/9—2021/3	30,000.00
	Total			**30,000.00**

X. Commitments

The Company has no significant commitments to disclosure.

XI. Events after balance sheet date

The Company has no event after balance sheet date to disclosure.

XII. Other major matter

Nothing.

XIII. Notes to major items of the parent Company's financial statements

1. Accounts receivable

1.1 Accounts receivable listed by category

Category	December 31, 2020				
	Book Balance		Provision for Bad Debt		Book Value
	Amount	Proportion (%)	Amount	Accrual proportion（%）	
Accounts receivable that are individually significant and are provided for bad debts on individual basis					
Accounts receivable that are provided for bad debts according to combination of credit risk characteristics					
Combination 1：Combination by aging analysis method					

Category	December 31, 2020				
	Book Balance		Provision for Bad Debt		Book Value
	Amount	Proportion (%)	Amount	Accrual proportion （%）	
Combination 2: Combination without provision for bad debts	4,514.00	100.00			4,514.00
Subtotal of combinations	4,514.00	100.00			4,514.00
Accounts receivable that are individually insignificant but are individually provided for bad debts					
Total	**4,514.00**	**100.00**			**4,514.00**

（Continued）

Category	December 31, 2019				
	Book Balance		Provision for Bad Debt		Book Value
	Amount	Proportion (%)	Amount	Accrual proportion （%）	
Accounts receivable that are individually significant and are provided for bad debts on individual basis					
Accounts receivable that are provided for bad debts according to combination of credit risk characteristics					
Combination 1：Combination by aging analysis method	4,514.00	100.00	45.14	1.00	4,468.86
Combination 2: Combination without provision for bad debts					
Subtotal of combinations	4,514.00	100.00	45.14	1.00	4,468.86
Accounts receivable that are individually insignificant but are individually provided for bad debts					
Total	**4,514.00**	**100.00**	**45.14**		**4,468.86**

In the combination, the accounts receivable on which the bad debt provision is accrued according to the age analysis method:

Aging	December 31, 2019		
	Accounts receivable	Bad debt provision	Accrual proportion （%）
Within 1 year	4,514.00	45.14	1.00
Total	**4,514.00**	**45.14**	

1.2 The bad-debt provision accrued, reversed or recovered in current period

Item	December 31, 2019	Increase in current period	Decrease in current period		December 31, 2020
			Recovered	Written off	
Bad-debt provision	45.14		45.14		

1.3 The top five accounts receivable sorted by the parties of debtors

Nothing.

1.4 Accounts receivable of related parties in the reporting period

Nothing.

2. Other receivables

Item	December 31, 2020	December 31, 2019
Interest receivable		
Dividends receivable		
Other receivables	5,924,913,376.50	5,632,645,715.14
Total	**5,924,913,376.50**	**5,632,645,715.14**

2.1 Other receivables

2.1.1 Other receivables listed by category

Category	December 31, 2020				
	Book Balance		Provision for Bad Debt		Book Value
	Amount	Proportion (%)	Amount	Accrual proportion （%）	
Other receivables that are individually significant and are provided for bad debts on individual basis					
Other receivables that are provided for bad debts					

Category	December 31, 2020				
	Book Balance		Provision for Bad Debt		Book Value
	Amount	Proportion (%)	Amount	Accrual proportion （%）	
according to combination of credit risk characteristics					
Combination 1：Combination by aging analysis method	1,338,626,949.22	22.46	34,242,599.82	2.56	1,304,384,349.40
Combination 2: Combination without provision for bad debts	4,620,529,027.10	77.54			4,620,529,027.10
Combination 3: Combination of related parties					
Subtotal of combinations					
Other receivables that are individually insignificant but are individually provided for bad debts					
Total	**5,959,155,976.32**	**100.00**	**34,242,599.82**	**0.57**	**5,924,913,376.50**

（Continued）

Category	December 31, 2019				
	Book Balance		Provision for Bad Debt		Book Value
	Amount	Proportion (%)	Amount	Accrual proportion （%）	
Other receivables that are individually significant and are provided for bad debts on individual basis					
Other receivables that are provided for bad debts according to combination of credit risk characteristics					
Combination 1：Combination by aging analysis method	559,071.79	0.01	39,380.82	7.04	519,690.97
Combination 2: Combination without provision for bad debts	3,042,287,556.31	54.01			3,042,287,556.31
Combination 3: Combination of related parties	2,587,652,641.56	45.94			2,587,652,641.56
Subtotal of combinations	5,630,499,269.66	99.96	39,380.82	0.01	5,630,459,888.84
Other receivables that are individually insignificant but	2,185,826.30	0.04			2,185,826.30

