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

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Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the Issuer, the Company or the Joint Lead Managers or the Agents (as defined in the attached Offering Circular) to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licenced broker or dealer and the Joint Lead Managers or any affiliate of them is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

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STRICTLY CONFIDENTIAL

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED

(香港國際(青島)有限公司)

(incorporated in Hong Kong with limited liability)

CNY700,000,000 4.20 per cent. bonds due 2026

With the Benefit of a Keepwell Deed, a Deed of Equity Interest Purchase Undertaking and an Irrevocable Standby Facility Agreement issued by



青島城市建設投資集團

Qingdao City Construction Investment Group

Qingdao City Construction Investment (Group) Limited

(青島城市建設投資(集團)有限責任公司)

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

Issue Price: 100.00 per cent.

The CNY700,000,000 4.20 per cent. bonds due 2026 (the “**Bonds**”) will be issued by Hongkong International (Qingdao) Company Limited (香港國際(青島)有限公司) (the “**Issuer**”) and bear interest at a rate of 4.20 per cent. per annum from and including the Issue Date (as defined below). Interest will be paid on the Bonds semi-annually in arrear on 21 April and 21 October, commencing on 21 October 2023. Unless previously redeemed, purchased or cancelled, the Bonds will mature on 21 April 2026. The Issuer is a wholly-owned subsidiary of Qingdao City Construction Investment (Group) Limited (青島城市建設投資(集團)有限責任公司) (the “**Company**”). For the avoidance of doubt, the PRC government (including the Qingdao Municipal Government) is not an obligor and shall be under no circumstances bear any obligations arising out of or in connection with the Bonds, the Keepwell Deed (as defined below), the Deed of Equity Interest Purchase Undertaking (as defined below) or the Standby Facility Agreement (as defined below) in lieu of the Issuer or the Company. The PRC government only assumes limited liability as a contributor (which is limited to the current equity contribution in the Company). The Bonds are solely to be repaid by the Issuer as an independent legal person.

The Bonds constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and shall rank at all times *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 law and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations. Payments on the Bonds will be made without withholding or deduction for taxes of Hong Kong or the PRC (as defined herein) (including the China (Shanghai) Pilot Free Trade Zone) to the extent described in “*Terms and Conditions of the Bonds — Taxation*”. The Bonds are subject to redemption, in whole but not in part, at their principal amount, together with accrued and unpaid interest, at the option of the Issuer at any time in the event of certain changes affecting taxes in Hong Kong or the PRC (including the China (Shanghai) Pilot Free Trade Zone). The Bonds also contain a provision for redemption at the option of the holders of the Bonds at 101 per cent. of the principal amount, together with interest accrued and unpaid to the date for redemption, upon the occurrence of a Change of Control Put Event (as defined in the “*Terms and Conditions of the Bonds*”) with respect to the Bonds. The Bonds may also be redeemed at the option of the Issuer in whole but not in part, on the Optional Redemption Date (as defined in the “*Terms and Conditions of the Bonds*”) at their principal amount, together with any accrued and unpaid interest. See “*Terms and Conditions of the Bonds — Redemption and Purchase*”.

As there is currently no specific regulations or guidelines relating to the issuance of cross-border debt securities in the China (Shanghai) Pilot Free Trade Zone, there are some uncertainties regarding the interpretation and application of PRC taxation or foreign exchange related laws and regulations to the Bonds. See “*Risk Factors — Risks Relating to the Bonds, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking and the Standby Facility Agreement — Stamp duties may also be imposed during the issuance and transfer of the Bonds*”, “*Taxation*” and “*PRC Currency Controls*”. Investors should consult their own legal and tax advisers as needed before making its investment decision.

The Issuer and the Company will enter into a keepwell deed on or about 21 April 2023 (the “**Keepwell Deed**”) as further described in “*Description of the Keepwell Deed*”. The Keepwell Deed does not constitute a guarantee by the Company of the obligations of the Issuer under the Bonds.

The Issuer and the Company will enter into a deed of equity interest purchase undertaking on or about 21 April 2023 (the “**Deed of Equity Interest Purchase Undertaking**”) as further described in “*Description of the Deed of Equity Interest Purchase Undertaking*”.

The Issuer and the Company will enter into an irrevocable cross-border CNY standby facility agreement on or about the Issue Date (the “**Standby Facility Agreement**”) as further described in “*Description of the Irrevocable Cross-Border CNY Standby Facility Agreement*”.

Investing in the Bonds involves certain risks. Please see “*Risk Factors*” beginning on page 20 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The denomination of the Bonds shall be CNY1,500,000 each and integral multiples of CNY10,000 in excess thereof.

Pursuant to the Circular on Promoting the Reform of the Filing and Registration System on the Issuance by Enterprises of Foreign Debt (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) (the “**NDRC Circular**”) issued by the National Development and Reform Commission of the PRC or its local counterparts (“**NDRC**”) and effective as of 14 September 2015, which was repealed and replaced by the NDRC Administrative Measures (as defined below), the Company has registered the issuance of the Bonds with the NDRC and obtained a certificate from NDRC on 8 November 2022 evidencing such registration. The Company undertakes to (i) file with the NDRC the requisite information and documents relating to the issue of the Bonds within 10 PRC Business Days (as defined in the Terms and Conditions of the Bonds) after the Issue Date in accordance with the Administrative Measures for Examination and Registration of Medium- and Long-term Foreign Debt of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第五6號)) issued by NDRC and which came into effect on 10 February 2023 and any implementation rules as issued by the NDRC from time to time (as amended or replaced, the “**NDRC Administrative Measures**”); and (ii) comply with all applicable PRC laws and regulations in relation to the NDRC Administrative Measures.

Approval in-principle has been obtained from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the listing and quotation of the Bonds on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular. Approval in-principle for, admission of the Bonds to the Official List of the SGX-ST and the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Company, their respective subsidiaries, their respective associated companies (if any), their respective joint ventures (if any), the Bonds, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking or the Standby Facility Agreement. For so long as such Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Bonds will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies). Accordingly, the Bonds, if traded on the SGX-ST, will be traded in a minimum board lot size of CNY1,500,000.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), or the securities laws of any other jurisdiction. The Bonds 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 are being offered only outside the United States in reliance on Regulation S under the Securities Act. See “*Subscription and Sale*”.

The Bonds will initially be issued in uncertificated book-entry form entered in China Central Depository & Clearing Co., Ltd. (中央國債登記結算有限責任公司) (“**CCDC**”) on or about 21 April 2023 (the “**Issue Date**”). Transfer of interests in the Bonds will be effected in accordance with the rules and procedures of CCDC as described herein. No certificate or other evidence of title, other than the Deed of Covenant, will be issued by, or on behalf of, the Issuer to evidence title to a Bond unless the Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation.

Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore — Solely in connection with Section 309B of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (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 any relevant persons (as defined in Section 309A(1) of the SFA), the classification of the Bonds as “prescribed capital markets products” (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The Bonds are expected to be assigned a rating of “A” by Lianhe Ratings Global Limited (“**Lianhe Global**”) upon issuance. The Company has been assigned a corporate rating of “BBB+” with a “negative” outlook by Fitch Ratings Inc. (“**Fitch**”) and a corporate rating of “A” with a “positive” outlook by Lianhe Global. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

ICBC International

China International Capital Corporation

CEB International

BOCOM International

**Industrial Bank Co., Ltd.
Hong Kong Branch**

**China Minsheng Banking Corp., Ltd.,
Hong Kong Branch**

China CITIC Bank International

Joint Lead Manager and Joint Bookrunner

China Zheshang Bank Co., Ltd. (Hong Kong Branch)

Offering Circular dated 18 April 2023

CONTENTS

	Page
SUMMARY	1
THE OFFERING	7
SUMMARY FINANCIAL INFORMATION OF THE COMPANY	11
SUMMARY FINANCIAL INFORMATION OF THE ISSUER	17
RISK FACTORS	20
USE OF PROCEEDS	72
CAPITALISATION AND INDEBTEDNESS	73
TERMS AND CONDITIONS OF THE BONDS	76
DESCRIPTION OF THE KEEPWELL DEED	95
DESCRIPTION OF THE DEED OF EQUITY INTEREST PURCHASE UNDERTAKING	97
DESCRIPTION OF THE IRREVOCABLE CROSS-BORDER CNY STANDBY FACILITY AGREEMENT	100
SUMMARY OF PROVISIONS RELATING TO THE BONDS HELD IN CCDC	101
DESCRIPTION OF THE ISSUER	103
DESCRIPTION OF THE GROUP	104
DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY	153
PRINCIPAL SHAREHOLDER	159
PRC REGULATIONS	160
PRC CURRENCY CONTROLS	174
TAXATION	177
SUBSCRIPTION AND SALE	182
RATINGS	187
GENERAL INFORMATION	188
INDEX TO FINANCIAL STATEMENTS	F-1

IMPORTANT NOTICE

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

The contents of this Offering Circular have not been reviewed by any regulatory authority in Hong Kong or elsewhere. Investors are advised to exercise caution in relation to the offering of the Bonds described herein. If investors are in any doubt about any of the contents of this Offering Circular, they should obtain independent professional advice.

Each of the Issuer and the Company, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Company and their respective subsidiaries (together, the “**Group**”), the Bonds, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking and the Standby Facility Agreement, which is material in the context of the issue and offering of the Bonds; (ii) this Offering Circular does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements herein, in the light of the circumstances under which they were made, not misleading; (iii) the statements of fact contained in this Offering Circular relating to the Issuer, the Company and the Group are in every material respect true and accurate and not misleading; (iv) the opinions, intentions, belief and expectation expressed in this Offering Circular with regard to the Issuer, the Company and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; and (v) all reasonable enquiries have been made by the Issuer and the Company to ascertain such facts and to verify the accuracy of all such information and statements.

This Offering Circular is highly confidential and has been prepared by the Issuer and the Company solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular is limited to (a) “professional investors” (as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) only in Hong Kong; or (b) for a person outside Hong Kong, a person to whom securities may be sold in accordance with a relevant exemption from public offer regulations in that jurisdiction. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Company, ICBC International Securities Limited, China International Capital Corporation Hong Kong Securities Limited, CEB International Capital Corporation Limited, BOCOM International Securities Limited, Industrial Bank Co., Ltd. Hong Kong Branch, China Minsheng Banking Corp., Ltd., Hong Kong Branch, China CITIC Bank International Limited and China Zheshang Bank Co., Ltd. (Hong Kong Branch) (together as the “**Joint Lead Managers**”) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the subscription and sale of the Bonds and the circulation of documents relating thereto, in certain jurisdictions to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see “*Subscription and Sale*”.

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS STABILISATION MANAGER (SUCH PARTY, A “**STABILISATION MANAGER**”) (OR ANY PERSON ACTING ON BEHALF OF THE STABILISATION MANAGER(S)) MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE OFFER OF THE TERMS OF THE BONDS IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Company, the Group, the Bonds, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking or the Standby Facility Agreement other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Joint Lead Managers or the Agents (as defined in the Terms and Conditions of the Bonds). 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 Company, the Group or any of them since the date hereof or create any implication that the information contained herein is correct at any date subsequent to the date hereof.

The Issuer has submitted this Offering Circular confidentially to a limited number of professional investors so that they can consider a purchase of the Bonds. The Issuer has not authorised its use for any other purpose. This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular, each investor agrees to these restrictions. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised, and any disclosure of any of its contents, without prior written consent of the Issuer is prohibited. By accepting delivery of this Offering Circular, each offeree agrees to the foregoing and to make no photocopies or other reproduction of this Offering Circular.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers or the Agents or any of their respective affiliates, employees, directors, advisors, agents or representatives as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers or the Agents or any of their respective affiliates, employees, directors, advisors, agents or representatives. None of the Joint Lead Managers and the Agents or any of their respective affiliates, employees, directors, advisors, agents or representatives has independently verified any of the information contained in this Offering Circular (financial, legal or otherwise) and can give any assurance that this information is accurate, truthful or complete. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Joint Lead Managers or the Agents that any recipient of this Offering Circular should purchase the Bonds. Each potential investor 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 advisors as it deems necessary.

In making an investment decision, investors must rely on their own examination of the Issuer, the Company, the Group and the terms of the offering, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

None of the Issuer, the Company, the Joint Lead Managers or the Agents has authorised the provision of information different from that contained in this Offering Circular, to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the offering of the Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Company, any of the Joint Lead Managers or the Agents. The information contained in this Offering Circular is accurate in all material respects only as at the date of this Offering Circular, regardless of the time of delivery of this Offering Circular or of any sale of the Bonds. Neither the delivery of this Offering Circular nor any sale made hereunder shall under any circumstances imply that there has not been a change in affairs of the Issuer, the Group or any of them or that the information set forth herein is correct in all material respects as at any date subsequent to the date hereof.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers or the Agents or any person affiliated with Joint Lead Managers or the Agents in connection with its investigation of the accuracy or completeness of such information or its investment decision. To the fullest extent permitted by law, none of the Joint Lead Managers and the Agents or any of their respective employees, affiliates, directors, advisors, agents or representatives accepts any responsibility whatsoever for the contents of this Offering Circular or for any other statement, made or purported to be made by the Joint Lead Managers or the Agents or any of their respective employees, affiliates, directors, advisors, agents or representatives or on its or their behalf in connection with the Issuer, the Company, the Group, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking, the Standby Facility Agreement or the issue and offering of the Bonds. Each of the Joint Lead Managers and the Agents or any of their respective employees, affiliates, directors, advisors, agents 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 Agents or any of their respective affiliates, employees, directors, advisors, agents or representatives undertakes to review the financial condition or affairs of the Issuer, the Company or the Group 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 any of the Joint Lead Managers, the Agents or their respective affiliates, employees, directors, advisors, agents or representatives.

Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of this offering of the Bonds, including certain Joint Lead Managers, are “capital market intermediaries” (“**CMIs**”) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “**SFC Code**”). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as “overall coordinators” (“**OCs**”) for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Company, a CMI or its group companies would be considered under the SFC Code as having an association (“**Association**”) with the Issuer, the Company, the CMI or the relevant group company. Prospective investors associated with the Issuer, the Company or any CMI (including its group companies) should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Joint Lead Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Joint Lead Manager or its group company has more than 50 per cent. interest, in which case it will be classified as a “proprietary order” and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such “proprietary order” may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. If a prospective investor is

otherwise affiliated with any Joint Lead Manager, such that its order may be considered to be a “proprietary order” (pursuant to the SFC Code), such prospective investor should indicate to the relevant Joint Lead Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. Where prospective investors disclose such information but do not disclose that such “proprietary order” may negatively impact the price discovery process in relation to this offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Joint Lead Managers and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Company, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

PRESENTATION OF FINANCIAL INFORMATION

The consolidated financial information of the Company as at and for the years ended 31 December 2019, 2020 and 2021 has been extracted from the audited consolidated financial statements of the Company as at and for the years ended 31 December 2020 and 2021, incorporated by reference in this Offering Circular, audited and prepared by BDO China Shu Lun Pan Certified Public Accountants LLP (“**BDO China**”) in accordance with the Accounting Standards for Business Enterprises in China issued by the Ministry of Finance from time to time (“**PRC GAAP**”). PRC GAAP differs in certain material respects from International Financial Reporting Standards (“**IFRS**”) issued by the International Accounting Standards Board (“**IASB**”).

The consolidated financial information of the Issuer as at and for the years ended 31 December 2019, 2020 and 2021 has been extracted from the audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2020 and 2021 prepared and presented in accordance with the Hong Kong Financial Reporting Standards (the “**HKFRSs**”) which has been audited by BDO Limited (“**BDO Hong Kong**”) in accordance with Hong Kong Standards on Auditing (“**HKSA**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and included elsewhere in this Offering Circular.

Save for the audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2020 and 2021, the financial information of the Issuer contained in this Offering Circular does not constitute specified financial statements (as defined in the Companies Ordinance (Cap. 622) of Hong Kong (the “**Companies Ordinance**”)) in relation to the Issuer. The Issuer has delivered its specified financial statements for the years ended 31 December 2019, 2020 and 2021 to the Registrar of Companies of Hong Kong. BDO Hong Kong, the auditors of the Issuer, has issued auditor’s reports on the specified financial statements in relation to the Issuer for the financial years ended 31 December 2019, 2020 and 2021. Such reports were not qualified or otherwise modified, did not refer to any matters to which the auditor drew attention by way of emphasis without qualifying the reports and did not contain any statement under Sections 406(2) or 407(2) or (3) of the Companies Ordinance.

The audited consolidated financial statements of the Company as at and for the years ended 31 December 2020 and 2021 have only been prepared in Chinese (the “**Chinese Financial Statements**”) and the Chinese Financial Statements are available at the following website (<http://www.shclearing.com.cn>). An English translation of the Chinese Financial Statements and the auditor’s audit reports in respect of such financial statements has been prepared and included elsewhere in this Offering Circular for reference only (the “**Financial Statements Translation**”). Should there be any inconsistency between the Chinese Financial Statements and the Financial Statements Translation, the Chinese Financial Statements shall prevail. The Financial Statements Translation does not itself constitute audited financial statements, and is qualified in its entirety by, and is subject to the financial information set out or referred to in, the Chinese Financial Statements. None of the Joint Lead Managers or the Agents or any of their respective directors, officers, employees, representatives, agents, advisors or affiliates or any person who controls any of them has independently verified or checked the accuracy of the Financial Statements Translation and can give no assurance that the information contained in the Financial Statements Translation is accurate, truthful or complete. Potential investors must exercise caution when they use such financial information to evaluate the Group’s financial condition and results of operations.

The Company incorporates by reference the documents listed below in the appendix to this Offering Circular:

- BDO China’s audit report dated 20 April 2021 and the Company’s audited consolidated financial statements as at and for the year ended 31 December 2020 (together with the notes thereto) included in the Company’s annual report dated 30 April 2021 published on the website of the Shanghai Clearing House (<http://www.shclearing.com.cn>); and
- BDO China’s audit report dated 28 April 2022 and the Company’s audited consolidated financial statements as at and for the year ended 31 December 2021 (together with the notes thereto) included in the Company’s annual report dated 29 April 2022 published on the website of the Shanghai Clearing House (<http://www.shclearing.com.cn>).

BDO China’s audit reports and the audited consolidated financial statements of the Company as at and for the years ended 31 December 2020 and 2021 incorporated by reference are current only as of the respective dates of such documents, and the incorporation by reference of such documents shall not create any implication that there has been no change in the affairs of the Company and the Group since the dates thereof or that the information contained therein is current as of any time subsequent to their respective dates.

The scope of consolidation of the Company’s consolidated financial statements changes from time to time. See “*Notes to Financial Statements — 7 Business combinations and consolidated financial statements*” of the audited consolidated financial statements of the Company as at and for the years ended 31 December 2020 and 2021 incorporated by reference in this Offering Circular for further information. In addition, the Ministry of Finance of the PRC (“**MOF**”) had promulgated certain new accounting standards and requirements in relation to financial statements (the “**New Accounting Standards and Requirements**”) and certain financial figures in the audited consolidated financial statements of the Company as at and for the years ended 31 December 2020 and 2021 were reclassified and/or adjusted as a result of the promulgation of the New Accounting Standards and Requirements. See “*Notes to Financial Statements — 5 Changes in accounting policies and accounting estimates and correction of errors*” of the audited consolidated financial statements of the Company as at and for the years ended 31 December 2020 and 2021 incorporated by reference in this Offering Circular for further information. Furthermore, the HKICPA issued a number of new or amended HKFRSs that were first effective for the annual periods beginning on or after 1 January 2020 or 2021, as the case may be. See “*Notes to Consolidated Financial Statements — 2. Adoption of Hong Kong Financial Reporting Standards*” of the audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2020 and 2021 included elsewhere in this Offering Circular for further information. As a result, the presentation of certain accounting items in the Issuer’s or the Company’s audited consolidated financial statements as at and for the years ended 31 December 2020 and 2021 may not be comparable to the financial information in their respective consolidated financial statements for the previous periods. As the scope of consolidation of the Issuer’s or the Company’s consolidated financial statements may change from time to time and MOF or the HKICPA may promulgate or issue new or amended accounting standards and requirements in relation to financial statements from time to time, there can be no assurance that such changes in scope of consolidation or new or amended accounting standards and requirements would not materially and adversely affect the accounting policies of the Issuer or the Company or the presentation of the consolidated financial statements of the Issuer or the Company. Any future changes in the accounting policies of the Issuer or the Company may have material impact on the Issuer’s or the Company’s financial condition and results of operations. Investors must therefore exercise caution when evaluating the financial condition and results of operations of the Issuer, the Company and the Group.

The information incorporated by reference is considered to be a part of this Offering Circular.

Each document incorporated by reference is current only as at the date of such document, and the incorporation by reference of such documents shall not create any implication that there has been no change in the Group’s affairs since the date thereof or that the information contained therein is current as at any time subsequent to its date.

According to the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知) (the “**Joint Circular**”), any public interest assets such as public schools, public hospitals, public cultural facilities, parks, public squares, office buildings of government departments and public institutions, municipal roads, non-toll bridges, non-operating water conservancy facilities, no-charge pipe network facilities and other public interest assets and the usage rights of reserve land cannot be counted towards the Group’s assets for the purposes of issuing medium and long-term foreign debt. Please see “*Risk Factors — Risks Relating to the Group in General — PRC regulations on the administration of local government debts and their financing platforms will have a material impact on the Group’s financing and business models*” for further information.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

The Issuer and the Company have prepared this Offering Circular using a number of conventions which you should consider when reading the information contained herein. In this Offering Circular, references to:

- **“China”, “Chinese” or “PRC”** are to the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region and Taiwan;
- **“Company”, “Group”, “we”, “us”, and “our”** are to Qingdao City Construction Investment (Group) Limited (青島城市建設投資(集團)有限責任公司), a limited liability company incorporated in the PRC, in which Qingdao SASAC held 100 per cent. interest as at the date of this Offering Circular (including its consolidated subsidiaries unless otherwise indicated);
- **“CSRC”** are to the China Securities Regulatory Commission;
- **“GFA”** are to gross floor areas;
- **“GW”** are to a unit of power, and one GW equals 1,000 MW;
- **“GWh”** are to gigawatt-hour, one million kilowatt-hours;
- **“HK\$”** are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region;
- **“Hong Kong”** are to the Hong Kong Special Administrative Region;
- **“Issuer”** are to Hongkong International (Qingdao) Company Limited (香港國際(青島)有限公司), a limited liability company incorporated in Hong Kong on 9 July 2014, in which the Company directly held 100 per cent. interest as at the date of this Offering Circular;
- **“MOFCOM”** are to the Ministry of Commerce of the PRC;
- **“mu” (畝)** are to the unit of land areas, and one mu equals to approximately 666.67 sq.m.;
- **“MW”** are to a unit of power, and one MW equals 1,000,000 watts;
- **“NDRC”** are to the National Development and Reform Commission of the PRC;
- **“PBOC”** are to People’s Bank of China;
- **“Qingdao Municipal Government”** are to the municipal government of Qingdao;
- **“Qingdao SASAC”** are to the State-owned Assets Supervision and Administration Commission of Qingdao (青島市國有資產監督管理委員會);
- **“Qingdao Holdings”** are to China Qingdao Development (Holdings) Group Company Limited (華青發展(控股)集團有限公司), a limited liability company incorporated in Hong Kong on 1 April 2014, in which the Company directly held 100 per cent. interest as at 31 December 2021;
- **“RMB”, “CNY” and “Renminbi”** are to the Renminbi Yuan, the official currency of the PRC;
- **“SAFE”** are to the State Administration for Foreign Exchange of the PRC;
- **“SAMR”** are to the State Administration for Market Regulation of the PRC, formerly the State Administration for Industry and Commerce of the PRC (“AIC”);
- **“SASAC”** are to the State-owned Assets Supervision and Administration Commission of the PRC;
- **“SAT”** are to the State Administration of Taxation of the PRC;

- “SME” are to small and middle-sized enterprise(s);
- “sq.m.” are to square metre(s);
- “S\$” are to Singapore dollars, the official currency of Singapore;
- “State Council” are to the State Council of the PRC (中華人民共和國國務院);
- “Terms and Conditions of the Bonds” are to the terms and conditions governing the Bonds, as set out in “*Terms and Conditions of the Bonds*”; and
- “U.S.\$”, “USD”, “US\$” and “U.S. dollars” are to United States dollars, the official currency of the United States of America.

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

This Offering Circular contains a translation of certain Renminbi amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise specified, where financial information in relation to the Company has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of RMB6.3726 to U.S.\$1.00 (the noon buying rate in New York City on 30 December 2021 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York). No representation is made that the Renminbi amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all, or *vice versa*.

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

Unless the context otherwise requires, references to “2019”, “2020” and “2021” in this Offering Circular are to the years ended 31 December 2019, 2020 and 2021, respectively.

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 this information is believed to be reliable, it has not been independently verified by the Issuer, the Company, the Joint Lead Managers, the Agents or their respective affiliates, employees, directors, advisors, agents or representatives or any person who controls any of them and none of the Issuer, the Company, the Joint Lead Managers, the Agents or their respective affiliates, employees, directors, advisors, agents or representatives or any person who controls any of them makes any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, but not limited to, statements relating to:

- the businesses and operating strategies and the future development of the Group;
- changes in the general economic and market conditions in Qingdao and in China;
- macroeconomic policies of the PRC government, particularly those relating to the operations of the investment and financing platforms of local governments in China;
- changes in competitive conditions and the Group's ability to compete under these conditions;
- the Group's ability to enter into new markets and expand its operations;
- changes in public spending by the Qingdao Municipal Government and the central government in China;
- the Group's expectations on its ability to acquire and maintain regulatory qualifications required to operate its business;
- availability and costs of financing, and the Group's ability to secure adequate financing;
- availability of government subsidies;
- the Group's future estimated capital expenditure;
- the Group's financial condition and performance;
- changes in currency exchange rates;
- changes in PBOC benchmark lending rates; and
- changes in the PRC's legal environment.

Additional factors that could cause actual results, performance or achievements of the Issuer and the Company to differ materially from those anticipated in these forward-looking statements include, but are not limited to, those discussed under "*Risk Factors*" and elsewhere in this Offering Circular. In some cases, you can identify forward-looking statements by such terminology as "may", "will", "should", "could", "would", "expect", "intend", "plan", "anticipate", "going forward", "ought to", "seek", "project", "forecast", "believe", "estimate", "predict", "potential" or "continue" or the negative of these terms or other comparable terminology. Such statements reflect the current views of the Issuer or the Company with respect to future events, operations, results, liquidity and capital resources and are not guarantee of future performance, some of which may not materialise or may change. Although the Issuer and the Company believe that the expectations reflected in these forward-looking statements are reasonable, there can be no assurance that those expectations will prove to be correct, and you are cautioned not to place undue reliance on such statements. The Issuer and the Company undertake no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the Issuer's and the Company's actual results could differ materially from those anticipated in these forward-looking statements.

All forward-looking statements contained in this Offering Circular are qualified by reference to the cautionary statements set forth in this section.

These forward-looking statements speak only at the date of this Offering Circular. The Issuer and the Company 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 their expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

SUMMARY

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

Overview

The Company is a company wholly-owned by Qingdao SASAC, which has diverse businesses and investments in multiple industries including urban and rural infrastructure investment and construction, new energy business, industrial business, transportation, financial services and other businesses. Since its establishment in 2008, the Company has played an important role in implementing the Qingdao Municipal Government’s blueprint for urban planning and municipal construction. Benefitting from strong government support toward its strategic development, the Group has seen rapid growth and achieved many major milestones.

Set forth below is an overview of the principal business segments of the Group:

- **Urban and Rural Infrastructure Investment and Construction:** The Group’s urban and rural infrastructure investment and construction operations can be broadly divided into (i) primary land development, (ii) infrastructure development, (iii) development of affordable housing and commodity housing, and (iv) industrial park construction. For the years ended 31 December 2019, 2020 and 2021, the Group’s operating income generated from this segment was RMB337.7 million, RMB3,532.0 million and RMB1,159.6 million, respectively, representing 2.5 per cent., 10.7 per cent. and 2.9 per cent. of the Group’s total operating income for the relevant year.
 - **Primary land development.** The Group is designated to assist the Qingdao Municipal Government with its urbanisation plans, including taking on and completing relevant projects. Since 2008, the Group has undertaken three primary land development projects, namely the Sifang Happy Coastal City project (四方歡樂濱海城項目), the Hongdao land development project (紅島土地開發項目) and the Qingdao Iron Project (青鋼項目), which occupy a total site area of approximately 32.3 square kilometres. As at 30 June 2022, 4,124 mu of land had been developed and/or transferred by the Group.
 - **Infrastructure development.** The Group is the key developer and operator of public infrastructure and facilities in both rural and urban areas of Qingdao, and has participated in more than 60 infrastructure projects to date as developer and/or as financing platform of the Qingdao Municipal Government, which primarily related to public transportation development, public hospitals and medical infrastructure, water supply and wastewater treatment. The Group usually develops these projects under the “built and transfer” model or “transfer to transfer” model. These infrastructure projects are generally financed using public funds provided by the Qingdao Municipal Government and loan facilities obtained from PRC financial institutions.
 - **Development of affordable housing and commodity housing.** The Group is a key force of the Qingdao Municipal Government to implement the government’s housing policies. In particular, the Group is engaged in redevelopment of old areas and development of subsidised housing, low-rent housing and ordinary commodity housing, all of which are part of the government’s objective to improve housing conditions for low-income households in Qingdao. Some of the Group’s affordable housing and commodity housing are constructed on the same land under a master development plan. As at 30 June 2022, the Group had three real property projects under construction with a total estimated GFA of around 595,000 sq.m., all of which were commodity housing.
 - **Industrial Park Construction.** The Group is a key player in industrial park construction in Qingdao. The Group develops, constructs and operates various industrial parks to implement the new industrial city integration planning of the PRC government and promote a balanced development of the local economy in Qingdao.

- **New Energy Business:** The Group's new energy business primarily comprises its photovoltaic power generation business and wind power generation business. The Group started its photovoltaic power generation business in December 2015 through construction of power generation stations and strategic cooperation with various leading photovoltaic companies in the PRC. The Group gradually expanded its investment in renewable energy power generation business to include wind power generation. For the years ended 31 December 2019, 2020 and 2021, the Group's operating income generated from this segment was RMB985.1 million, RMB1,468.2 million and RMB1,828.1 million, respectively, representing 7.4 per cent., 4.5 per cent. and 4.5 per cent. of the Group's total operating income for the relevant year.
- **Industrial Business:** The Group's industrial business segment can be broadly divided into (i) intellectual manufacturing, (ii) basic material trading, (iii) wastewater treatment and (iv) others. For the years ended 31 December 2019, 2020 and 2021, the Group's operating income generated from this segment was RMB6,969.7 million, RMB22,534.5 million and RMB26,403.2 million, respectively, representing 52.6 per cent., 68.5 per cent. and 65.6 per cent. of the Group's total operating income for the relevant year.
 - **Intellectual Manufacturing.** The Group's intellectual manufacturing business is primarily conducted by Doublestar Group Co., Ltd. (雙星集團有限責任公司) (“**Doublestar Group**”). Doublestar Group is engaged in (i) tyre manufacturing, (ii) artificial intelligence and high-end equipment manufacturing and (iii) smart cyclic utilisation of wasted rubber.
 - **Basic materials trading business.** The Group started its basic materials trading business in 2015 with a focus on trading of steel, pulp, fuel oil, iron ore, coal and coke.
 - **Wastewater Treatment.** Historically, the Group derived income from its wastewater treatment operations, which consisted of five treatment plants in Qingdao, namely Loushan River Wastewater Treatment Plant, Haibo River Wastewater Treatment Plant, Tuandao Wastewater Treatment Plant, Jimo Wastewater Treatment Plant and Chengyang Wastewater Treatment Plant. In 2012, the Qingdao Municipal Government formed Qingdao Water Group Co., Ltd. (“**Qingdao Water Group**”) with the Group's wastewater treatment plants assets, and Qingdao Water Group was responsible for the day-to-day operations. In 2019, the restructuring of the Group's wastewater treatment asset had been completed and, among other things, the titles to the five treatment plants were transferred to Qingdao Water Group. Consequently, the Group held a five per cent. equity interest in Qingdao Water Group Environment and Energy Co., Ltd. (青島水務集團環境能源有限公司). In April 2021, the General Office of the Qingdao Municipal Government issued a notice that Qingdao SASAC will transfer the entire state-owned equity interests in various entities including, among others, Qingdao Water Group, to the Company. As at the date of this Offering Circular, the equity transfer has not been completed. Completion of the relevant transfers of equity interests is subject to the completion of registration procedures with SAMR.
- **Transportation.** The Group's transportation segment comprises (i) its toll operation by Qingdao Transportation Development Group Co., Ltd. (青島交通發展集團有限公司) (“**Qingdao Transportation Group**”) and its subsidiaries, and (ii) its aviation business. The Group's aviation business includes both passenger and cargo services businesses. The Group only commenced its aviation business following its acquisition of the 100 per cent. equity interest of Qingdao Airlines Holding Co., Ltd. (青島航空控股有限公司) (“**Qingdao Airlines Holding**”) in 2020. The transfer of the entire equity interest in the Qingdao Transportation Group to the Company pursuant to the Qingdao SASAC's approval was completed in December 2020 and its accounts were consolidated into the accounts of the Group since 2021. As such, the Group did not record any income for this segment for the year ended 31 December 2019. For the years ended 31 December 2020 and 2021, the Group's operating income generated from this segment was RMB468.4 million and RMB3,929.1 million, respectively, representing 1.4 per cent. and 9.8 per cent. of the Group's total operating income for the relevant year. Pursuant to the Approval of Qingdao SASAC on the Gratuitous Transfer of State-owned Equity Interest in Qingdao Airlines Holding (Qing SASAC [2022] No. 120) (青島市國資委關於青島航空控股有限公司國有股權無償劃轉的批覆(青國資委[2022] 120號)), the Company shall transfer 50 per cent. of the state-owned equity interest in Qingdao Airlines Holding to Qingdao Tourism Group Co., Ltd. (青島旅遊集團有限公司) (“**Qingdao Tourism Group**”) at nil consideration. As at the date of this Offering Circular, the equity transfer has not been completed. However, Qingdao Airline Holding's financial results were deconsolidated from the Group's financial statements from 1 January 2022 and it had since ceased to be a consolidated subsidiary of the Company. Completion of the relevant transfer of equity

interest is subject to regulatory procedures with SAMR. See “*Description of the Group — Recent Developments — Gratuitous Equity transfer of Qingdao Airlines Holding to Qingdao Tourism Group*” for further information.

- **Financial Services.** The Group’s financial service offerings primarily include credit guarantees, microfinance and entrusted loans, and financial leasing. It intends to further develop its financial services operations to capture the opportunities presented by the rapid growth of the PRC financial industry, particularly the SMEs market. For the years ended 31 December 2019, 2020 and 2021, the Group’s operating income generated from this segment was RMB4,335.3 million, RMB4,403.0 million and RMB3,573.9 million, respectively, representing 32.7 per cent., 13.4 per cent. and 8.9 per cent. of the Group’s total operating income for the relevant year.

For the years ended 31 December 2019, 2020 and 2021, the Group’s total operating income was RMB13,260.1 million, RMB32,916.7 million, and RMB40,246.5 million, respectively. For the years ended 31 December 2019, 2020 and 2021, the Group had a net profit of RMB1,270.9 million, RMB2,335.9 million, RMB223.5 million, respectively. As at 31 December 2021, the Group’s total assets amounted to RMB446,896.6 million.

Competitive Strengths

The Company believes that its competitive strengths outlined below distinguish it from its competitors and are important to its success and future development:

- well-positioned to capitalise on the economic growth, strategic location and policy environment of Qingdao;
- strong support from the Qingdao Municipal Government for its continuous development;
- unique investment holding company wholly-owned by the Qingdao Municipal Government with strategic significance to Qingdao’s social and economic development;
- diversified business portfolio with growing recurring income and strong synergies across business segments;
- access to multiple financing channels to obtain sufficient capital for the Group’s business development; and
- sound and effective corporate governance with experienced management team.

Business Strategies

The Company aims to maintain its dominant role in terms of urban planning, municipal construction and rural development in Qingdao and also actively develop its other businesses. Its goal is to continue to grow its asset base, optimise its capital structure and enhance operational efficiency. To achieve its objectives, the Group plans to focus on the following strategies:

- strengthen financial stability, appropriately control growth scale, improve asset quality and reduce financial leverage;
- form a two-wheel drive pattern of government projects and market-oriented projects, actively match and serve urbanisation strategies and accelerate transformation and development;
- organise its business portfolio concentrated on key industries and integrate resources for coordinated development; and
- strengthen management and internal control systems.

Recent Developments

Additional Debt Instruments since 31 December 2021

Since 31 December 2021, the Group has entered into additional financing arrangements to finance its operations.

In January 2022, Qingdao Urban and Rural Construction Financial Leasing Co., Ltd. (青島城鄉建設融資租賃有限公司) (“**Qingdao URC Financial Leasing**”), a subsidiary of the Company, issued RMB300 million in aggregate principal amount of super short-term commercial papers, which has been repaid in full in October 2022, and RMB1,107 million in aggregate principal amount of asset-backed securities with the latest maturity of 2025.

In February 2022, Qingdao URC Financial Leasing issued RMB1,000 million in aggregate principal amount of corporate bonds with a maturity of three years.

In March 2022, the Company issued RMB400 million in aggregate principal amount of short-term commercial papers, which had been repaid in full in March 2023, RMB1,600 million in aggregate principal amount of private placement notes with a maturity of three years, and RMB1,500 million in aggregate principal amount of super short-term commercial papers, which had been repaid in full in October 2022. In March 2022, Qingdao Chengtou Chengjin Holding Group Co., Ltd. (青島城投城金控股集團有限公司) (previously known as Qingdao Chengtou Financial Holding Group Co., Ltd. (青島城投金融控股集團有限公司)) (“**Qingdao Chengtou Chengjin Holding**”), a subsidiary of the Company, issued RMB500 million in aggregate principal amount of renewable corporate bonds and RMB1,000 million in aggregate principal amount of renewable corporate bonds.

In April 2022, the Company issued RMB1,000 million in aggregate principal amount of private placement notes with a maturity of five years and an option to repurchase at the end of the third year, RMB1,500 million in aggregate principal amount of medium-term notes with a maturity of five years and an option to repurchase at the end of the third year, and RMB1,000 million in aggregate principal amount of super short-term commercial papers, which had been repaid in full in January 2023. In April 2022, Qingdao URC Financial Leasing issued RMB1,332 million in aggregate principal amount of asset-backed securities with the latest maturity of 2026.

In June 2022, Qingdao Chengtou Chengjin Holding issued RMB1,000 million in aggregate principal amount of renewable corporate bonds.

In July 2022, the Issuer issued the 2022 July Bonds. In July 2022, Qingdao URC Financial Leasing issued RMB1,290 million in aggregate principal amount of asset-backed securities with the latest maturity of 2026.

In September 2022, Qingdao URC Financial Leasing issued RMB300 million in aggregate principal amount of super short-term commercial papers with a maturity of less than one year and RMB1,388 million in aggregate principal amount of asset-backed securities with the latest maturity of 2027. In September 2022, Shanghai Qingtou Financial Leasing Co., Ltd. (上海青投融資租賃有限公司), an indirect subsidiary of the Company, issued RMB563 million in aggregate principal amount of asset-backed securities with the latest maturity of 2026.

In October 2022, the Company issued RMB1,500 million in aggregate principal amount of medium-term notes with a maturity of three years.

In November 2022, the Company issued RMB1,000 million in aggregate principal amount of medium-term notes with a maturity of three years, RMB1,600 million in aggregate principal amount of private placement notes with a maturity of three years and RMB800 million in aggregate principal amount of private placement notes with a maturity of three years. In November 2022, Qingdao URC Financial Leasing issued RMB500 million in aggregate principal amount of private placement corporate bonds with a maturity of three years, RMB400 million in aggregate principal amount of super short-term commercial papers with a maturity of less than one year and RMB1,374 million in aggregate principal amount of asset-backed securities with the latest maturity of 2026.

In January 2023, the Company issued RMB1,200 million in aggregate principal amount of medium-term notes with a maturity of three years. In January 2023, Qingdao URC Financial Leasing issued approximately RMB462.7 million in aggregate principal amount of asset-backed securities with the latest maturity of 2026. In January 2023, Shanghai Qingtou Financial Leasing Co., Ltd., an indirect subsidiary of the Company, issued approximately RMB777.3 million in aggregate principal amount of asset-backed securities with the latest maturity of 2026.

In February 2023, the Company issued RMB300 million in aggregate principal amount of medium-term notes with a maturity of three years. In February 2023, Qingdao URC Financial Leasing issued RMB500 million in aggregate principal amount of private placement bonds with a maturity of three years.

In March 2023, the Company issued RMB400 million in aggregate principal amount of private placement bonds with a maturity of three years with an option to repurchase at the end of second year, and RMB450 million in aggregate principal amount of private placement bonds with a maturity of five years and an option to repurchase at the third year.

In April 2023, the Company issued RMB500 million in aggregate principal amount of private placement bonds with a maturity of three years, and RMB520 million in aggregate principal amount of private placement bonds with a maturity of three years with an option to repurchase at the end of the second year.

Gratuitous Equity transfer of Qingdao Airlines Holding to Qingdao Tourism Group

In July 2022, the Company received the Approval of Qingdao SASAC on the Gratuitous Transfer of State-owned Equity Interest in Qingdao Airlines Holding (Qing SASAC [2022] No. 120) (青島市國資委關於青島航空控股有限公司國有股權無償劃轉的批覆 (青國資委[2022]120號)), pursuant to which the Company shall transfer 50 per cent. of the state-owned equity interest in Qingdao Airlines Holding to Qingdao Tourism Group at nil consideration. The value of the equity interest subject to the transfer will be based on the audit report issued by Shandong Desheng Co., Ltd. Certified Public Accountants (山東德盛有限責任會計師事務所) with 31 December 2021 as the benchmark date of the equity transfer. As a result of the equity transfer, the Company will hold the remaining 50 per cent. of the equity interest in Qingdao Airlines. As at the date of this Offering Circular, the equity transfer has not been completed. However, Qingdao Airline Holding's financial results were deconsolidated from the Group's financial statements from 1 January 2022 and it had since ceased to be a consolidated subsidiary of the Company. Completion of the relevant transfer of equity interest is subject to regulatory procedures with SAMR. Please refer to the risk factors headed "*Risk Factors — Risks Relating to the Group in General — The Group faces risks associated with contracting with public bodies, such as the Qingdao Municipal Government*" for further information.

As at the date of this Offering Circular, the Company holds an approximate 5.10 per cent. equity interest in Qingdao Tourism Group. As at 31 December 2021, total assets of Qingdao Airlines Holding was RMB16,518.9 million. As at 31 December 2021, Qingdao Airlines Holding had a negative net assets position of RMB2,234.8 million. For the year ended 31 December 2021, Qingdao Airlines Holding's total operating income and net loss was RMB2,262.3 million and RMB1,587.6 million, respectively. The Company believes that the equity transfer will not materially and adversely affect the Group's net assets, operating income and net profit, nor will the equity transfer have a material negative impact on the Group's day-to-day operations or ability to service its debts.

Performance of the Group for the Nine Months Ended 30 September 2022

The Company has published its unaudited and unreviewed quarterly financial results as at and for the nine months ended 30 September 2022 on the website of the Shanghai Clearing House (<http://www.shclearing.com.cn>) (the "**2022 Interim Accounts**"). However, the 2022 Interim Accounts have not been and are not subject to an audit or a review by an independent auditor and may be subject to further adjustments. Such financial information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or a review. Such unaudited and unreviewed assessment and financial information should not be taken as an indication of the Group's business, financial condition or results of operation expected for these periods and potential investors should not rely on such interim financial information in making their investment decisions and to evaluate the Group's financial condition and results of operation for these periods or the full year ended 31 December 2022. Interim results are not necessarily indicative of the Group's results to be expected for the full year. For the avoidance of doubt, the 2022 Interim Accounts have not been set out in this Offering Circular, are not incorporated by reference herein and do not constitute part of this Offering Circular. See "*Risk Factors — Risks Relating to the Group's Financial Statements — The Company published and may continue to publish periodical financial information in the PRC pursuant to applicable PRC regulations and the rules of relevant stock exchanges. Investors should be cautious and should not place any reliance on the financial information other than that disclosed in this Offering Circular*".

According to the unaudited and unreviewed 2022 Interim Accounts, for the nine months ended 30 September 2022, the Group recorded a slight decrease in its total operating income as compared to the same period in 2021, primarily due to, among other things, the changes in the scope of consolidation during the reporting period and the decrease in the revenue generated from the Group's financial services, trading, construction, real estate and toll operation businesses as a result of the COVID-19 pandemic and market conditions. Although the Group's total operating cost for the nine months ended 30

September 2022 decreased correspondingly to a greater extent for the same period primarily due to, among other things, the decrease in selling expenses, the Group recorded operating losses and losses before tax for the nine months ended 30 September 2022 as compared to an operating profit and profits before tax in the same period in 2021. This was primarily attributable to decreases in gains from other income, gains on investment, exchange gains and non-operating income. The Group recorded a greater net loss for the nine months ended 30 September 2022 as compared to the same period in 2021.

According to the unaudited and unreviewed 2022 Interim Accounts, the Group's total assets as at 30 September 2022 recorded a substantial decrease from 31 December 2021, mainly due to, among other things, decreases in monetary funds, receivable financing, other current assets, long-term receivables, long-term equity investment, investment property, goodwill and long-term deferred expenses.

According to the unaudited and unreviewed 2022 Interim Accounts, as at 30 September 2022, the Group's total current liabilities increased as compared to the balance as at 31 December 2021. In particular, the Group's short-term borrowings, financial liabilities held for trading, other payables and non-current liabilities due within one year as at 30 September 2022 increased as compared to their respective balances as at 31 December 2021. However, the Group recorded a decrease in its total liabilities as at 30 September 2022 as compared to the balance as at 31 December 2021 given that there was a substantial decrease in its total non-current liabilities as at 30 September 2022 as compared to the balance as at 31 December 2021.

None of the Joint Lead Managers, the Agents, or any of their respective directors, affiliates, officers, advisors, employees, agents or representatives makes any representation, warranty or undertaking, express or implied of, or accepts any responsibility or liability with respect to, the Group or the Group's business, financial condition or results of operation.

Changes in shareholding structure of Qingdao Chengtou Asset Management Co., Ltd. (青島城投資產管理有限公司) (“Qingdao Chengtou Asset Management”)

On 29 December 2022, Qingdao Chengtou Chengjin Holding announced that its board of directors approved the capital increase in Qingdao Chengtou Asset Management by an entity designated by Qingdao Municipal Construction Group Co., Ltd. (青島市政空間開發集團有限責任公司) (the “Investor”) with 31 December 2021 as the benchmark date of the value of the capital increase. As a result of the capital increase, (i) Qingdao Chengtou Asset Management will be owned equally by Qingdao Chengtou Chengjin Holding and the Investor, respectively, (ii) the equity interest in Qingdao Chengtou Asset Management owned by Qingdao Chengtou Chengjin Holding will be reduced from 100 per cent. to 50 per cent. As at the date of this Offering Circular, such shareholding change has yet to be registered with SAMR. However, Qingdao Chengtou Asset Management's financial results were deconsolidated from the Group's financial statements from 1 January 2022 and it had since ceased to be a consolidated subsidiary of the Company.

As at 31 December 2021, total assets and net assets of Qingdao Chengtou Asset Management amounted to RMB25,110.3 million and RMB286.1 million, respectively. For the year ended 31 December 2021, Qingdao Chengtou Asset Management's total operating income and net loss amounted to RMB496.0 million and RMB832.9 million, respectively. The Company believes that the changes in shareholding structure of Qingdao Chengtou Asset Management will not materially and adversely affect the Group's net assets, operating income and net profit, nor will it have a material negative impact on the Group's day-to-day operations or ability to service its debts.

THE OFFERING

The following contains summary 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” and “Summary of Provisions Relating to the Bonds Held in CCDC” shall have the same meanings in this summary. For a comprehensive description of the terms of the Bonds, see the sections entitled “Terms and Conditions of the Bonds” of this Offering Circular.

Issuer	Hongkong International (Qingdao) Company Limited (香港國際(青島)有限公司).
Bonds	CNY700,000,000 aggregate principal amount of 4.20 per cent. Bonds due 2026.
CCDC Code	G2380106.
Company	Qingdao City Construction Investment (Group) Limited (青島城市建設投資(集團)有限責任公司).
Issue Price	100.00 per cent. of the principal amount of the Bonds.
Form and Denomination	The Bonds will be issued in registered form in the specified denomination of CNY1,500,000 each and integral multiples of CNY10,000 in excess thereof.
Interest	The Bonds will bear interest at a rate of 4.20 per cent. per annum from and including the Issue Date. Interest will be payable semi-annually in arrear on 21 April and 21 October, commencing on 21 October 2023.
Issue Date	21 April 2023.
Maturity Date of the Bonds	21 April 2026.
Status of the Bonds	The Bonds constitute direct, unsubordinated, unconditional 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 <i>pari passu</i> 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 law and subject to Condition 4(a), at all times rank at least equally with all the Issuer’s other present and future unsecured and unsubordinated obligations, as further described in Condition 3 of the Terms and Conditions of the Bonds.
Negative Pledge and Financial Covenants	The Bonds contain a negative pledge provision as further described in Condition 4(a) of the Terms and Conditions of the Bonds and a financial covenants provision as further described in Condition 4(b) of the Terms and Conditions of the Bonds.
Events of Default	The Bonds contain certain events of default provisions as further described in Condition 9 of the Terms and Conditions of the Bonds.

Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or the PRC (including the China (Shanghai) Pilot Free Trade Zone) or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law, as further described in Condition 8 of the Terms and Conditions of the Bonds. In such event, the Issuer shall, subject to the limited exceptions specified in the Terms and Conditions of the Bonds, pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required.
Final Redemption	Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date.
Redemption for Tax Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount, together with accrued and unpaid interest, at any time in the event of certain changes affecting taxes of Hong Kong or the PRC (including the China (Shanghai) Pilot Free Trade Zone, as further described in Condition 6(b) of the Terms and Conditions of the Bonds.
Redemption for Change of Control Put Event	At any time following the occurrence of a Change of Control Put Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of such holder's Bonds at 101 per cent. of their principal amount, together with accrued and unpaid interest, as further described in Condition 6(c) of the Terms and Conditions of the Bonds. A "Change of Control Put Event" occurs when (i) the Company ceases to own 100 per cent. of the issued share capital of the Issuer; or (ii) Qingdao SASAC and any other person directly or indirectly controlled by the central government of the PRC (together, the "Government"), collectively cease to own, directly or indirectly, 80 per cent. of the equity interest of the Company; or (iii) the Company consolidates with or merges into or sells or transfers all or substantially all of its assets to any other person or persons, acting together, except where such person(s) is/are 100 per cent. owned, directly or indirectly, by the Government. See <i>"Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Change of Control Put Event"</i>.
Redemption at the Option of the Issuer.	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, on the Optional Redemption Date (as defined in Condition 6 of the Terms and Conditions of the Bonds) at their principal amount, together with any accrued and unpaid interest, as further described in Condition 6(d) of the Terms and Conditions of the Bonds.
Keepwell Deed.	On or about the Issue Date, the Issuer and the Company will enter into the Keepwell Deed as further described in <i>"Description of the Keepwell Deed"</i> .

Deed of Equity Interest Purchase Undertaking.	On or about the Issue Date, the Issuer and the Company will enter into the Deed of Equity Interest Purchase Undertaking as further described in “ <i>Description of the Deed of Equity Interest Purchase Undertaking</i> ”.
Standby Facility Agreement.	On or about the Issue Date, the Issuer and the Company will enter into the Standby Facility Agreement as further described in “ <i>Description of the Irrevocable Cross-Border CNY Standby Facility Agreement</i> ”.
Clearing and Settlement	The Bonds will initially be issued in uncertificated book-entry form entered in CCDC. Transfer of interests in the Bonds will be effected in accordance with the rules and procedures of CCDC. Except as described in this Offering Circular, certificates will not be issued to evidence title to a Bond. So long as the Bonds are held by CCDC, notices to the Bondholders shall be validly given by the delivery of the relevant notice to CCDC or in accordance with such records held by CCDC, for communication by CCDC to entitled accountholders as shown in the books and records of CCDC in substitution for notification as required by the Terms and Conditions of the Bonds. Any such notice shall be deemed to have been given to the Bondholders on the day on which such notice is delivered to CCDC as aforesaid.
Governing Law and Jurisdiction	The Bonds, the Deed of Covenant, the Keepwell Deed, the Standby Facility Agreement, the Deed of Equity Interest Purchase Undertaking and any non-contractual obligations arising out of or in connection with them will be governed by and will be construed in accordance with English law. The courts of Hong Kong are to have exclusive jurisdiction to settle any dispute, claim, difference or controversy that may arise out of, in relation to or in connection with the Deed of Covenant, the Bonds, the Keepwell Deed, the Standby Facility Agreement or the Deed of Equity Interest Purchase Undertaking.
Principal Agent, Registrar and Transfer Agent	China Central Depository & Clearing Co., Ltd. (中央國債登記結算有限責任公司) (the “CCDC”).
Listing	Approval in-principle has been obtained from the SGX-ST for the listing and quotation of the Bonds on the Official List of the SGX-ST. For so long as such Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Bonds will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies). Accordingly, the Bonds, if traded on the SGX-ST, will be traded in a minimum board lot size of CNY1,500,000. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular. Approval in-principle for, admission of the Bonds to the Official List of the SGX-ST and the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Company, their respective subsidiaries, their respective associated companies (if any), their respective joint ventures (if any), the Bonds, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking or the Standby Facility Agreement.

Ratings	The Bonds are expected to be assigned a rating of “A” by Lianhe Global upon issuance. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Prospective investors should evaluate each rating independently of any other rating of the Bonds or other securities of the Issuer.
Further Issues	The Issuer may from time to time without the consent of the Bondholders create and issue further bonds constituted by a deed supplemental to the Deed of Covenant and either having the same terms and conditions as the Bonds, in all respects (or in all respects except for the issue date, the first payment of interest on them, issue price and the timing for complying with the requirements set out in the Terms and Conditions of the Bonds in relation to the NDRC Post-issue Filing) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds, as further described in Condition 13 of the Terms and Conditions of the Bonds.
Use of Proceeds	See “ <i>Use of Proceeds</i> ”.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Bonds, see “ <i>Risk Factors</i> ”.

SUMMARY FINANCIAL INFORMATION OF THE COMPANY

The summary financial information of the Company as at and for the years ended 31 December 2020 and 2021 as set out below is derived from the Company's audited consolidated financial statements as at and for the year ended 31 December 2021, incorporated by reference in this Offering Circular. The summary financial information of the Company as at and for the year ended 31 December 2019 as set out below is derived from the Company's audited consolidated financial statements as at and for the year ended 31 December 2020, incorporated by reference in this Offering Circular. The consolidated financial statements of the Company as at and for the years ended 31 December 2020 and 2021, incorporated by reference in this Offering Circular, have been audited by BDO China in accordance with PRC GAAP. The summary consolidated financial information as set forth below should be read in conjunction with, and is qualified in their entirety by reference to, the relevant consolidated financial statements of the Company and the notes thereto incorporated by reference in this Offering Circular. Historical results are not necessarily indicative of results that may be achieved in any future period. See "Risk Factors — Risks Relating to the Group's Financial Statements — The Group's historical financial information may not be directly comparable with its future financial information" for more information.

The audited consolidated financial statements of the Company as at and for the years ended 31 December 2020 and 2021 have only been prepared in Chinese, i.e. the Chinese Financial Statements. An English translation of the Chinese Financial Statements and the auditor's audit reports in respect of such financial statements, i.e. the Financial Statements Translation, has been prepared and included elsewhere in this Offering Circular for reference only. Should there be any inconsistency between the Chinese Financial Statements and the Financial Statements Translation, the Chinese Financial Statements shall prevail. The Financial Statements Translation does not itself constitute audited financial statements, and is qualified in its entirety by, and is subject to the financial information set out or referred to in, the Chinese Financial Statements. None of the Joint Lead Managers or the Agents or any of their respective directors, officers, employees, representatives, agents, advisors or affiliates or any person who controls any of them has independently verified or checked the accuracy of the Financial Statements Translation and can give no assurance that the information contained in the Financial Statements Translation is accurate, truthful or complete. Potential investors must exercise caution when they use such financial information to evaluate the Group's financial condition and results of operations.

The scope of consolidation of the Company's consolidated financial statements changes from time to time. See "Notes to Financial Statements — 7 Business combinations and consolidated financial statements" of the audited consolidated financial statements of the Company as at and for the years ended 31 December 2020 and 2021 incorporated by reference in this Offering Circular for further information. In addition, MOF had promulgated the New Accounting Standards and Requirements and certain financial figures in the audited consolidated financial statements of the Company as at and for the years ended 31 December 2020 and 2021 were reclassified and/or adjusted as a result of the promulgation of the New Accounting Standards and Requirements. See "Notes to Financial Statements — 5 Changes in accounting policies and accounting estimates and correction of errors" of the audited consolidated financial statements of the Company as at and for the years ended 31 December 2020 and 2021 incorporated by reference in this Offering Circular for further information. As a result, the presentation of certain accounting items in the Company's audited consolidated financial statements as at and for the years ended 31 December 2020 and 2021 may not be comparable to the financial information in its consolidated financial statements for the previous periods. As the scope of consolidation of the Company's consolidated financial statements may change from time to time and MOF may promulgate or issue new or amended accounting standards and requirements in relation to financial statements from time to time, there can be no assurance that such changes in scope of consolidation or new or amended accounting standards and requirements would not materially and adversely affect the accounting policies of the Company or the presentation of the consolidated financial statements of the Company. Any future changes in the accounting policies of the Company may have material impact on its financial condition and results of operations. Investors must therefore exercise caution when evaluating the financial condition and results of operations of the Company or the Group.

According to the Joint Circular, any public interest assets such as public schools, public hospitals, public cultural facilities, parks, public squares, office buildings of government departments and public institutions, municipal roads, non-toll bridges, non-operating water conservancy facilities, no-charge pipe network facilities and other public interest assets and the usage rights of reserve land cannot be counted towards the Group's assets for the purposes of issuing medium and long-term foreign debt. Please see "Risk Factors — Risks Relating to the Group in General — PRC regulations on the administration of local government debts and their financing platforms will have a material impact on the Group's financing and business models" for further information.

Summary Consolidated Income Statement Data

	For the year ended 31 December		
	2019	2020	2021
	(audited)	(audited)	(audited)
	(RMB in million)		
I. Total Operating income	13,260.1	32,916.7	40,246.5
Including: Operating income	13,260.1	32,916.7	40,246.5
II. Total operating costs	14,347.5	34,276.8	46,520.5
Including: Operating costs	9,775.2	26,118.7	34,450.3
Taxes and surcharges	70.0	649.5	253.9
Selling expenses	31.3	636.4	656.3
General administrative expenses	684.1	1,744.7	3,027.3
Research and development expenses	5.2	404.3	751.2
Financial expenses	3,781.8	4,723.2	7,381.5
Including: Interest expenditure	4,061.8	5,096.8	8,001.9
Interest income	306.7	434.7	638.7
Foreign exchange net loss (net income is listed with "-") . . .	-34.9	-81.9	-189.2
Others	—	—	—
Plus: Gains from other income ("- for losses)	126.4	581.8	1,168.3
Gain on investment ("- for losses)	2,362.4	3,950.5	6,369.4
Including: Investment income from associates and joint ventures	-228.9	260.7	512.5
Gain from derecognition of financial assets measured at amortised cost	—	—	—
Exchange gains (losses are listed with "-")	—	—	—
Net exposure hedging gains (losses are listed with "-") . . .	—	—	—
Gains from changes in fair value ("- for losses)	657.1	1,128.4	91.7
Credit impairment losses (losses are listed with "-")	-91.6	-54.4	-574.8
Loss from asset impairment	-208.2	-1,356.5	-176.2
Gain or loss on disposal asset ("- for losses)	3.1	504.8	289.9
III. Operating profits ("- for losses)	1,761.9	3,394.5	894.4
Plus: Non-operating income	140.2	110.5	216.6
Including: Government grants	1.1	8.4	14.6
Less: Non-operating expenses	18.5	49.0	131.7
IV. Profits before tax ("- for losses)	1,883.6	3,456.1	979.3
Less: income tax expense	612.7	1,120.2	755.9
V. Net profits ("- for net losses)	1,270.9	2,335.9	223.5
1. Classified by ownership:			
Net profit attributable to owners of the parent company . . .	1,181.2	1,854.3	545.4
Minority interest income	89.7	481.6	-321.9
2. Classified by business continuity:			
Net profit from operation on going concern basis	1,270.9	2,335.9	223.5
Net profit from cease of operation	—	—	—

	For the year ended 31 December		
	2019	2020	2021
	(audited)	(audited)	(audited)
	(RMB in million)		
VI. Other comprehensive income, net of tax	1,058.4	414.0	-1,273.5
Other comprehensive income after tax attributable to owners of parent company	1,049.9	721.7	-999.9
1. Other comprehensive income which will not be reclassified subsequently to profit or loss	—	6.1	-1,136.6
1.1 Remeasurement gains or losses of a defined benefit plan	—	6.1	-11.0
1.2 Other comprehensive income using the equity method that will not be reclassified to profit or loss	—	—	—
1.3 Changes in fair value of other equity instrument investments	—	—	-1,125.6
1.4 Changes in fair value of the company's own credit risk	—	—	—
1.5 Others	—	—	—
2. Other comprehensive income items which will be reclassified subsequently to profit or loss	1,049.9	715.7	136.7
2.1 Other comprehensive income convertible to profit or loss under the equity method	-26.0	-26.1	-0.1
2.2 Changes in fair value of other debt investments	—	—	—
2.3 Profit and loss from changes in fair value of available-for-sale financial assets	1,153.3	508.0	—
2.4 The amount of financial assets reclassified into other comprehensive income	—	—	—
2.5 Gains or losses from held-to-maturity investments reclassified as available-for-sale financial assets	—	—	—
2.6 Provision for credit impairment of other debt investments	—	—	—
2.7 Cash flow hedge reserve (effective part of cash flow hedge gains and losses)	—	—	—
2.8 Foreign currency financial statement translation difference	-77.5	233.8	136.8
Other comprehensive income, net of tax, attributable to non-controlling interests	8.6	-307.7	-273.6
VI. Total comprehensive income	2,329.4	2,749.9	-1,050.0
Total comprehensive income attributable to owners of the parent company	2,231.1	2,576.0	-454.5
Total comprehensive incomes of non-controlling interest	98.3	173.9	-595.5

Summary Consolidated Balance Sheet Data

	As at 31 December		
	2019	2020	2021
	(audited)	(audited)	(audited)
	(RMB in million)		
Current assets:			
Monetary funds	18,235.1	24,230.2	22,867.0
Financial assets held for trading	—	123.6	4,512.8
Financial assets measured at fair value through profit or loss	3,242.0	5,053.4	—
Notes receivable	257.2	61.9	1,215.2
Accounts receivable	5,286.6	11,374.3	15,303.7
Receivables financing	—	862.7	580.8
Advance to suppliers	1,859.8	1,291.7	2,063.9
Other receivables	33,624.1	35,972.5	27,099.6
Inventories	11,652.6	17,192.0	19,036.9
Contract assets	—	2,225.1	2,233.8
Assets classified as held for sale	—	92.3	74.3
Non-current assets due within one year	4,692.2	5,090.4	7,897.0
Other current assets	19,077.4	12,006.4	7,432.8
Total current assets	97,927.1	115,576.5	110,317.8
Non-current assets:			
Loans and advances to customers	6,553.1	7,823.1	7,555.9
Debt investment	—	—	25,355.5
Available-for-sale financial assets	30,539.6	72,692.4	—
Held-to-maturity investments	11,270.4	18,176.0	—
Long-term receivables	21,259.1	21,466.7	21,978.2
Long-term equity investment	4,128.2	6,609.0	53,243.9
Other equity instruments investment	—	34.0	76,832.8
Other non-current financial assets	4.0	17.7	11.7
Investment property	6,309.3	6,317.8	6,475.0
Fixed assets	12,738.0	34,350.0	42,419.3
Including: Original value	—	—	62,043.4
Accumulated depreciation	—	—	19,287.2
Impairment provision	—	—	337.3
Constructions in progress	38,167.9	38,652.7	38,061.2
Biological assets	3.3	3.2	3.1
Right of use assets	—	555.1	9,389.3
Intangible assets	2,700.2	4,027.6	20,908.0
Development expenses	—	—	0.1
Goodwill	2,607.2	5,036.3	5,011.7
Long-term deferred expenses	137.1	1,407.3	1,518.0
Deferred tax assets	474.3	2,668.3	2,784.1
Other non-current assets	7,638.1	15,123.7	25,031.1
Total non-current assets	144,529.8	234,960.8	336,578.9
Total assets	242,456.9	350,537.3	446,896.6

	As at 31 December		
	2019	2020	2021
	(audited)	(audited)	(audited)
	(RMB in million)		
Current liabilities			
Short-term borrowings	8,371.7	18,909.0	20,525.0
Financial liabilities held for trading	—	22.6	—
Notes payable	887.2	1,549.0	4,404.3
Accounts payable	3,906.6	7,356.4	12,388.4
Advances from customers	982.5	1,751.7	133.6
Contract liability	—	245.0	1,566.7
Employee benefits payable	36.5	483.3	671.5
Including: Wages payable	31.5	181.7	180.8
Welfare payable	—	0.6	3.1
Taxes and surcharges payable	664.9	1,036.8	966.5
Including: Tax payable	660.0	1,031.7	960.5
Other payables	8,474.0	12,448.9	9,979.9
Including: Dividends payable	84.2	181.3	42.7
Non-current liabilities due within one year	16,639.7	22,253.7	31,182.7
Other current liabilities	3,325.4	6,490.6	8,798.2
Total current liabilities	43,288.4	72,547.1	90,616.8
Non-current liabilities:			
Long-term borrowings	43,522.9	59,872.6	80,016.3
Bonds payable	48,782.7	57,719.2	75,630.8
Lease liability	—	280.4	7,167.7
Long-term payables	22,965.9	22,747.2	22,147.4
Long-term employee benefits	—	1,431.4	1,269.1
Estimated liabilities	387.3	1,431.8	1,509.1
Deferred income	5.8	1,293.3	958.0
Deferred tax liabilities	1,011.8	1,580.7	2,679.3
Other non-current liabilities	—	33.8	841.6
Total non-current liabilities	116,676.3	146,390.2	192,219.2
Total liabilities	159,964.7	218,937.3	282,836.0
Paid-in capital	6,900.0	6,900.0	6,900.0
Other equity instrument	17,800.0	24,810.0	16,821.0
Capital reserves	34,004.3	60,672.4	107,540.4
Other comprehensive income	(679.4)	42.3	3,937.2
Including: foreign currency translation differences	(66.5)	167.3	304.1
Special reserve	0.0	2.4	4.9
General risk reserve	28.2	57.7	80.8
Undistributed profits	1,589.2	436.1	–1,622.9
Non-controlling interest	22,849.9	38,679.1	30,399.3
Total owner's equity	82,492.2	131,600.0	164,060.7
Total liabilities and owners' equity	242,456.9	350,537.3	446,896.6

Summary Consolidated Statement of Cash Flow Data

	For the year ended 31 December		
	2019	2020	2021
	(audited)	(audited)	(audited)
	(RMB in million)		
Net cash generated from/(used in) operating activities	1,249.4	1,958.7	438.4
Net cash generated from/(used in) investing activities	(21,075.8)	(25,101.8)	(7,650.9)
Net cash generated from/(used in) financing activities	20,479.4	29,452.0	5,796.8
Effect of fluctuation in exchange rate on cash and cash equivalents	73.5	(114.1)	(174.9)
Net increase/(decrease) in cash and cash equivalents	726.5	6,194.8	(1,590.6)
Cash and cash equivalents at the end of the period	14,640.2	20,835.0	19,244.4

Summary Financial Data

	For the year ended 31 December		
	2019	2020	2021
EBITDA ⁽¹⁾ (RMB million)	6,400	10,548	15,130
EBITDA coverage ratio ⁽²⁾	1.58x	2.07x	1.89x
Total indebtedness ⁽³⁾ /EBITDA	19.84x	16.32x	15.16x
Net indebtedness ⁽⁴⁾ /EBITDA	17.56x	14.34x	13.89x
Net indebtedness/total capitalisation ⁽⁵⁾	53.63%	49.81%	53.42%
Asset-liability ratio ⁽⁶⁾	65.98%	62.46%	63.29%

Notes:

- (1) The Company calculates EBITDA for any year as profit before tax for the year plus interest expenditure recognised under financial costs, depreciation of fixed assets, depletion of oil and gas assets, and depreciation of productive biological assets, depreciation of right-of-use assets, amortisation of intangible assets and amortisation of long-term deferred expenses. EBITDA is not a standard measure under PRC GAAP or IFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Company's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Company has included EBITDA because the Company believes that it is a useful supplement to cash flow data as a measure of the Company'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 Company's EBITDA to EBITDA presented by other companies because not all companies use the same definition.
- (2) EBITDA coverage ratio is calculated by EBITDA/interest expenditure recognised under financial costs.
- (3) Total indebtedness means the aggregate of (i) short-term borrowings, (ii) the interest-bearing portion of other payables, (iii) non-current liabilities due within one year, (iv) short-term financing bills and short-term financial lease as recognised under other current liabilities, (v) long-term borrowings, (vi) bonds payable, (vii) lease liability and (viii) certain fixed assets accessed from financial lease, borrowing from non-financial organisations, financial lease and government repayment road special debt as recognised under long-term payables for that financial year. See "Capitalisation and Indebtedness — Consolidated Capitalisation and Indebtedness of the Company".
- (4) Net indebtedness is calculated by total indebtedness minus cash and cash equivalents.
- (5) Net indebtedness divided by total capitalisation and expressed as a percentage. Total capitalisation represents the sum of total indebtedness and total owners' equity.
- (6) Total liabilities divided by total assets and expressed as a percentage.

SUMMARY FINANCIAL INFORMATION OF THE ISSUER

The following tables present the summary financial information of the Issuer. The Issuer is a wholly-owned subsidiary of the Company as at the date of this Offering Circular. The summary financial information of the Issuer as at and for the years ended 31 December 2020 and 2021 as set out below is derived from the Issuer's audited consolidated financial statements as at and for the year ended 31 December 2021, included elsewhere in this Offering Circular. The summary financial information of the Issuer as at and for the year ended 31 December 2019 as set out below is derived from the Issuer's audited consolidated financial statements as at and for the year ended 31 December 2020, included elsewhere in this Offering Circular. The consolidated financial statements of the Issuer as at and for the years ended 31 December 2020 and 2021, included elsewhere in this Offering Circular, have been audited by BDO Hong Kong.

The summary consolidated financial information as set forth below should be read in conjunction with, and is qualified in their entirety by reference to, the relevant consolidated financial statements of the Issuer and the notes thereto included elsewhere in this Offering Circular.

The HKICPA issued a number of new or amended HKFRSs that were first effective for the annual periods beginning on or after 1 January 2020 or 2021. See "Notes to Consolidated Financial Statements — 2. Adoption of Hong Kong Financial Reporting Standards" of the audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2020 and 2021 included elsewhere in this Offering Circular for further information. As a result, the presentation of certain accounting items in the Issuer's audited consolidated financial statements as at and for the years ended 31 December 2020 and 2021 may not be comparable to the financial information in its consolidated financial statements for the previous periods. Any future changes in the accounting policies of the Issuer may have material impact on its financial condition and results of operations. Investors must therefore exercise caution when evaluating the financial condition and results of operations of the Issuer.

Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income Data

	For the year ended 31 December		
	2019	2020	2021
	(audited)	(audited) (U.S.\$)	(audited)
Interest income	96,325,514	104,464,144	79,906,465
Finance costs	(97,359,846)	(96,204,609)	(79,822,958)
Net interest income/(expenses)	(1,034,332)	8,259,535	83,507
Other gains and losses	113,210	1,279,662	(99,496)
Administrative expenses	(1,057,907)	(1,831,892)	(1,837,804)
Profit/(Loss) before income tax	(1,979,029)	7,707,305	(1,853,793)
Income tax credit/(expense)	(96,763)	(1,940,423)	838,597
Profit/(Loss) for the year	(2,075,792)	5,766,882	(1,015,196)
Item that will not be reclassified to profit or loss			
Net fair value change on equity investment at fair value through other comprehensive income	(21,285)	(677,453)	—
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations	(77,141)	506,425	241,053
Reclassification of exchange differences on disposal of foreign operations	—	(3,976)	—
Other comprehensive income for the year	(98,426)	(175,004)	241,053
Total comprehensive income for the year	(2,174,218)	5,591,878	(774,143)

Summary Consolidated Statement of Financial Position Data

	As at 31 December		
	2019	2020	2021
	(audited)	(audited)	(audited)
		(U.S.\$)	
Current assets:			
Loan receivable	214,538,739	—	—
Other receivables and prepayment	114,735	4,995,361	4,713,463
Amount due from immediate holding company	—	32,472,107	7,143,472
Amounts due from fellow subsidiaries	1,953,280,032	1,820,008,941	1,881,016,166
Time deposits	38,999,970	—	—
Cash and cash equivalents	326,971,844	1,225,446	13,746,146
Income tax receivable	979,648	171,867	115,386
	<u>2,534,884,968</u>	<u>1,858,873,722</u>	<u>1,906,734,633</u>
Non-current assets:			
Long-term equity investment	—	—	—
Equity investment at fair value through other comprehensive income	3,110,054	—	—
	<u>3,110,054</u>	<u>—</u>	<u>—</u>
Current liabilities:			
Short-term borrowings	—	—	—
Other payables	2,815,849	501,754	359,327
Interest payable	23,258,333	—	—
Loan from immediate holding company	192,656,845	—	7,850,000
Amounts due to fellow subsidiaries	26,343,490	22,832,721	137,897,013
Bank borrowings	99,276,246	87,521,229	20,320,513
Income tax payable	—	1,735,445	65,090
Bonds payable	799,433,039	—	803,036,639
	<u>1,143,783,802</u>	<u>112,591,149</u>	<u>969,528,582</u>
Non-current liabilities:			
Long-term borrowings	—	—	—
Bank borrowings	—	30,000,000	22,500,000
Bonds payable	1,391,892,167	1,708,371,642	907,569,263
	<u>1,391,892,167</u>	<u>1,738,371,642</u>	<u>930,069,263</u>
Net assets	2,319,053	7,910,931	7,136,788
Capital and reserves:			
Share capital	13,290,000	13,290,000	13,290,000
Reserves	(10,970,947)	(5,379,069)	(6,153,212)
Equity attributable to owners of the Company	—	—	—
Holders of perpetual securities	—	—	—
Total equity	<u>2,319,053</u>	<u>7,910,931</u>	<u>7,136,788</u>

Summary Consolidated Statement of Cash Flow Data

	For the year ended 31 December		
	2019	2020	2021
	(audited)	(audited) (U.S.\$)	(audited)
Net cash generated from/(used in)			
operating activities.	(86,428,735)	(102,794,896)	(79,647,527)
Net cash generated from/(used in)			
investing activities.	(228,842,760)	140,335,612	(3,913,103)
Net cash generated from/(used in)			
financing activities.	636,947,345	(363,715,782)	96,055,270
Net increase/(decrease) in cash and			
cash equivalents	321,675,850	(326,175,066)	12,494,640
Cash and cash equivalents at beginning of the year. .	5,373,135	326,971,844	1,225,446
Effect of exchange rate changes on cash and			
cash equivalents	(77,141)	428,668	26,060
Cash and cash equivalents at end of the year	326,971,844	1,225,446	13,746,146

RISK FACTORS

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

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

RISKS RELATING TO THE GROUP IN GENERAL

The Group's business is heavily dependent on the level of economic development in Qingdao and the PRC.

The Group operates its business primarily in Qingdao in the PRC and its assets and operations are highly concentrated in Qingdao. Therefore, the Group's business, financial condition, results of operations and prospects have been and will continue to be heavily dependent on the level of economic development in Qingdao and the PRC.

The economy of the PRC experienced rapid growth in the past 40 years. There has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. According to the National Statistics Bureau of the PRC, the annual growth rate of China's GDP in 2019 decreased slightly to 6.0 per cent. on a year-on-year basis compared to 6.7 per cent. in 2018, and it further decreased to 2.2 per cent. in 2020 on a year-on-year basis. Although the PRC recorded a GDP annual growth rate of 8.1 per cent. in 2021, there can be no assurance that a similar level of growth rate can be sustained. Any future slowdown may create a credit tightening environment, increase the Group's financing costs, negatively affect the government's fiscal income and investment in fixed assets or reduce governmental subsidies to the Group. See “— *Risks relating to China — China has experienced a slowdown in its economic development and the future performance of China's economy is uncertain*”.

The national economic condition of the PRC has a material effect on the regional economic performance in the PRC. According to the Statistics Bureau of Qingdao Municipality, the annual growth rate of Qingdao's GDP decreased from 12.9 per cent. in 2010 to 8.3 per cent. in 2021 although the absolute amount of Qingdao's GDP increased from RMB566.6 billion in 2010 to RMB1,413.6 billion in 2021. The slowdown of Qingdao's GDP growth was in line with the change in the PRC's GDP growth rate during the same period. The economic condition and future development of China and Qingdao may be affected by many factors beyond the Group's control. China's economy experienced a significant slowdown since the outbreak of COVID-19 in late 2019 and China recorded a GDP contraction of 6.8 per cent. year-on-year in the first quarter of 2020. Given that China was generally able to contain the spread of COVID-19 in 2021, the PRC's GDP increased by 8.1 per cent. year-on-year in 2021. In 2022, the PRC government imposed a number of measures in an effort to contain another wave of COVID-19 in major cities which resulted in decrease in the GDP growth rate to 3.0 per cent in 2022. These measures have in some cases caused disruptions across various cities in China and may have an adverse effect on the Chinese economy and Qingdao's economy. According to preliminary estimates by the Statistics Bureau of Qingdao Municipality, Qingdao's GDP in 2022 amounted to RMB1,492.1 billion,

representing an annual growth rate 3.9 per cent. on year-on-year basis, compared to 8.3 per cent. in 2021. There can be no assurance that there will not be negative factors such as a resurgence of COVID-19 that would result in a significant slowdown of the economies of the PRC and Qingdao in the future. There can be no assurance that the level of economic development in China or Qingdao will continue at its historical growth rate, or at all. Any slowdown in the economic development in Qingdao may affect the fiscal income and financial condition of the Qingdao Municipal Government as well as its plans and budgets for city construction and development. This may in turn decrease the demand for the Group's business and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group faces risks associated with contracting with public bodies, such as the Qingdao Municipal Government.

As at the date of this Offering Circular, the Company is directly wholly-owned by Qingdao SASAC, which is under direct administration of the Qingdao Municipal Government. The Group contracts with the Qingdao Municipal Government and its controlled entities when it carries on a large number of business activities, such as infrastructure construction, primary land development and affordable housing development, etc. Accordingly, the Qingdao Municipal Government has a significant influence on the Group's business, major investment decisions, development strategies, management and financial condition. The Qingdao Municipal Government may not take actions that are in the Group's best commercial interests or that aim to maximise the Group's profit when it carries out its administrative function and implements the PRC government's policies. Those actions, which may be beneficial to Qingdao or Shandong Province as a whole, could have an adverse impact on the Group's business, financial condition, results of operations and prospects.

Since 2016, Qingdao SASAC, with the aim of reforming local state-owned enterprises to optimise allocation of state-owned resources and to improve the operational efficiency, implemented a series of corporate reorganisation of the state-owned enterprises under its control and administration, including the Company. In December 2016, the Company was ordered to transfer a 49 per cent. equity interest in Qingdao Tourism Group, then wholly-owned by the Company, to Qingdao SASAC for nil consideration. Qingdao SASAC intended to inject such equity interest into a newly established group holding company focused on the travel and tourism business in Qingdao. At the time of such equity transfer, Qingdao Tourism Group and its consolidated subsidiaries taken as a whole represented a certain level of financial significance in the Group. In March 2017, the Company was ordered to further transfer an additional 40 per cent. equity interest in Qingdao Tourism Group to Qingdao SASAC. As a result of the foregoing government-led reorganisation, the Company held 5.10 per cent. of the equity interest in Qingdao Tourism Group as at the date of this Offering Circular, and Qingdao Tourism Group and its consolidated subsidiaries ceased to be the Company's subsidiaries. The financial accounts of those entities are no longer consolidated into the Company's consolidated financial statements. Pursuant to a notice dated 20 April 2020 issued by Qingdao SASAC, the 100 per cent. equity interest in Doublestar Group was to be transferred to the Company at nil consideration. In April 2020, Doublestar Group conducted its capital and share increase and equity transfer by way of listing on Qingdao Property Rights Exchange (青島產交所). Consequently, and after the introduction of strategic investors, the Company held a 41 per cent. equity interest in Doublestar Group and became its largest shareholder. Accordingly, from April 2020, Doublestar Group has been consolidated into the Group's financials. Doublestar Group is engaged in tyre manufacturing, smart equipment, smart logistics and smart cyclic utilisation of wasted rubber, none of which corresponded to then core businesses of the Group which included infrastructure development, primary land development, development of affordable housing and commodity housing, power generation, financial services and basic material trading business. Doublestar Group recorded net profit of RMB10.1 million for the year ended 31 December 2020. However, for the year ended 31 December 2021, Doublestar Group recorded a net loss of RMB778.8 million. If Doublestar Group continues to incur net losses in the near future, the Group's business, financial condition, results of operations and prospects may be adversely impacted. There remains uncertainties regarding the financial impact of this equity transfer on the Group's operations and no assurance can be given that the Group would be able to integrate Doublestar Group's operations successfully into the Group's existing operations. Furthermore, pursuant to the Notice on Printing and Distributing the Working Plan for Enhancing and Strengthening Municipal Platform Companies to Promote the Construction of Major Infrastructure Projects in the City (關於印發做大做強市屬平台公司推動全市重大基礎設施項目建設工作方案的通告) (Qingzhengbanzi [2021] No. 34) issued by the General Office of the Qingdao Municipal Government in April 2021, Qingdao SASAC will transfer 100 per cent. of the state-owned equity interests in Qingdao Water Group, Qingdao Energy Group Co., Ltd. (青島能源集團有限公司) and Qingdao Municipal Construction Group Co., Ltd. (青島市政空間開發集團有限責任公司) to the Company. As at the date of this Offering Circular, the equity transfer has not been completed. Completion of the relevant transfers of equity

interests is subject to the completion of registration procedures with SAMR. In addition, pursuant to the Approval of Qingdao SASAC on the Gratuitous Transfer of State-owned Equity Interest in Qingdao Airlines Holding (Qing SASAC [2022] No. 120) (青島市國資委關於青島航空控股有限公司國有股權無償劃轉的批覆 (青國資委[2022] 120號)), the Company shall transfer 50 per cent. of the state-owned equity interest in Qingdao Airlines Holding to Qingdao Tourism Group at nil consideration. As at the date of this Offering Circular, the equity transfer has not been completed. However, Qingdao Airline Holding's financial results were deconsolidated from the Group's financial statements from 1 January 2022 and it had since ceased to be a consolidated subsidiary of the Company. Completion of the relevant transfer of equity interest is subject to regulatory procedures with SAMR. The Company believes that the equity transfer will not materially and adversely affect the Group's net assets, operating income and net profit, nor will the equity transfer have a material negative impact on the Group's day-to-day operations or ability to service its debts. However, there can be no assurance that the Group will not be further affected by any reorganisation initiated by Qingdao SASAC. Moreover, the Qingdao Municipal Government and Qingdao SASAC may from time to time change their policies to respond to the policies, initiatives and measures of the PRC government. Any adverse amendment, modification or repeal of existing policies of Qingdao SASAC or the Qingdao Municipal Government, especially policies relating to the management of state-owned assets, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's business, results of operations and financial condition may also be affected by the Qingdao Municipal Government's ability to perform its contractual obligations relating to the Group's urban and rural infrastructure investment and construction business. The Group undertakes a large number of infrastructure projects for city development projects in Qingdao. It normally enters into service contracts or agency construction agreements with the Qingdao Municipal Government or its relevant departments pursuant to which the Qingdao Municipal Government or such departments agree to pay for the Group's project management services or construction services to be rendered in connection with developing the infrastructure projects. Services fees or construction fees received by the Group are used to repay any borrowing the Group incurs to fund the development of the relevant project. The ability of the Qingdao Municipal Government or its relevant departments to perform its payment obligations is heavily dependent on its financial health and stability, which are in turn affected by a large number of factors beyond the Group's control. Failure of the Qingdao Municipal Government or its relevant departments to pay the Group service fees or construction fees will have a material adverse impact on the Group's operating revenue, cash flow and its ability to serve its outstanding indebtedness.