Category	December 31, 2019				
	Book Balance		Provision for Bad Debt		Book Value
	Amount	Proportion (%)	Amount	Accrual proportion （%）	
are individually provided for bad debts					
Total	**5,632,685,095.96**	**100.00**	**39,380.82**	**0.01**	**5,632,645,715.14**

In the combination, other receivables with provision for bad debts:

Aging	December 31, 2020		
	Other receivables	Bad debt provision	Accrual proportion（%）
Within 1 year	1,106,889,945.55	11,068,899.45	1.00
1-2 years			5.00
2-3 years	231,737,003.67	23,173,700.37	10.00
Total	**1,338,626,949.22**	**34,242,599.82**	**2.56**

（Continued）

Aging	December 31, 2019		
	Other receivables	Bad debt provision	Accrual proportion（%）
Within 1 year	223,626.17	2,236.26	1.00
1-2 years	8,000.00	400.00	5.00
2-3 years	317,445.62	31,744.56	10.00
3-4 years	10,000.00	5,000.00	50.00
Total	**559,071.79**	**39,380.82**	**7.04**

2.1.2 The bad-debt provision accrued, reversed or recovered in current period

Item	December 31, 2019	Increase in current period	Decrease in current period		December 31, 2020
			Recovered	Written off	
Bad-debt provision	39,380.82	34,203,219.00			34,242,599.82

2.1.3 The top five other receivables sorted by the parties of debtors

Entity name	Nature	Book balance	Proportion of other receivables (%)
Yinan City Development Group Co., Ltd	Current account	400,000,000.00	6.71
Linyi Guokong Asset Management Co., Ltd	Current account	200,000,000.00	3.36
Linyi Hedong City Development Investment Group Co., Ltd	Current account	200,000,000.00	3.36

Entity name	Nature	Book balance	Proportion of other receivables (%)
Shandong Jinsheng Non-ferrous Group Co., Ltd	Current account	191,905,224.95	3.22
Shandong Xianglong Industrial Group Co., Ltd	Current account	191,231,734.66	3.21
Total		**1,183,136,959.61**	**19.86**

2.1.4 The Company has no other receivables involving government subsidies.

2.1.5 The Company has no other receivables terminated due to transfer of financial assets.

2.1.6 The Company has no assets or liabilities formed due to transfer of other receivables and continued involvement.

3. Long-term equity investments

Invested unit	December 31, 2019	Changes of increase or decrease in the year				
		Make additional investments	Reduce investments	Investment profits or losses recognized under equity method	Other comprehensive income adjustments	Changes in other equity
1. Subsidiary						
Linyi Technology Venture Capital Management Service Co., Ltd	100,000,000.00					
Linyi Xincheng Thermal Power Co., Ltd	398,426,700.00					
Linyi Zongbao International Trade Investment & Development Co., Ltd	170,000,000.00					
Linyi Chengyue Property Management Co., Ltd	3,000,000.00					
Linyi Chengkai International Hotel Co., Ltd	1,660,218,183.88					
Linyi Chengkaihongye High Tech Industrial	107,742,000.00					

Park Management and Development Co., Ltd						
Linyi Chengkai Business Service Co., Ltd	5,000,000.00	6,000,000.00				
Linyi Zhidu City Development and Construction Co., Ltd	84,000,000.00					
Linyi Yicheng Sojourn Real Estate Development Co., Ltd	10,200,000.00		10,200,000.00			
Shandong Yuquan Rural Agriculture Comprehensive Development Co., Ltd	186,000,000.00					
Linyi Chengkai Wisdom Parking Operation Management Co., Ltd	10,000,000.00	30,000,000.00				
Linyi Talent Working Group Co., Ltd	2,000,000.00	3,000,000.00				
Linyi City Development Yicheng Real Estate Co., Ltd	15,300,000.00	15,300,000.00				
Linyi City Development Luomei Real Estate Co., Ltd	2,000,000.00					
Shandong Chengshan Water Conservancy Engineering Co. Ltd	3,902,547.23					
Linyi Water Group Co., Ltd	591,798,019.67					
Linyi Chengkaijianlu Real Estate Co., Ltd	24,000,000.00					
Linyi Chengkaishuyue International Hotel Co., Ltd	6,000,000.00					
Shandong Sanwei Holding Group Co., Ltd		1,181,257,503.25				
Linyi City Development Xiangyuwenlvkangyang Industry Development Co., Ltd		5,100,000.00				
Linyi Chengfa Education and Culture Industry	50,000,000.00					