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

Various PRC government entities maintain and enforce regulations related to local government financing vehicles ("LGFV"). As at the date of this Offering Circular, the Company is not on the list of LGFV maintained by the China Banking and Insurance Regulatory Commission ("CBIRC", which incorporates the functions and powers of the former China Banking Regulatory Commission). These government entities, including MOF, 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. It is uncertain that certain regulations intended to apply to LGFV do not or will not apply to the Group or that such regulations will not be retroactively applied to the Group.

In September 2014, the State Council released the Opinion on Enhancing the Administration of Fiscal Debts of Local Governments (關於加強地方政府性債務管理的意見) ("Circular 43") with an aim to control a significant increase in local government debts and associated risks in the PRC's banking system. Circular 43 generally prohibits local governments 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 the relevant local governments own or control. In April 2017, MOF, together with the NDRC, PBOC, the CSRC, CBIRC and the Ministry of Justice, released the Notice concerning Further Regulation of Local Government Borrowing and Financing Conduct (關於進一步規範地方政府舉債融資行為的通知) to emphasise the principles and policies set out in Circular 43. In the event the Company is deemed a financing platform of the relevant local government, the Group's results of operations and financial condition may be heavily affected by such changes in applicable regulations, including Circular 43. Consequently, the Group should rely upon the cash flow generated from its operations and external borrowings to satisfy its cash needs for servicing its outstanding indebtedness and for financing its operating activities.

In addition, the PRC government issued the Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知 (財金[2018] 23號)) (the “**MOF Circular**”), effective on 28 March 2018, which aims to increase the responsibility of the PRC state-owned financial institutions to investigate the financial independence and liquidity level of local government financing vehicles that they assist in fundraising. On 11 May 2018, the Joint Circular was released, which reiterates the PRC government’s position to isolate the debt of local government financing vehicles from the relevant local government and to control the increase of local governments’ debt. The Joint Circular requires companies that plan to borrow medium and long-term foreign debt to establish a sound and standardised corporate governance structure, management decision-making mechanism and financial management system. It further requires assets owned by such companies to be of good quality with clear ownership and public interest assets are prohibited from being included in corporate assets. As at 31 December 2021, the Group had approximately RMB20.6 billion public interest assets, which amounted to approximately 4.6 per cent. of the total assets of the Group as at the same date. Such public interest assets mainly include infrastructure projects undertaken by the Group in Qingdao, for example, highways and bridges. The ownership title of all of such public interest assets would be transferred to the government upon their completion pursuant to the arrangement under the “built and transfer” model. The Group is currently negotiating with the Qingdao Municipal Government on the subsequent disposal of such public interest assets in light of the requirement of the Joint Circular. See “— *Risks relating to the Bonds, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking and the Standby Facility Agreement — The PRC government has no obligations under the Bonds, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking or the Standby Facility Agreement*”.

On 6 June 2019, the General Office of the NDRC issued the Circular of the General Office of the NDRC on the Relevant Requirements for Filing and Registration of Foreign Debts Issuance by Local State-owned Enterprises (國家發展改革委辦公廳關於對地方國有企業發行外債申請備案登記有關要求的通知) (the “**Circular 666**”), which aims to strengthen the management of local government debt and avoid or mitigate risks relating to medium and long-term foreign debt as well as hidden debt of local governments. The Circular 666 expressly restricts the use of proceeds of foreign debt securities issued by state-owned enterprises which undertake local government financing functions to the repayment of medium and long-term offshore debt due within the impending 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, and there can be no assurance that the Group’s financing model and business model, asset size and financial condition will not be materially affected as a result.

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

Some of the Group’s businesses require significant capital outlay, such as primary land development, infrastructure development, construction of affordable housing and commodity housing and power generation. To fund its future investments and expansions, the Group believes that its demand for capital resources will continue to increase. The Group’s capital expenditure and investment plans are affected by a number of factors, such as changes in business plan and strategies and changes of market conditions, etc. Any adverse change in these factors may result in an increase in the actual investment and cost overruns and creating capital shortfall, and may adversely affect the results of operations and financial condition of the Group.

The Group historically satisfied its cash requirements with (i) cash flow generated from its operations and investment, (ii) government grants and subsidies, (iii) the proceeds of bank and other borrowings, and (iv) the proceeds from the issuance of bonds, commercial papers and other debt securities in the PRC debt capital markets.

The ability of the Group to generate sufficient operating cash flow is affected by a number of factors, such as the Group’s ability to carry on its business activities in an efficient manner, 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 change in any of these factors may result in capital shortfall. The Group has historically experienced net investing cash outflows. There can be no assurance that the Group’s operating activities are able to generate sufficient cash to satisfy its cash needs at all times. See “— *The Group historically experienced net investing cash outflows*”.

The amount of the government grants received by the Group fluctuates from time to time, and some of the grants are not recurring. Whether or not the Group will receive the same amount of government grants, if at all, largely depends on the policies and financial condition of the Qingdao Municipal Government. The granting of the government subsidies is determined by the relevant governmental authorities in its discretion based on the Group's application. There can be no assurance that the Group will continue to receive the same government subsidies and grants or enjoy the same preferential treatments as it has in the past in future. See “— *The Group may cease to enjoy government subsidies, grants and preferential treatments, the loss of which, or a reduction in which, could reduce the Group's profits*”.

If the Group is not able to satisfy its cash needs with its operating cash flow, it has to increase its reliance on external financing. The Group's ability to arrange for external financing and the cost of such financing are dependent on numerous factors, some of which are beyond the Group's control, including:

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

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

Substantial 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 the proceeds from the issuance of bonds, commercial papers and other debt securities in the PRC debt capital markets to satisfy a portion of its capital requirements and it has had a significant amount of outstanding indebtedness. As at 31 December 2021, the Group's total indebtedness (including (i) short-term borrowings, (ii) the interest-bearing portion of other payables, (iii) non-current liabilities due within one year, (iv) short-term financing bills and short-term financial lease as recognised under other current liabilities, (v) long-term borrowings, (vi) bonds payable, (vii) lease liability and (viii) certain fixed assets accessed from financial lease, borrowing from non-financial organisations, financial lease and government repayment road special debt as recognised under long-term payables) was RMB229,440.8 million, of which RMB62,356.8 million would become due within 12 months. See “*Capitalisation and Indebtedness — Consolidated Capitalisation and Indebtedness of the Company*”. In addition, the Group from time to time guarantees the indebtedness of its related parties, non-related third parties, and it also provides financial guarantee services to independent third parties in respect of their borrowings. See notes 9.2 and 9.3 to the audited consolidated financial statements of the Company as at and for the years ended 31 December 2020 and 2021, incorporated by reference in this Offering Circular.

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

- requiring the Group to divert its operating cash flow to service its indebtedness;
- increasing the Group's finance costs, thus affecting the overall profits of the Group;
- decreasing the Group's financial flexibility in carrying on its business or responding to unexpected market changes;
- limiting, together with the financial and other restrictive covenants of the Group's indebtedness, among other things, the Group's ability to borrow additional funds; and
- increasing the Group's vulnerability to adverse general economic and industry conditions.

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

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

Certain financing contracts entered into by the Group's members contain operational and financial restrictions that prohibit the borrowers from incurring additional indebtedness unless they are able to satisfy certain financial ratios, restrict the borrowers from creating security or granting guarantees or prohibit the borrowers from changing their business and corporate structure and declaring or paying dividends, without the lenders prior consent. Such restrictions may negatively affect the relevant Group members' 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 the Group's business. Any of these factors could materially and adversely affect the Group's ability to satisfy its obligations under outstanding financial obligations, such as the Bonds after issuance.

If the Company or any of its relevant subsidiaries is unable to comply with the restrictions 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 Company 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 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 a default of 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 Company or its subsidiaries would be sufficient to repay in full all of their respective debts as they become due, or that the Company or its subsidiaries would be able to find alternative financing. Even if the Company and its subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Company or, as the case may be, its subsidiaries.

Some of the Group's assets have been mortgaged or pledged to secure the borrowings of the Group or its related parties. Examples of types of security provided by the Group include fixed charges and pledges which have been created on the monetary funds, real properties, receivables, inventories, construction in progress, equity interests and intangible assets held by the Group. Third-party security rights may limit the Group's use of the underlying collateral assets and adversely affect its operational efficiency. As at 31 December 2021, the Group's restricted assets amounted to RMB29.0 billion, representing 6.5 per cent. of its total assets. If the Company and its subsidiaries are unable to service and repay their debts under such loan facilities on a timely basis, the assets mortgaged or charged to secure the Group's bank loans may be foreclosed, which may adversely affect the Group's business, financial condition, results of operations and prospects.

The Group historically experienced net investing cash outflows.

The Group had negative net investing cash flows in the past. For the years ended 31 December 2019, 2020 and 2021, the Group recorded net cash outflows from investing activities of RMB21,075.8 million, RMB25,101.8 million and RMB7,650.9 million, respectively. The Group's net investing cash outflows were largely attributable to the cash outflows from investing activities for the years ended 31 December 2019, 2020 and 2021 being greater than the cash inflows from investing activities during the corresponding periods. The greater cash outflows from investing activities was primarily due to more cash paid for increased investments. In addition, the Group previously recorded net operating cash outflows which were largely attributable to an increase in its expenditure for its primary land development and infrastructure projects. When the Group has been engaged to undertake a large number of infrastructure projects in Qingdao, it normally incurs substantial development expenditures at the preliminary stage of those projects before it receives operating cash inflow attributable to the construction fee or the land development fee paid by the Qingdao Municipal Government according to the payment schedule of the relevant projects or after the relevant projects are completed. Payment of the construction fee and the land development fee is usually made by instalments after the completion of the projects and it may be delayed due to various reasons, such as changes in the budget of the Qingdao Municipal Government. If the Group's operating activities fail to generate sufficient cash to satisfy its cash requirements, the Group has to increase its reliance on external financing to satisfy its working capital and capital expenditure, thus increasing its financial vulnerability and adversely affecting its financial condition and results of operations.

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

The Group from time to time receives government subsidies and grants from the Qingdao Municipal Government and other governmental authorities in China. Some of the subsidies and grants received by the Group are linked to a specific project developed by the Group, whose use is restricted to the relevant project; some subsidies and grants may be used at the Group's discretion, but the provision of such subsidies and grants is not recurring and is under various conditions or subject to the full discretion of relevant governmental authorities. There can be no assurance that the Group will receive the same amount of government subsidies and grants or enjoy the same preferential treatments as it used to, if at all, since the relevant government policies may change over time. For the years ended 31 December 2019, 2020 and 2021, the Group's government grants amounted to RMB1.1 million, RMB8.4 million and RMB14.6 million, respectively. The increase in government grants for the year ended 31 December 2020, as compared to previous year was primarily due to the acquisition and consolidation of Doublestar Group. The Group may not receive government grants every year, and the Group may receive additional or reduced amounts of government grants depending on, among others, the progress of project construction and government policies. Furthermore, in the event the Group fails to repay any of its outstanding indebtedness as it matures, each of the Qingdao Municipal Government, Qingdao SASAC and other governmental authorities in China has no obligations to provide any subsidy, grant, capital injection, preferential treatment or any other forms of government support to the Group. Any continuing loss or reduction in government subsidies and grants or other form of government financial support could have an adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may be exposed to risks relating to increased level of inventories.

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

As at 31 December 2019, 2020 and 2021, the balance of the Group's inventories was RMB11,652.6 million, RMB17,192.0 million and RMB19,036.9 million, respectively, representing 4.8 per cent., 4.9 per cent. and 4.3 per cent. of the Group's total assets as at the corresponding dates. The Group's inventories mainly include the land development costs of the Group's urban and rural infrastructure investment and construction business, land use rights of land allocated to the Group, development products in relation to real properties and affordable housing under construction and products of tyre manufacturing. Such land use rights and land booked as inventories on the Company's consolidated balance sheet are illiquid assets and may not be sold in an efficient manner. This may limit the Group's

ability to respond to changing economic, financial and investment conditions. There can be no assurance that it will be able to sell any of these real properties or infrastructure projects to other third parties for price or on the terms satisfactory to them.

High level of inventories not only increases the pressure on the Group's cash flows, it also causes the Group to make provisions for impairment of fair value of inventories. Any failure to effectively manage the Group's inventory level will have a material impact on the Group's cash flow and adversely affect its ability to carry on ordinary business activities and to serve its outstanding indebtedness, such as the Bonds after issuance, which in turn could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group's gain on investment fluctuates and is uncertain.

For the years ended 31 December 2019, 2020 and 2021, the Group's gain on investment amounted to RMB2.4 billion, RMB4.0 billion and RMB6.4 billion. The Group's gain on investment comprises mainly investment income from, among other things, its financial assets held for trading, long-term equity instrument, other equity instruments investment and debt investment. Since the Group's gain on investment is subject to general economic and market conditions, all of which is beyond its control, there can be no assurance that the Group will record positive gain on investment for any subsequent financial periods or in the future. The fluctuation in the Group's gain on investment may adversely affect the Group's profit and financial condition.

Significant amount of 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 other receivables amounted to RMB33,624.1 million, RMB35,972.5 million and RMB27,099.6 million, respectively, representing 13.9 per cent., 10.3 per cent. and 6.1 per cent. of the Group's total assets as at the corresponding dates. The Group's other receivables primarily comprise the advances for land consolidation for the governments and the advances for its photovoltaic power projects. There are inherent risks associated with the ability of the Qingdao Municipal Government and the related companies to make timely payments and any failure to make timely payments by these entities could materially and adversely affect the Group's liquidity and in turn affect its business, financial condition or results of operations. See “— *The Group faces risks associated with contracting with public bodies, such as the Qingdao Municipal Government*”.

The fair value of the Group's financial assets is likely to fluctuate from time to time.

As at 31 December 2019 and 2020, the financial assets measured at fair value through profit or loss of the Group amounted to RMB3,242.0 million and RMB5,053.4 million, respectively, representing 1.3 per cent. and 1.4 per cent. of the Group's total assets as at the corresponding dates. As at 31 December 2019 and 2020, the Group's available-for-sale financial assets amounted to RMB30,539.6 million and RMB72,692.4 million, respectively, representing 12.6 per cent. and 20.7 per cent. of the Group's total assets as at the corresponding dates. As a result of the changes in the presentation of financial statements, the financial assets measured at fair value through profit or loss or available-for-sale financial assets were not shown in the audited consolidated financial statements of the Group as at and for the year ended 31 December 2021. The financial assets available-for-sale mainly include equity instruments and bonds whose value may fluctuate due to various factors out of the Group's control such as general economic and market conditions, financial and business performance of the enterprises that these equity instruments or bonds relate, and public policies related to these enterprises industries. Any changes in the market conditions or public policies related to these enterprises in which the Group has equity or debt security interests could materially and adversely impact the fair value these financial assets, and any decrease in the fair value of the financial assets may significantly reduce the Group's total asset value.

In addition, any changes in the fair value of the Group's financial assets may also affect the Group's operating profits. The Group's gains from changes in fair value of its financial assets fluctuate from time to time. For the years ended 31 December 2019, 2020 and 2021, the Group recorded gains from changes in fair value of its financial assets of RMB657.1 million, RMB1,128.4 million and RMB91.7 million, respectively. Given the nature of such line item and its sensitivity to market changes, there is inherent uncertainty as to whether and how the fair value of the Group's financial assets will be measured in the future. Any decreases in fair value of the Group's financial assets may materially and adversely affect the Group's profit and profitability, and in turn have an adverse impact on the Group's liquidity and business.

The Group faces risks related to force majeure events, natural disasters, health epidemics, pandemics and other outbreaks, such as the outbreak of COVID-19, which could significantly disrupt its business operations.

The Group's businesses could be adversely affected by the effects of force majeure events, natural disasters, catastrophes, epidemics, pandemics and other outbreaks, such as the COVID-19, avian influenza, severe acute respiratory syndrome (SARS), influenza A (H1N1), Ebola and other acts of God which are beyond its control. Force majeure events, natural disasters, catastrophes or other events could result in severe personal injury to the Group's staff, property damage and environmental damage, which may curtail the Group's operations, cause delays in estimated completion dates for projects and materially and adversely affect its cash flows and, accordingly, adversely affect its ability to service debt. Outbreaks of contagious diseases and other adverse public health developments in China or any other markets in which the Group operates and conducts business could severely disrupt its business operations by damaging the demand for the products and services provided by it or impacting the productivity of its workforce, which could negatively affect its financial condition, operational results and future prospects. In addition, if there is any extensive or prolonged restriction on travel and public transport or prolonged closure of workplaces, such restrictions and measures could have a material adverse effect on the global economy. As such, the Group's business, financial condition and results of operations may be materially and adversely affected.

In December 2019, an outbreak of COVID-19 emerged and expanded around the world in the following months. COVID-19 is considered highly contagious and poses a serious threat to the health and wellbeing of the public. In March 2020, the World Health Organisation declared COVID-19 as a pandemic. Many countries declared a state of emergency, closed their borders to international travellers, and restricted movements of their citizens with a view to containing the pandemic, and citizens in many affected countries and areas had been advised or required to stay at their homes subject to very limited exceptions. As a result of these restrictions, the reduced consumption, commercial activities and industrial production have resulted in severe disruption to the global economy and the global supply chain.

In addition, to contain the spread of COVID-19, the PRC government has taken a number of containment measures, for instance, the PRC government has, during multiple periods and across various affected regions, imposed, including but not limited to, restrictions on public gatherings, strict quarantine and treatment measures for individuals who had COVID-19 or who have had close contact with confirmed cases, traffic control, formulating schedules for the resumption of business for enterprises, and other actions. These containment measures caused disruptions to the Group's business and results of operations for the years ended 31 December 2020 and 2021. In July 2021, multiple cities in the PRC reported new locally transmitted cases of the Delta strain of COVID-19, which created new uncertainties. In November 2021, the World Health Organisation declared that a new COVID-19 variant, Omicron, may be more infectious or become more resistant to immunisation (including existing vaccines). Multiple cities in the PRC recently reported locally transmitted cases of the new COVID-19 variant, Omicron. Furthermore, several major cities in China including Shanghai experienced an outbreak of COVID-19 in 2022, leading to extended lockdowns in these cities. Continued lockdowns may have a significant impact on the economy of the PRC and the Group's performance. Since December 2022, the PRC government had gradually lifted the strict COVID-19 restrictions for travel in and out of the country, which has led to increases of COVID-19 cases in the PRC. It is uncertain as to whether there will be any further waves of COVID-19 outbreaks in the PRC or any other part of the world and when the COVID-19 pandemic will be contained globally. Given the high uncertainties associated with COVID-19 at the moment, it is difficult to predict whether any further containment measures or other measures will be imposed on the markets or regions that the Group operates, or how long such measures will last. The full extent to which COVID-19 impacts the Group's results will depend on future developments. In the event that the COVID-19 pandemic is not effectively controlled, the Group's business operations and financial condition may be materially and adversely affected as a result of the changes in the market outlook, any slowdown in economic growth, negative business sentiment or other factors that the Group cannot foresee.

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

The Company has a large number of subsidiaries and associated companies operating in multiple industries, mainly (i) urban and rural infrastructure investment and construction business, (ii) new energy business, (iii) industrial business, (iv) transportation business, (v) financial services business and (vi) other businesses.

Due to the diverse characteristics of its subsidiaries and associated companies, the Group faces challenges not found in companies with a single business line. In particular:

- the Group is exposed to business, market and regulatory risks relating to different industries, markets and geographic areas, and may from time to time expand its businesses to new industries, markets and geographic areas in which it has limited operating experience. Success in such businesses requires the Group to devote substantial resources to monitor changes in these different operating environments; and
- successful operation of the Group's subsidiaries and associated companies requires an effective management system. As the Group continues to grow its businesses in an increasing number of different industries, the Group's operations may become more complex, which would increase the difficulty of implementing its management system.

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

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

The Group's business activities are extensively regulated in China. The Group is required to obtain a number of qualifications, permits, approvals, certificates, licences and permits from different governmental authorities in order to engage in the relevant business activities. For example, the Group needs to obtain:

- authorisations or entrustment from the competent governmental authorities in order to conduct primary land development;
- property developer qualification, construction land planning permit (建設用地規劃許可證), construction project planning permit (建築工程規劃許可證) and construction permit (建築工程施工許可證) to engage in the real property development; and
- approvals from the competent governmental authorities and operating licence for financing guarantee institutions (融資性擔保機構經營許可證) to provide microfinancing service and financial guarantee services, respectively.

Governmental authorities in the PRC have broad discretion in implementing and enforcing applicable laws and regulations and in determining the grant of qualifications, permits, approvals, certificates, licences and permits necessary for conducting the business. Therefore, there are significant uncertainties in the interpretation and implementation of PRC laws, rules, regulations, policies and measures and inconsistencies between verbal clarifications by the governmental authorities and the regulations concerned. Failure to obtain the necessary qualifications, permits, approvals, certificates, licences or permits in a timely manner could result in delay or suspension of business operations, and a failure to obtain the necessary qualifications, permits, approvals, certificates, licences or permits at all may subject

the relevant entities to regulatory or administrative penalties. For example, failure to obtain a project establishment permit could result in suspension of construction projects; the failure to obtain a land use permit could result in revocation of land use rights and compensation to third parties if any damage is caused; and the failure to obtain the approval in relation to the environmental impact assessment report could result in suspension of construction projects, fines and administrative penalties. In 2018, the Group paid administrative penalties of RMB120,000 for failure to obtain the requisite construction permit in relation to the real estate project of Qingdao Shaocheng Real Estate Co., Ltd. (青島少城置業有限公司). In 2020, the Group paid administrative penalties of approximately RMB76,000 for failure to obtain the requisite construction project planning permit in relation to Qingdao Shaocheng Real Estate Co., Ltd.'s real estate projects. As at the date of this Offering Circular, the requisite construction permit and construction project planning permit have been obtained by Qingdao Shaocheng Real Estate Co., Ltd. In 2021, Qingdao Shaocheng Real Estate Co., Ltd. received an administrative warning and was ordered to pay an administrative fine of approximately RMB70,000 for, among other things, exclusion of its liability and purchaser rights in the commodity housing sale and purchase contract it entered into with purchasers in relation to a commodity housing project that it had developed.

The PRC governmental authorities from time to time amend existing laws and regulations and release new policies which may affect the Group's business operations. The Group may be unable to comply with new laws, regulations or policies or fails to respond to any changes in the regulatory environment in a timely manner. In addition, to ensure the restrictions and conditions of relevant business permits, licences and certificates are fulfilled, governmental authorities normally conduct regular or special inspections, investigations and inquiries. If there is any material non-compliance of the Group or its business, the Group's permits, licences and certificates may be suspended or revoked, and it may receive fines or other penalties, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's financial condition and results of operations may be affected by material fluctuations of interest rates.

In August 2019, PBOC adopted measures to increase the influence of the loan prime rate (the "LPR") as part of its broader market-based reforms of the PRC's interest rate market. The LPR serves as the benchmark for market interest rates in the PRC. The one-year LPR was 3.85 per cent. in December 2020 and remained at the same level until November 2021, with a decrease to 3.80 per cent. in December 2021, a decrease to 3.70 per cent. in January 2022 and a further to 3.65 per cent. in August 2022. Most of the Group's bank loans bear interests that accrue at rates linked to the LPR. A material fluctuation in the LPR may have a material impact on the Group's interest expenses and payables under its bank loans and in turn negatively affect its financing costs and results of operations. Any increase in the LPR in the future will increase the Group's financing costs and adversely affect its profitability, financial condition and results of operations.

As at the date of the Offering Circular, the Group has four series of U.S. dollar-denominated offshore bonds outstanding, the total principal amount of which is U.S.\$1.65 billion, and these bonds all bear fixed coupons linked to the yields of the U.S. government's treasury bonds with corresponding maturities. If the Company considers financing such bonds by way of issuing new U.S. dollar-denominated bonds in the future, an increase in the Federal Reserve interest rate as a result of policy changes may cause the new bonds to be priced at higher rates, which may increase the Group's financing costs. The Federal Reserve has raised its inflation expectation for 2021 to 2023, which is likely to lead to an increase in the cost of funds for banks and the prime lending rate. In 2022 and 2023, the Federal Reserve lifted its benchmark interest rate several times in a bid to curb rising inflation in the United States. There can be no assurance that the Federal Reserve interest rate would not be lifted in the future.

The Group may not successfully implement its growth strategy.

The Group has historically focused on primary land development, city infrastructure construction, development of affordable housing and commodity properties and wastewater treatment. Over the years it has diversified its business into financial services, power generation, basic materials trading, transportation and intellectual manufacturing business. While maintaining sustainable growth of its existing business, the Group intends to diversify its business portfolio in certain new sectors that present growth potentials such as healthcare and education. Whether the Group could successfully implement this strategy, to certain extent, depends on the Group's ability to identify attractive projects, obtain required approvals from relevant regulatory authorities in the PRC, obtain sufficient capital on acceptable terms in a timely manner and maintain close working relationships with various governmental authorities and agencies. The success of negotiations with respect to any particular project cannot be

assured. There can be no assurance that the Group will be able to successfully implement this strategy, manage or integrate newly-acquired operations with its existing operations. Failure to implement the Group's growth strategy could have a material adverse impact on its business, financial condition and results of operations.

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

The Group relies on its quality control system to ensure the safety and quality of its projects. The effectiveness of the Group's quality control system may be affected by a number of factors, such as timely update of the quality control system to address the changing business need and the Group's and the contractors' willingness and ability to adhere to its quality control policies and guidelines. There can be no assurance that the quality of the projects developed by the Group will not be undermined by the underperformance of the Group's contractors. Any failure or deterioration of the Group's quality control system 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. If any of such claims were ultimately successful, the Group could be required to pay substantial monetary damages or penalties.

If the Group fails to maintain effective internal controls and sound corporate governance, its business, financial condition, results of operations and reputation could be materially and adversely affected.

Due to the relatively limited operating history of the Group, there may be certain deficiencies in the Group's internal control and corporate governance. For example, the Company as a state-owned enterprise is required by the PRC Company Law and its articles of association to have a board of supervisors comprises at least five supervisors. The existing board of supervisors of the Company consists of three members, all of whom are employee representative supervisors elected by the employee representatives meeting of the Company. In addition, the Company is required by its articles of association to have a board of directors comprising nine directors. However, as at the date of this Offering Circular, the board of directors of the Company only consists of seven members and the appointment of the remaining directors is pending confirmation and notification by Qingdao SASAC. The legal advisors to the Company as to PRC law confirmed that although the current composition of the Company's board of directors is non-compliant with its articles of association, such non-compliance does not constitute a violation of any mandatory requirements under the PRC Company Law. The Company has confirmed that as at the date of this Offering Circular, it has not been prevented from completing any commercial registrations or been subject to penalties and/or punishments from any industrial or governmental authorities for the aforementioned non-compliance with its articles of association. The Company is of the view that the aforementioned non-compliance does not affect the validity of the authorisations from the Company's board of directors and that the offering of the Bonds has been duly authorised in accordance with its articles of association. However, there can be no assurance that there will not be any query, investigation or administrative action brought against the Company by any regulator or authority for such non-compliance in the future, and if the Group is subject to any decisions by any regulator or authority as a result of such query, investigation or administrative action, the Group's reputation, financial condition and the result of operations could be materially and adversely affected. In addition, the Group has implemented various measures to improve its internal controls and corporate governance. The Company has established an internal system to enhance the protection of confidential information.

However, due to its relatively short track record, there can be no assurance that all such measures will prove to be effective or that material deficiencies in the Group's internal controls will not be discovered in the future. The Group's efforts to improve its internal controls have required, and in the future may require, increased costs and significant management time and commitment. If the Group fails to maintain effective internal controls, its business, financial condition, results of operations or reputation could be materially and adversely affected.

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

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

- 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 Group believes to be consistent with industry and business practice in the PRC. However, claims under the insurance policies may not be honoured fully or on time, or the insurance coverage may not be sufficient to cover costs associated with accidents incurred during 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 is subject to various environmental, safety and health regulations in the PRC and any failure to comply with such regulations may result in penalties, fines, governmental sanctions, proceedings or suspension or revocation of its licences or permits.

The Group is required to comply with extensive environmental, safety and health regulations in the PRC. Failure to comply with such regulations may result in penalties, fines, governmental sanctions, proceedings or suspension or revocation of the Group's licences or permits to conduct its business. Given the volume and complexity of these regulations, compliance may be difficult or involve significant financial and other resources to establish efficient compliance and monitoring systems. There can be 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 violation or non-compliance with the applicable safety regulations or requirements from any governmental authority that has a material adverse impact on its business, financial condition and results of operations.

In addition, PRC laws and regulations are constantly evolving. The applicable laws, regulations, rules and policies relating to the Group's business may be subject to further changes or amendments, or uncertainties regarding their interpretation and application. The compliance costs, liabilities and requirements associated with any existing and future laws, regulations, rules and policies can have significant impacts on the Group's business, results of operations and financial condition. The Group is expected to incur continuous compliance costs, implement operational changes so as to fulfil regulatory requirements, develop and maintain internal policies, procedures and training programmes and purchase necessary insurance to ensure its compliance with any existing and future regulatory requirements. Moreover, as part of the national policy in promoting environmental protection, the Group is expected to comply with more and more stringent environmental laws and regulations. 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 may not be able to detect and prevent fraud or other misconducts committed by its former or current officers, employees, representatives, agents, customers or other third parties.

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

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

Following wide-reaching anti-corruption campaign in the PRC, provincial and central governmental organs such as ministries and state-owned enterprises, including the Company, are subject to party disciplinary supervision and enforcement. In 2020, Mr. Liu Yungang, the former director and deputy general manager of the Company, was subject to bribery and corruption investigations and charges. Mr. Liu had been removed from all capacities he previously had with the Group as a result of such investigations and charges. In 2022, Ms. Song Xiuhong, the former deputy chief, and secretary of the party branch of the fund management centre of the Company, and the former general manager of Qingdao City Investment Technology Development Co., Ltd. (青島城投科技發展有限公司), a subsidiary of the Company, was subject to bribery investigations and charges. Ms. Song had been removed from all capacities she previously had with the Group in October 2021. The Company believes that these incidents do not have any adverse impact on the Group's business, financial condition and results of operations. The Group continues to strengthen its internal control policies to prevent non-compliance by its officers and employees with applicable rules relating to corruption, bribery and other misconducts, reinforce the establishment of party discipline and clean corporate government and heighten the supervision of the top leaders and key officers. The Group also focuses on adhering to scientific and democratic decision-making in accordance with the law and strengthening the supervision mechanism for the exercise of power and responsibility in accordance with the law. However, there can be no assurance that there will not be any further investigations or actions against the Group or its former or current officers or employees resulting from any findings of governmental authorities or that such investigations or actions would not negatively impact the Group as a result. If fraud or any other misconduct does occur, it may cause negative publicity as a result and the relevant governmental agencies may freeze the Group's assets or impose fines or other penalties on the Group. 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 misconducts, and the precautions the Group takes to prevent and detect such activities may not be effective. There can be no assurance that fraud or other misconducts will not occur in the future. If such fraud or other misconduct does occur, it may cause negative publicity as a result.

The Group is exposed to litigation risks.

The Group may from time to time be involved in disputes with governmental entities, indigenous residents, contractors, suppliers, employees and other third-party service providers during the course of its daily operations. See “*Description of the Group — Legal proceeding and Regulatory Compliance*” for further information. 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 of 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 can be no assurance that the judgment or awards will be effectively enforced. If a judgment or award is rendered against the Group, the amounts payable by the Group may not be fully covered by the Group’s insurance, and the amounts could differ from the provisions made by the Group based on its estimates. Any material charges associated with claims brought against the Group and material write-downs associated with the Group’s claims could have a material adverse impact on its financial condition, results of operations and cash flow.

The Group is subject to joint venture risks.

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

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

The Group may consider diversifying its business portfolio by acquisition of other companies in the future. When evaluating a potential opportunity, the Group normally considers a large number of factors, such as the quality of the target, estimated costs associated with the acquisition and the management of the target business, prevailing market conditions and intensity of competition. The Group needs to address different issues arising from the acquisition after the relevant transaction is completed, such as business, operation and management integration. There can be no assurance that the Group is able to address these issues effectively at all times. In addition, due diligence investigation on target companies, no matter how extensive it is, may not reveal all the facts that are necessary or material in evaluating the target company and the acquisition. Any failure to discover material risks and liabilities in or relating to the target companies before the acquisition could increase the Group’s exposure to unknown financial and legal risks and liabilities. Any major acquisition or transaction of similar nature may consume substantial management attention and financial resources of the Group or even cause the Group to incur significant indebtedness. Any material decrease in its financial resources may limit the Group’s ordinary operating activities and increase pressure on its liquidity, and in turn could adversely affect its business, financial condition and results of operations.

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

The success of the Group’s business is dependent to a large extent on its ability to attract and retain key personnel who possess in-depth knowledge and understanding of investment, as well as the industries in which the Group invests or operates. These key personnel include members of the Group’s senior management, experienced investment managers and finance professionals, project development and management personnel, legal professionals, risk management personnel, information technology and other operation personnel. Competition for attracting and retaining these individuals is intensive. Such competition may require the Group to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could materially and adversely affect the Group’s financial condition and results of operations. As a result, the Group may be unable to attract or retain these

personnel to achieve its business objectives and the failure to do so could severely disrupt its business and prospects. For example, the Group may not be able to hire enough qualified personnel to support its new investment projects or business expansion. As the Group expands its business or hires new employees, the employees may take time to get accustomed to any new standard procedures and consequently may not comply with the standard procedures of any new business in an accurate and timely manner. The occurrence of any of the events discussed above could lead to unexpected loss to the Group and adversely affect its financial condition and results of operations.

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

The Group's business depends on the integrity and performance of the business, accounting and other data processing systems of the Company and its subsidiaries. If the Group's systems may not be able to effectively address the issues arising from an increased business or may otherwise fail to perform, the Group could experience unanticipated disruptions in business, slower response times and limitation on its ability to monitor and manage data and risk exposures, control financial and operation conditions, and keep accurate records. These consequences could result in operating outages, poor operating performance, financial losses, and intervention of regulatory authorities. There can be no assurance that the Group's systems would not experience future systems failures and delays, or the measures taken by the Group to reduce the risk of system disruptions are adequate. If internet traffic and communication volume increase unexpectedly or other unanticipated events occur, the Group may need to expand and upgrade the Group's technology, systems and network infrastructure. There can be no assurance that the Group will be able to accurately project the rate, timing or cost of any increases, or expand and upgrade the Group's systems and infrastructure to accommodate any increases in a timely manner.

The Group engages in related party transactions from time to time, which may create potential conflicts of interest.

The Group has engaged in a variety of transactions with its related parties such as its associates. See note 11 to the audited consolidated financial statements of the Company as at and for the years ended 31 December 2020 and 2021 incorporated by reference in this Offering Circular. Although the Group has taken steps to ensure such transactions are fair and based on market price with approval from relevant authorities, there can be no assurance that those transactions would be deemed as arm's length or its related parties will not take actions that favour their interests over the Group's. The internal control regarding the management of various related party transactions can also be challenging and demanding for the Group. Failure to adequately control and manage its related party transactions could have an adverse effect on the Group's business, financial condition or results of operations.

The Group's business may be affected by any adverse publicity or negative public perception regarding the industries in which the Group operates, or stemming from other parties that the Group has business relationships with.

Adverse publicity or negative public perception regarding the industries the Group operates in could result in a decrease of demand for the Group's businesses. Such negative public perception may result from negative publicity regarding the safety or quality of particular products of the Group or its contractors and suppliers or the general negative reputation of the Group's service providers. Mere negative publicity could have a material adverse effect on the Group's reputation, results of operations and financial condition, regardless of whether such reports are scientifically supported or genuine.

Negative public perception may also arise from regulatory investigations or product liability claims, regardless of whether any product liability claim is successful against the Group. The Group cannot guarantee that negative publicity will not occur in the future or that it will be able to detect it and remedy it effectively.

RISKS RELATING TO URBAN AND RURAL INFRASTRUCTURE INVESTMENT AND CONSTRUCTION BUSINESS

The Group's business and prospects to a large extent depend upon the budget and spending of the Qingdao Municipal Government on infrastructure development and primary land development.

The Group is tasked to implement the Qingdao Municipal Government's plans to construct urban and rural infrastructure investment and construction projects including infrastructure construction projects and primary land development projects and its business and prospects are heavily affected by the budget and spending of the Qingdao Municipal Government on urban and rural infrastructure investment and construction. For example, some of the Group's infrastructure construction projects and primary land development projects are conducted according to the project development agreements the Group enters into with the Qingdao Municipal Government, and the Group's operating income from these projects is derived from the construction fees and land development fees paid by the Qingdao Municipal Government. In addition, the Qingdao Municipal Government usually provides start-up capital for the Group at the preliminary stage of the development of its infrastructure projects.

There are many factors affecting the amount, timing and priority of the Qingdao Municipal Government's budget and spending on infrastructure development and primary land development, such as national and regional policies affecting the development of different industries and fiscal and monetary policies. Government budget and spending are also affected by government's fiscal income and the general economic conditions in the PRC and Qingdao. Any slowdown in the economic growth in the PRC and Qingdao may adversely affect the financial condition and fiscal income of the Qingdao Municipal Government, which may in turn cause the Qingdao Municipal Government to reduce its spending and budget on infrastructure development and primary land development. See “— *Risks Relating to China — China has experienced a slowdown in its economic development and the future performance of China's economy is uncertain*”. If the public spending and budget of the Qingdao Municipal Government on infrastructure development and primary land development decrease, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

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

The Group from time to time undertakes urban and rural infrastructure investment and construction projects, including infrastructure construction projects and primary land development projects, that are motivated by public interests and social welfare development, such as constructing highways and roads within Qingdao or connecting Qingdao with other cities. As such, the Group's infrastructure projects generally are for public interest by nature and do not generate any profit for the Group. The Group receives financial and other subsidies from the Qingdao Municipal Government for such government-sponsored projects. However, such financial subsidies may not always be available due to the government's liquidity, budgeting priority and other considerations. Further, the Qingdao Municipal Government may change the plans for such projects which may cause an increase in the investment after the construction begins. Additionally, it is uncertain whether the government will be able to provide such financial subsidies as a result of the promulgation of Circular 43 and the Implementation Opinion on Circular 43. The Group has limited resources, and engagement in such projects may reduce its ability to participate in other profit-generating projects. The Group is currently involved in several government projects and may continue to be required to participate in such projects from time to time. There can be no assurance that the Group's business, financial condition and results of operations will not be adversely affected as a result.

The Group may not be able to complete its development projects on time or at all.

Infrastructure and land development projects require substantial capital expenditures prior to and during the construction period, and the construction of such projects may take many months or several years before the Group receives its construction fees or land development fees from the Qingdao Municipal Government. Meanwhile, the progress and cost for a development project can be adversely affected by many factors, including:

- delays in obtaining necessary licences, permits or approvals from governmental agencies or authorities;
- relocation of existing residents and/or demolition of existing structures;

- shortages of materials, equipment, contractors and skilled labour;
- labour disputes;
- construction accidents;
- natural catastrophes;
- adverse weather conditions; and
- changes in city zoning, planning and plot ratios.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedules or budgets as a result of the above factors may adversely affect the Group's results of operations and financial position and may also cause reputational damage. There can be no assurance that the Group will not experience such delays in delivery of its property projects in the future or that they will not be subject to any liabilities for any such delays.

The Group does not have any control over the price, schedule and priority of the grant of land use rights for its primary land development projects and the Group's operating income from primary land development may fluctuate significantly from period to period.

The Group's operating income from primary land development mainly derives from the land development fee payable by the Qingdao Municipal Government, which is in turn generated from the land grant premium payable by real property developers in the granting of land use rights of the land developed by the Group. The Qingdao Municipal Government determines the price, schedule and priority of the grant of land use right by taking into consideration of many factors such as government income and budget, city development plans, cost of primary development, location of the land, policies and regulations affecting real property investment and development and macroeconomic conditions in Qingdao. The Group has no control over the price, schedule and priority of the grant of land use rights. According to the Company's accounting policies, the Company recognises the operating income from primary land development upon receipt of the payment of land development fee. As a result, the Group's operating income from primary land development may fluctuate significantly from time to time depending on the timing and price of the land grant and the time of payment of the land development fee by the Qingdao Municipal Government. The Group's results of operations relating to its primary land development for any period may not be directly comparable with other periods and therefore may not be a useful indicator of its performance in the future. Suspensions or delays in granting of land use rights, as a result of government policies or decisions, macroeconomic conditions or otherwise, will also have a material adverse impact on the Group's business, financial condition and results of operations.

Government auctions of the land use rights with respect to the land developed by the Group may not attract interest or competitive bids from prospective buyers, and winning bids may not yield any profit.

The land use rights with respect to the land development by the Group are sold through public bidding, auction and sale-by-listing by the Qingdao Municipal Resources and Housing Administrative Bureau (青島市國土資源和房屋管理局) to property developers. When the Qingdao Municipal Resources and Housing Administrative Bureau decides to sell land use rights with respect to the land developed by the Group, announcements regarding the timing of the sale and the parcels to be sold are disseminated publicly. As the developer of the projects, the Group incurs significant costs and generally makes necessary payments in connection with the primary land development projects prior to the sale of the corresponding land use rights. In addition, because the public auctions, tenders and sale-by-listing are driven by market forces, the Group cannot assure that sales of the land use rights to its primary land development will attract interest from prospective investors or prospective investors will submit competitive bids.

There may not be sufficient demand for the land use rights to the Group's primary land development projects and the number of qualified bidders may be limited as the relevant governmental authorities require certain qualifications before they may participate in land use rights tenders. If the public auctions, tenders or sale-by-listing for the land use rights to the Group's primary land development projects fail to attract interest or competitive bids from prospective investors, the land use rights may be sold at prices below profit expectations, below the break-even point, or may not be sold at all. The Group cannot assure that the construction costs of its projects will not exceed expected revenue or that the Group will not suffer a loss. Any future sales of land use rights at prices that result in the Group's

portion of the net sales proceeds being insufficient to cover the Group's costs could hamper its profitability and result in a material adverse effect on the Group's business, financial condition and results of operations.

In addition, there can be no assurance about the exact timing of the sale of land use rights or the final price at which land use rights are sold. Failure or material delays in selling land may have a seasonal and material adverse impact upon the business, financial condition and results of operations of the Group's primary land development business.

Changes in government policies, zoning and design plans and land use rights sales plans with respect to primary land development in Qingdao may adversely affect the Group's and the Qingdao Municipal Government's development plans and the proceeds the Group is entitled to receive from sales of land use rights.

Governmental authorities may, without prior notice or consent from the Group, implement changes to existing policies and plans for primary land development in Qingdao or implement new policies or plans, which may adversely affect the Group's operations and/or require the Group to adjust its development plans.

The Qingdao Municipal Resources and Housing Administrative Bureau prepares an annual sales plan which sets out a schedule of expected land parcel auctions for that year. However, the Qingdao Municipal Resources and Housing Administrative Bureau may adjust the timing of the land use rights sales, the number of the land parcels put up for sale and the land parcels to be prioritised for sale without consulting the Group or obtaining the Group's consent.

Notwithstanding that the Group may have creditor's rights against local governments for the costs it incurred for the clearing and levelling of land as well as the construction of ancillary public facilities, should for any reason the local government does not sell a certain piece of land developed by the Group, there can be no assurance that it can bring a successful claim against the governments, or if at all.

In some of the primary land development projects of the Group where the local governments agree to purchase the land developed by the Group with respect to the consideration for the costs of levelling the land, constructing ancillary public facilities and for purchasing the land use rights, the local governments pay the Group only after the relevant land use rights are sold by them to third party property developers through public auction, tender or listing. The Group believes that it may have creditor's rights against the local governments, such that if for any reason the local government does not sell a certain piece of land developed by the Group, it will have the right to claim against the local government the costs it has incurred in the clearing and levelling of the saleable land as well as for the construction of ancillary public facilities. However, there can be no assurance that such a claim can be made successfully, or that any compensation so obtained would cover the Group's costs incurred. Failure to make such claims successfully may materially affect the Group's financial condition and results of operations.

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

Some of the projects that the Group has developed involve relocation of incumbent residents and businesses, and the Group believes that similar situations may recur when it develops its future projects. If any incumbent 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 compliant 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 incumbent residents or businesses will proceed smoothly or that they will agree to the compensation. In addition, the amount of compensation to be paid is subject to PRC governmental regulations and can be changed at any time. Accordingly, any delays in effecting such relocations of these incumbent residents or businesses may result in delays in the Group's development schedules and/or increase its development costs, any of which could have a material adverse effect on its business, financial condition and results of operations.

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

The Group engages third-party contractors to construct the infrastructure projects the Group undertakes. The Group generally selects independent contractors through an open tender process. However, there can be no assurance that the services rendered by any of these independent contractors or subcontractors will always be satisfactory or meet its quality and safety standards. If the performance of any independent contractor is not satisfactory, the Group may need to replace such contractor or take other actions to remedy the situation, which could adversely affect the cost and construction progress of its projects. Further, the completion of its infrastructure projects may be delayed, and the Group may incur additional costs due to a contractor's financial or other difficulties. In addition, the Group undertakes additional infrastructure development projects, and there may be a shortage of contractors that meet its 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 infrastructure business, financial condition and results of operations.

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

The Group relies on third-party contractors to carry out its infrastructure construction and primary land development projects. In recent years, work stoppages, employee suicide and other similar events in certain cities in the PRC have caused the PRC government to amend labour laws to enhance protection of employees' rights. Increasing awareness of labour protection as well as increasing minimum wages is likely to increase the labour costs afforded by PRC enterprises in general, including the Group or the contractors participating in the Group's projects. As such, labour shortages, labour disputes or increases in labour costs of the Group's third-party contractors could cause an extension of the construction progress and an increase in the Group's fees payable to the contractors, which could in turn materially and adversely affect the Group's business and results of operations.

The PRC government may adopt measures aimed at slowing down growth in the real property sector, which in turn may affect the primary land development industry.

Since 2005, the PRC government has from time to time introduced various measures to curtail property speculation in response to concerns over, among other things, the increases in property investments and property prices and the overheating of the property market. For example, according to the Notice of the State Council on Issues Relating to Further Well Managing the Central Control of the Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知) issued by the General Office of the State Council on 26 January 2011 and the Notice of the State Council on Continuity to Well Manage the Central Control Work of the Real Estate Market (國務院辦公廳關於繼續做好房地產市場調控工作的通知) promulgated by the General Office of the State Council on 26 February 2013, the government would firmly restrain speculative demands and strengthen market supervision to better control the overheating of the PRC real estate market. In October 2017, the 19th National Congress of the Communist Party of China delivered a report reiterated that the government would pursue the healthy and stable development of real estate market and insist the principle that "housing is for living, not for speculation". Such measures may limit property developers' access to capital resources, reduce market demand for their properties and increase their operating costs in complying with these measures, which in turn could have an adverse impact on the demand for land developed by the Group. The Group cannot ensure that the PRC government will not adopt additional and more stringent measures to further dampen the growth of the property sector, which could slow down property development in China. This may have a material adverse effect on the Group's business, financial condition and results of operations.

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

The PRC property market is, and is expected to continue to be, cyclical as a result of changes in market supply and demand. The rapid expansion of the property market in certain major cities in the PRC, including Guangzhou, Beijing and Shanghai, in the early 1990s culminated in an oversupply in the mid 1990s and a corresponding fall in property and rents in the second half of that decade. In addition, there was also a fall in property prices and rental yields during the economic downturn in 2008. Since the late 1990s, the number and price of residential property development projects have increased in major cities as a result of an increase in demand driven by domestic economic growth. In particular, prices of

residential properties in major PRC cities such as Shanghai and Beijing have experienced rapid and significant growth. In recent years, however, risk of property oversupply is increasing in certain parts of China, where property investment, trading and speculation have become overly active. In the event of actual or perceived oversupply, together with the effect of the PRC government policies to curtail the overheating of the property market, property prices may fall significantly and property sales and results of operations of the Group could be adversely affected. The growth of the property market in the PRC has become relatively flat in the last twelve months. It is uncertain what the effect of the lifting of the various government regulations on the property market will be as ultimately property prices are driven by demand and supply. There can be no assurance that the problems of oversupply and property prices crash will not recur in the PRC property market. To the extent that supply in the overall property market significantly exceeds demand, the Group may be affected by significant market downturns, and its sales of commodity properties, financial condition and results of operations could be materially and adversely affected.

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

The Group's commodity housing development business is subject to increasing competition.

In recent years, an increasing number of property developers have begun property development in the PRC as well as in Qingdao. The major competitors of the Group's commodity housing development include large international, national and regional property developers. Some of these developers have longer track records, greater financial, marketing and land bank resources, wider brand recognition and superior economies of scale. The Company expects competition in the property sector to remain intense. The increasing number of property developers and the intensity of competition among property developers for land, financing, raw materials, skilled management and labour resources may result in increased costs for land acquisition, an oversupply of properties for sale, a decrease in property prices and a slowdown in the rate at which new property developments are approved by governmental authorities. Increased competition or other changes to market conditions may materially and adversely affect the business, financial condition and results of operations of the Group's commodity housing development business.

The Group may not be able to acquire land reserves in desirable locations that are suitable for development at commercially acceptable prices in the future.

The growth of the Group's commodity housing development business depends on its ability to continue identifying and acquiring suitable land reserves located in desirable locations at commercially reasonable prices. The Group historically acquired the land for developing its commodity housing projects in land auctions held by the Qingdao Municipal Resources and Housing Administrative Bureau. Some of the land offered for bidding was associated with the Group's primary land development projects and was part of the land developed in those projects. For this reason, the Group may be able to acquire more information about the planned use and particular of the target land compared to its competing bidders. However, the Group's ability to succeed in the auctions and acquire land also depends on a variety of other factors, such as the credentials and operating history of the bidders. As the Group from time to time competes with other commodity property developers who may have more established track record, stronger execution capability, more extensive experience or abundant financial resources than the Group, there can be no assurance that the Group is able to acquire the target land as it anticipates.

In addition, the availability and price of land sold at auctions may be affected by many factors, such as government land policies and cost of financing. In the past ten years, the purchase cost of land reserves has significantly increased in the PRC, both in the primary market and the secondary market. In recent years, the PRC government has adopted a number of initiatives to slowdown the rapid growth of China's residential property sector and to promote the development of affordable housing. For example:

- local governments are required, when approving new residential projects after 1 June 2006, to ensure that at least 70 per cent. of their annual land supply (in terms of estimated GFA) consists of units that are smaller than 90 square metres;
- the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部) (the “**Ministry of Land and Resources**”) stated in an announcement dated 30 May 2006, that development of ordinary commodity housing at middle to low prices and of medium to small sizes (including affordable housing) should be given priority in allocation of land resources;
- pursuant to the Catalogue of Restricted Use of Land (2012 Version) and the Catalogue of Prohibited Use of Land (2012 Version) issued by the Ministry of Land and Resources and the NDRC on 23 May 2012, the area of a parcel of land granted for commodity housing development shall not exceed 7 hectares in small cities and towns, 14 hectares in medium-sized cities or 20 hectares in large cities;
- pursuant to the Notice on Further Strengthening the Administration and Control of Real Estate Land and Construction jointly issued by the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) (“**MOHURD**”) in September 2010, the development and construction of large low-density residential properties should be strictly restricted, and the plot ratio for residential land is required to be more than 1.0; and
- no land use rights certificate will be issued before the property developers fully pay up the land premiums according to the land use rights sales contracts.

The PRC government also controls land supply through zoning, land usage regulations and other means. All of these measures further increase the competition for land among property developers in the PRC. If the Group is not able to acquire sufficient land reserves in a timely manner and at acceptable prices, its commodity property development business and related financial condition and results of operations may be materially and adversely affected.

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

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

- limiting the monthly mortgage payment to 50 per cent. of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55 per cent. of his or her monthly income;
- requiring all first-time home owner to make a down-payment of no less than 30 per cent. of the purchase price of the underlying property;
- requiring any second-time home buyer to make a down-payment of no less than 60 per cent. of the purchase price of the underlying property and to pay at a mortgage loan interest rate of no less than 110 per cent. of the relevant PBOC benchmark one-year bank lending interest rate;
- for a commercial property buyer, (i) requiring banks not to finance any purchase of pre-sold properties, (ii) increasing the minimum amount of down-payment to 50 per cent. of the purchase price of the underlying property, (iii) increasing the minimum mortgage loan interest rate to 110 per cent. of the relevant PBOC benchmark one-year bank lending interest rate, and (iv) limiting the terms of such bank borrowings to no more than 10 years, while allowing commercial banks allowed flexibility based on their risk assessment;

- for a buyer of commercial/residential dual-purpose properties, increasing the minimum amount of down-payment to 45 per cent. of the purchase price of the underlying property, with the other terms similar to those of commercial properties; and
- requiring commercial banks to suspend mortgage loans to customers for purchase of a third or further residential property, or to non-residents of a city who cannot provide proof of local tax or social security insurance payments for more than a one-year period.

The PRC government also sought to control the development of the PRC property market by adjusting the benchmark lending interest rate. See *“Risks Relating to China — Changes in the economic, political and social conditions in the PRC and government policies adopted by the PRC government could affect the Group’s business and prospects”*. A material increase in the interest rate may significantly increase the cost of mortgage financing and may affect the affordability of the Group’s commodity properties. All of these policies and measures have had a material impact on the property sales and prices of property in the PRC, including in Qingdao. Continued controls over mortgage financing for property purchase will reduce the availability and attractiveness of mortgage financing and many of the prospective customers may not be able to purchase the commodity properties the Group develops. Accordingly, the Group’s commodity property business and its related financial condition and results of operations may be materially and adversely affected.

The Group’s property development business may be materially and adversely affected if it fails to obtain, or if there is any material delay in obtaining, the necessary PRC governmental approvals and certificates for its property development projects.

The Group is required to obtain a number of permits, licences, certificates and other approvals in connection with the development of its property projects, including but not limited to, the state-owned land use rights certificates, construction land planning permits, construction project planning permits, construction permits, pre-sale permits for commodity properties and certificates or filings of completion and acceptance from the relevant administrative authorities. The granting of these certificates and permits is contingent upon satisfaction of the conditions required under applicable PRC laws and regulations. Even if the relevant conditions are satisfied, prolonged review by the relevant administrative authorities may be possible, causing uncertainties on time issuance of the certificates and permits. There can be no assurance that the Group will not encounter problems fulfilling all or any of the conditions for the grant of the certificates or permits, or that the Group is able to obtain all necessary certificates and permits for its projects in a timely manner, or at all. If the Group fails to obtain or experiences significant delays in obtaining the requisite governmental permits, licences, certificates or other approvals, it will be exposed to penalties as well as disruption or delays in its property development timetable, and in turn could materially and adversely affect its property development business, financial condition and results of operations.

The Ministry of Land and Resources may impose fines or penalties on the Group or revoke the land use rights with respect to certain land held by the Group.

Under applicable PRC laws and regulations, the Ministry of Land and Resources may impose an idle land fee equal to 20 per cent. of the land premium or allocation fees if the Group does not commence development of the land held by the Group for more than one year after the date specified in the relevant land use rights grant contract, or the Group commences development on an area which is less than one-third of the area granted, or the capital invested in the development is less than one-fourth of the total investment approved for the development, and the development is suspended for more than one year without governmental approval. The Ministry of Land and Resources has the power to revoke the land use rights certificate without compensation if the Group does not commence development for more than two years after the date specified in the relevant land use rights grant contract without compelling causes. The State Council issued the Notice on Promoting the Saving and Intensification of Use of Land (國務院關於促進節約集約用地的通知) which states, among other things, that the Ministry of Land and Resources and other authorities are required to research and commence the drafting of implementation rules concerning the levy of land appreciation fees on idle land. Furthermore, the Ministry of Land and Resources issued in August 2009 the Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (關於嚴格建設用地管理促進批而未用土地利用的通知) which reiterates its policy on idle land. In September 2010, the Ministry of Land and Resources and MOHURD jointly issued the Notice on Further Strengthening the Administration and Control of Real Estate Land and Construction (關於進一步加強房地產用地和建設管理調控的通知), which provides that a property developer and its shareholders will be prohibited from participating in land bidding before any illegal behaviour in which it engages, such as (1) having land idle for more than one year on its own reasons;

(2) illegal transfer of land use rights; (3) non-compliance with the land development requirements specified in a land grant contract; and (4) crimes such as taking land by forging official documents and illegal land speculation, has been completely rectified. There can be no assurance that circumstances leading to imposition of penalty, liquidated damages or forfeiture of the Group's land will not arise in the future. If the Group is required to pay substantial idle land fees, its results of operations and its reputation may be adversely affected. If the Group forfeits land, they will not only lose the opportunity to develop the property projects on such land, but may also lose all its investments in the land, including land premiums paid and development costs incurred.

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

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

Any failure by the Group to meet delivery schedule with respect to the properties it develops could adversely affect its business and results of operations.

The Group's contracts with local governments relating to its affordable housing properties contain completion schedule requirements. The Group's pre-sales contracts and sales contracts with respect to its commodity properties also include provisions relating to specific time of delivery, which vary from one case to another. The construction timetable of the Group's property projects may be affected by a number of factors, such as delay in obtaining necessary approvals, permits and licences, changes in the Group's financial condition and liquidity and performance of third-party contractors. Some of these factors are beyond the Group's control. Material delay or failure to complete the affordable housing properties and to deliver the commodity properties may lead to breach of undertaking under the relevant development contracts and the property pre-sales and sales contracts. Some of the Group's pre-sales contracts with respect to its commodity properties include provisions that provide for liquidated damages if the Group fails to deliver in accordance with the required timetable, which are typically levied at an agreed rate for each day of delay that is deemed to be the Group's responsibility. Any failure to meet the schedule requirements of these contracts could cause the Group to pay significant liquidated damages, which would reduce or eliminate its profit on the relevant contracts and could adversely affect its liquidity and cash flows and have a material adverse effect on its business, financial condition, results of operations and prospects.

Historically, the Group was involved in litigations brought by purchasers of the properties it developed based on the claim that the Group delayed in delivering the individual property ownership certificates for the relevant properties. In July 2013, five purchasers of the properties developed by Qingdao Development and Investment Co., Ltd. (青島開發投資有限公司) brought up a law suit against it based on breach of contract due to its delay in delivering the individual property ownership certificates, seeking economic compensation under the property sales and purchase contracts for a total amount of RMB50,000. Based on the same cause of action, another 14 purchasers brought up a law suit against Qingdao Development and Investment Co., Ltd. in August 2013, seeking economic compensation under the property sales and purchase contracts for a total amount of RMB140,000. Each of the 19 purchasers subsequently reached a settlement with Qingdao Development and Investment Co., Ltd. and withdrew the lawsuit. There can be no assurance that the Group will not incur material liabilities to purchasers in the future for the late delivery of individual property ownership certificates due to its fault or for any reason beyond its control.

The Group's engagement in affordable housing development may affect its overall results of operations.

As a key force of the Qingdao Municipal Government to implement its housing policies, the Group has developed several affordable housing projects which mainly serve to increase housing supplies and improve housing conditions for low-income households in Qingdao. Unlike ordinary commodity housing projects, affordable housing development aims to serve the government's public function and therefore is not for profit earning by nature. Investment in developing affordable housing projects may affect the Group's operating cash flow and decrease its capital to fund the business operations that yield more profits. Especially for those commodity housing projects where parts of the land are designated for the development of affordable housing, the overall profits margin of such projects will be lower than those commercial housing projects without affordable housing. In the event that the commercial housing part of such mixed projects is underperforming, the Group's initial investment in such projects may not be fully recovered or at all, and the Group's overall results of operations may be materially and adversely affected.

RISKS RELATING TO NEW ENERGY BUSINESS

The photovoltaic power generation industry and wind power generation industry face intense competition from other types of renewable and non-renewable power industries.

The photovoltaic power generation industry and wind power generation industry face competition from other renewable energy companies and non-renewable power industries, including nuclear energy and fossil fuels such as coal, petroleum and natural gas. Technological innovations in these other forms of energy may reduce their costs or increase their safety. Large-scale new deposits of fossil fuel may be discovered, which could reduce their costs. Local governments may decide to strengthen their support for other renewable energy sources, such as hydro, biomass, geothermal and ocean power, and reduce their support for the photovoltaic industry. The inability to compete successfully against producers of other forms of power would negatively affect the Group's ability to develop and finance its projects and negatively impact its revenue.

The Group has a limited operating history in the power sector and may not be successful in growing this business.

The Group started operating in the photovoltaic power sector in 2015 and has plans to continue to expand its operations. As a photovoltaic power producer with a relatively shorter operating history than some of its competitors and industry peers, the Group is subject to a variety of risks associated with intense market competition, changing regulations and policies, insufficient demand for photovoltaic power, technological advancements and the failure of its power generation facilities. In addition, the Group gradually expanded its new energy business to include wind power generation in 2019. The Group faces competition from conventional and other renewable energy companies. The photovoltaic, wind and renewable energy power industry is highly competitive and continually evolving as market participants strive to distinguish themselves within their markets and compete with large incumbent utilities and new market entrants. The market for electricity generation is heavily influenced by national, regional and local regulations and policies concerning the electric utility industry.

A significant reduction in or discontinuation of government subsidies and economic incentives may cause fluctuation to the Group's business and may have a material adverse effect on the Group's results of operations.

Demand for the power generated by the Group's photovoltaic power stations is affected by government incentives aimed to promote greater use of photovoltaic power. In recent years, the cost of generating electricity from photovoltaic power has decreased significantly and is competitive compared to the cost of generating electricity from conventional or non-photovoltaic renewable energy sources in some areas. While photovoltaic power projects may continue to offer attractive internal rates of return, it is unlikely internal rates of return will be as high as they were in the past. If internal rates of return fall below an acceptable rate for project investors, and governments continue to reduce or eliminate subsidies, this may cause a decrease in the Group's revenue. As such, the reduction, elimination or expiration of, or reduced growth in, government subsidies, economic incentives and any other support for on-grid photovoltaic electricity could materially and adversely affect the growth of this market or result in increased price competition, both of which could cause the Group's revenues to decline and materially and adversely affect the business, financial condition and results of operations of the Group's photovoltaic power generation business.

The Group depends on a number of subsidiaries of State Grid Corporation of China for a significant portion of its revenues from photovoltaic power generation business and any decrease in purchases of electricity from any one or all of them could adversely affect the Group's business and results of operations.

Substantially all of the Group's revenue from photovoltaic power generation business has been generated from power sales to subsidiaries of State Grid Corporation of China ("State Grid"). The Group anticipates that revenue from electricity sold to subsidiaries of State Grid will continue to account for a significant portion of the Group's total revenues for the foreseeable future, and, consequently, expect to continue to be significantly dependent on revenues from State Grid. As at the date of this Offering Circular, the relevant Group members have entered into power purchase agreement with the relevant subsidiaries of State Grid relating to the power generated by the Group's photovoltaic or wind power stations for a term ranging from one to five years. The loss of any of State Grid and its subsidiaries as customers, a reduction in their demand for electricity, a material adverse change in their financial condition, or a reduction in the on-grid tariff adjustments received from the relevant PRC government authorities could, in turn, have a material adverse effect on the Group's business, financial condition and results of operations.

The Group must maintain grid connection for power plants to continue operating.

When the project companies develop and construct photovoltaic or wind power plants, before obtaining the project approval of the NDRC or the relevant provincial Development and Reform Commission, the project companies must first obtain the relevant local grid company's consent to connect their photovoltaic or wind power plants to the local company's grid. Obtaining the grid company's consent to such connection may depend on a number of factors, including the availability and the reliability of existing grids, the progress of construction and upgrade of local grids, the distance of the proposed photovoltaic or wind power plants from the local grids and the cost of these grid connection facilities. Furthermore, photovoltaic or wind power plants and other energy facilities of the Group's competitors located in sites near its photovoltaic or wind power plants may compete with it to secure grid connection. Many of these factors are beyond the Group's control, and there can be no assurance that it will be able to obtain all necessary consents for the new photovoltaic or wind power projects in a timely manner, or at all. Failure to obtain the grid company's consent to connect to its grid may delay or prevent the development of the Group's photovoltaic or wind power projects.

Similarly, once connected to the local grid, the Group's photovoltaic or wind power plants depend on electric interconnection and transmission facilities owned and operated by others to deliver the electricity the Group intends to sell. A failure or delay in the operation or development of these interconnection or transmission facilities or a significant increase in the cost of the development of such facilities could result in the loss of revenues. Similarly, if a transmission network to which one or more of the Group's existing or future photovoltaic or wind power plants is connected experiences down time, the affected project may lose revenue as a result. Such failures or delays could limit the amount of power the Group's operating facilities deliver or delay the completion of the ongoing construction projects, as the case may be. If a region's electric transmission infrastructure is inadequate, the Group's recovery of wholesale costs and profits may be limited. Consequently, such failures, delays, increased costs or inadequacies could have a material adverse effect on the Group's business, financial condition, results of operations and cash flows.

Weather or natural conditions may affect the output and earnings of the photovoltaic power plants and wind power plants of the Group.

The output and the earnings of the Group's photovoltaic power plants and wind power plants may be affected by changes in weather conditions where the plants are located. In addition, in selecting sites for the development of its photovoltaic power plants and wind power plants, the Group makes its decisions based on the meteorological and topographical data of the proposed area as well as on-site exploration conducted by the Group's technicians. There can be no assurance that the actual natural conditions will conform to the historical measured data or that the assumptions the Group makes during its assessment are correct. Moreover, even if actual natural conditions are consistent with the Group's assessment, such conditions may be affected by variations in weather patterns which may change over time to the detriment of the Group's projects. As a result, the electricity generated by the Group's photovoltaic power plants and wind power plants may fall below its expectations, which could in turn materially and adversely affect the Group's business, financial condition and results of operations.

RISKS RELATING TO BASIC MATERIALS TRADING

The Group's basic materials trading business depends on a number of key customers for a significant portion of its basic materials trading business and the loss of any of such customers could materially and adversely affect the Group's basic materials trading business and financial position.

The Group's basic materials trading business adopts the traditional intermediary model, under which the Group acts as the intermediary between the supplier and the customer. The Group normally procures the particular category and amount of products upon receiving an order from its downstream customers, and are therefore exposed to limited credit risks. Nonetheless, a significant portion of the Group's revenue from its basic materials trading business has been, and is expected to continue to be, derived from a limited number of customers, which mainly comprise of companies from petrochemical, energy, iron and steel industries that seek to procure basic materials for further processing and trading. The Group does not enter into long term contracts with most of these customers. As a result, in the event that any of these customers ceases to purchase products distributed by the Group and should the Group fail to replace such customers, the Group's business and financial position may be materially and adversely affected.

The Group is exposed to declines in the current and expected volumes of supply or demand for commodities, commodity prices and deterioration in economic and financial conditions.

The current and expected volumes of supply and demand for the commodities markets in which the Group is active vary over time based on changes in resource availability, government policies and regulation, costs of production, global and regional economic conditions, demand in end markets for products in which the commodities are used, technological developments (including commodity substitutions), fluctuations in global production capacity, global and regional weather conditions and natural disasters. Furthermore, changes in current and expected supply and demand conditions impact the current and expected future prices (and thus the price curve) of each commodity. Declines in the price of commodities or increase of volume of commodities in the market could materially adversely impact the Group's business, results of operations and earnings in its basic materials trading business.

In addition, a decline in economic and financial conditions globally or in a specific country, region or sector may have a material adverse effect on the Group's business, results of operations or earnings. For example: the insolvency of key suppliers, particularly those with whom the Group has long-term supply or off-take contracts, could result in supply chain difficulties and/or unmatched commodity price exposures and/or a reduction in commodities available for the Group; and although most commodities' fixed pricing periods are relatively short, a significant reduction or increase in commodity prices could result in customers or suppliers, as the case may be, being unwilling or unable to honour their contractual commitments to purchase or sell commodities on pre-agreed pricing terms.

The success of the Group's basic materials trading business depends in part on its ability to identify and take advantage of arbitrage opportunities.

Many of the commodity markets in which the Group operates are fragmented and periodically volatile. As a result, discrepancies generally arise in respect of the prices at which the commodities can be bought or sold in different forms, geographic locations or time periods, taking into account the numerous relevant pricing factors, including freight and product quality. These pricing discrepancies can present the Group with arbitrage opportunities whereby the Group is able to generate profit by sourcing, transporting, blending, storing or otherwise processing the relevant commodities. The Group's profitability is, in large part, dependent on its ability to identify and exploit such arbitrage opportunities. A lack of such opportunities, for example due to a prolonged period of pricing stability in a particular market, or an inability to take advantage of such opportunities when they present themselves, because of, for example, a shortage of liquidity or an inability to access required logistics assets or other operational constraints, could adversely impact the Group's business, results of operations and financial condition in its basic materials trading business.

RISKS RELATING TO TRANSPORTATION BUSINESS

The Group may face increasing competition in the aviation business operation.

The aviation industry has developed rapidly over the years and is highly competitive. Although the aviation industry still has great potential for development, there can be no assurance that Qingdao Airlines will be able to maintain its industry position as a result of the increasingly intense competition from its competitors. In addition, there can be no assurance that the Chinese government will not change the legal framework to allow more companies to enter into the aviation industry in the PRC. If more companies (including foreign companies) are allowed to undertake aviation business or conduct aviation operation in the PRC, the Group will face increasing competition. In particular, overseas competitors may have more industry experience than the Group and have access to greater financial, infrastructure or other resources than the Group. Such fierce competition from other companies may cause the Group to lose its market share in the aviation industry in the PRC, which would have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's tourism business has been affected, and may continue to be affected, by the ongoing COVID-19 pandemic.

The COVID-19 pandemic has caused and may continue to cause a long-term adverse impact on the economy and social conditions in China and other affected countries, which has adversely affected the travel, aviation and related industries in China and other countries. In response to the COVID-19 pandemic, the PRC government has imposed measures across China including, but not limited to, travel restrictions and quarantine for travellers or returnees, whether infected or not, and an extended shutdown of certain business operations. COVID-19-related concerns and event cancellations, together with government-imposed restrictions on businesses, have led to a significant decrease in travel, which has caused negative effects on the Group's transportation business including its toll operation business and its aviation business. Furthermore, under the Urgent Notice on Prevention and Control of COVID-19 Epidemic and Suspension of Tourism Enterprises' Operating Activities (關於全力做好新型冠狀病毒感染的肺炎疫情防控工作暫停旅遊企業經營活動的緊急通知) issued by the Ministry of Culture and Tourism of the PRC on 24 January 2020 and became effective on the same date, travel agencies in the PRC are prohibited from providing domestic and international packaged tours as well as flights and hotel packages, having a direct impact on the profitability and liquidity of Group's transportation business including its aviation business. The Group's transportation business recorded gross losses during the years ended 31 December 2020 and 2021, primarily due to the widespread disruptions to travel and tourism sectors and manufacturing supply chains caused by the COVID-19 pandemic. See “— Risks Relating to the Group in General — The Group faces risks related to force majeure events, natural disasters, health epidemics, pandemics and other outbreaks, such as the outbreak of COVID-19, which could significantly disrupt its business operations”.

Multiple cities in China reported locally transmitted new variants of COVID-19 cases including Delta strain cases and Omicron cases, which created new uncertainties. It is uncertain as to whether there will be any further waves of COVID-19 outbreaks in China or any other part of the world or to when the COVID-19 pandemic will be contained effectively in China or globally, and predictions cannot be made as to whether the COVID-19 pandemic will have a long-term impact on the Group's transportation business and operation. If the Group is unable to effectively and efficiently operate its business and implement its strategies as planned because of the obstructions caused by the COVID-19 pandemic, the Group may not be able to grow its business and generate revenue as anticipated and its business operations, financial condition and prospects may be materially and adversely affected.

RISKS RELATING TO FINANCIAL SERVICES

The Group's financial services business is subject to extensive regulation and supervision of the government authorities at various levels and failure to comply with applicable regulations may have a material adverse impact on the related business and results of operations.

The Group expanded its businesses into financial service industry in early 2014, primarily focusing on credit guarantee, microfinance and entrusted loans, and financial leasing. These businesses are subject to extensive national, provincial and municipal laws, rules, regulations, policies and measures issued and enforced by the governmental authorities at different levels. The local authorities have broad discretion in implementing and enforcing the applicable rules and regulations. For this reason, there are significant uncertainties in the interpretation and implementation of such laws, rules, regulations, policies and measures. In certain occasions, verbal clarifications given by the government authorities may be inconsistent with the regulations concerned, increasing the Group's compliance risk. If the Group fails to fully comply with the applicable laws, rules, regulations, policies and measures or fails to respond to any changes in the regulatory environment in a timely manner, non-compliance and any delay may result in sanctions by regulatory authorities, to monetary penalties, or to restrictions on its activities or revocation of licences, which could have a material adverse impact on its business and results of operations in the financial industry.

The Group's development of its financial services business may increase its exposure to credit risks.

The Group's businesses in the financial industry involve many inherent risks, including the risk that the loans the Group guarantees or grants are not repaid on time or at all. The Group's credit guarantee and microfinance business currently focuses on SME and individual customers in China. Many of its customers have limited financial resources or relatively weak credit profile, making it difficult for them to obtain capitals from the large state-owned financial institutions. For the same reason, they are more vulnerable to adverse competitive, economic or regulatory conditions, and create greater credit risks relating to the Group's loan and guarantee business than larger or more established businesses with longer operating histories.

Since late 2012, the PRC economy has shown signs of slowdown, raising the market concern that its historical rapid growth may not be sustainable. If the PRC economy experiences slowdown or enters into recession, the operation and financial performance of PRC companies may be heavily affected and customer default may increase, increasing the Group's exposure to credit risks. Although the Group seeks to manage its credit risk exposure through internal customer due diligence, credit approvals, establishing credit limits and portfolio monitoring and other risk management measures, there can be no assurance that these measures will be effective given the limited operating history of the Group's financial services business. There can be no assurance that the Group is able to manage its credit risks effectively with its existing risk management system.

The Group's financial services business could be affected by material changes and fluctuations in the PRC banking industry.

The Group's financial services business is premised on the fact that SMEs are generally underserved by the banking industry because large commercial banks in the PRC have historically been reluctant to provide lending to SMEs without sufficient credit support or adequate security. This has created opportunities for many enterprises, such as the Group, to develop and expand SMEs loan business. However, the banking industry in the PRC has been evolving. The significant capital demand from the SMEs is causing many large commercial banks to adjust their loan portfolios to adapt to the changing market conditions. If those large commercial banks increase their loans to SMEs on an unsecured basis or require a lower level of credit guarantee in return for higher risk-based interest rates, it may cause a decrease in the market demand for the Group's loan and guarantee services. Direct competition with those large commercial banks may also undermine the Group's relationship with them with respect to its guarantee business and adversely affect its business and prospects.

The Group's financial services business may be subject to other factors affecting the banking industry, such as material fluctuation in the interbank rates and media reports on any increase in non-performing loans in the PRC banking industry. These factors which generally affect the banking industry may result in a liquidity crunch and the subsequent reductions in the amount of, or tightened approval requirements for loans available to the Group's customers or the Group. If the customers' businesses are negatively affected as a result of tightened liquidity, the default risk in respect of the Group's customers may increase. In addition, the business performance in the SME sector may be adversely affected by turmoil

in regional financial markets, as well as changes in global credit policies. This may result in a reduction in the amount of, or tightened approval requirements for, funding from banks or other financial institutions to SMEs in the PRC which may consequently be exposed to greater liquidity risks. In this situation, the quality of the Group's loan portfolio and related results of operations may be adversely and materially affected.

The limited operating history of certain of the Group's financial services may make it difficult for investors to evaluate its business and prospects.

The Group engages in financing guarantee, microfinance and entrusted loans, and finance leasing businesses since 2014. The Group plans to diversify its financial services business into fund management and security investment in the near future. The limited operating history creates a number of uncertainties relating to these businesses such as potential ineffective risk management and lack of relevant experience. There can be no guarantee that the Group has the capability to capitalise on the growth of the PRC financial industry, particularly the SME sector, or that the Group is able to effectively manage the credit and liquidity risks relating to these businesses. The limited track record of the Group's financial services business may not be able to provide a reasonable basis for investors to evaluate the future performance and prospects of such business.

The Group has limited information on the SMEs and individuals to which it provides financial services, and there can be no assurance that the Group's customer due diligence is sufficient to uncover material risks relating to its loans and guarantees.

The credit evaluation of the Group's financial services depends primarily on customer due diligence. A majority of the customers of the Group's financial services are SMEs and individuals, and available information about such customers sometimes is limited. For example, the accounting records or other financial information of the customers might not have been well maintained, their business model and procedures might not have been documented and they may not have effective internal controls as larger corporate entities. Inadequate information not only could result in additional work and related costs, it may also undermine the effectiveness of its customer due diligence. The Group normally conducts customer due diligence independently. There can be no assurance that the Group's investigation is able to procure all material information necessary to make a fully informed decision, or that its due diligence is sufficient to detect customer fraud. If the Group fails to perform thorough due diligence or discover customer fraud or intentional deceit, the quality of its credit evaluation may be compromised. Failure to effectively measure and limit the credit risk associated with its credit guarantee and loan portfolio could have a material adverse effect on its financial services business, financial condition and results of operations. In addition, the Group typically does not monitor the use of the financing it guaranteed or provided to its customers. If its customers engage in any illegal transactions, such as money laundering activities, the Group may face administrative and criminal liabilities and suffer financial and/or reputational damage.

The Group face increasing competition from existing and new market participants.

China's financial services industry for SMEs has experienced substantial growth in recent years, following the rapid development of the Chinese economy and the emergence of a large number of SMEs and microenterprises. According to PBOC, there were approximately 6,566 micro and microfinance companies in China as at 30 September 2021. The Group's financial services business mainly compete with state-owned or foreign-invested guarantee companies, city banks, rural banks, micro and microfinance companies and private money lenders within the region. Some of the Group's competitors may benefit from lower pricing, a larger customer base, a more established business reputation, more solid business relationships with banks and government authorities, a more mature risk control mechanism or more extensive experience than the Group might. As the development of its financial services business will be an important step of the Group's future business plan, the Group may face increasing competition with other market participants. In addition, competition in the PRC financial industry has intensified as a result of the rapid development of the Internet financial services in recent years. The Group may also need to compete with companies that enjoy more advanced information and IT technologies. Any failure to compete may adversely affect the Group's financial services business, financial condition and results of operations.

RISKS RELATING TO THE GROUP'S FINANCIAL STATEMENTS

The Company published and may continue to publish periodical financial information in the PRC pursuant to applicable PRC regulations and the rules of relevant stock exchanges. Investors should be cautious and should not place any reliance on the financial information other than that disclosed in this Offering Circular.

The Group from time to time issues corporate bonds, private placement notes, mid-term notes, short-term financing bills and super short-term financing bills in the domestic capital markets in the PRC. The Company publishes its annual, semi-annual and quarterly financial information to comply with applicable PRC regulations and rules of the stock exchanges on which its debt securities are listed. After the Bonds are issued, the Company is obligated by the terms of the Bonds, among others, to provide holders of the Bonds with its audited financial statements and certain unaudited but reviewed periodical financial statements. Such financial information has not been set out in this Offering Circular, are not incorporated by reference herein and do not constitute part of this Offering Circular. The quarterly and semi-annual 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, the financial information published in the PRC should not be referred to or relied upon by potential purchasers to provide the same quality of information associated with any information that has been audited or reviewed. Further, the published financial information in the PRC may be adjusted or restated to address subsequent changes in accordance with the accounting standards, the Company'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 Company's management accounts subsequently published in the PRC and its audited or reviewed financial statements to be provided to holders of the Bonds. The Issuer, the Company and the Group are 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.

The audited consolidated financial statements of the Company as at and for the years ended 31 December 2020 and 2021 incorporated by reference in this Offering Circular have been prepared and presented in accordance with PRC GAAP, which is different from IFRS.

The audited consolidated financial statements of the Company as at and for the years ended 31 December 2020 and 2021 incorporated by reference in this Offering Circular have been prepared and presented in accordance with PRC GAAP. PRC GAAP differs in certain respects from IFRS. Each investor should consult its own professional advisors for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

The presentation of certain accounting items in the Issuer's or the Company's audited consolidated financial statements as at and for the years ended 31 December 2020 and 2021 may not be comparable to the financial information in their respective consolidated financial statements for the previous periods.