Group Co., Ltd						
Linyi Trade City Holding Group Co., Ltd		1,921,449,483.65				
Subtotal:	**3,429,587,450.78**	**3,162,106,986.90**	**10,200,000.00**			
2. Associated enterprises						
Feixian Dreamer Film Base Co., Ltd	28,979,028.35					
Linyi City Development International Trade Co., Ltd		102,000,000.00		5,034,608.28		
Shandong Xintai Expressway Co., Ltd	33,600,000.00	166,400,000.00				
Linyi Financing Guarantee Group Co., Ltd	49,943,035.00			-1,407,155.11		
Linyi Chengkai New Urbanization Industry Development and Management Co., Ltd	8,500,000.00			-1,684,701.44		
Linyi Aodechengkai New Energy Co., Ltd	33,822,621.08			81,352.89		
Subtotal:	**154,844,684.43**	**268,400,000.00**		**2,024,104.62**		
Total	**3,584,432,135.21**	**3,430,506,986.90**	**10,200,000.00**	**2,024,104.62**		

(Continued)

Invested unit	**Changes of increase or decrease in the year**			**December 31,2020**	**Provision for impairment**
	Declare cash dividends or profits	**Provision for impairment**	**Others**		
1. Subsidiary					
Linyi Technology Venture Capital Management Service Co., Ltd				100,000,000.00	
Linyi Xincheng Thermal Power Co., Ltd				398,426,700.00	
Linyi Zongbao International Trade Investment & Development Co., Ltd				170,000,000.00	
Linyi Chengyue Property Management Co., Ltd				3,000,000.00	
Linyi Chengkai International Hotel Co., Ltd				1,660,218,183.88	
Linyi Chengkaihongye High Tech Industrial Park Management and				107,742,000.00	

Development Co., Ltd					
Linyi Chengkai Business Service Co., Ltd				11,000,000.00	
Linyi Zhidu City Development and Construction Co., Ltd				84,000,000.00	
Linyi Yicheng Sojourn Real Estate Development Co., Ltd				0.00	
Shandong Yuquan Rural Agriculture Comprehensive Development Co., Ltd				186,000,000.00	
Linyi Chengkai Wisdom Parking Operation Management Co., Ltd				40,000,000.00	
Linyi Talent Working Group Co., Ltd				5,000,000.00	
Linyi City Development Yicheng Real Estate Co., Ltd				30,600,000.00	
Linyi City Development Luomei Real Estate Co., Ltd				2,000,000.00	
Shandong Chengshan Water Conservancy Engineering Co. Ltd				3,902,547.23	
Linyi Water Group Co., Ltd				591,798,019.67	
Linyi Chengkaijianlu Real Estate Co., Ltd				24,000,000.00	
Linyi Chengkaishuyue International Hotel Co., Ltd				6,000,000.00	
Shandong Sanwei Holding Group Co., Ltd				1,181,257,503.25	
Linyi City Development Xiangyuwenlvkangyang Industry Development Co., Ltd				5,100,000.00	
Linyi Chengfa Education and Culture Industry Group Co., Ltd				50,000,000.00	
Linyi Trade City Holding Group Co., Ltd				1,921,449,483.65	
Subtotal:				**6,581,494,437.68**	
2.Associated enterprises					
Feixian Dreamer Film Base Co., Ltd				28,979,028.35	
Linyi City Development International Trade Co., Ltd				107,034,608.28	
Shandong Xintai Expressway Co., Ltd				200,000,000.00	
Linyi Financing Guarantee Group Co., Ltd				48,535,879.89	
Linyi Chengkai New Urbanization Industry				6,815,298.56	

Development and Management Co., Ltd					
Linyi Aodechengkai New Energy Co., Ltd				33,903,973.97	
Subtotal:				**425,268,789.05**	
Total				**7,006,763,226.73**	

Note: Please refer to note VI for details of the changes of investment of subsidiaries.

4. Operating revenue and operating costs

Item	2020		2019	
	Revenue	**Cost**	**Revenue**	**Cost**
Main business	731,780,672.30	562,716,682.91	628,262,721.54	478,439,009.85
Other business				
Total	**731,780,672.30**	**562,716,682.91**	**628,262,721.54**	**478,439,009.85**

5. Investment income

Item	2020	2019
Investment income of long-term equity accounted by equity method	2,024,104.62	3,980,583.26
Profits and losses of joint ventures undertaken by the parties of joint ventures		2,502,464.96
Others	2,142,502.77	
Total	**4,166,607.39**	**6,483,048.22**

Linyi City Development Group Co., Ltd

(Official Seal)

Legal Representative:

Finance Manager:

April 15, 2021

ISSUER

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