The scope of consolidation of the Company's consolidated financial statements changes from time to time. See "Notes to Financial Statements — 7 Business combinations and consolidated financial statements" of the audited consolidated financial statements of the Company as at and for the years ended 31 December 2020 and 2021 incorporated by reference in this Offering Circular for further information. In addition, MOF had promulgated the New Accounting Standards and Requirements and certain financial figures in the audited consolidated financial statements of the Company as at and for the years ended 31 December 2020 and 2021 were reclassified and/or adjusted as a result of the promulgation of the New Accounting Standards and Requirements. See "Notes to Financial Statements — 5 Changes in accounting policies and accounting estimates and correction of errors" of the audited consolidated financial statements of the Company as at and for the years ended 31 December 2020 and 2021 incorporated by reference in this Offering Circular for further information. Furthermore, the HKICPA issued a number of new or amended HKFRSs that were first effective for the annual periods beginning on or after 1 January 2020 or 2021, as the case may be. See "Notes to Consolidated Financial Statements — 2. Adoption of Hong Kong Financial Reporting Standards" of the audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2020 and 2021 included elsewhere in this Offering Circular for further information. As a result, the presentation of certain accounting items in the Issuer's or the Company's audited consolidated financial statements as at and for

the years ended 31 December 2020 and 2021 may not be comparable to the financial information in their respective consolidated financial statements for the previous periods. As the scope of consolidation of the Issuer's or the Company's consolidated financial statements may change from time to time and MOF or the HKICPA may promulgate or issue new or amended accounting standards and requirements in relation to financial statements from time to time, there can be no assurance that such changes in scope of consolidation or new or amended accounting standards and requirements would not materially and adversely affect the accounting policies of the Issuer or the Company or the presentation of the consolidated financial statements of the Issuer or the Company. Any future changes in the accounting policies of the Issuer or the Company may have material impact on the Issuer's or the Company's financial condition and results of operations. Investors must therefore exercise caution when evaluating the financial condition and results of operations of the Issuer, the Company and the Group.

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 historical financial information may not be directly comparable with its future financial information.

The historical financial information of the Group is sometimes adjusted or restated to address subsequent changes in accounting standards, the Group's accounting policies and/or applicable laws and regulations with retrospective impact on the Group's financial reporting, correction of an error recorded in the previous period or to reflect the comments provided by the Group's independent auditors during the course of their audit or review in subsequent financial periods. Such adjustment or restatement may cause discrepancies between the financial information with respect to a particular period or date contained in the Group's historical financial statements and that contained in its future financial statements. The historical financial information is not intended to represent or predict the results of operations of any future periods. For example, the Group may make any adjustments in its financial statements in accordance with the latest accounting standards promulgated or revised by MOF. See note 5.1 of the audited consolidated financial statements of the Company as at and for the years ended 31 December 2020 and 2021 which are incorporated by reference in this Offering Circular. There can be no assurance that MOF will not promulgate other new accounting standards or requirements in relation to financial statements which may affect the Group's accounting policies or the presentation of the Company's financial statements. In addition, the scope of the consolidated subsidiaries of the Group for the years ended 31 December 2020 and 2021 changed as compared to the prior years. For details of such changes, see note 7.3 to the audited consolidated financial statements of the Company as at and for the years ended 31 December 2020 and 2021 which are incorporated by reference in this Offering Circular. Such changes may cause the presentation of certain accounting items in the audited consolidated financial statements of the Company as at and for the years ended 31 December 2020 and 2021 to not be comparable to the historical financial statements of the Group.

BDO China, the Company's independent auditors, was subject to censure and administrative penalties by the CSRC and MOF. BDO Hong Kong, the Issuer's independent auditors, was subject to disciplinary actions by the HKICPA.

BDO China is a registered member of The Chinese Institute of Certified Public Accountants supervised by relevant PRC regulatory agencies, including the CSRC and MOF. BDO China has previously received several warning letters issued by the CSRC and was subject to several administrative penalties by the CSRC and MOF (the “**BDO China Regulatory Matters**”). The BDO China Regulatory Matters are mainly focused on the independence of auditors, appropriateness of the implementation of accounting standards, the implementation of certain professional ethical standards and auditing guidelines, the adequacy of professional scepticism in the auditing process, and the reasonableness of the judgment made by the auditors with respect to work conducted by BDO China which were unrelated to the Group.

BDO Hong Kong is a registered member of HKICPA. BDO Hong Kong and certain of its auditors were subject to disciplinary actions by HKICPA (the “**BDO Hong Kong Disciplinary Actions**”) due to failure to comply with the relevant Hong Kong professional standards.

If BDO China or BDO Hong Kong were found to be deficient in performing their respective auditors’ tasks, it could affect investors’ confidence in the financial statements contained in this Offering Circular which were audited by BDO China or, as the case may be, BDO Hong Kong as well as their other procedures performed in relation to the issue and offering of the Bonds. There can be no assurance that there will not be any further investigations, or any indication of what the results or impact of the investigations will be.

Each BDO China and BDO Hong Kong has confirmed to the Joint Lead Managers, the Company and the Issuer that the auditors who participate in the audit of the Company’s or, as the case may be, the Issuer’s historical financial statements were not the subject of, or involved in, the BDO China Regulatory Matters or the BDO Hong Kong Disciplinary Actions (as the case may be). Each BDO China and BDO Hong Kong has also confirmed that it is qualified to provide audit services under applicable laws, rules and guidelines. Each BDO China and BDO Hong Kong has further confirmed that its auditing work for the Group and the Issuer (as the case may be), including in respect of the financial statements incorporated by reference or, as the case may be, included elsewhere in this Offering Circular, its registration as an accounting firm, its ability to provide comfort letters and the qualification of the auditors participating in this offering, are not affected by the BDO China Regulatory Matters or the BDO Hong Kong Disciplinary Actions (as the case may be).

As at the date of this Offering Circular, the Company and the Issuer are not aware of any fact, occurrence of development which causes them to believe that individual auditors who participated in the audit of their financial statements are or would become the subject of any censure, penalty, disciplinary actions, investigation or other similar proceedings. Prospective investors should consider the above factors prior to making any investment decision.

RISKS RELATING TO CHINA

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

Substantially all of the Group’s revenue is derived from its operations in the PRC. The economy of the PRC experienced rapid growth in the past 40 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. In May 2017, Moody’s Investor Service, Inc. (“**Moody’s**”) changed China’s long-term sovereign credit rating and foreign currency issuer ratings to A1 from Aa3. In September 2017, S&P Global Ratings (“**S&P**”) also downgraded China’s long-term sovereign credit rating to A+ from AA-, citing increasing economic and financial risks from a prolonged period of strong credit growth. According to the National Statistics Bureau of the PRC, the annual growth rate of the PRC’s GDP slowed from 6.0 per cent. in 2019 to 2.2 per cent. in 2020 before rebounding to 8.1 per cent. in 2021. The annual growth rate of the PRC’s GDP has further slowed down to 3.0 per cent. in 2022. There can be no assurance that GDP growth rates will recover or grow in the future. On 29 June 2022, S&P affirmed the PRC’s long-term sovereign credit rating at “A+” with a stable outlook, stating that the PRC is likely to maintain above-average growth in the next two or three years. On 29 August 2022, Moody’s affirmed the PRC’s long-term local currency and foreign currency issuer ratings at A1 with a stable outlook, citing its assessment that the core strengths of China’s credit profile, particularly its high economic strength and robust fiscal strength, are likely to remain in the medium term. However, there can be no assurance the economy of the PRC will maintain sustainable growth. China’s growth is likely to come under the pressure of uncertainties over the COVID-19 pandemic, U.S.-China tensions, geopolitical developments such as the ongoing conflict between Russia and Ukraine, and ongoing efforts by the PRC government to restructure the economy and reduce financial risks.

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. In Europe, several countries are facing difficulties in refinancing sovereign debt. In the United States, the recovery in the housing market remains subdued. On 23 June 2016, the United Kingdom voted in a national referendum to leave the European Union, notified the European Council of its intention to leave the European Union in accordance with Article 50(2) of the

Treaty on European Union on 29 March 2017, and officially left the European Union on 31 January 2020 (“**Brexit**”). The United Kingdom continued to participate in certain European Union organizations (such as the customs union) during a transition period that ended on 31 December 2020. With Brexit taking full effect after 31 December 2020, it is unclear how Brexit would ultimately affect the fiscal, monetary and regulatory landscape within the United Kingdom, the European Union and the rest of the world.

Further, China’s economic growth may also slow down due to weakened exports as a result of tariffs and trade tensions caused by the U.S.-China trade war. Since the second half of 2018, the PRC and the United States have imposed tariffs on certain products imported from the other country. In January 2020, the phase one agreement was signed between the PRC and the United States on trade matters. However, the resulting trade policies or the terms of any renegotiated trade agreements and their impact is uncertain. There can be no assurance that the trade disputes between the PRC and the United States will be fully resolved. The sustained or escalating U.S.-China trade war and the U.S. global trade policy against the PRC, including tightening regulatory restrictions, industry-specific quotas, tariffs, non-tariff barriers and taxes could significantly undermine the stability of the global economy and thereafter may lead to additional costs and unexpected consequences on the Group’s business. The adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental action related to tariffs or trade agreements or policies have the potential to adversely impact the PRC’s economy, which in turn could adversely impact the Group’s business, financial condition and results of operations.

In addition, the COVID-19 pandemic, the oil shocks resulting from a price war between Saudi Arabia and Russia, the Russo-Ukrainian conflict and other geo-political conflicts or incidents have led to significant volatility in the global markets across all asset classes, including stocks, bonds, oil and other commodities and this volatility may persist for some time. Besides, increased volatility in international financial markets, general consumption and manufacturing levels have also been adversely affected as a result. Furthermore, there is speculation that should the financial turmoil persist, a global recession may occur, which in turn, may have a negative impact on the Group’s business, financial condition and results of operations, as well as its access to future financing.

The continuing effects of reform in the PRC, the changes in global economic and political environments and the COVID-19 pandemic may have an adverse effect on the global and PRC economies resulting in continuing uncertainty for the overall prospects of the global and the PRC economies this year and beyond. Such uncertainty may thus slow down the PRC economy. Any slowdown in the PRC economy may create a credit-tightening environment, increase the Group’s financing costs, or reduce government subsidies to the Group, resulting in a material adverse effect on its business, results of operations and financial condition. Uncertainties in the global and PRC economy and a reduction in liquidity in the global and PRC financial markets may negatively affect the Group’s access to financing resources to support its business plans and expansion. Any instability in the global economy and the PRC’s economic growth may materially and adversely affect the Group’s business, financial condition and results of operations.

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

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

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

The Group’s operations and financial results could also be affected by changes in political, economic and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof). In addition, the growth of development in the economic and technology development zones and infrastructure construction demand in the PRC depends heavily on

economic growth. If the PRC's economic growth slows down or if the economy of the PRC experiences a recession, the growth of development in Chinese economic and technology development zones and infrastructure construction demand may also slow down, and the Group's business prospects may be materially and adversely affected. The Group's operations and financial results, as well as its ability to satisfy its obligations under the Bonds, could also be materially and adversely affected by changes to or introduction of measures to control changes in the rate or method of taxation and the imposition of additional restrictions on currency conversion.

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

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

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

The Group and a number of the Group's subsidiaries are incorporated in the PRC. A substantial portion of the Group's assets are located in the PRC. In addition, most of the Company's directors, supervisors and executive officers reside within the PRC and the assets of the Group's directors and officers may be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of the Group's directors, supervisors and senior management, including for matters arising under applicable securities law. A judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with China or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. However, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with many countries, including Japan, the United States and the United Kingdom. Therefore, it may be difficult for Investors to enforce any judgments obtained from foreign courts against the Group, the Company, any of their respective directors, supervisors or senior management in the PRC.

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

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

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

The PRC laws require that dividends be paid only out of net profit, calculated according to the PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions. In addition, the PRC law requires enterprises set aside part of their net profit as statutory reserves before distributing the net profit for the current financial year. These statutory reserves are not available for distribution as cash dividends. In addition, certain financing documents entered into by and binding upon the Company's subsidiaries include such clauses requiring that dividend payments from the Company's subsidiaries to its shareholder(s) shall, under certain circumstances and conditions, be subject to prior consent of the creditors under such financing document as long as any amount remains outstanding under such financing document. Since the availability of funds to fund the Company's operations and to service its indebtedness depends upon dividends received from these subsidiaries, any legal restrictions on the availability and usage of dividend payments from the Company's subsidiaries may impact the Company's ability to fund its operations and to service its indebtedness.

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

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

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

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

Certain facts, forecasts and statistics contained in this Offering Circular with respect to the PRC, its economy or the relevant industries are derived from various official or third-party public industry sources and there can be no assurance they are accurate or up-to-date.

Facts, forecasts and other statistics in this Offering Circular relating to the PRC, its economy or the relevant industry in which the Group operates have been directly or indirectly derived from official government publications and certain other public industry sources and although the Group believes such facts and statistics are accurate and reliable, it cannot guarantee the quality or the reliability of such source materials. They have not been prepared or independently verified by the Issuer, the Company, the Agents or any of its or their respective affiliates, employees, directors, agents, advisors or representatives or any person who controls any of them, and, therefore, none of the Issuer, the Company, the Agents or any of its or their respective affiliates, employees, directors, agents, advisors or representatives or any person who controls any of them makes any representation as to the completeness, accuracy or fairness of such facts or other statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be incomplete, inaccurate or unfair or may not be comparable to statistics produced for other economies or the same or similar industries in other countries and should not be unduly relied upon. Furthermore, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, Investors should give consideration as to how much weight or importance they should attach to or place on such facts or other statistics.

RISKS RELATING TO THE BONDS, THE KEEPWELL DEED, THE DEED OF EQUITY INTEREST PURCHASE UNDERTAKING AND THE STANDBY FACILITY AGREEMENT

The Qingdao Municipal Government is not contractually obligated to repay any amount under the Bonds, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking or the Standby Facility Agreement if the Issuer or the Company fails to meet their respective obligations under these instruments.

The Company is beneficially controlled and owned by the Qingdao Municipal Government with Qingdao SASAC as its registered shareholder. Similar to other companies beneficially controlled by the PRC government, the Company may be generally perceived to have access to liquidity support from its beneficial controlling shareholder in light of its ownership structure and the nature of its beneficial controlling shareholder, particularly in the event that the Group becomes financially distressed. However, the Qingdao Municipal Government or any other PRC governmental entity is under no contractual obligation to pay any amount under the Bonds, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking or the Standby Facility Agreement if the Issuer or the Company fails to meet their respective obligations under these instruments, and, as a result, no financial assistance from the Qingdao Municipal Government nor any other PRC governmental entity may materialise. Investors should base their investment decision on the financial condition of the Issuer, the Company and the Group and any perceived credit risk associated with an investment in the Bonds based on the Group's own financial information reflected in its financial statements.

The PRC government has no obligations under the Bonds, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking or the Standby Facility Agreement.

The PRC government as the ultimate shareholder of the Issuer and the Company only has limited liability in the form of its equity contribution in the Issuer and the Company. As such, the PRC government does not have any payment obligations under the Bonds, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking or the Standby Facility Agreement. The Bonds are solely to be repaid by the Issuer as an independent legal person. Bondholders shall have no recourse to the PRC government in respect of any obligation arising out of or in connection with the Bonds, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking or the Standby Facility Agreement in lieu of the Issuer or the Company. This position has been reinforced by the MOF Circular, the Joint Circular and Circular 666. Both Circulars are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws and regulations involve uncertainties.

Government data such as GDP and local government income included in this Offering Circular is solely for the purpose to show the level of economic development in Qingdao where substantially all of the Group's business operations and investments are located. Such data should not be construed as representing that the Bondholders have any recourse to the PRC government for payments under the Bonds, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking or the Standby Facility

Agreement. Investors should base their investment decision on the financial condition of the Issuer, the Company and the Group and any perceived credit risk associated with an investment in the Bonds based on the Group's own financial information reflected in its financial statements.

The China (Shanghai) Pilot Free Trade Zone bond market is a recent development and such FTZ bonds cleared through CCDC will be subject to the operational procedures and requirements of CCDC.

Bond issuances in the China (Shanghai) Pilot Free Trade Zone (“**Shanghai FTZ**”) (“**FTZ bonds**”) is a recent market development. FTZ bonds are cleared through CCDC and will be subject to the operational procedures and requirements of CCDC. CCDC is responsible for setting and has in place its own set of operational procedures and requirements for bond issuance, clearance and settlement. It also sets rules on who may invest and trade in the bonds issued in Shanghai FTZ. See “— *An investor needs to maintain an account with CCDC to invest in and trade the Bonds*”. As the market continues to develop, CCDC's procedures and requirements may be amended from time to time. In addition, CCDC may, as it deems appropriate, amend the terms of the service agreements it has entered into with issuer and investor participants and such amendments would be binding. There are no assurances that CCDC's current operational procedures will remain unchanged during the term of these Bonds.

An investor needs to maintain an account with CCDC to invest in and trade the Bonds.

As the Bonds will be issued in uncertificated book-entry form entered in CCDC, an investor needs to maintain an account with CCDC in order to invest in the Bonds. While the Bonds are entered in CCDC, the Bonds can only be traded between investors who maintain accounts with CCDC or, in the case of overseas investors, investors who has entrusted settlement agents or qualified international securities custodian institutions who maintain accounts with CCDC (and not with other clearing system). This requirement may make the Bonds difficult to trade and affect the liquidity of the Bonds.

The Bonds will be issued in uncertificated book-entry form entered in CCDC and accountholders of CCDC must rely on CCDC procedures.

The Bonds will be issued in uncertificated book-entry form entered in CCDC. CCDC will maintain records of the beneficial interests in the Bonds. While the Bonds are entered in CCDC, investors will be able to trade their beneficial interests only through CCDC to another person who maintains a securities account with CCDC. Except in the circumstances described in the Terms and Conditions of the Bonds, investors will not be entitled to receive Certificates (as defined in the Deed of Covenant).

While the Bonds are entered in CCDC, the Issuer will discharge its payment obligations under the Bonds by making payments to CCDC for distribution to its accountholders.

An accountholder of CCDC securities account who holds a beneficial interest in the Bonds must rely on the procedures of CCDC to receive payments under the Bonds. Each payment will be made to the Renminbi free trade account (自由貿易賬戶) (“**FTZ Account**”) or Non-Resident Account (境外機構人民幣銀行結算賬戶) maintained by or on behalf of the accountholder of CCDC securities account with a bank in Shanghai FTZ. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Bonds.

As at the date of the Offering Circular, transactions in Renminbi and in foreign currencies can freely flow among FTZ Accounts and to overseas bank accounts (including bank accounts in Hong Kong, Macau and Taiwan) without being subject to prior approval or registration relating to foreign exchange controls. In addition, Bondholders who are foreign-invested entities in Shanghai FTZ would be able to freely convert their funds in their FTZ Accounts between Renminbi and foreign currencies at their discretion after settlement of foreign exchange conversion with a bank based in Shanghai FTZ. However, there can be no assurance that the policies regarding foreign exchange controls within Shanghai FTZ will continue in the future. If the PRC government (including Shanghai FTZ government) were to restrict access to foreign currencies in Shanghai FTZ in the future, payments of principal and interest under the Bonds into a Bondholder's FTZ Account may be subject to restrictions on foreign exchange conversion and/or offshore remittance. See the section titled “*PRC Currency Controls — Foreign Exchange Controls in the China (Shanghai) Pilot Free Trade Zone*” for more information.

Amounts received in a Bondholder's FTZ Account may be subject to certain restrictions.

As at the date of the Offering Circular, transactions in Renminbi and in foreign currencies can freely flow among FTZ Accounts and to overseas bank accounts (including bank accounts in Hong Kong, Macau and Taiwan) without being subject to prior approval or registration relating to foreign exchange controls. In addition, Bondholders who are foreign-invested entities in Shanghai FTZ would be able to convert their funds in their FTZ Accounts between Renminbi and foreign currencies according to the requirements of its actual business after settlement of foreign exchange conversion with a bank based in Shanghai FTZ. However, there can be no assurance that the policies regarding foreign exchange controls within Shanghai FTZ will continue in the future. If the PRC government (including the Shanghai FTZ government) were to restrict access to foreign currencies in Shanghai FTZ in the future, payments of principal and interest under the Bonds into a Bondholder's FTZ Account may be subject to restrictions on foreign exchange conversion and/or offshore remittance. See the section titled "*PRC Currency Controls — Foreign Exchange Controls in the China (Shanghai) Pilot Free Trade Zone*" for more information.

The Bonds are unsecured obligations.

The Bonds are unsecured obligations of the Issuer. The repayment of the Bonds may be adversely affected if:

- the Issuer enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's indebtedness.

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

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

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and all other factors that may affect its investment (including analysis of the overall yield and value of the Bonds) and its ability to bear the applicable risks.

Neither the Keepwell Deed nor the Deed of Equity Interest Purchase Undertaking is a guarantee of the payment obligations under the Bonds, and performance by the Company of its undertaking under the Keepwell Deed or the Deed of Equity Interest Purchase Undertaking is subject to approvals of the PRC governmental authorities.

The Company will execute a Keepwell Deed with the Issuer, according to which it will undertake, among other things, to ensure that the Issuer has sufficient liquidity to ensure timely payment of any amounts payable under the Bonds in accordance with their terms of payment as and when due. See “Description of the Keepwell Deed” for further information. The Company undertakes to promptly notify the Bondholders (with a copy to the Principal Agent) upon the occurrence of an Event of Default as set out in Condition 9 in the Terms and Conditions of the Bonds. However, neither the Keepwell Deed nor any actions taken by the Company thereunder can be deemed as a guarantee by the Company for the payment obligation of the Issuer under the Bonds. Accordingly, the Company will only be obliged to cause the Issuer to obtain, before the due date of the relevant payment obligations, funds sufficient by means as permitted by applicable laws and regulations so as to enable the Issuer to pay such payment obligations in full as they fall due, rather than jointly or severally assume the payment obligation as in the case of a guarantee. Furthermore, even if the Company intends to perform its obligations under the Keepwell Deed, depending on the manner in which the Company performs its obligations under the Keepwell Deed in causing the Issuer to obtain, before the due date of the relevant payment obligations, funds sufficient to meet its obligations under the Bonds, such performance may be subject to obtaining prior consent or approvals from, or making filings/registrations with, relevant PRC governmental authorities, including but not limited to the NDRC, SASAC, MOFCOM and SAFE or their respective local counterparts. As the approval/filing/registration process is beyond the control of the Company, there can be no assurance that the Company will successfully obtain either of the requisite approvals or complete the requisite filings/registrations in time, or at all. In the event that the Company fails to obtain the requisite approvals or complete the requisite filings/registrations, the Issuer may have insufficient funds to discharge their outstanding payment obligations to the holders of the Bonds.

The Company intends to assist the Issuer to meet its obligations under the Bonds and the Deed of Covenant by entering into the Deed of Equity Interest Purchase Undertaking on or about the Issue Date. Under the Deed of Equity Interest Purchase Undertaking, the Company will undertake to purchase from the Issuer and/or other subsidiaries of the Company incorporated outside the PRC (each, a “**Relevant Transferor**”) the equity interest in certain subsidiaries held by the Relevant Transferor at a purchase price not less than (a) the amount sufficient to enable the Issuer to discharge its obligations under the Bonds and the Deed of Covenant; plus (b) an amount equal to interest payable in respect of one interest period on the Bonds outstanding; plus (c) all costs, fees and expenses and other amounts payable to the Agents under or in connection with the Bonds, the Deed of Covenant, the Agency Agreement, the Keepwell Deed and/or the Deed of Equity Interest Purchase Undertaking as at the date of the purchase notice given pursuant to the Deed of Equity Interest Purchase Undertaking plus provisions for costs, fees and expenses and other amounts which may properly be incurred after the date of such purchase notice. Neither the Deed of Equity Interest Purchase Undertaking nor any actions taken by the Company thereunder can be deemed as a guarantee by the Company for the payment obligation of the Issuer under the Bonds.

Performance by the Company of the Deed of Equity Interest Purchase Undertaking is subject to obtaining all necessary approvals, consents, licences, orders, permits and any other authorisations from the relevant approval authorities including without limitation, the NDRC, SASAC, MOFCOM, SAMR and SAFE and compliance with all relevant laws and regulations. As the approval/filing/registration process is beyond the control of the Company, there can be no assurance that the Company will successfully obtain either of the requisite approvals or complete the requisite filings/registrations in time, or at all. In the event that the Company fails to obtain the requisite approvals or complete the requisite filings/registrations, the Issuer may have insufficient funds to discharge their outstanding payment obligations to the holders of the Bonds.

The consideration of transfer of the equity interest may also be subject to the appraisal procedures and registration of the appraisal result with regard to the state-owned equity interest of the PRC incorporated subsidiaries, which may delay the completion of the purchase and affect the consideration of the equity interest being transferred, which may affect the monetary amount to be received by the Issuer to enable it to discharge its obligations under the Bonds and the Deed of Covenant.

Further, as the parties to the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking will submit to the exclusive jurisdiction of the Hong Kong courts, parties who have successfully obtained a judgment from Hong Kong courts in relation to a claim under the Keepwell Deed and/or the Deed of

Equity Interest Purchase Undertaking may enforce such judgment in the PRC pursuant to the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the “**Arrangement**”). However, it is uncertain as to whether such judgment will be recognised and enforced by PRC courts as some requirements shall be satisfied under the Arrangement. If such judgment is not recognised or enforced by the PRC courts, the Bondholders may have limited or no remedies in the PRC in connection with the Keepwell Deed and/or the Deed of Equity Interest Purchase Undertaking.

Furthermore, the Bondholders may have limited or no remedies against the Company if bankruptcy, insolvency, restructuring or similar proceedings (collectively referred to as “**insolvency proceedings**”) are commenced in relation of the Company in the PRC and such insolvency proceedings are accepted by the PRC courts. In such case, the administrator in the insolvency proceedings of the Company may not recognise the claims declared by the Bondholders under the Keepwell Deed and/or the Deed of Equity Interest Purchase Undertaking as unsecured claims or any other debt claims which are entitled to the distribution of the Company’s assets under the Enterprise Bankruptcy Law of the PRC. In 2020, the bankruptcy administrator of a PRC-incorporated company decided to reject certain claims submitted by the trustee under the relevant keepwell deeds provided by such PRC company in support of certain bonds issued by its subsidiaries. Such decision has highlighted the potential difficulty for Bondholders to seek recognition and enforcement of the obligations under keepwell deeds in insolvency proceedings in the PRC. In addition, according to the PRC laws, PRC courts hearing the insolvency proceedings of a company will have the statutory jurisdiction over all commercial claims or disputes against such company, which may include the ones arising out of or in connection with the Bonds, the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking. Consequently, in the event that insolvency proceedings are commenced in relation to the Company in the PRC, legal actions are taken against the Company by the Bondholders in Hong Kong courts, or such proceedings or legal actions are in progress, the relevant PRC court may request the Hong Kong courts to recognise the legal effect of the insolvency proceedings in the PRC. If the Hong Kong courts recognise the legal effect thereof, they may suspend such legal actions taken by the Bondholders against the Company and provide certain judicial assistance on such insolvency proceedings. In such circumstances, the claims of the Bondholders under the Keepwell Deed or the Deed of Equity Interest Purchase Undertaking may be brought into the scope of the review of the administrator in insolvency proceedings in the PRC and such claims may not be registered as unsecured claims or any other debt claims in such insolvency proceedings in the PRC. Therefore, the Bondholders may have limited or no remedies against the Company under the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking in such insolvency proceedings in the PRC.

However, if a Bondholder has obtained a legally effective judgment from Hong Kong courts in favour of its claims under the Keepwell Deed and the Deed of Equity Interest Purchase Undertaking, and such judgment has been recognised by the relevant PRC court prior to the commencement of the Company’s insolvency proceedings, the claims upheld by such judgment are likely to be registered as unsecured claims or any other debt claims by the administrator and in such case the claims will be entitled to the distribution of the Company’s assets under the Enterprise Bankruptcy Law of the PRC.

As at the date of this Offering Circular, the Relevant Transferors (as defined in the Deed of Equity Interest Purchase Undertaking) have limited or no equity interests that can be sold to the Company in the event that the obligation to purchase under the Deed of Equity Interest Purchase Undertaking becomes effective. There can be no assurance that in the event the Deed of Equity Interest Purchase Undertaking becomes effective the sale by the Relevant Transferors of their equity interests to the Company will be sufficient to enable the Issuer to discharge its obligations under the Bonds and the Deed of Covenant.

Further, in the event of an insolvency of a Relevant Transferor, any sale proceeds received by that Relevant Transferor may be subject to the insolvency claims of third parties. The Bondholders’ claim against the sale proceeds will be an unsecured claim and may rank lower in priority to any claims by secured third party creditors of such Relevant Transferor where it is the Issuer. Where a Relevant Transferor is not the Issuer, the Bondholders will not have a direct claim against the sale proceeds received by such Relevant Transferor.

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

Following the occurrence of a Change of Control Put Event (as defined in the Terms and Conditions of the Bonds), the Issuer may, at the option of any holder of the Bonds, be required to redeem all, but not some only, of such holder's Bonds at 101 per cent. of their principal amount, together with accrued and unpaid interest. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. The Issuer's failure to repay, repurchase or redeem tendered Bonds could constitute an Event of Default (as defined in Condition 9 of the Terms and Conditions of the Bonds) under the Bonds, which may also constitute a default under the terms of the Issuer's, the Company's or the Group's other indebtedness.

Claims by the holders of the Bonds are structurally or effectively subordinated to secured debt.

The Bonds are senior and unsecured obligations of the Issuer. Payments under the Bonds are structurally or effectively subordinated to all the secured debts of the Issuer to the extent of the value of the assets securing such debts. The effect of this subordination is that, in the event of a bankruptcy, liquidation, dissolution, reorganisation or similar proceeding involving the Issuer, the assets of the Issuer could not be used to pay the holders of the Bonds until after all secured claims against the Issuer have been fully paid.

Credit ratings may not reflect all risks.

The Bonds are expected to be assigned a rating of "A" by Lianhe Global upon issuance. In addition, the Company has been assigned a corporate rating of "BBB+" with a "negative" outlook by Fitch and a corporate rating of "A" with a "positive" outlook by Lianhe Global. The ratings represent opinions of the rating agencies and their assessment of the ability of the Issuer and the Company to perform their respective obligations under the Bonds and credit risks in determining the likelihood that payments will be made when due under the Bonds. The ratings 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. On 30 January 2015, Fitch assigned the Company a first-time corporate credit rating of "BBB+" with a "stable" outlook. On 22 January 2019, Fitch downgraded the Company's corporate credit rating from "BBB+" with a "stable" outlook to "BBB" with a "negative" outlook. On 22 January 2020, Fitch affirmed the Company's corporate rating of "BBB" and revised outlook from "negative" to "stable". On 23 December 2020, Fitch upgraded the Company's corporate credit rating to "BBB+" with a "stable" outlook. On 7 March 2023, Fitch affirmed the Company's corporate credit rating of "BBB+" and revised outlook from "stable" to "negative". On 31 March 2023, Lianhe Global affirmed the Company's corporate credit rating of "A" and revised outlook from "stable" to "positive". A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time. The Group cannot assure investors that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. None of the Issuer, the Company or the Agents has any obligation to inform holders of the Bonds of any such revision, downgrade or withdrawal. Each rating should be evaluated independently of the other rating. A suspension reduction or withdrawal of the ratings may adversely affect the market price of the Bonds and the Issuer's or the Company's ability to obtain financing or to access the capital markets.

The Issuer may issue additional bonds in the future.

The Issuer may, from time to time, and without prior consultation of the Bondholders, create and issue further bonds (See "*Terms and Conditions of the Bonds — Further Issues*") or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

Remittance of sales proceeds under the Deed of Equity Interest Purchase Undertaking from the Relevant Transferors to the Issuer may be subject to approvals of certain Relevant Transferors.

There can be no existing arrangement between the Issuer and the Relevant Transferors that are subsidiaries of the Company whereby such Relevant Transferors may remit sales proceeds under the Deed of Equity Interest Purchase Undertaking to the Issuer. Any remittance may be subject to the internal approval of such Relevant Transferor.

Performance by the Company of its undertaking under the Deed of Equity Interest Purchase Undertaking may be subject to consent from third party creditors and shareholders, and may also be restricted if any of the equity interests is secured in favour of third party creditors.

Under the terms of the Deed of Equity Interest Purchase Undertaking, the Company undertakes to purchase, upon the occurrence of an Event of Default (as defined in Condition 9 of the Terms and Conditions of the Bonds), from the Relevant Transferor (as defined above) the equity interest held by it in certain of such Relevant Transferor's subsidiaries subject to the applicable laws and regulations and requisite approvals/filings/registrations. The ability of the Company to perform this undertaking may be affected by any present or future financing agreements of the Relevant Transferor and/or its subsidiaries:

- in the event that such financial agreements contain non-disposal or other restrictive covenants that would prevent the sale of an equity interest by a Relevant Transferor, the Relevant Transferor and/or its subsidiaries would need to obtain the consent from the third party creditor before the Relevant Transferor is able to proceed with the sale of such equity interest; and
- in the event that certain equity interests have been secured in favour of third party creditors, the Relevant Transferor and/or its subsidiaries would need to arrange for these security interests to be released before the Relevant Transferor is able to proceed with the sale of such equity interests.

Under the Terms and Conditions of the Bonds, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking and the Standby Facility Agreement, there are no restrictions on the Issuer entering into financing agreements with non-disposal or other restrictive covenants or securing the equity interests of the Issuer in favour of their creditors.

In the event the obligation to purchase under the Deed of Equity Interest Purchase Undertaking becomes effective, there can be no assurance that the Relevant Transferor will be able to obtain any required consents from its creditors or that it will be able to arrange for any existing security arrangement to be released in order for the sale of the equity interest to proceed. If the Relevant Transferor is not able to do so, it may need to repay the indebtedness owed to its third party creditors in order to be able to sell the relevant equity interests to the Company.

In the event that the required consents or waivers from third party creditors are not able to be obtained and in the case of third party creditors, the relevant indebtedness cannot be repaid in a timely manner, the sale of the equity interest may not be able to proceed and eventually the Issuer may have insufficient funds to discharge its payment obligations to the holders of the Bonds.

In addition, the sale of the equity interests in certain non-wholly-owned companies may be subject to pre-emptive rights or other restrictions in such company's articles of association, shareholders' agreement, provisions in the corporate law or otherwise that would require the selling shareholder to obtain consent or waiver from other shareholders before any equity interest can be sold to the Company. In the event the obligation to purchase under the Deed of Equity Interest Purchase Undertaking becomes effective there can be no assurance that any required consents, approvals or waivers can be obtained from any third party or independent shareholders in a timely manner or at all.

The Issuer's and/or the Bondholders' claims under the Keepwell Deed may be structurally subordinated to existing and future liabilities and obligations of the Company and will be structurally subordinated to all existing and future liabilities and obligations of the Company's subsidiaries (other than the Issuer).

As described above, under the Keepwell Deed, the Company will undertake with the Issuer and the Beneficiaries (as defined therein), among other things, to cause the Issuer to have sufficient liquidity to ensure timely payment of any amounts payable in respect of the Bonds. Payments will be remitted by the Company out of the PRC to the Issuer in the forms of inter-company loans or capital injection to the Issuer in order for it to meet its payment obligations under the Bonds. The ability of the Company to make such payments is subject to, among other things, its cash flow conditions, restrictions contained in its articles of association, applicable laws, restrictions contained in its debt instruments and claims by its creditors. Further, the Company derives part of its revenue from its subsidiaries. It thus may need to depend on dividends or interest and principal payments from its subsidiaries to satisfy its obligations, including its obligations under the Keepwell Deed.

As a result, any claim by the Issuer and/or the Bondholders against the Company in relation to the Keepwell Deed will be effectively subordinated to all existing and future claims of the secured creditors of the Company and, in the case of payment by the Company to the Issuer in the form of capital increases, also to the claims of the other creditors of the Company. The Issuer's and/or the Bondholders' claims will be further effectively subordinated to all existing and future claims of the lenders, holders of debt securities and other creditors, including trade creditors, of the Company's subsidiaries (other than the Issuer), from which the Company derives a majority of its operating income. In the event of an insolvency, bankruptcy, liquidation, reorganisation, dissolution or winding-up of the business of the Company or any of the Company's subsidiaries (other than the Issuer), the creditors of the Company or the creditors of the Company's subsidiaries, as the case may be, generally will have the right to be paid in full before any distribution is made to the Company, the Issuer and/or the Bondholders.

International financial markets and world economic conditions may adversely affect the market price of 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 the United States, global credit markets have experienced, and may continue to experience, significant dislocations and liquidity disruptions. Although global economic conditions have improved and certain credit markets have shown signs of recovery, the international financial markets have experienced significant volatility. The global economy and financial markets have been affected by the ongoing sovereign debt crisis in several member countries of the European Union in late 2011 to the present, and more recently, the tapering of the stimulative quantitative easing policy, the economic slowdown of the PRC and the enhanced market volatility stemming from Brexit effective from 31 January 2020 and the conflict between Russia and Ukraine and the sanctions imposed by governments in response. Any deterioration in the international financial markets in the future, the market price of the Bonds could be adversely affected.

Gains on the transfer of the Bonds may be subject to income tax or Value-added Tax ("VAT") under PRC tax laws.

Under the new PRC Enterprise Income Tax Law (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 the EIT 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 the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities, capital gain realised by a non-resident enterprise from the transfer of the Bonds may be regarded as being derived from sources within the PRC and, accordingly, may be subject to a PRC tax of up to 10 per cent., provided that there are no tax treaties between the PRC and those countries or regions which exempt or reduce such withholding tax. Similarly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities, any capital gain realised by a non-resident individual holder from transfer of the Bonds may also be regarded as being derived from sources within the PRC and be subject to PRC tax of up to 20 per cent. pursuant to the Individual Income Tax Law of the PRC, as amended on 30 June 2011 and effective on 1 September 2011 (the "IIT Law"), provided that there are no tax treaties between the PRC and those countries or regions which exempt or reduce such withholding tax. There remains uncertainty as to whether the gains realised from the transfer of the Bonds between entities or individuals located outside of the PRC would be treated as incomes derived from sources within the PRC and be subject to PRC tax. This will depend on how the PRC tax authorities interpret, apply or enforce the EIT Law and its implementation rules. If such gains are subject to PRC income tax, the 10 per cent. EIT rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, which was promulgated on 21 August 2006, as amended (the "Avoidance

of Double Taxation Arrangement”), Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds.

Under the Circular of Full Implementation of Business Tax to VAT Reform (關於全面推開營業稅改徵增值稅試點的通知) (Caishui [2016] No. 36) as supplemented by the Notice on Clarification of VAT Policies for Finance, Real Estate Development, Education Support Services, etc. (財政部、國家稅務總局關於明確金融房地產開發教育輔助服務等增值稅政策的通知) jointly issued by MOF and SAT on 21 December 2016 and effective retroactively (excluding Article 17 thereof) as at 1 May 2016 and other related rules and regulations (together, the “**Circular 36**”), VAT is applicable where the entities or individuals provide services within the PRC. VAT is unlikely to apply to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to apply to gains realised upon such transfers, 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 and laws and regulations pertaining to VAT are relatively new, and there is uncertainty as to the applicability of Circular 36 as this will depend on how the PRC tax authorities interpret, apply or enforce the Circular 36 and its implementation rules.

If a Bondholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax or VAT or related surcharges on VAT on gains on the transfer of the Bonds, the value of the relevant Bondholder’s investment in the Bonds may be materially and adversely affected. In addition, as there is no specific regulation or guideline relating to the issuance of cross-border debt securities in Shanghai FTZ, there is uncertainty as to whether or not Shanghai FTZ resident investors would be treated as non-resident enterprises or individuals of the PRC. In the event that Shanghai FTZ resident investors holding the Bonds are treated as PRC tax residents, such holders may be subject to additional PRC taxes (or higher PRC tax rates) in relation to any interest income or gains realised on the transfer of the Bonds. Shanghai FTZ resident investors should further consult their own legal and tax advisors in relation to their enterprise income tax, individual income tax and VAT obligations.

Stamp duties may also be imposed during the issuance and transfer of the Bonds.

There are uncertainties regarding the interpretation and application of current and future PRC taxation related laws and regulations and there can be no assurance that the relevant PRC regulatory authorities will not change its view on the relevance and applicability of such laws and regulations to the issuance of the Bonds by the Issuer, the Company, the purchase of the Bonds by the investors upon issuance and/or subsequent transfers of the Bonds.

According to the Stamp Duty Law of the People’s Republic of China (中華人民共和國印花稅法) promulgated by the Standing Committee of the National People’s Congress on 10 June 2021 and implemented on 1 July 2022 (the “**Stamp Duty Law**”), enterprises or individuals which make taxable instruments and conduct securities transactions within the territory of the PRC shall be obliged to pay relevant stamp duties in accordance with the provisions therein. Enterprises and individuals which make taxable instruments outside the territory of the PRC to be used within the territory of the PRC shall also pay stamp duty in accordance with the provisions therein. Pursuant to the Stamp Duty Law, taxable instruments shall include the contracts, property transfer documents and business account books listed in the Schedule of Stamp Duty Items and Tax Rates (印花稅稅目稅率表) attached thereto, which provides the stamp duty items and rates. Where a taxable contract or property transfer document does not specify the amount, the stamp duty basis shall be determined based on the actual settlement amount.

According to the Stamp Duty Law, the parties shall be obliged to pay stamp duties for the sale, inheritance, gift, exchange or division of instruments of transfer of property rights, including instruments of the assignment and transfer of land use rights, ownership of buildings and other structures, equity, exclusive right of use of trademarks, patents and proprietary technology usage rights. As at the date of this Offering Circular, due to the lack of specific law and regulations, there is no clear basis to deem the Bonds or other cross-border debt securities issued in Shanghai FTZ as taxable instruments of transfer of property rights for the purpose of stamp duties. However, given that the Stamp Duty Law has been revised and has taken effect recently, there can be no assurance that PRC laws will not be revised or there will not be further rules or regulations promulgated to deem the Bonds or similar debt instrument as instruments of transfer of property rights for purposes of stamp duty obligations, or to deem the transfer of Bonds or other cross-border debt securities issued in Shanghai FTZ as securities trading for purposes of stamp duty obligations.

According to Stamp Duty Law, a loan contract shall be deemed as a taxable instrument. While PRC laws may consider the Bonds to be a type of loan contracts, pursuant to the Schedule of Stamp Duty Items and Tax Rates (印花稅稅目稅率表) attached to the Stamp Duty Law, a loan contract shall refer to that signed between banking financial institutions, or other financial institutions established upon approval of the banking regulatory authority of the State Council and borrowers (excluding inter-bank borrowing). The Specific Provisions on the Applicability of Loan Contracts by the State Administration of Taxation ((1988) Guoshuidi Zidi No. 30) (國家稅務局關於對借款合同貼花問題的具體規定((1988)國稅地字第030號)) (“**Specific Provisions**”) provides loan contracts include those for working capital or mortgages. Unless expressly specified as taxable loan contracts under Specific Provisions or other specific notices, regulations or guidelines clarifying the application and implementation of the Stamp Duty Law, there is no clear basis to deem the Bonds or other cross-border debt securities issued in Shanghai FTZ as taxable instruments within the scope for levying stamp duties.

However, given that the Stamp Duty Law has been revised and has taken effect recently, there can be no assurance that PRC laws will not be revised or there will not be further rules or regulations promulgated specifying that the Bonds or similar debt instrument shall be treated (for purposes of stamp duty obligations) in the same way as loan contracts entered between banks or other financial institutions and borrowers, or otherwise as taxable instruments in the PRC. In that event, both the borrower and lender (i.e. the Issuer and the investor purchasing the Bonds, respectively) at the time of the issuance of the Bonds, and the transferor and transferee (i.e. the investors transferring the Bonds) at the time of transfer of the Bonds in the secondary market would be subject to PRC stamp duty of 0.005 per cent. of the amount borrowed, or any other rate applicable at the time of the issuance or transfer of the Bonds in question (or such higher rate if local governments impose additional requirements). There can be no assurance that PRC laws will not be revised or there will not be further rules or regulations promulgated deeming the Bonds or similar debt instrument as instruments of transfer of property rights for purposes of stamp duty obligations, and according to the Stamp Duty Law, instruments of transfer of property rights, including instruments of transfer of equity, shall be subject to stamp duty of 0.05 per cent. of the stated value, and to be paid by the parties who initiated the contract.

Given the fact that the Issuer and CCDC entered into the services agreement, there are uncertainties regarding whether the services agreement shall be deemed as taxable instruments of technological contract (excluding instruments for assignment of patent rights and proprietary technology use right) for the purpose of stamp duties listed in the Schedule of Stamp Duty Items and Tax Rates (印花稅稅目稅率表) attached to the Stamp Duty Law. According to the Stamp Duty Law, if the services agreement is considered to be a type of taxable instruments of technological contract, it shall be subject to stamp duty of 0.03 per cent. of the stated price, remuneration or usage fee.

Investors should further consult their own legal and tax advisers in relation to their PRC stamp duty obligations and liabilities in relation to any purchase or transfer of the Bonds.

If the Company fails to complete the relevant filings to the NDRC in connection with the Bonds, the NDRC may impose penalties or other administrative procedures on the Company.

Any failure to complete the relevant filings under the NDRC Administrative Measures within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors of the Bonds. The NDRC issued the NDRC Administrative Measures on 5 January 2023, which came into effect on 10 February 2023 and replaced the NDRC Circular. According to the NDRC Administrative Measures, if a PRC enterprise or an overseas company or branch controlled by a PRC enterprise wishes to issue bonds outside the PRC with a tenor of not less than one year, such PRC enterprise shall procure the registration of any debt securities issued outside the PRC with the NDRC prior to the issue of the relevant debt securities and obtain the certificate of review and registration of enterprise borrowing of foreign debts (企業借用外債審核登記證明) (the “**Certificate of Review and Registration**”) from the NDRC. Moreover, pursuant to the NDRC Administrative Measures, such enterprise shall file with NDRC the requisite information and documents of the relevant issues through the network system within 10 working days after both the completion of the issue of the securities and the expiration date of the Certificate of Review and Registration obtained from the NDRC through the online system for the review, registration, management and service of enterprise foreign debts established by the NDRC (the “**NDRC Online Reporting System**”). According to the NDRC Administrative Measures and the FAQs published by the NDRC on 9 February 2023, domestic enterprises and their overseas controlled entities prior to issuing any foreign debts with a tenor of not less than one year shall obtain from the NDRC, either a pre-issuance registration certificate pursuant to the NDRC Circular or, applicable to issuance applications after 10 February 2023, the Certificate of Review and Registration. The Company has completed the

registration with the NDRC and obtained the pre-issuance registration certificate on 18 November 2022 pursuant to NDRC Circular and the Company confirms that such NDRC pre-issuance registration certificate remains valid and effective as at the date of this Offering Circular. In addition, so long as any of such securities issued remain outstanding, such enterprise should file with the NDRC the requisite information and documents through the NDRC Online Reporting System periodically and upon the occurrence of any material event that may affect such enterprise's due performance of its obligations under the securities issued. If the enterprise fails to report the relevant information described above in accordance with the NDRC Administrative Measures, the NDRC may direct the enterprise to make corrections within a prescribed time period and if the violation is serious or if the enterprise fails to correct within the prescribed time period, the NDRC may give a warning to the relevant enterprise and its main responsible persons. Failure to comply with any provision of the NDRC Administrative Measures may subject the enterprise to regulatory interviews, public reprimands and publication of non-compliance record in public credit systems such as the website of "Credit China" and the national enterprise credit information publicity system. The Company has undertaken to file with the NDRC the requisite information and documents relating to issue of the Bonds within 10 PRC Business Days after the Issue Date in accordance with the NDRC Administrative Measures and to comply with all applicable PRC laws and regulations in relation to the NDRC Administrative Measures. If the Company does not report the post issuance information and documents with respect to the Bonds within the timeframe as provided under the NDRC Administrative Measures, the NDRC may impose sanctions or other administrative procedures on the Company. This, in turn, could have a material adverse impact on its business, financial condition or results of operations or the Company's performance of its obligations under the Bonds or the Deed of Covenant.

The NDRC Administrative Measures have been issued quite recently, and it may be subject to further changes upon the issuance of further clarification rules or interpretation by competent authorities. There is uncertainty as to the application of the NDRC Administrative Measures and administration and enforcement of the NDRC Administrative Measures may be subject to a certain degree of executive and policy discretion by the NDRC. For example, while the NDRC Administrative Measures have set out the legal consequences for debtors and professional parties in cases of non-compliance of the NDRC Administrative Measures, the NDRC Administrative Measures are silent on whether any such non-compliance would affect the validity and enforceability of the Bonds. There can be no assurance that failure to comply with the NDRC Administrative Measures would not result in adverse consequences on the Company's or the Issuer's ability to perform its obligations under any of the Bonds, the Deed of Covenant or in accordance with the Terms and Conditions of the Bonds or on the validity and enforceability of the Bonds. Since the NDRC Administrative Measures do not have any detailed implementation procedures, there can be no assurance that the NDRC will not issue further implementation rules or notices which may require additional steps in terms of the registration or provide sanctions or other administrative procedures the NDRC may impose in case of failure of such registration with, or post issuance report to, the NDRC and which may have a negative impact on the performance, validity and/or enforceability of the Bonds. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions. According to the Guidance on the Bond Issuance outside the PRC by Enterprises (企業境外發行債券指引) issued by the NDRC (the "**NDRC Circular Guidelines**") on 18 December 2015, the Tips on Risks Related to Bond Issuance outside the PRC by Enterprises (企業境外發債風險提示) as published by the NDRC on its website on 25 May 2016 (the "**May 2016 NDRC Tips**") and the Tips on Risks Related to Bond Issuance outside the PRC by Enterprises as published by the NDRC on its website on 12 June 2017 (together with the May 2016 NDRC Tips, the "**NDRC Tips**"), companies, investment banks, law firms and other intermediaries involved in debt securities issues which do not comply with the registration requirement under the NDRC Administrative Measures will be subject to a blacklist, being criticised by the NDRC on its website and/or otherwise punished by the NDRC jointly with other competent regulators. The NDRC Circular Guidelines and the NDRC Tips are silent as to how such blacklist will be implemented or the exact sanctions that will be enacted by the NDRC, or any impact on the Bondholders, in the event of a non-compliance by the Company with the NDRC Administrative Measures.

The Issuer may elect to redeem the Bonds in whole, but not in part, at a redemption price equal to 100 per cent. of the principal amount together with interest accrued to the date fixed for redemption if it is required to pay any Additional Tax Amount.

As at the date of this Offering Circular, the Issuer had not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, it is unclear whether the Issuer will be treated as a PRC tax resident enterprise for the purposes of the EIT Law. If the Issuer is treated as a PRC tax resident enterprise and is required to withhold tax from interest payments on the Bonds, the Issuer will, subject to certain exceptions, be

required to pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding been required. As described under Condition 6(b) of the Terms and Conditions of the Bonds, if the Issuer is required to pay Additional Tax Amounts (as defined in Condition 8 of the Terms and Conditions of the Bonds) as a result of any change in or amendment to, or any change in the application or official interpretation of, the laws or regulations of a relevant jurisdiction (including any change or amendment or change in the interpretation that requires the Issuer to withhold tax as a result of it being treated as a PRC tax resident enterprise), the Issuer may redeem the Bonds in whole, but not in part, at a redemption price equal to 100 per cent. of the principal amount together with interest accrued to the date fixed for redemption.

The date on which the Issuer elects to redeem the Bonds may not accord with the preference of particular Bondholders. In addition, a Bondholder may not be able to reinvest the redemption proceeds in comparable securities at the same rate of return of the Bonds.

The Bonds are subject to optional redemption by the Issuer and may have a lower market value than bonds that cannot be redeemed.

The Issuer has the option to redeem all of the Bonds at their principal amount on the Optional Redemption Date (as defined in Condition 5 of the Terms and Conditions of the Bonds). Such an optional redemption feature is likely to limit the market value of the Bonds.

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

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the operating income, earnings and cash flows of the Group and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies 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.

Performance of the Company of its obligations under the Standby Facility Agreement may be subject to the approvals, registrations, filings or clearance or other authorisation of PRC government authorities.

Under the terms of the Standby Facility Agreement, the Company agrees to grant to the Issuer a CNY standby facility pursuant to which the Company will remit an amount sufficient to discharge the Issuer's payment obligations under the Bonds, the Keepwell Deed and the Deed of Covenant. The ability of the Company to perform its obligations under the Standby Facility Agreement may be subject to the approvals, registrations, filings or clearance or other authorisation of PRC government authorities, including without limitation SAFE. There can be no assurance that any such approvals, registrations, filings or clearance or other authorisation required can be obtained in a timely manner or at all.

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

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

Modifications and waivers may be made in respect of the Terms and Conditions of the Bonds, the Deed of Covenant, the Keepwell Deed, the Standby Facility Agreement and the Deed of Equity Interest Purchase Undertaking by less than all of the holders of the Bonds.

The Terms and Conditions of the Bonds contain provisions for calling meetings of the holders of the Bonds (including by way of teleconference or videoconference call) to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing or through the use of electronic consents. These provisions permit defined majorities to bind all holders of the Bonds, including those holders of the Bonds who do not attend and vote at the relevant meeting or, as the case may be, did not sign the written resolution or give their consent electronically, and including those holders of the Bonds who vote in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of the holders of the Bonds may be adverse to the interests of the individuals.

Foreign exchange risk and exchange controls may cause Bondholders to receive less on the Bonds than expected.

The Issuer will pay principal, premium (if any) and interest on the Bonds in CNY. This may give rise to certain risks relating to currency conversions if a Bondholder's activities are denominated principally in a currency or currency unit (the “investor's currency”) other than CNY. These include the risk that exchange rates may significantly change (including changes due to devaluation of the CNY or revaluation of the investor's currency) and the risk that authorities with jurisdiction over the investor's currency may impose or modify exchange controls. An appreciation in the value of the investor's currency relative to the CNY would decrease (i) the investor's currency equivalent yield on the Bonds; (ii) the investor's currency equivalent value of the principal payable on the Bonds; and (iii) the investor's currency equivalent market value of the Bonds. Governments and monetary authorities may promulgate new policies that cause the exchange rate of Renminbi against other foreign currencies to be more volatile or in some other ways adversely affect the value of the amounts a Bondholder may receive under the Bonds.

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

As the Issuer is incorporated under the laws of Hong Kong, any insolvency proceeding relating to the Issuer would likely involve Hong Kong insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

A trading market for the Bonds may not develop, and there are restrictions on resale of the Bonds.

The Bonds are a new issue of securities for which there is currently no trading market. Approval in-principle has been obtained from the SGX-ST for the listing and quotation of the Bonds on the Official List of the SGX-ST. There can be no assurance as to the liquidity of the Bonds, that the Issuer will be able to maintain a listing of the Bonds on the SGX-ST, or that an active trading market will develop or be sustained. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. 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 without notice at the sole discretion of the Joint Lead Managers. Further, one or more initial investors in the Bonds may purchase a significant portion of the aggregate principal amount of the Bonds pursuant to the offering. The existence of any such significant Bondholder(s) may reduce the liquidity of the Bonds in the secondary trading market. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, the holders of the Bonds will only be able to resell the Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. Neither the Issuer nor the Joint Lead Managers can predict whether an active trading market for the Bonds will develop or be sustained.

Certain initial investors may purchase a significant portion of the Bonds and may therefore be able to exercise certain rights and powers on their own.

Certain initial investors may purchase a significant portion of the aggregate principal amount of the Bonds in this offering. Any holder of a majority of the aggregate principal amount of the Bonds will be able to exercise certain rights and powers on its own under the Terms and Conditions of the Bonds and the Deed of Covenant, which will be binding on holders of the Bonds. Any holder of a significant portion of or majority of the aggregate principal amount of the Bonds may be able to exercise such rights and powers on its own, which will be binding on all holders of the Bonds and control the outcome of votes on such matters. Any holder of a significant percentage of the Bonds, even if less than a majority, will be able to exercise certain rights and powers and will have significant influence on matters voted on by Bondholders. Additionally, the existence of any such significant Bondholder may reduce the liquidity of the Bonds in the secondary trading market.

There may be less publicly available information about the Group than is available in certain other jurisdictions.

Neither the Issuer nor the Company is listed on any stock exchange, and there may be less publicly available information about the Group than is available in certain other jurisdictions. In addition, the financial information of the Issuer included in this Offering Circular has been prepared in accordance with HKFRSs, and the financial information of the Company included in this Offering Circular has been prepared in accordance with PRC GAAP. There are certain differences between PRC GAAP, HKFRS and IFRS. Each investor should consult its own professional advisors to understand the material differences between PRC GAAP, HKFRSs and IFRS and/or the generally accepted accounting principles in the jurisdictions where the investor is located, and how those differences might affect the financial information contained herein.

Additional procedures may be required to be taken to hear English law governed matters in the Hong Kong courts. There can also be no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law matters.

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

Under the Record of Meeting of the Supreme People's Court and the Government of the Hong Kong Special Administrative Region on Mutual Recognition of and Assistance to Bankruptcy (Insolvency) Proceedings between the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和協助破產程式的會談紀要) (the "**Record of Meeting**"), which was signed on 14 May 2021, liquidators or provisional liquidators from Hong Kong may apply to PRC courts at a pilot area for recognition of insolvency proceedings in Hong Kong. Likewise, bankruptcy administrators from the PRC may apply to the High Court in Hong Kong for recognition of bankruptcy proceedings in the PRC. The designated pilot areas in the PRC include Shanghai, Xiamen and Shenzhen. While insolvency proceedings in Hong Kong are likely to be recognised by the PRC courts under the Record of Meeting, recognition could be refused if the centre of main interests of the debtor is not Hong Kong.

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

Investment in the Bonds, which carry a fixed rate of interest, involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

The Issuer will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, which standards may be different from those applicable to companies in certain other countries.

The Issuer will be subject to reporting obligations in respect of the Bonds to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST may be different than those imposed by securities exchanges in other countries or regions such as the United States. As a result, the level of information that is available may not correspond to what investors in the Bonds are accustomed to.

RISKS RELATING TO BONDS DENOMINATED IN CNY

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected.

The Issuer will pay principal, premium and interest on the Bonds in CNY (the “**Specified Currency**”). This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Specified Currency would decrease (i) the Investor’s Currency equivalent yield on the Bonds, (ii) the Investor’s Currency equivalent value of the principal payable on the Bonds and (iii) the Investor’s Currency equivalent market value of the Bonds. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

CNY is not completely freely convertible; there are significant restrictions on remittance of CNY into and outside the PRC which may adversely affect the liquidity of the Bonds.

CNY is not completely freely convertible at present. The PRC government continues to regulate conversion between CNY and foreign currencies, despite significant reduction in control by it in recent years over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

Participating banks in Hong Kong, Macau, Singapore, Taiwan, Seoul, Frankfurt, London, Paris, Luxembourg, Doha and Toronto have been permitted to engage in the settlement of current account trade transactions in CNY under certain pilot schemes.

On the other hand, remittance of CNY by foreign investors into the PRC for the settlement of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of CNY into the PRC for settlement of capital account items are still being developed.

Although starting from 1 October 2016, CNY has been added to the Special Drawing Rights basket created by the International Monetary Fund and policies further improving accessibility to CNY to settle cross-border transactions in foreign currencies were implemented by PBOC in 2018, there can be no assurance that the PRC government will continue to liberalise control over cross-border remittance of CNY in the future, that any pilot schemes for CNY cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which will have the effect of restricting or eliminating the remittance of CNY into or outside the PRC. Despite CNY internationalisation pilot programme and efforts in recent years to internationalise the currency, there can be no assurance that the PRC government will not impose interim or long-term restrictions on the cross-border remittance of CNY. In the event that funds cannot be repatriated outside the PRC in CNY, this may affect the overall availability of CNY outside the PRC and the ability of the Issuer to source CNY to finance its obligations under the Bonds denominated in CNY.

Remittance of proceeds into or outside of the PRC in CNY may be subject to restrictions.

The Issuer's ability to remit some or all of the proceeds into the PRC in CNY will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC government authorities. However, there can be no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC governmental authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

There can be no assurance that the PRC government will continue to gradually liberalise the control over cross-border CNY remittances in the future, that the pilot schemes introduced will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of CNY into or outside the PRC. In the event that the Issuer does remit some or all of the proceeds from Shanghai FTZ into the PRC in CNY and the Issuer subsequently is not able to repatriate funds from the PRC into Shanghai FTZ in CNY, it will need to source CNY in Shanghai FTZ or elsewhere outside the PRC to finance its obligations under the Bonds, and its ability to do so will be subject to the overall availability of CNY outside the PRC.

There is only limited availability of CNY outside the PRC, which may affect the liquidity of the Bonds and the ability of the Issuer to source CNY outside the PRC to service such Bonds.

As a result of the restrictions by the PRC government on cross-border CNY fund flows, the availability of CNY outside the PRC is limited. While PBOC has entered into agreements on the clearing of CNY business with financial institutions in a number of financial centres and cities, including but not limited to Hong Kong (the “**CNY Clearing Banks**”), has established the Cross- Border Inter-Bank Payments System to facilitate cross-border CNY settlement and is further in the process of establishing CNY clearing and settlement mechanisms in several other jurisdictions (the “**Settlement Arrangements**”), the current size of CNY denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBOC on CNY business participating banks in respect of cross-border CNY settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, CNY business participating banks do not have direct CNY liquidity support from PBOC, although PBOC has gradually allowed participating banks to access the PRC's onshore interbank market for the purchase and sale of CNY. The CNY Clearing Banks only have access to onshore liquidity support from PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source CNY from outside the PRC to square such open positions.

Although it is expected that the offshore CNY market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There can be no assurance that new PRC regulations will not be promulgated or the Settlement Agreements will not be terminated or amended in the future which will have the effect of restricting availability of CNY outside the PRC. The limited availability of CNY outside the PRC may affect the liquidity of the Bonds. To the extent the Issuer is required to source CNY outside the PRC to service the Bonds, there can be no assurance that the Issuer will be able to source such CNY on satisfactory terms, if at all.

USE OF PROCEEDS

The Issuer intends to use the net proceeds (i.e. after deducting commissions to be charged by the Joint Lead Managers and other expenses payable in connection with this offering from the gross proceeds from this offering) for the refinancing of existing offshore indebtedness maturing within one year.

CAPITALISATION AND INDEBTEDNESS

Consolidated Capitalisation and Indebtedness of the Company

The following table sets forth the Company's consolidated capitalisation and indebtedness as at 31 December 2021 on an actual basis and on an adjusted basis after giving effect to the issuance of the Bonds before deduction of the commissions, offering discounts (if any) and other estimated expenses in connection with this offering payable by the Issuer.

The following table should be read in conjunction with the audited consolidated financial statements of the Company as at and for the year ended 31 December 2021 and related notes incorporated by reference in this Offering Circular.

	As at 31 December 2021			
	Actual		Adjusted	
	(RMB million) (audited)	(U.S.\$ million) ⁽⁸⁾ (unaudited)	(RMB million) (unaudited)	(U.S.\$ million) ⁽⁸⁾ (unaudited)
Short-term indebtedness:				
Short-term borrowings	20,525.0	3,220.8	20,525.0	3,220.8
Other payables ⁽¹⁾	2,253.0	353.5	2,253.0	353.5
Non-current liabilities due within one year . .	31,182.7	4,893.2	31,182.7	4,893.2
Other current liabilities ⁽²⁾	8,396.1	1,317.5	8,396.1	1,317.5
Total short-term indebtedness	62,356.8	9,785.0	62,356.8	9,785.0
Long-term indebtedness:				
Long-term borrowings	80,016.3	12,556.3	80,016.3	12,556.3
Bonds payable	75,630.8	11,868.1	75,630.8	11,868.1
Lease liability	7,167.7	1,124.8	7,167.7	1,124.8
Long-term payables ⁽³⁾	4,269.2	669.9	4,269.2	669.9
2022 July Bonds ⁽⁴⁾	—	—	4,779.5	750.0
Bonds to be issued ⁽⁵⁾	—	—	700.0	109.8
Total long-term indebtedness	167,084.0	26,219.1	172,563.5	27,078.9
Total indebtedness⁽⁶⁾	229,440.8	36,004.1	234,920.3	36,863.9
Total owners' equity	164,060.7	25,744.7	164,060.7	25,744.7
Total capitalisation⁽⁷⁾	393,501.5	61,748.8	398,981.0	62,608.6

Notes:

- (1) This amount represents the interest-bearing portion of indebtedness relating to certain loans as recognised under other payables.
- (2) This amount represents the sum of short-term financing bills and short-term financial lease as recognised under other current liabilities.
- (3) This amount represents the sum of certain fixed assets accessed from financial lease, borrowing from non-financial organisations, financial lease and government repayment road special debt as recognised under long-term payables.
- (4) On 8 July 2022, the Issuer issued U.S.\$750,000,000 4.80 per cent. bonds due 2025 (the "2022 July Bonds").
- (5) This amount represents the aggregate principal amount of the Bonds to be issued, before deducting the commissions, offering discounts (if any) and other estimated expenses payable by the Issuer in connection with the issuance of the Bonds.
- (6) Total indebtedness represents the sum of total short-term indebtedness and total long-term indebtedness.
- (7) Total capitalisation represents the sum of total indebtedness and total owners' equity of the Company.
- (8) Calculated at the exchange rate of U.S.\$1.00 = RMB6.3726 on 30 December 2021 as set forth in the H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York.

Since 31 December 2021, the Group has entered into additional financing arrangements and issue bonds to finance its operations. As at 30 September 2022, the Group's short-term borrowings increased compared to the balance as at 31 December 2021 primarily due to its enlarged financing structure during this period. Furthermore, as at 30 September 2022, among other things, the Group's other payables and non-current liabilities due within one year increased, while the Group's other current liabilities, long-term borrowings, bonds payable, lease liability and long-term payables decreased, as compared to their respective balances as at 31 December 2021.

In January 2022, Qingdao URC Financial Leasing, a subsidiary of the Company, issued RMB300 million in aggregate principal amount of super short-term commercial papers, which had been repaid in full in October 2022, and RMB1,107 million in aggregate principal amount of asset-backed securities with the latest maturity of 2025.

In February 2022, Qingdao URC Financial Leasing issued RMB1,000 million in aggregate principal amount of corporate bonds with a maturity of three years.

In March 2022, the Company issued RMB400 million in aggregate principal amount of short-term commercial papers, which had been repaid in full in March 2023, RMB1,600 million in aggregate principal amount of private placement notes with a maturity of three years, and RMB1,500 million in aggregate principal amount of super short-term commercial papers, which had been repaid in full in October 2022. In March 2022, Qingdao Chengtuo Chengjin Holding, a subsidiary of the Company, issued RMB500 million in aggregate principal amount of renewable corporate bonds and RMB1,000 million in aggregate principal amount of renewable corporate bonds.

In April 2022, the Company issued RMB1,000 million in aggregate principal amount of private placement notes with a maturity of five years and an option to repurchase at the end of the third year, RMB1,500 million in aggregate principal amount of medium-term notes with a maturity of five years and an option to repurchase at the end of the third year, and RMB1,000 million in aggregate principal amount of super short-term commercial papers, which had been repaid in full in January 2023. In April 2022, Qingdao URC Financial Leasing issued RMB1,332 million in aggregate principal amount of asset-backed securities with the latest maturity of 2026.

In June 2022, Qingdao Chengtuo Chengjin Holding issued RMB1,000 million in aggregate principal amount of renewable corporate bonds.

In July 2022, the Issuer issued the 2022 July Bonds. In July 2022, Qingdao URC Financial Leasing issued RMB1,290 million in aggregate principal amount of asset-backed securities with the latest maturity of 2026.

In September 2022, Qingdao URC Financial Leasing issued RMB300 million in aggregate principal amount of super short-term commercial papers with a maturity of less than one year and RMB1,388 million in aggregate principal amount of asset-backed securities with the latest maturity of 2027. In September 2022, Shanghai Qingtuo Financial Leasing Co., Ltd. (上海青投融資租賃有限公司), an indirect subsidiary of the Company, issued RMB563 million in aggregate principal amount of asset-backed securities with the latest maturity of 2026.

In October 2022, the Company issued RMB1,500 million in aggregate principal amount of medium-term notes with a maturity of three years.

In November 2022, the Company issued RMB1,000 million in aggregate principal amount of medium-term notes with a maturity of three years, RMB1,600 million in aggregate principal amount of private placement bonds with a maturity of three years and RMB800 million in aggregate principal amount of private placement bonds with a maturity of three years. In November 2022, Qingdao URC Financial Leasing issued RMB500 million in aggregate principal amount of private placement corporate bonds with a maturity of three years, RMB400 million in aggregate principal amount of super short-term commercial papers with a maturity of less than one year and RMB1,374 million in aggregate principal amount of asset-backed securities with the latest maturity of 2026.

In January 2023, the Company issued RMB1,200 million in aggregate principal amount of medium-term notes with a maturity of three years. In January 2023, Qingdao URC Financial Leasing issued approximately RMB462.7 million in aggregate principal amount of asset-backed securities with the latest maturity of 2026. In January 2023, Shanghai Qingtuo Financial Leasing Co., Ltd., an indirect subsidiary of the Company, issued approximately RMB777.3 million in aggregate principal amount of asset-backed securities with the latest maturity of 2026.

In February 2023, the Company issued RMB300 million in aggregate principal amount of medium-term notes with a maturity of three years. In February 2023, Qingdao URC Financial Leasing issued RMB500 million in aggregate principal amount of private placement bonds with a maturity of three years.

In March 2023, the Company issued RMB400 million in aggregate principal amount of private placement bonds with a maturity of three years with an option to repurchase at the end of second year, and RMB450 million in aggregate principal amount of private placement bonds with a maturity of five years and an option to repurchase at the third year.

In April 2023, the Company issued RMB500 million in aggregate principal amount of private placement bonds with a maturity of three years, and RMB520 million in aggregate principal amount of private placement bonds with a maturity of three years with an option to repurchase at the end of the second year.

Except as disclosed above, there has been no material change in the consolidated capitalisation and indebtedness of the Company since 31 December 2021.

Consolidated Capitalisation and Indebtedness of the Issuer

The following table sets forth the Issuer's consolidated capitalisation and indebtedness as at 31 December 2021 on an actual basis and on an adjusted basis after giving effect to the issuance of the Bonds before deduction of the commissions, offering discount (if any) and other estimated expenses in connection with this offering.

The following table should be read in conjunction with the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2021 and related notes included elsewhere in this Offering Circular.

	As at 31 December 2021			
	Actual		Adjusted	
	(U.S.\$ million) (audited)	(RMB million) ⁽⁴⁾ (unaudited)	(U.S.\$ million) (unaudited)	(RMB million) ⁽⁴⁾ (unaudited)
Short-term indebtedness:				
Loan from immediate holding company . . .	7.9	50.3	7.9	50.3
Bank borrowings	20.3	129.4	20.3	129.4
Bonds payable — due within one year . . .	803.0	5,117.2	803.0	5,117.2
Total short-term indebtedness	831.2	5,296.9	831.2	5,296.9
Long-term indebtedness:				
Bank borrowings	22.5	143.4	22.5	143.4
Bonds payable — due after one year	907.6	5,783.8	907.6	5,783.8
2022 July Bonds	—	—	750.0	4,779.5
Bonds to be issued ⁽¹⁾	—	—	109.8	700.0
Total long-term indebtedness	930.1	5,927.2	1,789.9	11,406.7
Total Indebtedness⁽²⁾	1,761.3	11,224.1	2,621.1	16,703.6
Total Equity	7.1	45.2	7.1	45.2
Total Capitalisation⁽³⁾	1,768.4	11,269.3	2,628.2	16,748.8

Notes:

- (1) This amount represents the aggregate principal amount of the Bonds to be issued, before deducting the commissions, offering discounts (if any) and other estimated expenses payable by the Issuer in connection with the issuance of the Bonds.
- (2) Total indebtedness represents the sum of total short-term indebtedness and total long-term indebtedness.
- (3) Total capitalisation represents the sum of total indebtedness and total equity of the Issuer.
- (4) Calculated at the exchange rate of U.S.\$1.00 = RMB6.3726 on 30 December 2021 as set forth in the H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York.

In July 2022, the Issuer issued the 2022 July Bonds.

Except as disclosed above, there has been no material change in the consolidated capitalisation and indebtedness of the Issuer since 31 December 2021.

TERMS AND CONDITIONS OF THE BONDS

The following other than the words in italics is the text of the terms and conditions of the Bonds which will appear on the reverse of each of the Certificates evidencing the Bonds. The language in italics sets out provisions which apply to the Bonds so long as the Bonds are entered in CCDC (as defined below).

The issue of CNY700,000,000 4.20 per cent. bonds due 2026 (the **Bonds**, which term shall include, unless the context requires otherwise, any additional bonds issued in accordance with Condition 13 and consolidated and forming a single series therewith) was authorised by written resolutions of the directors of Hongkong International (Qingdao) Company Limited (香港國際(青島)有限公司) (the **Issuer**), a subsidiary of Qingdao City Construction Investment (Group) Limited (青島城市建設投資(集團)有限公司) (the **Company**), dated 19 December 2022 and 11 April 2023. The Bonds are constituted by a deed of covenant (as amended, restated and/or supplemented from time to time, the **Deed of Covenant**) dated on or about 21 April 2023 (the **Issue Date**) executed by the Issuer. An offshore bond issuer services agreement (離岸債券發行人服務協議) dated 18 April 2023 (as amended, restated and/or supplemented from time to time, the **Agency Agreement**) has been entered into in relation to the Bonds between the Issuer and China Central Depository & Clearing Co., Ltd. (中央國債登記結算有限責任公司) (**CCDC**) as principal agent, registrar and transfer agent and the other agents named in it. The principal agent, the registrar and any transfer agent for the time being are referred to below respectively as the **Principal Agent**, the **Registrar** and the **Transfer Agent**. **Agents** means the Principal Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time with respect to the Bonds. So long as CCDC acts as the Principal Agent and notwithstanding any provision to the contrary in these Conditions or the Deed of Covenant, CCDC has the right to amend the Agency Agreement (including its rules and procedures which forms part of the Agency Agreement) by publishing such amended Agency Agreement on its website. In such case, the Issuer may accept CCDC's amendments to the Agency Agreement without the consent of the holders (as defined below) of the Bonds if to do so could not be reasonably expected to be prejudicial to the interests of the Bondholders (as defined below). So long as any Bonds is outstanding, copies of the Agency Agreement and the Deed of Covenant are available for inspection by the Bondholders during normal business hours at the registered office of the Issuer (being as at the Issue Date at Unit 9, 26th Floor, Tower 1, Admiralty Centre, No. 18 Harcourt Road, Admiralty, Hong Kong) following prior written request and proof of holding and identity to the satisfaction of the Issuer. The Bonds also have the benefit of (i) a keepwell deed dated on or about the Issue Date (as amended, restated and/or supplemented from time to time, the **Keepwell Deed**) executed by the Issuer and the Company, (ii) a cross-border CNY standby facility agreement dated on or about the Issue Date (as amended, restated and/or supplemented from time to time, the **Standby Facility Agreement**) entered into by the Issuer and the Company and (iii) a deed of equity interest purchase undertaking dated on or about the Issue Date (as amended, restated and/or supplemented from time to time, the **Deed of Equity Interest Purchase Undertaking**) executed by the Issuer and the Company. The entering into the Keepwell Deed, the Standby Facility Agreement and the Deed of Equity Interest Purchase Undertaking was authorised by the resolutions of the board of directors of the Company on 28 December 2021 and 13 April 2023 and the written resolutions of the directors of the Issuer dated 19 December 2022 and 11 April 2023. The Bondholders are entitled to the benefit of, are bound by and are deemed to have notice of, all the provisions of the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking and the Deed of Covenant and are deemed to have notice of those provisions applicable to them in the Agency Agreement (as may be amended by CCDC from time to time).

With respect of any Bonds entered in CCDC, these Conditions are modified by the rules and procedures of CCDC as in effect from time to time. Bondholders are deemed to be bound by and have notice of the provisions of the Agency Agreement applicable to them and the rules and procedures of CCDC as in effect from time to time. See "Summary of Provisions relating to the Bonds Held in CCDC".

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Deed of Covenant. In these Conditions, all references to **CNY** are to the lawful currency of the PRC (as defined below).

1. FORM, SPECIFIED DENOMINATION AND TITLE

The Bonds are issued in the specified denominations of CNY1,500,000 and integral multiples of CNY10,000 in excess thereof (each, a **Specified Denomination**).

The Bonds are issued in registered uncertificated form by entry in the Register (as defined below) and will not be serially numbered, unless otherwise agreed between the Issuer and the Principal Agent. No certificate or other evidence of title, other than the Deed of Covenant, will be issued by, or on behalf of, the Issuer to evidence title to a Bond unless the Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation.

The Bonds are debt obligations of the Issuer owing under the Deed of Covenant. Each entry in the Register constitutes a separate and individual acknowledgment to the relevant Bondholder of the indebtedness of the Issuer to the relevant Bondholder which the Bondholder to whom those separate and individual obligations are owed is entitled to enforce without having to join any other Bondholder or any predecessor to title of a Bondholder.

Title to the Bonds shall pass by transfer and registration in the Register as described in Condition 2. Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Bond shall be deemed to be and shall be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate (other than the endorsed form of transfer) evidencing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, **Bondholder** and (in relation to a Bond) **holder** mean the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first named thereof).

*The Bonds will initially be issued in uncertificated book-entry form entered in CCDC with CCDC entered in the Register as the sole registered holder on behalf of the persons notionally entitled thereto. While the Bonds are entered in CCDC, a **Bondholder** or **holder** means the person in whose name an interest in the Bonds is entered on the books and records of CCDC and the amount of interest in the Bonds shown in the books and records of CCDC as held by the holder shall represent the entire holding of interest in the Bonds of that holder.*

*If the Bonds are entered in CCDC, a Bondholder may, on or after the Exchange Date (as defined below), exchange its interest in the Bonds (as shown on the books and records of CCDC) in whole but not in part for Certificates (1) if CCDC is closed for business for a continuous period of 14 CCDC business days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, (2) if principal in respect of any Bonds is not paid when due, or (3) the Agency Agreement is terminated, by the Bondholder giving notice to the Principal Agent of its election for such exchange, where **CCDC business day** means a day, other than (i) a Saturday, Sunday or a public holiday of the PRC or (ii) prescribed by special regulations in the PRC, on which CCDC is generally open for business.*

***Exchange Date** means a day falling not less than 60 calendar days or, in the case of exchange following failure to pay principal in respect of any Bonds when due 30 calendar days, after the date on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Agent is located and except in the case of exchange pursuant to (1) above in the city in which CCDC is located.*

2. TRANSFERS OF BONDS

- (a) **Register:** The Issuer will cause the register of Bondholders (the **Register**) to be kept at the specified office of the Registrar and in accordance with the terms of the agency agreement entered with the Registrar, on which shall be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers of the Bonds.

*When the Bonds are entered in CCDC, the **Register** means the books and records of CCDC showing the names of the Bondholders and the amount of interest in the Bonds held by each Bondholder and the agency agreement entered into with the Registrar shall mean the Agency Agreement entered into with CCDC.*

- (b) **Transfer:** A holding of Bonds may, subject to Condition 2(d) and the Agency Agreement, be transferred in whole or in part (which shall be in a Specified Denomination) by depositing the form of transfer in the form as from time to time specified by, and obtainable from, the Registrar or any Transfer Agent duly completed and signed, at the specified office of the Registrar or any Transfer Agent and any other evidence as the Registrar or such Transfer

Agent may require to prove the title of the transferor and the authority of the individuals who have executed such form of transfer. In the case of a transfer of part only of a holding of Bonds evidenced by 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 of Bonds, a new Certificate evidencing the enlarged holding shall only be issued against surrender of the Certificate evidencing the existing holding. All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfers and registration of Bonds scheduled to the Deed of Covenant, including a requirement that the transferee represents and agrees in the form of transfer that it or the person who will have the beneficial interest in the relevant Bonds is a qualified investor under applicable laws and regulations. No transfer of title to a Bond will be valid unless and until entered on the Register.

Transfers of interests in the Bonds entered in CCDC must also be in a Specified Denomination and will be effected in accordance with the rules and procedures of CCDC in effect from time to time. Any transferee acquiring such interests in the Bonds entered in CCDC will be required to have and maintain an account with CCDC.

Where not all the Bonds in respect of an uncertificated book-entry in CCDC are the subject of a transfer, a new uncertificated book-entry in respect of the balance of the Bonds will be entered in CCDC.

- (c) **Transfer or Exercise Free of Charge:** Certificates, on transfer, exercise of an option or redemption, shall be issued and registered without charge by or on behalf of the Issuer or any Agent, but upon (i) 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 Issuer, the Registrar or the Transfer Agent may require); (ii) the Registrar or the Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application; and the relevant Agent (after consultation with the Issuer if so required) being satisfied that the regulations concerning transfer of the Bonds have been complied with.
- (d) **Closed Periods:** No Bondholder 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 any such Bond has been put or called for redemption, or (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)(ii)).

So long as the Bonds are entered in CCDC, the closed periods shall follow the rules and procedures of CCDC.

3. STATUS

The Bonds constitute direct, unsubordinated, unconditional 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 law and subject to Condition 4(a), at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

4. COVENANTS

- (a) **Negative Pledge:** So long as any Bond remains outstanding (as defined in the Deed of Covenant), neither the Issuer nor the Company will, and the Company will ensure that none of its Subsidiaries will, create, permit to subsist 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 securing the Bonds equally and rateably therewith.

- (b) **Financial Covenant:** The Issuer undertakes that it shall at all times maintain its Consolidated Net Worth at not less than HK\$1.00. The Company has undertaken that it shall at all times maintain (A) its Consolidated Net Worth at not less than CNY75,000,000,000 and (B) the ratio of its Consolidated Total Liabilities to its Consolidated Total Assets at not more than 75:100.

The financial covenant set out in this Condition 4(b) shall be tested by reference to the Company Audited Financial Reports, the Issuer Audited Financial Reports, or, as the case may be, the Company Unaudited Consolidated Accounts or the Issuer Unaudited Consolidated Accounts as at the end of each Relevant Period.

- (c) **Financial Information Covenants:** For so long as any Bond remains outstanding:

- (i) The Issuer will procure the Company to make available for inspection by the Bondholders during normal business hours at the Issuer's registered office (being as at the Issue Date at Unit 9, 26th Floor, Tower 1, Admiralty Centre, No. 18 Harcourt Road, Admiralty, Hong Kong) following prior written request and proof of holding and identity to the satisfaction of the Issuer (with a copy of the same being furnished to the Principal Agent):

- (A) a Compliance Certificate of the Company and a copy of the relevant Company Audited Financial Reports within 150 days of the end of each Relevant Period (audited by a nationally or internationally recognised firm of independent accountants) and if such statements shall be in the Chinese language, together with an English translation of the same translated by (x) a nationally or internationally recognised firm of accountants or (y) a professional translation service provider and checked by a nationally or internationally recognised firm of accountants, together with a certificate signed by a director or an Authorised Signatory (as defined below) of the Company certifying that such translation is complete and accurate; and

- (B) a copy of the Company Unaudited Consolidated Accounts within 90 days of the end of each Relevant Period prepared on a basis consistent with the Company Audited Financial Reports and if such statements shall be in the Chinese language, together with an English translation of the same and translated by (x) a nationally or internationally recognised firm of accountants or (y) a professional translation service provider and checked by a nationally or internationally recognised firm of accountants, together with a certificate signed by a director or an Authorised Signatory of the Company certifying that such translation is complete and accurate; and

- (ii) the Issuer will make available for inspection by the Bondholders during normal business hours at the Issuer's registered office (being as at the Issue Date at Unit 9, 26th Floor, Tower 1, Admiralty Centre, No. 18 Harcourt Road, Admiralty, Hong Kong) following prior written request and proof of holding and identity to the satisfaction of the Issuer (with a copy of the same being furnished to the Principal Agent), a Compliance Certificate of the Issuer and a copy of the Issuer Audited Financial Reports in English within 150 days of the end of each Relevant Period, and a copy of the Issuer Unaudited Consolidated Accounts in English within 90 days of the end of each Relevant Period.

- (d) **Major Overseas Platform:** The Company has undertaken that it shall maintain the Issuer as a major overseas platform of the Company for investment and offshore financing for so long as the Bonds are outstanding.

- (e) **Deed of Equity Interest Purchase Undertaking:**

- (i) Upon the occurrence of an Event of Default (as defined in Condition 9), the Company has undertaken, upon the provision of a written Purchase Notice (as defined in the Deed of Equity Interest Purchase Undertaking) in accordance with the Deed of Equity Interest Purchase Undertaking, to promptly purchase Equity Interest(s) (as defined in the Deed of Equity Interest Purchase Undertaking) pursuant to the Deed of Equity Interest Purchase Undertaking.

- (ii) Upon the completion of any such purchase of Equity Interest made in accordance with the Deed of Equity Interest Purchase Undertaking, (A) the Issuer undertakes to direct the Company promptly to pay or procure to be paid an amount not less than the Relevant Amount to the Issuer or the relevant Subsidiaries of the Company incorporated outside the PRC (each, the **Transferor**) in relation to such purchase of Equity Interest in accordance with the Deed of Equity Interest Purchase Undertaking to or to the order of the Bondholders and (B) the Company undertakes it shall and shall procure each Transferor to promptly do all such things (including entering into and executing any agreements or arrangements required) and take all actions necessary for the proceeds received in accordance with the Deed of Equity Interest Purchase Undertaking (in the case of a Transferor which is not the Issuer) to be transferred to the Issuer (whether by loan or otherwise) and in any case to be applied solely towards (i) the payment of any then outstanding amounts as they fall due under the Bonds (including any interest accrued but unpaid on the Bonds) and the Deed of Covenant; and (ii) the payment of all costs, fees and expenses and other amounts payable to the Agents under or in connection with the Bonds, the Deed of Covenant, the Agency Agreement, the Keepwell Deed and/or the Deed of Equity Interest Purchase Undertaking, prior to any other use, disposal or transfer of the proceeds received.
- (f) **Standby Facility Agreement:**
 - (i) In the event that any Triggering Event has occurred, upon the provision of a written Trigger Notice (as defined in the Keepwell Deed), in accordance with the Keepwell Deed, the Issuer shall promptly make a demand under the Standby Facility Agreement and the Company has undertaken to advance a CNY loan to the Issuer through the Standby Facility Agreement, for an amount not less than the Relevant Amount in the manner set out in the Keepwell Deed.
 - (ii) The Issuer shall, and the Company has undertaken that it shall procure the Issuer to, take all actions necessary for the proceeds received from such Standby Facility Agreement to be applied in accordance with the Keepwell Deed and the Deed of Covenant, as applicable, in and towards either (A) the payment of any then outstanding amounts as they fall due under the Keepwell Deed, the Deed of Covenant and the Bonds (including any interest accrued but unpaid on the Bonds) if the Triggering Event is an Event of Default or (B) the remedy of the Shortfall Event if the Triggering Event is a Shortfall Event, prior to any other use, disposal or transfer of the proceeds received.
- (g) **Notification to NDRC:** The Company undertakes to (i) file with the NDRC the requisite information and documents relating to the issue of the Bonds within 10 PRC Business Days after the Issue Date (the **NDRC Post-issue Filing**) in accordance with the Administrative Measures for Examination and Registration of Medium- and Long-term Foreign Debt of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) issued by the NDRC and which came into effect on 10 February 2023 and any implementation rules as issued by the NDRC from time to time (as amended or replaced, the **NDRC Administrative Measures**); and (ii) comply with all applicable PRC laws and regulations in relation to the NDRC Administrative Measures.
- (h) **Notification of Submission of the NDRC Post-issue Filing:** The Company shall within 15 PRC Business Days after submission of the NDRC Post-issue Filing provide the Principal Agent with a certificate in English signed by any director, chief executive officer, chief financial officer or Authorised Signatory of the Company confirming the submission of the NDRC Post-issue Filing and having attached to it documents evidencing submission of the NDRC Post-issue Filing (the **Registration Confirmation Certificate**). The Company shall give notice to the Bondholders (in accordance with Condition 14) confirming submission of the NDRC Post-issue Filing as soon as practicable after provision of the Registration Confirmation Certificate to the Principal Agent. The Principal Agent shall have no obligation to monitor and ensure the completion of the NDRC Post-issue Filing or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Filing, and shall not be liable to the Bondholders for any other person for not doing so.

In these Conditions:

Authorised Signatory means, the members of the board of directors or any other person or persons of the Issuer or the Company (as the case may be) authorised to take action on behalf of the Issuer or the Company, as the case may be, in connection with these Conditions, the Agency Agreement, the Deed of Covenant, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking and the Bonds as notified to the Principal Agent from time to time;

Capital Stock means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all classes of partnership interests in a partnership, any and all membership interests in a limited liability company, any and all other equivalent ownership interests and any and all warrants, rights or options to purchase any of the foregoing;

Company Audited Financial Reports means, for a Relevant Period, audited consolidated statement of comprehensive income, statement of financial position and statement of cashflow of the Company together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them, prepared in accordance with the accounting principles generally accepted in the PRC consistently applied;

Company Unaudited Consolidated Accounts means, for a Relevant Period, the unaudited consolidated statement of comprehensive income, statement of financial position and statement of cashflow of the Company together with any statements, reports (including any directors' and auditors' review reports, if any) and notes (if any) attached to or intended to be read with any of them prepared in accordance with the accounting principles generally accepted in the PRC consistently applied;

Compliance Certificate means a certificate of the Company or the Issuer (as the case may be) signed by any of their respective directors, chief executive officer, chief financial officer or Authorised Signatory that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Company or the Issuer (as the case may be) as at a date (the **Certification Date**) not more than five days before the date of the certificate:

- (a) no Event of Default (as defined in Condition 9), Potential Event of Default or other Triggering Event has occurred since the Certification Date of the last such certificate or (if none) the date of the Deed of Covenant or, if such an event had occurred, giving details of it; and
- (b) each of the Company and the Issuer (as the case may be) has complied with all its covenants and obligations under the Deed of Covenant, the Bonds, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking and the Standby Facility Agreement;

Consolidated Net Worth means, in respect of each of the Issuer and the Company, the excess of their respective Consolidated Total Assets over their Consolidated Total Liabilities;

Consolidated Total Assets means, in respect of the Issuer, the total assets of the Issuer and its consolidated Subsidiaries, to be determined in accordance with the Hong Kong Financial Reporting Standards consistently applied; and in respect of the Company, the total assets of the Company and its consolidated Subsidiaries, to be determined in accordance with the accounting principles generally accepted in the PRC consistently applied;

Consolidated Total Liabilities means, in respect of the Issuer, the total liabilities of the Issuer and its consolidated Subsidiaries, to be determined in accordance with the Hong Kong Financial Reporting Standards consistently applied; and in respect of the Company, the total liabilities of the Company and its consolidated Subsidiaries, to be determined in accordance with the accounting principles generally accepted in the PRC consistently applied;

Equity Interest means the Capital Stock held by a Relevant Transferor (as defined in the Deed of Equity Interest Purchase Undertaking) and which is subject to the Purchase (as defined in the Deed of Equity Interest Purchase Undertaking) pursuant to an Equity Interest Transfer Agreement (as defined in the Deed of Equity Interest Purchase Undertaking);

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

Event of Default has the meaning specified in Condition 9;

Issuer Audited Financial Reports means, for a Relevant Period, audited consolidated statement of comprehensive income, statement of financial position and statement of cashflow of the Issuer together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them prepared in accordance with the Hong Kong Financial Reporting Standards;

Issuer Unaudited Consolidated Accounts means, for a Relevant Period, the unaudited consolidated statement of comprehensive income, statement of financial position and statement of cashflow of the Issuer together with any statements, reports (including any directors' and auditors' review reports, if any) and notes (if any) attached to or intended to be read with any of them prepared in accordance with the Hong Kong Financial Reporting Standards consistently applied;

NDRC means the National Development and Reform Commission of the PRC or its competent local counterpart;

person means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, limited liability company or government or other entity;

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

PRC means the People's Republic of China which, for the purposes of these Conditions, shall not include 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, the PRC;

Relevant Amount means the following:

- (a) if the Triggering Event is an Event of Default, an amount in CNY that is no less than (i) the amount sufficient to enable the Issuer to discharge in full its obligations under the Bonds and the Deed of Covenant (including without limitation the payment of the principal amount of the Bonds then outstanding as at the date of the Trigger Notice and any interest due and unpaid and/or accrued but unpaid on the Bonds up to but excluding the date of such Trigger Notice), plus (ii) an amount equal to the interest payable in respect of one Interest Period (as defined below) on the Bonds outstanding, plus (iii) all costs, fees, expenses and other amounts payable to the Agents under or in connection with the Bonds and/or the Deed of Covenant, the Agency Agreement, the Keepwell Deed, and/or the Deed of Equity Interest Purchase Undertaking as at the date of such Trigger Notice plus provisions for fees, costs, expenses and other amounts which may be properly incurred after the date of the Trigger Notice; or
- (b) if the Triggering Event is a Shortfall Event, an amount in CNY no less than the amount sufficient to enable the Issuer to remedy the Shortfall Event;

Relevant Indebtedness means any present or future indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, or other securities which (a) is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) and (b) is issued within the China (Shanghai) Pilot Free Trade Zone or otherwise outside of the PRC. For the avoidance of doubt, Relevant Indebtedness does not include bi-lateral loans, syndicated loans or club deal loans;

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

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

Triggering Event means any of the following events:

- (a) an Event of Default; or
- (b) the Issuer determines that it will have insufficient liquidity or cashflow to meet its payment obligations under the Bonds, the Deed of Covenant or the Agency Agreement as they fall due (a **Shortfall Event**).

5. INTEREST

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at a rate of 4.20 per cent. per annum (the **Rate of Interest**), payable semi-annually in arrear of CNY210 per Calculation Amount (as defined below) on 21 April and 21 October (each an **Interest Payment Date**) commencing on 21 October 2023.

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

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an **Interest Period**.

Interest in respect of any Bond shall be calculated per CNY10,000 in principal amount of the Bonds (the **Calculation Amount**). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the Rate of Interest, the Calculation Amount and actual number of days in the Interest Period (or such other period) divided by 365, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

So long as the Bonds are held in CCDC, payments of interest will be effected in accordance with the rules and procedures of CCDC in effect from time to time.

6. REDEMPTION AND PURCHASE

- (a) **Final Redemption:** Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on 21 April 2026 (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 Tax Reasons:** The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 14 (which notice shall be irrevocable), at their principal amount, (together with interest accrued and unpaid up to and excluding the date fixed for redemption), if (i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of Hong Kong or the PRC (including the China (Shanghai) Pilot Free Trade Zone) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction),

which change or amendment becomes effective on or after 18 April 2023, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due.

Prior to the giving of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Principal Agent a certificate signed by any director or Authorised Signatory of the Issuer stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer taking reasonable measures available to it.

- (c) **Redemption for Change of Control Put Event:** At any time following the occurrence of a Change of Control Put Event, the holder of any Bond will have the right, at such holder's option (the **Put 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. of their principal amount, together with accrued and unpaid interest up to but excluding such Put Settlement Date. To exercise such right, the holder of the relevant Bonds must deposit at the specified office of the Principal 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 Agent (a **Put Exercise Notice**), together with the Certificate evidencing the Bonds to be redeemed, by not later than 30 days following the occurrence of a Change of Control Put Event or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 14. The **Put Settlement Date** shall be the 14th day after the expiry of such period of 30 days as referred to above.

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

The Issuer shall give written notice to Bondholders in accordance with Condition 14 by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control Put 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).

The Agents shall not be required to take any steps to monitor or ascertain whether a Change of Control Put Event or any event which could lead to the occurrence of a Change of Control Put Event has occurred and shall not be responsible for or liable to Bondholders, the Issuer, the Company or any other person for any loss arising from any failure to do so.

In this Condition 6(c):

a **Change of Control Put Event** means the occurrence of any of the following events:

- (a) the Company ceases to own 100 per cent. of the issued share capital of the Issuer; or
- (b) Qingdao SASAC and any other person directly or indirectly controlled by the central government of the PRC (together, the **Government**), collectively cease to own, directly or indirectly, 80 per cent. of the equity interest of the Company; or
- (c) the Company consolidates with or merges into or sells or transfers all or substantially all of its assets to any other person or persons, acting together, except where such person(s) is/are 100 per cent. owned, directly or indirectly, by the Government; and

Qingdao SASAC means the State-owned Assets Supervision and Administration Commission of Qingdao City.

References to principal in these Conditions shall, unless the context otherwise requires, include the premium (if any) referred to in this Condition 6(c).

- (d) **Redemption at the Option of the Issuer:** The Bonds may be redeemed at the option of the Issuer in whole but not in part, on 21 April 2024 (the **Optional Redemption Date**) on giving not less than 30 nor more than 60 days' notice (an **Optional Redemption Notice**) to the

Bondholders in accordance with Condition 14 (which notice shall be irrevocable) at their principal amount (together with interest accrued and unpaid up to and excluding the Optional Redemption Date as specified in the Optional Redemption Notice).

- (e) **Notice of Redemption:** All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date specified in 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 Condition 6(d) and any Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail.
- (f) **Purchase:** The Company, the Issuer 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 Company, the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 9 or 12(a).
- (g) **Cancellation:** All Certificates evidencing Bonds which are (i) redeemed or (ii) purchased by or on behalf of the Company, the Issuer or 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 or the Company in respect of any such Bonds shall be discharged.

So long as the Bonds are held in CCDC, the amount payable upon redemption and the amount of interest in respect of the Bonds will be calculated in respect of the aggregate principal amount of the Bonds outstanding, rounding the resulting figure to the nearest cent (half a cent being rounded upwards), and will be paid to each Bondholder in accordance with their respective holdings as shown in CCDC's books and records and the rules of CCDC at the close of business of CCDC on the CCDC Business Day before the due date for such payments in accordance with the rules of CCDC, and the final redemption of the Bonds, the redemption of the Bonds for tax reasons or at the option of the Issuer pursuant to Condition 6(d) or following the occurrence of a Change of Control Put Event will be effected in accordance with the rules and procedures of CCDC.

7. PAYMENTS

(a) Method of Payment:

- (i) Payments of principal and premium (if any) shall be made in CNY (subject to surrender of the relevant Certificates at the specified office of the Principal Agent or of the Registrar if no further payment falls to be made in respect of the Bonds evidenced by such Certificates) by wire transfer to the registered account of the Bondholder.
- (ii) Interest on each Bond shall be paid on the due date to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the **Record Date**). Payments of interest on each Bond shall be made in CNY by transfer to the registered account of the Bondholder.
- (iii) For the purposes of this Condition 7(a), a Bondholder's registered account means the CNY free trade account (自由貿易賬戶) maintained by or on behalf of it with a bank in the China (Shanghai) Pilot Free Trade Zone as nominated from time to time by the Bondholder and details of which appear on the Register at the close of business on the Record Date.
- (iv) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

- (b) **Payments subject to Fiscal Laws:** Payments in respect of principal, premium (if any) and interest on the Bonds are subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (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 wire transfer to a registered account in CNY, payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment Business Day), or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of the Principal Agent or of the Registrar, on a Payment Business Day on which the Principal Agent is open for business and on which the relevant Certificate is surrendered.
- (d) **Appointment of Agents:** The Agents act solely as agents of the Issuer and the Company and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer and the Company reserve the right at any time with the prior written approval by way of an Extraordinary Resolution to vary or terminate the appointment of the Principal Agent, the Registrar, any Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer and the Company shall at all times maintain (i) a principal agent, (ii) a registrar with a specified office outside the United Kingdom, (iii) a transfer agent and (iv) such other agents as may be required by any other stock exchange on which the Bonds may be listed, in each case, as approved by the Bondholders by way of an Extraordinary Resolution.

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Bondholders.
- (e) **Delay in Payment:** Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).
- (f) **Payment Business Days:** If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment.

In this Condition 7, **Payment Business Day** means a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are generally open for business and settlement of CNY payments in Hong Kong, the China (Shanghai) Pilot Free Trade Zone and Beijing, the PRC and (if surrender of the relevant Certificate is required) the relevant place of presentation.

8. TAXATION

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

Where such withholding or deduction is made by the Issuer by or within the PRC (including the China (Shanghai) Pilot Free Trade Zone) at the rate of up to and including the aggregate rate applicable on 18 April 2023 (the **Applicable Rate**), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer is required to make a deduction or withholding in respect of PRC tax (including the China (Shanghai) Pilot Free Trade Zone tax) in excess of the Applicable Rate, or any Hong Kong deduction or withholding is required, the Issuer shall pay such additional amounts (**Additional Tax Amounts**) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

- (a) **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 Hong Kong or the PRC (including the China (Shanghai) Pilot Free Trade Zone) other than the mere holding of the Bond; or
- (b) **Surrender more than 30 days after the Relevant Date:** in respect of which the Certificate evidencing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate evidencing such Bond for payment on the last day of such period of 30 days.

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

9. EVENTS OF DEFAULT

If any of the following events (each, an **Event of Default**) occurs, then the holder of any Bond then outstanding may, by giving written notice to the Issuer or the Company (with a copy to the Principal Agent at its specified agent), effective upon the date of receipt thereof by the Issuer or the Company, declare any Bond held by it to be forthwith due and payable whereupon the same shall become forthwith due and payable its principal amount, together with accrued and unpaid interest (if any):

- (a) **Non-Payment:** there is a failure to pay the principal of or any premium or interest on any of the Bonds when due and in the case of interest such failure continues for a period of seven days; or
- (b) **Breach of Other Obligations:** the Company or the Issuer does not perform or comply with any one or more of its other obligations under the Bonds, the Keepwell Deed (other than the breach of Clause 3.1 of the Keepwell Deed in relation to change of control only, which may trigger the Put Option in Condition 6(c)), the Standby Facility Agreement, the Deed of Equity Interest Purchase Undertaking or the Deed of Covenant, (other than where it gives rise to a right of redemption pursuant to Condition 6(c) and those referred to in Condition 9(a)) which default is incapable of remedy or, if in the opinion of the Principal Agent capable of remedy, is not remedied within 30 days after written notice of such default has been given to the Issuer (copied to the Company) by the Principal Agent; or
- (c) **Cross-Default:** (i) any other present or future indebtedness of the Company, the Issuer 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 Company, the Issuer 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 and are continuing equals or exceeds US\$50,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the US\$ as quoted by any leading bank on the day on which this Condition 9(c) operates); or

- (d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against a material part of the property, assets or revenues of the Company, the Issuer or any of their respective Principal Subsidiaries 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 Company, the Issuer or any of their respective Principal Subsidiaries over all or a material part of the assets of the Company, the Issuer or the relevant Principal Subsidiary, as the case may be, 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 Company, the Issuer or any of their respective Principal Subsidiaries is (or is, or could be, deemed by law or a court of competent jurisdiction to be) insolvent or bankrupt or unable to pay its debts, 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 or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Company, the Issuer, or any of their respective Principal Subsidiaries, as the case may be; or
- (g) **Winding-up:** an administrator is appointed, an order of any court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution or administration of the Company, the Issuer or any of their respective Principal Subsidiaries, or the Company, the Issuer or any of their respective Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for (i) the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (A) on terms approved by an Extraordinary Resolution of the Bondholders, or (B) in the case of a Principal Subsidiary of the Issuer or the Company, whereby substantially all of the undertaking and assets of such Subsidiary are transferred to or otherwise vested in the Company, the Issuer or any of their respective Subsidiaries; or (ii) a solvent winding up of any Principal Subsidiary of the Company other than the Issuer; or (iii) a disposal on an arm's length basis where the assets (whether in cash or otherwise) resulting from such disposal are vested in the Company or any of its Subsidiaries; or
- (h) **Nationalisation:** 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 assets of the Issuer, the Company, or any of the Principal Subsidiaries which has or is reasonably expected to have a material adverse impact on the Issuer or the Company's ability to perform their respective obligations under the Bonds, the Deed of Covenant, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking or the Standby Facility Agreement; 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 Company lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Deed of Covenant and the Keepwell Deed (other than with regard to the performance of and compliance with the obligations thereunder), the Standby Facility Agreement (other than with regard to the performance and compliance with the obligations thereunder) and the Deed of Equity Interest Purchase Undertaking (other than with regard to the performance of and compliance with the obligations thereunder), (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Deed of Covenant, the Keepwell Deed, the Standby Facility Agreement and the Deed of Equity Interest Purchase Undertaking 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 any of the Company and the Issuer to perform or comply with any one or more of their respective obligations under any of the Bonds, the Deed of Covenant, the Agency Agreement, the Keepwell Deed, the Standby Facility Agreement or the Deed of Equity Interest Purchase Undertaking; or

- (k) **Keepwell Deed, Standby Facility Agreement and Deed of Equity Interest Purchase Undertaking:** the Keepwell Deed, the Standby Facility Agreement or the Deed of Equity Interest Purchase Undertaking is not or is claimed by the Company not to be in full force and effect, or the Keepwell Deed, the Standby Facility Agreement or the Deed of Equity Interest Purchase Undertaking is modified, amended or terminated other than strictly in accordance with its respective terms; or
- (l) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Condition 9(d) to Condition 9(g) (all inclusive).

In this Condition 9, **Principal Subsidiary** means at any time a Subsidiary of the Issuer or the Company:

- (i) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statement are at least 10 per cent. of the consolidated revenue as shown by the latest audited consolidated income statement of the Issuer or the Company (as applicable) and its Subsidiaries including, for the avoidance of doubt, the Issuer or the Company (as applicable) and its consolidated Subsidiaries' share of revenue of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (ii) whose gross profits or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross profit, as shown by its latest audited income statement are at least 10 per cent. of the consolidated gross profit as shown by the latest audited consolidated income statement of the Issuer or the Company (as applicable) and its Subsidiaries including, for the avoidance of doubt, the Issuer or the Company (as applicable) and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (iii) whose gross assets or (in the case of a Subsidiary which itself has Subsidiaries) gross consolidated assets, as shown by its latest audited balance sheet are at least 10 per cent. of the amount which equals the amount included in the consolidated gross assets of the Issuer or the Company (as applicable) and its Subsidiaries as shown by the latest audited consolidated balance sheet of the Issuer or the Company (as applicable) and its Subsidiaries as being represented by the investment of the Issuer or the Company (as applicable) in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer or the Company (as applicable) and after adjustment for minority interests; or
- (iv) to which the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary is transferred, provided that the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall forthwith become a Principal Subsidiary at the date on which the first audited accounts (consolidated, if appropriate), of the Issuer or the Company (as applicable) prepared as of a date later than such transfer are issued, unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (i), (ii) or (iii) above of this definition;

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

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

- (B) if at any relevant time in relation to the Issuer or the Company (as applicable) or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue, gross profit or gross assets of the Issuer or the Company (as applicable), and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer or the Company (as applicable);
- (C) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, gross profit or gross assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer or the Company (as applicable); and
- (D) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (A) above) are not consolidated with those of the Issuer or the Company (as applicable), then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer or the Company (as applicable).

In addition, any Subsidiary which is not itself a Principal Subsidiary shall nevertheless be treated as a Principal Subsidiary if the revenue (or consolidated revenue if the Subsidiary itself has Subsidiaries), gross profit (or consolidated gross profit if the Subsidiary itself has Subsidiaries) or gross assets (or consolidated gross assets if the Subsidiary itself has Subsidiaries) attributable to such Subsidiary when aggregated with the revenue (or consolidated revenue if appropriate), gross profit (or consolidated gross profit if appropriate) or gross assets (or consolidated gross assets if appropriate) attributable to any other Subsidiary which is not itself a Principal Subsidiary and with respect to which any of the events referred to in this Condition 9 has occurred since the Issue Date of the Bonds, exceeds 10 per cent. of the consolidated revenue, consolidated gross profit or consolidated gross assets of the Issuer or the Company (as applicable) and its Subsidiaries as shown in the latest audited financial statements.

A certificate prepared by a director of the Issuer or the Company (as the case may be) that in his or her opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary of the Issuer or the Company (as the case may be) shall, in the absence of manifest error, be conclusive and binding on the Bondholders and all parties. The certificate shall, if there is a dispute as to whether any Subsidiary of the Issuer or the Company (as the case may be) is or is not a Principal Subsidiary, be accompanied by a report by a nationally or internationally recognised firm of accountants addressed to the Issuer or the Company (as the case may be) as to proper extraction of the figures used by the Issuer or the Company (as the case may be) in determining the Principal Subsidiaries of the Issuer or the Company (as the case may be) and mathematical accuracy of the calculation.

10. PRESCRIPTION

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

11. REPLACEMENT OF CERTIFICATES

If any Certificate is mutilated or defaced or is alleged to be lost, stolen 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 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 (a) the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice) and (b) 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 AND WAIVER

- (a) **Meetings of Bondholders:** The Deed of Covenant contains provisions for convening meetings (including by way of teleconference or videoconference call) of 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 Deed of Covenant, the Keepwell Deed, the Standby Facility Agreement or the Deed of Equity Interest Purchase Undertaking. Such a meeting may be convened by the Issuer or the Bondholders holding at least 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing a not less than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one person holding 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 of the Bonds or the dates on which interest is payable on them, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or cancel the Keepwell Deed, the Standby Facility Agreement or the Deed of Equity Interest Purchase Undertaking other than in accordance with Condition 12(b), in which case the necessary quorum will be one or more persons holding or representing not less than 66 per cent., or at any adjourned meeting not less than 33 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all the Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Deed of Covenant provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Deed of Covenant by a majority consisting of at least 50 per cent. of the votes cast upon a show of hands or, if a poll is duly demanded, by a majority consisting of at least 50 per cent. of the votes cast on such resolution, (ii) a resolution passed by way of electronic consents communicated through the relevant clearing system in accordance with the Deed of Covenant by or on behalf of the holders of not less than 50 per cent. in aggregate principal amount of the Bonds for the time outstanding or (iii) a resolution in writing signed by or on behalf of the Bondholders of not less than 75 per cent. in aggregate principal amount of the Bonds for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. 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 written resolution and/or electronic consent will be binding on all Bondholders whether or not they participated in such written resolution and/or electronic consent, as the case may be.

- (b) **Modification of Agreements and Deeds:** Without the consent of the Bondholders, any of these Conditions or any of the provisions of the Deed of Covenant, the Keepwell Deed, the Standby Facility Agreement or the Deed of Equity Interest Purchase Undertaking may be amended or varied by the Issuer or the Company, as the case may be, if (i) such amendment or variation is of a formal, minor or technical nature or is made to correct a manifest error or (ii) to comply with any mandatory provision of applicable law, or (iii) to do so could not reasonably be expected to be prejudicial to the interests of the Bondholders. In addition, the parties to the Agency Agreement may agree to modify or vary any provision thereof, but the Issuer shall not agree, without the consent of the Bondholders, to any such modification or variation unless it is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of applicable law or if to do so could not reasonably be expected to be prejudicial to the interests of the Bondholders. Any such modification shall be binding on the Bondholders and shall be notified by the Issuer to the Bondholders as soon as practicable thereafter in accordance with Condition 14.

13. FURTHER ISSUES

The Issuer may from time to time without the consent of the Bondholders create and issue further bonds constituted by a deed supplemental to the Deed of Covenant and either having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them, issue price and the timing for complying with the requirements

set out in these Conditions in relation to the NDRC Post-issue Filing and making the corresponding notices to the Bondholders) 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 such other bonds issued pursuant to this Condition 13 and forming a single series with the Bonds.

14. NOTICES

All notices to the holders of Bonds shall be valid if (i) mailed to them by uninsured mail to the holders (or the first named of joint holders) at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday, Sunday or public holiday in the PRC) after the date of mailing or (ii) sent to them by electronic communication, when the relevant receipt of such communication being read is given, or where no read receipt is requested by the sender, at the time of sending, provided that no delivery failure notification is received by the sender within 24 hours of sending such communication. 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 Bonds are held in CCDC, notices to the Bondholders shall be validly given by the delivery of the relevant notice to CCDC or in accordance with such records held by CCDC, for communication by it to entitled accountholders as shown in the books and records of CCDC in substitution for notification as required by these Conditions, and shall be deemed to have been given on the date of delivery to CCDC.

15. CURRENCY INDEMNITY

CNY is the sole currency of account and payment for all sums payable by the Issuer and the Company (as applicable) under or in connection with the Bonds, the Deed of Covenant, the Keepwell Deed, the Standby Facility Agreement and the Deed of Equity Interest Purchase Undertaking, including damages. Any amount received or recovered in a currency other than CNY (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, the Company or otherwise) by any Bondholder or the Agent in respect of any sum expressed to be due to it from the Issuer or the Company will only constitute a discharge to the Issuer or the Company to the extent of the CNY amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that CNY amount is less than the CNY amount expressed to be due to the recipient under any Bond, the Deed of Covenant, the Keepwell Deed, the Standby Facility Agreement and the Deed of Equity Interest Purchase Undertaking, the Issuer shall indemnify (and the Company shall ensure that the Issuer has sufficient funds to do so) such recipient against any loss sustained by it as a result. In any event, the Issuer will indemnify (and the Company shall ensure that the Issuer has sufficient funds to do so) the recipient against the cost of making any such purchase. For the purposes of this Condition 15, it will be sufficient for the Bondholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's and the Company's other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any Bondholder and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Bond, the Deed of Covenant, the Keepwell Deed, the Standby Facility Agreement and the Deed of Equity Interest Purchase Undertaking or any other judgment or order.

16. GOVERNING LAW AND JURISDICTION

- (a) **Governing Law:** The Deed of Covenant, the Keepwell Deed, the Standby Facility Agreement, the Deed of Equity Interest Purchase Undertaking 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 shall have exclusive jurisdiction to settle any dispute, claim, difference or controversy that may arise out of, in relation to or in connection with the Deed of Covenant, the Bonds, the Keepwell Deed, the Standby Facility Agreement or the

Deed of Equity Interest Purchase Undertaking, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them (a **Dispute**), and accordingly any legal action or proceedings arising out of or in connection with the Deed of Covenant, the Bonds, the Keepwell Deed, the Standby Facility Agreement or the Deed of Equity Interest Purchase Undertaking (the **Proceedings**) may be brought in such courts.

Each of the Issuer, the Company and any Bondholders in relation to any Dispute irrevocably submits to the exclusive jurisdiction of the courts of Hong Kong and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient or inappropriate forum to settle any Dispute.

- (c) **Agent for Service of Process:** The Company has irrevocably appointed the Issuer as its agent for service of process in Hong Kong in any proceedings before the Hong Kong courts in relation to any Dispute. If for any reason the Issuer shall cease to be such agent for service of process, the Company shall forthwith appoint a new agent for service of process in Hong Kong and shall deliver to the Principal Agent a copy of the new agent's acceptance of that appointment within 20 days of the Issuer ceasing to be such agent for service of process. The Company agrees that failure by a process agent to notify it of any process will not invalidate the relevant proceedings. Nothing in these Conditions shall affect the right to serve process in any other manner permitted by law.

(d) **Waiver of Immunity**

To the fullest extent permitted by law, each of the Issuer and the Company has irrevocably and unconditionally:

- (i) submitted to the jurisdiction of the Hong Kong courts in relation to any Dispute and has waived and agreed not to claim any sovereign or other immunity from the jurisdiction of the Hong Kong courts in relation to any Dispute (including to the extent that such immunity may be attributed to it), and agreed to ensure that no such claim is made on its behalf;
- (ii) submitted to the jurisdiction of the Hong Kong courts and the courts of any other jurisdiction in relation to the recognition of any judgment or order of the Hong Kong courts in relation to any Dispute and has waived and agreed not to claim any sovereign or other immunity from the jurisdiction of the Hong Kong courts or the courts of any other jurisdiction in relation to the recognition of any such judgment or court order and agreed to ensure that no claim is made on its behalf;
- (iii) consented to the enforcement of any order or judgment made or given in connection with any Dispute and the giving of any relief in the Hong Kong courts and the courts of any other jurisdiction whether before or after final judgment including, without limitation:
 - (A) relief by way of interim or final injunction or order for specific performance or recovery of any property;
 - (B) attachment of its assets; and
 - (C) enforcement or execution against and any similar defence, and irrevocably consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property, revenues or other assets whatsoever (irrespective of their use or intended use), and
- (iv) has waived and agreed not to claim any sovereign or other immunity from the jurisdiction of the Hong Kong courts or the courts of any other jurisdiction in relation to such enforcement and the giving of such relief (including to the extent that such immunity may be attributed to it), and agreed to ensure that no such claim is made on its behalf.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term or condition of the Bonds, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

DESCRIPTION OF THE KEEPWELL DEED

The following contains summaries of certain key provisions of the Keepwell Deed. Such statements do not purport to be complete and are qualified in their entirety by reference to the Keepwell Deed. Capitalised terms used but not defined in this section shall have the meanings given to them in the Keepwell Deed.

At all times during the term of the Keepwell Deed, the Company will undertake with the Issuer and the Beneficiaries that it shall, directly or indirectly, own and hold not less than 100 per cent. of the outstanding shares of the Issuer and will not directly or indirectly pledge, grant a security interest, or in any way encumber or otherwise dispose of any such shares unless required to dispose of any or all such shares pursuant to a court decree or order of any government authority which, in the opinion of a legal advisor to the Company, may not be successfully challenged. The Company will also undertake with the Issuer and the Beneficiaries that it shall maintain the Issuer as a major overseas platform of the Company for investment and offshore financing.

In addition, the Company will undertake that it shall cause:

- the Issuer to have a Consolidated Net Worth of at least HK\$1.00 at all times;
- the Issuer to have sufficient liquidity to ensure timely payment by the Issuer of any amounts payable under or in respect of the Bonds in accordance with the terms and conditions of the Bonds and the Deed of Covenant and otherwise under the Agency Agreement;
- the Issuer to remain solvent and a going concern at all times under the laws of its jurisdiction of incorporation or applicable accounting standards;
- its Consolidated Net Worth to be not less than RMB75,000,000,000 at all times; and
- the ratio of its Consolidated Total Liabilities to its Consolidated Total Assets to be not more than 75:100 at any time.

The Keepwell Deed may be modified, amended or terminated by the written agreement of the parties thereto subject to the provisions of the terms and conditions of the Bonds and the Deed of Covenant.

At all times during the term of the Keepwell Deed, the Company will undertake to the Beneficiaries that:

- neither the Company nor any of its Subsidiaries will create, permit to subsist 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 without at the same time or prior thereto securing the Bonds equally and rateably therewith.

For so long as the Bonds are outstanding, the Company will further undertake:

- to procure that the articles of association of the Issuer shall not be amended in a manner that is, directly or indirectly, materially adverse to holders of the Bonds;
- to cause the Issuer to remain in full compliance with, and to take all action necessary in a timely manner to comply with its obligations under the terms and conditions of the Bonds, the Deed of Covenant, the Agency Agreement, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking, the Standby Facility Agreement and all applicable rules and regulations in Hong Kong; and
- promptly to take any and all action necessary to comply with its obligations under the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking and the Standby Facility Agreement.

Relevant Indebtedness is defined in the Keepwell Deed to mean any present or future indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, or other securities which (a) is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) and (b) is issued within China (Shanghai) Pilot Free Trade Zone or otherwise outside of the PRC. For the avoidance of doubt, Relevant Indebtedness does not include bi-lateral loans, syndicated loans or club deal loans.

The Keepwell Deed is not, and nothing therein contained and nothing done pursuant thereto by the Company shall be deemed to constitute, or shall be construed as, or shall be deemed an evidence of, a guarantee by, or any legal binding obligation of, the Company of the payment of any obligation, responsibilities, indebtedness or liability, of any kind or character whatsoever, of the Issuer under the laws of any jurisdiction including the PRC.

The Keepwell Deed will be governed by and construed in accordance with English law.

DESCRIPTION OF THE DEED OF EQUITY INTEREST PURCHASE UNDERTAKING

The following contains summaries of certain key provisions of the Deed of Equity Interest Purchase Undertaking. Such statements do not purport to be complete and are qualified in their entirety by reference to the Deed of Equity Interest Purchase Undertaking. Capitalised terms used but not defined in this section shall have the meanings given to them in the Deed of Equity Interest Purchase Undertaking.

Obligation to Acquire Equity Interest

The Company intends to assist the Issuer in meeting its obligations under the Bonds and the Deed of Covenant by entering into the Deed of Equity Interest Purchase Undertaking whereby, upon the provision of a written notice to the Bondholders in accordance with the Deed of Equity Interest Purchase Undertaking, the Company undertakes to purchase certain equity interests.

Upon becoming aware of the occurrence of any Event of Default, each of the Issuer and the Company undertakes to promptly provide Bondholders (with a copy to the Principal Agent) with a Purchase Notice.

Within 15 Business Days after the date of the Purchase Notice, the Company shall determine (i) the purchase price of the Equity Interest(s) subject to the Purchase in accordance with any applicable laws and regulations (including PRC laws) effective at the time of determination; and (ii) the other applicable terms relating to the Purchase; **provided that** the Purchase Price shall be no less than the aggregate of the following amounts:

- (i) an amount in CNY sufficient to enable the Issuer to discharge in full its obligations under the Bonds and the Deed of Covenant (including without limitation the principal amount of the Bonds then outstanding as at the date of such Purchase Notice and any and all interest due and unpaid and/or accrued but unpaid on the Bonds up to but excluding the date of such Purchase Notice), plus
- (ii) an amount equal to the interest payable in respect of one Interest Period on the Bonds outstanding, plus
- (iii) all costs, fees and expenses and other amounts payable to the Agents under or in connection with the Bonds, the Deed of Covenant, the Agency Agreement, the Keepwell Deed, and/or the Deed of Equity Interest Purchase Undertaking as at the date of such Purchase Notice plus provisions for costs, fees, expenses and other amounts which may be properly incurred after the date of the Purchase Notice.

In relation to the Purchase of any Equity Interest relating to:

- (a) a foreign-invested entity incorporated in the PRC held by any Relevant Transferor, the Company undertakes that:
 - (i) within 35 Business Days after the date of the Purchase Notice, the Company shall, and shall procure each Relevant Transferor to use best efforts to obtain all necessary approvals or consent for such Purchase from (x) the requisite number of shareholders; (y) any joint venture partners and/or (z) any relevant creditors (in each case as applicable) and the Company shall and shall procure each Relevant Transferor to execute, and the Company shall procure the board of directors of each of the companies the Equity Interest in which is subject to the Purchase to execute (where applicable), an Equity Interest Transfer Agreement and all other application documents (including any equity interest transfer agreement in Chinese language and in such form as required by applicable laws and regulations) required by applicable laws and regulations of the PRC or otherwise required by relevant Chinese governmental authorities and shall file such agreements and/or documents as required by applicable laws and regulations with MOFCOM, for approval or filing (where applicable) of the transfer of the Equity Interests as being the subject of the Purchase;

- (ii) within 60 Business Days after the date of the Purchase Notice, the Company shall procure each of the companies the Equity Interest in which is subject to the Purchase to complete assets appraisal, file the assets appraisal report issued by a qualified appraisal institution and all application documents required by applicable laws and regulations of the PRC to the SASAC for approval, filing or record (if applicable);
 - (iii) within 45 days after execution of the Equity Interest Transfer Agreement, the Company shall file all documents required by applicable laws and regulations of the PRC with the relevant taxation authority in respect of its withholding tax obligation in connection with the Purchase;
 - (iv) within 10 Business Days after the receipt of approval/filing and record confirmation from MOFCOM and SASAC (where applicable), the Company shall submit all application documents required by applicable laws and regulations of the PRC to the competent AIC for AIC registration of the transfer of the Equity Interest;
 - (v) as soon as reasonably practicable after receipt of AIC registration from the competent AIC, the Company shall complete the procedures in respect of withholding tax for the Relevant Transferor required by applicable laws and regulations of the PRC with the competent tax authority to obtain the tax clearance certificate from such tax authority;
 - (vi) within 10 Business Days after completion of the change of AIC registration and the receipt of the tax clearance certificate, the Company shall submit all application documents required by applicable laws and regulations of the PRC to SAFE (a) to change the SAFE registration of the companies the Equity Interests in which is or (as the case may be) are subject to the Purchase and (b) for the outbound remittance of the Purchase Price;
 - (vii) closing of such purchase shall take place on the tenth Business Day after the date of receipt of the approvals from SAFE and on the Onshore Purchase Closing Date the Company shall pay to or to the order of each Relevant Transferor the Purchase Price payable in immediately available funds in CNY to such account in Hong Kong as may be designated by such Relevant Transferor.
- (b) an entity incorporated outside the PRC held by any Relevant Transferor, the Company undertakes that:
- (i) within 35 Business Days after the date of the Purchase Notice, the Company shall (a) submit a project information report and other required documents to the NDRC (where applicable), and (b) file all application documents required by applicable laws and regulations of the PRC with the SASAC for approval, filing or record (where applicable) of overseas investment in connection with the Purchase;
 - (ii) within 15 Business Days after obtaining the confirmation and approval, filing or record (where applicable) from the NDRC and SASAC (where applicable), the Company shall, and shall procure each Relevant Transferor to, execute, and the Company shall procure the board of directors of each of the companies the Equity Interest in which is subject to the Purchase to execute (where applicable), an Equity Interest Transfer Agreement and all other application documents (including any equity interest transfer agreement in Chinese language and in such form as required by applicable laws and regulations) required by applicable laws and regulations, and shall file such agreements and/or documents as required by applicable laws and regulations with the NDRC, MOFCOM and authorities of other jurisdiction in charge of the Purchase (where applicable), for approval, filing or record of the transfer of the Equity Interests as being the subject of the Purchase;
 - (iii) within ten Business Days after the receipt of the Certificate of Enterprise's Overseas Investment issued by MOFCOM, the Company shall submit all application documents required by applicable laws and regulations of the PRC to SAFE or commercial banks recognised by SAFE for the registration of overseas investment in connection with the Purchase;

- (iv) closing of such purchase shall take place on the tenth Business Day after the date of receipt of all approvals or registration from the NDRC, MOFCOM, SASAC, SAFE and authorities of other jurisdictions in charge of the Purchase and on the Offshore Purchase Closing Date, the Company shall pay to or to the order of each Relevant Transferor the Purchase Price payable in immediately available funds in CNY to such account in Hong Kong as may be designated by such Relevant Transferor.

The Company may discharge its obligations either by itself or through the Designated Purchaser.

The Deed of Equity Interest Purchase Undertaking shall remain in full force and effect so long as any Bonds remain outstanding.

The Deed of Equity Interest Purchase Undertaking is not, and nothing therein contained and nothing done pursuant thereto by the Company shall be deemed to constitute, or shall be construed as, or shall be deemed an evidence of, a guarantee by, or any legal binding obligation of, the Company of the payment of any obligation, responsibilities, indebtedness or liability, of any kind or character whatsoever, of the Issuer under the laws of any jurisdiction.

The parties to the Deed of Equity Interest Purchase Undertaking will acknowledge that in order for each of the Issuer and the Company to comply with its obligations under the Deed of Equity Interest Purchase Undertaking, it may require Relevant Approvals and filing pursuant to applicable laws.

The Deed of Equity Interest Purchase Undertaking will be governed by and construed in accordance with English law.

DESCRIPTION OF THE IRREVOCABLE CROSS-BORDER CNY STANDBY FACILITY AGREEMENT

The following contains summaries of certain key provisions of the Standby Facility Agreement. Such statements do not purport to be complete and are qualified in their entirety by reference to the Standby Facility Agreement. Capitalised terms used but not defined in this section shall have the meanings given to them in the Standby Facility Agreement.

Under the Standby Facility Agreement, the Lender will make available to the Borrower a term loan facility of CNY788,200,000.

The Borrower shall apply all proceeds received by it under the Loan in and towards:

- the payment in accordance with the Keepwell Deed of any outstanding amounts as they fall due under the Keepwell Deed, the Deed of Covenant and the Bonds (including any interest accrued but unpaid on the Bonds) if the Triggering Event is an Event of Default; or
- the remedy of the Shortfall Event if the Triggering Event is a Shortfall Event, prior to any other use, disposal or transfer of the proceeds received.

Interest on any Loan will accrue at a rate to be agreed in writing between the Lender and the Borrower prior to the making of such Loan.

Subject to the provisions of the terms and conditions of the Bonds and the Deed of Covenant, the Standby Facility Agreement may be modified, amended or terminated by the written agreement of the Lender and Borrower, provided that it is sanctioned by an Extraordinary Resolution. The Lender may not assign its rights or transfer its obligations under the Standby Facility Agreement, in whole or in part, without the approval by an Extraordinary Resolution.

The Standby Facility Agreement will not be, and nothing therein contained and nothing done pursuant thereto by the Lender shall be deemed to constitute, or shall be construed as, or shall be deemed an evidence of, a guarantee by, or any legal binding obligation of, the Lender of the payment of any obligation, responsibilities, indebtedness or liability, or any kind or character whatsoever, of the Borrower under the laws of any jurisdiction.

The Company and the Issuer will acknowledge that the performance by the Lender of its obligations under the Standby Facility Agreement may be subject to the approvals, registrations, filings or clearance or other authorisation of Approval Authorities. The Lender undertakes to use its best endeavours to obtain such approvals, registrations, filings, clearance or other authorisation.

The Standby Facility Agreement will be governed by and construed in accordance with English law.

SUMMARY OF PROVISIONS RELATING TO THE BONDS HELD IN CCDC

The Terms and Conditions of the Bonds and the Deed of Covenant contain provisions which apply to the Bonds while they are entered in CCDC. The following is a summary of certain of those provisions.

Unless otherwise defined or the context requires otherwise, terms defined in the Terms and Conditions of the Bonds set out in this Offering Circular have the meaning in the paragraphs below.

FORM AND TITLE

The Bonds will initially be issued in uncertificated book-entry form entered in CCDC. No certificate or other evidence of title, other than the Deed of Covenant, will be issued by, or on behalf of, the Issuer to evidence title to a Bond unless the Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation.

Under the Deed of Covenant, the Issuer unconditionally and irrevocably undertakes to pay such principal, premium (if any), interest and any other amounts that may be payable on the Bonds to the holder of the Bonds in accordance with the Terms and Conditions of the Bonds.

If the Bonds are entered in CCDC, a Bondholder may, on or after the Exchange Date, exchange its interest in the Bonds in whole but not in part for Certificates (1) if CCDC is closed for business for a continuous period of 14 CCDC business days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, (2) if principal in respect of any Bonds is not paid when due, or (3) the Agency agreement is terminated by a Bondholder giving notice to the Principal Agent of its election of such exchange.

Such exchange will be effected in accordance with the provisions of the Agency Agreement, the Deed of Covenant and the regulations concerning the transfer and registration of the Bonds scheduled thereto and, in particular, shall be effected without charge to any holder of the Bonds, but against such indemnity and/or security and/or pre-funding as the Registrar or the relevant Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

PAYMENT

So long as the Bonds are entered in CCDC, CCDC will act as the paying agent of the Bonds and make payments of any interest, principal and premium (if any) in respect of the Bonds in accordance with the terms of the Agency Agreement. Each payment in respect of the Bonds will be made to the person shown as the holder in the books and records and the rules of CCDC at the close of business of CCDC on the CCDC Business Day before the due date for such payments in accordance with the rules of CCDC, where “**CCDC Business Day**” means a day (other than a Saturday, a Sunday or a public holiday of the PRC or prescribed by special regulations) upon which CCDC is operating.

NOTICES

So long as the Bonds are held by CCDC, notices to the Bondholders shall be validly given by the delivery of the relevant notice to CCDC or in accordance with such records held by CCDC, for communication by it to entitled accountholders as shown in the books and records of CCDC in substitution for notification as required by the Terms and Conditions of the Bonds, and shall be deemed to have been given on the date of delivery to CCDC.

BONDHOLDER’S REDEMPTION

The Bondholder’s redemption option in Condition 6(c) (Redemption for Change of Control Put Event) of the Terms and Conditions of the Bonds may be exercised by the entitled accountholders by giving notice to the Principal Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Terms and Conditions of the Bonds.

ISSUER'S REDEMPTION

The option of the Issuer provided for in Condition 6(b) (Redemption for Tax Reasons) and Condition 6(d) (Redemption at the option of the Issuer) of the Terms and Conditions of the Bonds may be exercised by the Issuer giving notice to the Principal Agent or the Bondholders, respectively, within the time limits set out in and containing the information required by the Terms and Conditions of the Bonds.

TRANSFERS

Transfers of interests in the Bonds entered into CCDC will be effected in accordance with the rules and procedures of CCDC in effect from time to time, and any transferee acquiring such interests in the Bonds entered into CCDC will be required to have and maintain an account with CCDC.

So long as the Bonds are entered in CCDC, the closed periods shall follow the rules and procedures of CCDC.

DESCRIPTION OF THE ISSUER

Formation

The Issuer is a public company upon registration at the Companies Registry of Hong Kong on 26 November 2014. It was incorporated under the Companies Ordinance in Hong Kong on 9 July 2014. The Issuer's registration number is 2118055. Its registered office is located at Unit 9, 26/F., Tower 1, Admiralty Centre, No. 18 Harcourt Road, Admiralty, Hong Kong. The Issuer is a direct wholly-owned subsidiary of the Company as at the date of this Offering Circular.

Business Activity

The Issuer is positioned as a major offshore financing platform of the Group. As at the date of this Offering Circular, the Issuer had four series of U.S. dollar denominated bonds outstanding, with a total principal amount of U.S.\$1.65 billion. The Issuer's outstanding U.S. dollar denominated bonds all enjoy the benefit of a keepwell undertaking, an equity interest purchase undertaking and a standby facility agreement provided by the Company. As at the date of this Offering Circular, the Issuer had one subsidiary in the PRC, Qingdao Lirun International Trade Co., Ltd (青島利潤國際貿易有限公司).

Financial Statements

Under Hong Kong law, the Issuer as a public company is required to file with the Registrar of Companies of Hong Kong its audited financial statements with its annual return for corresponding financial year. In addition, the Issuer is required to keep proper books of account as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions. The Issuer is also required to prepare its audited financial reports and its unaudited consolidated accounts in accordance with the Terms and Conditions of the Bonds.

Directors

As at the date of this Offering Circular, the directors of the Issuer are Mr. Cui Mingshou (崔明壽), Mr. Wang Yimei (王宜美) and Mr. Hu Liang (胡亮). None of these directors holds any shares or options to acquire shares of the Issuer. The Issuer does not have any employees.

Share Capital

As at the date of this Offering Circular, a total of 103,050,400 shares have been issued by the Issuer and are being held by the Company, and the share capital of the Issuer is HK\$103,050,400. The register of members of the Issuer is maintained at its registered office in Hong Kong at Unit 9, 26th Floor, Tower 1, Admiralty Centre, No. 18 Harcourt Road, Admiralty, Hong Kong. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

Financial Information of the Issuer

The Issuer prepares audited financial statements on an annual basis with a financial year-end of 31 December and reviewed financial statements on a half-year basis with a six-month-end of 30 June. The Issuer's financial statements as at and for the years ended 31 December 2020 and 2021 included elsewhere in this Offering Circular were prepared in accordance with HKFRSs and were audited by BDO Hong Kong. See "*Summary Financial Information of the Issuer*".

DESCRIPTION OF THE GROUP

Overview

The Company is a company wholly-owned by Qingdao SASAC, which has diverse businesses and investments in multiple industries including urban and rural infrastructure investment and construction, new energy business, industrial business, transportation, financial services and other businesses. Since its establishment in 2008, the Company has played an important role in implementing the Qingdao Municipal Government's blueprint for urban planning and municipal construction. Benefitting from strong government support toward its strategic development, the Group has seen rapid growth and achieved many major milestones.

Set forth below is an overview of the principal business segments of the Group:

- **Urban and Rural Infrastructure Investment and Construction:** The Group's urban and rural infrastructure investment and construction operations can be broadly divided into (i) primary land development, (ii) infrastructure development, (iii) development of affordable housing and commodity housing, and (iv) industrial park construction. For the years ended 31 December 2019, 2020 and 2021, the Group's operating income generated from this segment was RMB337.7 million, RMB3,532.0 million and RMB1,159.6 million, respectively, representing 2.5 per cent., 10.7 per cent. and 2.9 per cent. of the Group's total operating income for the relevant year.
 - **Primary land development.** The Group is designated to assist the Qingdao Municipal Government with its urbanisation plans, including taking on and completing relevant projects. Since 2008, the Group has undertaken three primary land development projects, namely the Sifang Happy Coastal City project (四方歡樂濱海城項目), the Hongdao land development project (紅島土地開發項目) and the Qingdao Iron Project (青鋼項目), which occupy a total site area of approximately 32.3 square kilometres. As at 30 June 2022, 4,124 mu of land had been developed and/or transferred by the Group.
 - **Infrastructure development.** The Group is the key developer and operator of public infrastructure and facilities in both rural and urban areas of Qingdao, and has participated in more than 60 infrastructure projects to date as developer and/or as financing platform of the Qingdao Municipal Government, which primarily related to public transportation development, public hospitals and medical infrastructure, water supply and wastewater treatment. The Group usually develops these projects under the "built and transfer" model or "transfer to transfer" model. These infrastructure projects are generally financed using public funds provided by the Qingdao Municipal Government and loan facilities obtained from PRC financial institutions.
 - **Development of affordable housing and commodity housing.** The Group is a key force of the Qingdao Municipal Government to implement the government's housing policies. In particular, the Group is engaged in redevelopment of old areas and development of subsidised housing, low-rent housing and ordinary commodity housing, all of which are part of the government's objective to improve housing conditions for low-income households in Qingdao. Some of the Group's affordable housing and commodity housing are constructed on the same land under a master development plan. As at 30 June 2022, the Group had three real property projects under construction with a total estimated GFA of around 595,000 sq.m., all of which were commodity housing.
 - **Industrial Park Construction.** The Group is a key player in industrial park construction in Qingdao. The Group develops, constructs and operates various industrial parks to implement the new industrial city integration planning of the PRC government and promote a balanced development of the local economy in Qingdao.
- **New Energy Business:** The Group's new energy business primarily comprises its photovoltaic power generation business and wind power generation business. The Group started its photovoltaic power generation business in December 2015 through construction of power generation stations and strategic cooperation with various leading photovoltaic companies in the PRC. The Group gradually expanded its investment in renewal energy power generation business to include wind power generation. For the years ended 31 December 2019, 2020 and 2021, the Group's operating

income generated from this segment was RMB985.1 million, RMB1,468.2 million and RMB1,828.1 million, respectively, representing 7.4 per cent., 4.5 per cent. and 4.5 per cent. of the Group's total operating income for the relevant year.

- **Industrial Business:** The Group's industrial business segment can be broadly divided into (i) intellectual manufacturing, (ii) basic material trading, (iii) wastewater treatment and (iv) others. For the years ended 31 December 2019, 2020 and 2021, the Group's operating income generated from this segment was RMB6,969.7 million, RMB22,534.5 million and RMB26,403.2 million, respectively, representing 52.6 per cent., 68.5 per cent. and 65.6 per cent. of the Group's total operating income for the relevant year.
 - **Intellectual Manufacturing.** The Group's intellectual manufacturing business is primarily conducted by Doublestar Group Co., Ltd. (雙星集團有限責任公司) (“**Doublestar Group**”). Doublestar Group is engaged in (i) tyre manufacturing, (ii) artificial intelligence and high-end equipment manufacturing and (iii) smart cyclic utilisation of wasted rubber.
 - **Basic materials trading business.** The Group started its basic materials trading business in 2015 with a focus on trading of steel, pulp, fuel oil, iron ore, coal and coke.
 - **Wastewater Treatment.** Historically, the Group derived income from its wastewater treatment operations, which consisted of five treatment plants in Qingdao, namely Loushan River Wastewater Treatment Plant, Haibo River Wastewater Treatment Plant, Tuandao Wastewater Treatment Plant, Jimo Wastewater Treatment Plant and Chengyang Wastewater Treatment Plant. In 2012, the Qingdao Municipal Government formed Qingdao Water Group Co., Ltd. (“**Qingdao Water Group**”) with the Group's wastewater treatment plants assets, and Qingdao Water Group was responsible for the day-to-day operations. In 2019, the restructuring of the Group's wastewater treatment asset had been completed and, among other things, the titles to the five treatment plants were transferred to Qingdao Water Group. Consequently, the Group held a five per cent. equity interest in Qingdao Water Group Environment and Energy Co., Ltd. (青島水務集團環境能源有限公司). In April 2021, the General Office of the Qingdao Municipal Government issued a notice that Qingdao SASAC will transfer the entire state-owned equity interests in various entities including, among others, Qingdao Water Group, to the Company. As at the date of this Offering Circular, the equity transfer has not been completed. Completion of the relevant transfers of equity interests is subject to the completion of registration procedures with SAMR.
- **Transportation.** The Group's transportation segment comprises (i) its toll operation by Qingdao Transportation Development Group Co., Ltd. (青島交通發展集團有限公司) (“**Qingdao Transportation Group**”) and its subsidiaries, and (ii) its aviation business. The Group's aviation business includes both passenger and cargo services businesses. The Group only commenced its aviation business following its acquisition of the 100 per cent. equity interest of Qingdao Airlines Holding Co., Ltd. (青島航空控股有限公司) (“**Qingdao Airlines Holding**”) in 2020. The transfer of the entire equity interest in the Qingdao Transportation Group to the Company pursuant to the Qingdao SASAC's approval was completed in December 2020 and its accounts were consolidated into the accounts of the Group since 2021. As such, the Group did not record any income for this segment for the year ended 31 December 2019. For the years ended 31 December 2020 and 2021, the Group's operating income generated from this segment was RMB468.4 million and RMB3,929.1 million, respectively, representing 1.4 per cent. and 9.8 per cent. of the Group's total operating income for the relevant year. Pursuant to the Approval of Qingdao SASAC on the Gratuitous Transfer of State-owned Equity Interest in Qingdao Airlines Holding (Qing SASAC [2022] No. 120) (青島市國資委關於青島航空控股有限公司國有股權無償劃轉的批覆(青國資委[2022] 120號)), the Company shall transfer 50 per cent. of the state-owned equity interest in Qingdao Airlines Holding to Qingdao Tourism Group Co., Ltd. (青島旅遊集團有限公司) (“**Qingdao Tourism Group**”) at nil consideration. As at the date of this Offering Circular, the equity transfer has not been completed. However, Qingdao Airline Holding's financial results were deconsolidated from the Group's financial statements from 1 January 2022 and it had since ceased to be a consolidated subsidiary of the Company. Completion of the relevant transfer of equity interest is subject to regulatory procedures with SAMR. See “Description of the Group — Recent Developments — Gratuitous Equity transfer of Qingdao Airlines Holding to Qingdao Tourism Group” for further information.
- **Financial Services.** The Group's financial service offerings primarily include credit guarantees, microfinance and entrusted loans, and financial leasing. It intends to further develop its financial services operations to capture the opportunities presented by the rapid growth of the PRC financial industry, particularly the SMEs market. For the years ended 31 December 2019, 2020 and 2021,

the Group's operating income generated from this segment was RMB4,335.3 million, RMB4,403.0 million and RMB3,573.9 million, respectively, representing 32.7 per cent., 13.4 per cent. and 8.9 per cent. of the Group's total operating income for the relevant year.

For the years ended 31 December 2019, 2020 and 2021, the Group's total operating income was RMB13,260.1 million, RMB32,916.7 million, and RMB40,246.5 million, respectively. For the years ended 31 December 2019, 2020 and 2021, the Group had a net profit of RMB1,270.9 million, RMB2,335.9 million, RMB223.5 million, respectively. As at 31 December 2021, the Group's total assets amounted to RMB446,896.6 million.

Competitive Strengths

The Company believes that its competitive strengths outlined below distinguish it from its competitors and are important to its success and future development:

Well-positioned to capitalise on the economic growth, strategic location and policy environment of Qingdao

The Group operates its business primarily in Qingdao in the PRC, and its assets and customers are highly concentrated in Qingdao. Qingdao is a coastal city on the east coast of China and has special strategic importance to China's economic development. Qingdao is one of the major port cities for opening-up and economic development in Shandong Province and the PRC. As one of the 15 cities administered at the sub-provincial level, one of the five cities that enjoy a higher level of economic policy-making authority delegated by its supervising provincial governments (計劃單列市) and one of the free-trade demonstration zones of the PRC, Qingdao has seen rapid development in past decades. According to the Statistics Bureau of Qingdao Municipality, Qingdao's GDP increased from RMB566.6 billion in 2010 to RMB1,413.6 billion in 2021, representing a compound average growth rate of 8.7 per cent. Based on its GDP of RMB1,492.1 billion in 2022, Qingdao was ranked the first among all cities in Shandong Province and 13th nationwide. In 2006, Qingdao was ranked one of six "golden cities" by the World Bank, out of 120 Chinese cities based on factors such as investment climate and government effectiveness. Qingdao has abundant harbour and coastal resources and is one of the most important deep-water seaports in China. During the 14th Five-year Plan period, Qingdao is expected to achieve a high level of socialist modernisation, building into an open, modern and dynamic international metropolis with strong influence and will be focusing on strengthening of its functions as an international gateway hub, a science and technology innovation hub, a high-end industry leader, a "production, life and ecology integration" ("三生") developer and a leading port city with modern industrial development system and international competitiveness.

Qingdao's strategic importance is further demonstrated under the "One Belt and One Road" framework proposed by the PRC government. According to this development initiative, Qingdao is positioned as a key connector of major cities in Asia and Europe and is the starting point of four out of the five seaways that are intended to connect China with Southeast Asia, Oceania and North Africa. A number of industries and sectors in Qingdao are expected to benefit substantially from the "One Belt and One Road" initiative, particularly infrastructure construction, shipping and trading, logistics, tourism and financial services. As the most economically developed city within the region, Qingdao is well positioned to capture the growth opportunities presented by its strategic location and favourable policy environment.

Strong support from the Qingdao Municipal Government for its continuous development

Since its establishment in 2008, the Company has played an important role in implementing the Qingdao Municipal Government's blueprint for urban planning and municipal construction and benefited from a strong supportive stance adopted by the government toward its continuous development. The Group is well equipped to invest in capital-intensive and large-scale projects and the Company believes that state-owned assets managed by the Group will be better utilised to achieve greater results. As a pilot enterprise for the reform of "two types of companies" (i.e. state-owned assets operation companies and state-owned assets investment companies) in Qingdao, the Group has received strong support from the Qingdao Municipal Government in improving the level of market-oriented operation of state-owned assets and coordinating the promotion of 15 key development fronts and 13 key industries in Qingdao.

- *Contribution and financing:* As at the date of this Offering Circular, total capital injected by the Qingdao Municipal Government into the Group was RMB6.9 billion. From 2015 to 2021, total capital and assets injected by the Qingdao Municipal Government into the Group amounted to

RMB107.92 billion. In October 2017, the Qingdao Municipal Government issued RMB2 billion land reserve special bonds to support Qingdao Iron Project, in which the Group undertook to develop 2,494 mu of land of Qingdao Iron and Steel Holding Group Co., Ltd. (青島鋼鐵控股集團有限公司), and also made a RMB3 billion capital injection into the Company. It also used to assist the Group by financing the repayment of the loans incurred by the Group's projects that are related to social welfare. In addition, the Group also received project capital in aggregate amount of approximately RMB4.17 billion from the Qingdao Municipal Government in relation to the Group's projects such as the Qingdao Airport project.

- *Asset injection:* Since 2009, Qingdao SASAC has injected a number of assets with high value into the Group, which form an important part of certain business segments of the Group, including the grant/transfer of the shares or equity interests in Qingdao Ferry Transportation Co., Ltd., Qingdao Rural Commercial Bank Corporation (青島農村商業銀行股份有限公司) (“**Qingdao Rural Commercial Bank**”), Doublestar Group, Qingdao Transportation Group, Qingdao International Airport Group Co., Ltd. (青島國際機場集團有限公司) and Shandong Port Group Co., Ltd. (山東省港口集團有限公司) and ownership of Shandong Province Qingdao First International School (青島第一國際學校).
- *Grant of concession:* The Group has been granted the exclusive rights to carry out primary land development of three large areas in Qingdao, namely the Sifang Happy Coastal City, the Hongdao area and the Qingdao Iron area. These three areas occupy a total site area of approximately 32.3 square kilometres. The Group believes that these projects will not only generate significant economic returns for the Group, they will also allow it to have an early access to the bid for the land it develops and acquire more information to pursue the opportunities of secondary land development.
- *Government grants:* The Qingdao Municipal Government provides the Group with tax returns, government grants, bonuses and other forms of tax-based rewards to support the Group's operations. The Group received government grants of RMB1.1 million, RMB8.4 million and RMB14.6 million in 2019, 2020 and 2021, respectively.

Unique investment holding company wholly-owned by the Qingdao Municipal Government with strategic significance to Qingdao's social and economic development

The Company is a unique investment holding company wholly-owned by the Qingdao Municipal Government through Qingdao SASAC. Due to its special background, the Group receives strategic guidance for its development from the Qingdao Municipal Government. The Group has been tasked to perform substantial and critical governmental functions in the area of city construction and municipal development. Accordingly, the Group possesses an important and diversified investment portfolio and has been involved in a number of projects which have strategic significance to Qingdao's social and economic development. Specifically, the Group has undertaken the following functions:

- *Assisting in the construction of key infrastructure projects.* One of the Group's missions is to assist the Qingdao Municipal Government to develop public and other municipal infrastructure in the urban and rural areas to accelerate the urbanisation in Qingdao. Since its establishment, the Group has participated in more than 60 infrastructure projects as developer and/or as the financing platform of the Qingdao Municipal Government. These projects were primarily relating to public transportation, water supply and wastewater treatment, public hospitals and medical infrastructure, public facilities and water conservancy. For example, the Group has participated in the construction of Taiyuan Road East Extension Project (太原路東延段項目), Anshun Road Project (安順路項目), New Qingdao Airport Expressway Connecting Road Project (新機場高速連接線項目), Jiaozhou Haiwan Bridge Project, Qinglan Expressway Project, Qingdao Public Health Centre Project (青島市市民健康中心項目), Guanlu Reservoir Project (官路水庫項目) and Jinsongwu Road (Chuzhou Road — Heilongjiang Road Section) Opening-up Project (勁松五路(滁州路 — 黑龍江路段)打通項目).
- *Implementation of urban renewal plan in order to enhance the value and quality of the city.* The Group is tasked by the Qingdao Municipal Government to undertake various urban renewal projects such as the “coal-to-gas” project (「煤改氣」工程), Liuting Airport Area project (流亭機場片區項目), Loushanhou area project (樓山后片區項目), Zhuzhou Road area reconstruction project (株洲路片區改造項目) and Qingdao Ruyi Lake Commercial Complex Project (青島市如意湖商業綜合體項目).

- *Management of key assets of the Qingdao Municipal Government.* The Group is commissioned by the Qingdao Municipal Government to manage and operate key assets in Qingdao. Since 2008, the Group has been granted the exclusive rights to carry out the primary land development of three parcels of land in Qingdao, namely the Sifang Happy Coastal City project, the Hongdao land development project and the Qingdao Iron Project.
- *Assisting in attracting investment to drive industrial upgrading in Qingdao.* One of the objectives is to assist Qingdao Municipal Government to carry out industrial upgrade in Qingdao by giving full play to its advantages of capital investment platform in attracting investment. For example, the Group is responsible for the investment and construction of Qirui Qingdao Passenger Vehicle Base (奇瑞青島乘用車基地) which aims to further the development of the automobile industry in Qingdao. In addition, the Group has also participated in the construction of Wanfeng Laixi General Aviation Industrial Park (萬豐萊西通航產業園) which will be the first entire aircraft manufacturing project in Qingdao and the headquarter of Diamond Aircraft Industries (鑽石飛機工業集團).

The Group believes that the public's recognition of its achievement and investment projects as well as its relationship with the Qingdao Municipal Government, has contributed to the Group's stable asset expansion and underpinned the Group's significance in Qingdao's social and economic development.

Diversified business portfolio with growing recurring income and strong synergies across business segments

The Group has historically focused on certain key areas of municipal and urban construction, including infrastructure development, primary land development, development of affordable housing and commodity housing, and wastewater treatment. Since its establishment, the Group has been tasked by the Qingdao Municipal Government to complete various important city construction and municipal development tasks and projects of Shandong Province. Over the years, the Group has diversified its portfolio successfully to encompass a much wider range of businesses that are complementary and create valuable synergies that can be leveraged for its continuous growth. With the strategic decision to re-classify its business activities into three core segments, namely urban-rural construction and development, equity investment, capital operation, financial services, and emerging industrial investment and management, the Group believes that this will enable better resource allocation and more efficient sharing of competitive advantages across business lines as well as drive the integrated development of its operations. For example, the Group's infrastructure construction, primary land development and housing and property development activities facilitate the growth and urbanisation of Qingdao, which in turn provides the much needed foundation for the investment and development of emerging industries within the province, such as photovoltaic and wind power generation, education and healthcare in which the Group has business operations. The Group has systematically adjusted its development to suit the city development strategies, by focusing on urban infrastructure investment, construction and operation, and industrial innovation, upgrade and development, integrating various business chains and industrial chains and adopting innovative business models, so as to strengthen its resource conglomeration and create industrial synergies within the Group. The Group has been focusing on its core business segments while building a platform service model of "industrial development + supply chain + technology + finance" and building a cooperation model of "investment construction + operation management". The Group has monitored its liquidity and profitability position in the course of diversifying its business portfolio by strengthening its internal management and implementing prudent investment policies so that its investment scale is appropriately controlled and the fields or industries in which it invests are carefully selected.

The benefits reaped from its financial services business are also distinct: given that operating income generated from financial services business for the years ended 31 December 2019, 2020 and 2021 represented 32.7 per cent., 13.4 per cent. and 8.9 per cent. of the Group's total operating income for the relevant year, not only is it a new revenue driver, this business also contributes significantly to the Group's funding resources, which are critical requisites for the positive growth of its other core segments, particularly in terms of its expansion plans for its education and healthcare operations. During the 13th Five-year Plan period, the Group participated in a total of 59 funds and invested in over 307 projects. The investment in these funds not only promoted the industrial development, but also brought good financial returns to the Group. Furthermore, the breadth and depth of the Group's expanding portfolio of businesses also provide it with the indisputable advantage of minimal reliance on one single business, both in terms of growth potential and earnings base, and correspondingly, reduced exposure to associated business and operational risks, all of which are key to the Group's continued success.

Access to multiple financing channels to obtain sufficient capital for the Group's business development

The Group's business growth and working capital requirements are supported by internal funding resources, bank loans and equity capital markets, domestic bond offerings in the PRC and overseas markets. The Group maintains long-term stable relationships with a number of major PRC and overseas financial institutions, such as China Development Bank, The Export-Import Bank of China, Bank of China, Agricultural Bank of China, Industrial and Commercial Bank of China, China Construction Bank, Bank of Communications, Industrial Bank Co., Ltd. China CITIC Bank, Bank of Qingdao, China Merchants Bank, Hengfeng Bank, China Zheshang Bank, Everbright Bank, Bank of Beijing and China Merchants Bank, among others. As at 30 June 2022, the Group had credit facilities granted by various types of financial institutions in the total amount of RMB298.4 billion, of which RMB170.0 billion had not been utilised as at the same date.

The Group has access to both international and domestic equity and debt financing channels, thereby increasing the possibility to secure favourable financing terms and enhancing its funding efficiency. In 2014, the Company obtained its offshore equity financing platform by acquiring the controlling interest in Qingdao Holdings International Limited (青島控股國際有限公司) (previously known as HyComm Wireless Limited), which is listed on The Stock Exchange of Hong Kong Limited under stock code "499". In addition, the Group, through Doublestar Group, holds a controlling interest in Qingdao Doublestar Co., Ltd (青島雙星股份有限公司), which is listed on the Shenzhen Stock Exchange under the stock code "000599". In February 2015, the Company successfully issued U.S.\$800 million in aggregate principal amount of senior bonds in Hong Kong, becoming one of the first city construction enterprises in China to issue offshore debt securities. The Company's U.S. dollars denominated bonds issued in 2017 was selected as the Best LGFV Bonds in the "Selection of Best Transaction in Chinese Offshore Fixed Income Market 2017" (中資離岸固收市場2017年度最佳交易評選) by Wall Street Trader App (華爾街交易員公眾號) while the Group was selected as the "2019 Excellent LGFV Issuer for Chinese USD Bonds" by the same platform. The Company successfully issued U.S.\$300 million in aggregate principal amount of senior bonds which were listed on, among others, Chongwa (Macao) Financial Asset Exchange Co., Ltd. ("MOX"), becoming the third enterprise incorporated in China and the first enterprise in Shandong to list and quote its U.S. dollars denominated bonds on MOX.

The Group has issued different types of debt securities in the domestic markets including but not limited to medium-term notes, super short-term commercial papers and direct financing instruments. For example, in February 2022, Qingdao URC Financial Leasing issued RMB1,000 million in aggregate principal amount of corporate bonds with an interest rate of 3.5 per cent., one of the lowest interest rates for medium-term and long-term bonds issued by local state-owned enterprises in the financial leasing industry with similar rating. In addition, the Group has been exploring innovative financing channels and products. For example, in 2021, Qingdao Chengtou New Energy Co., Ltd. (青島城投新能源投資有限公司), a subsidiary of the Company, successfully issued RMB500 million in aggregate principal amount of carbon-neutral bonds with proceeds to be used in clean energy projects of photovoltaic power generation and wind power generation, which was the first "carbon-neutral, and rural revitalisation" bonds in Qingdao.

With well-established operations in various business segments, the Group has a proven track record of raising finance and repaying debts and its strong credit worthiness has been recognised by domestic rating agencies. Since 2012, the Company has maintained its assigned "AAA" ratings by Dagong Global Credit Rating Co., Ltd. (大公國際資信評估有限公司), one of the three leading PRC rating agencies. In addition, Lianhe Global has upgraded the Company's corporate rating to "A" with a "stable" outlook in 2022. Fitch also upgraded the Company's corporate credit rating to "BBB+" with a stable outlook in December 2020. On 7 March 2023, Fitch affirmed the Company's corporate credit rating of "BBB+" and revised outlook from "stable" to "negative". On 31 March 2023, Lianhe Global affirmed the Company's corporate credit rating of "A" and revised outlook from "stable" to "positive". In 2022, China Chengxin International Credit Rating Co., Ltd. (中誠信國際信用評級有限責任公司) reaffirmed Qingdao Chengtou Chengjin Holding's corporate rating of "AAA".

With its diverse sources of funding, the Company believes that it will continue to have access to sufficient capital to support its business operations and expansion.

Sound and effective corporate governance with experienced management team

The Company has established a sound and effective corporate governance structure which is in line with modern corporate practices. The board of directors is the highest decision-making authority. The Company is required by its articles of association to have a board of directors comprising nine directors. However, as at the date of this Offering Circular, the board of directors of the Company only consists of seven members and the appointment of the remaining directors is pending confirmation and notification by Qingdao SASAC. See “*Risk Factors — Risks Relating to the Group in General — If the Group fails to maintain effective internal controls and sound corporate governance, its business, financial condition, results of operations and reputation could be materially and adversely affected*”. At the operational level, the Company has nine departments and offices at the group company levels (such as the Office of the Board of Directors • Strategic Development Department, the Investment and Capital Operation Management Department (Group Investment Promotion Office), the Financial Fund Management Department, the Audit and Legal Department and the Safety and Enterprise Management Department (Safety Management Centre), etc.) and seven special committees (namely the Strategy and Investment Committee, the Tender Committee, the Capital and Risk Management Committee, the Compensation Appraisal Committee, the Budget Management Committee, the Audit Committee, and the Safety Production Committee) to oversee different aspects of the Group’s daily operations.

The Company has a senior management team with an average of over 15 years of experience in the management of large state-owned enterprises and companies operating in the same sectors as the Group. See “*Directors, Supervisors and Senior Management of the Company*”. Under the sound leadership of its management team and leveraging their past experience, the Group has achieved and maintained its success over the years, distinguishing itself from its competitors.

Business Strategies

The Company aims to maintain its dominant role in terms of urban planning, municipal construction and rural development in Qingdao and also actively develop its other businesses. Its goal is to continue to grow its asset base, optimise its capital structure and enhance operational efficiency.

To achieve its objectives, the Group plans to focus on the following strategies:

Strengthen financial stability, appropriately control growth scale, improve asset quality and reduce financial leverage

The Group plans to focus on areas that can create synergies with the group to reduce financial risks and gradually reduce the amount of new investment in financial sector to maintain assets scale, and optimise asset quality. The Group also plans to adhere to prudent financial policy with stringent risk control and enhanced financial management to keep its financial stability. The Group has established standardised capital management mechanism to monitor capital, capital efficiency and capital risks, thereby effectively enhancing the results and efficiency of the overall management. For financial management, the Group focuses on financial risk control, company growth, value creation, implementation of budget management and establishment of information platforms in order to encourage communications and interactions between business operation and financial management, contribute to the sustainable and healthy development of the Company and provide financial stability. For interest rate risks, the Group will adjust its composition of onshore and offshore debt as well as its direct and indirect financing structure in accordance with credit policies and market changes. It will also continue to strengthen cooperation with banks, seek alternative sources of financing and maintain a balanced indebtedness structure consisting of short-term, medium-term and long-term credit facilities. The Group strives to prudently manage its financial performance while fulfilling investment and development needs to drive profitability.

Form a two-wheel drive pattern of government projects and market-oriented projects, actively match and serve urbanisation strategies and accelerate transformation and development

Due to its comprehensive experience and expertise, the Group believes that it is well positioned to expand its businesses to include various industries and businesses in the future. The Group has a unique relationship with the Qingdao Municipal Government and sophisticated expertise that was accumulated over years of operations experience in the city construction industry. The Group intends to leverage these advantages and capitalise on its location in Qingdao to coordinate with the development of Qingdao’s urbanisation strategy. The Group plans to further grow its business and improve profitability by enhancing its business structure, developing innovative business methods and exploring new growth opportunities. In addition to growing its core businesses, the Group plans to attend to the needs of customers at every stage of the business cycle by transitioning into an integrated service provider and a strategic investor that, by itself or through joint ventures, offers and invests in diversified services.

In accordance with the principle of coordinated business development and integrated planning of industry and business chain, the Group intends that during the 14th Five-Year Plan period, it will continue to focus on the development of its three core segments including urban-rural construction and development, financial and trading services, and emerging industrial investment and management and gradually establish six distinctive and complementary business platforms of the Group, namely capital operation platform, urban and rural infrastructure investment platform, industrial platform, digital platform, overseas business platform and collaborative development platform.

Organise its business portfolio concentrated on key industries and integrate resources for coordinated development

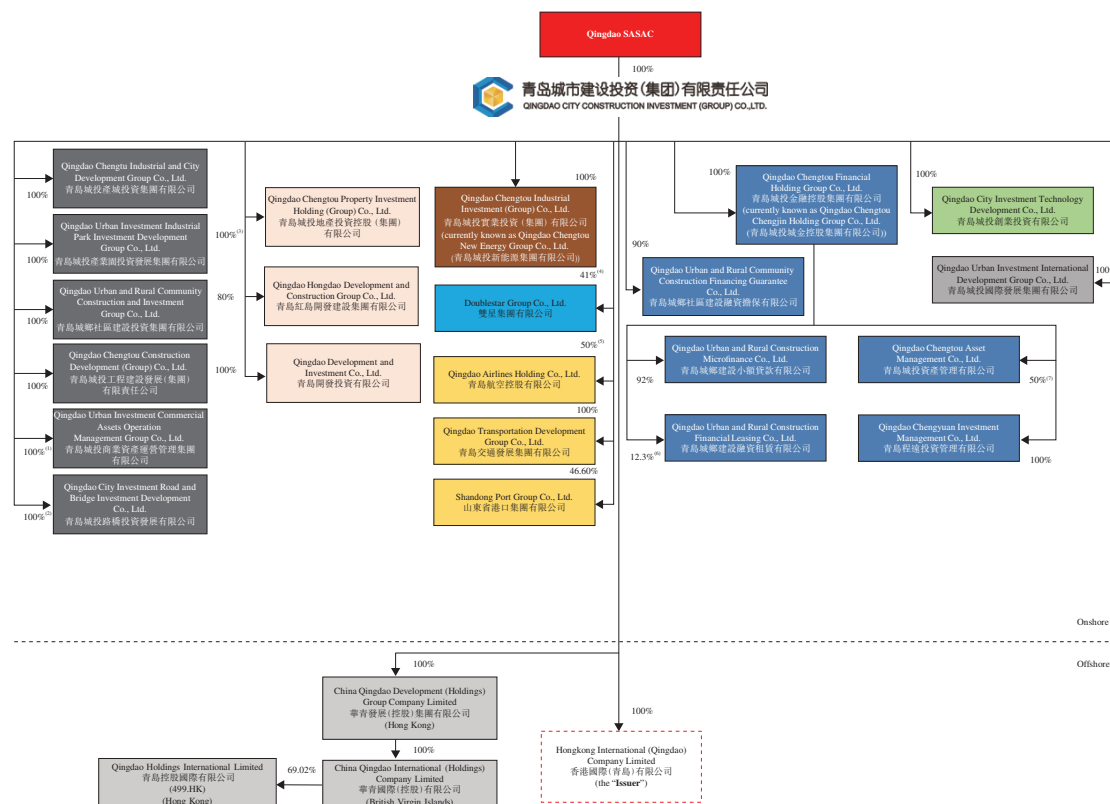
The Group has diverse business and investments in multiple industries including primary land development, infrastructure development, development of affordable housing and commodity housing, industrial park construction, photovoltaic and wind power generation, intellectual manufacturing, basic materials and trading financial services. In the future, the Group plans to further expand its market shares in industries of new energy, new infrastructure and industrial supply chain, to further organise its business portfolio through forming strategic partnerships or collaborating with Yongfu Power (永福股份), China Energy Engineering Group Co., Ltd. (中國能源建設集團有限公司), Sinoma International Engineering Co., Ltd. (中國中材國際工程股份有限公司), Aviation Industry Corporation of China, Ltd. (中國航空工業集團有限公司), Aero Engine Corporation of China (中國航空發動機集團) and other industry leading entities to create growth drivers in new industries and to optimise and integrate its resources for coordinated development.

Strengthen management and internal control systems

The Group will continue to improve and streamline its management structure and internal control systems, so as to increase its capability in terms of safety and quality control. In addition, the Group considers effective project management to be critical to enhancing its overall operational efficiency. Mechanisms will be put in place to gradually implement the coordination of tendering and bidding management among various operational units, for example, to avoid two subsidiaries competing against each other for the same project. The Group will also allocate 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.

Corporate Structure

The following diagram sets forth a simplified structure of the Group as at 31 December 2022:



Notes:

- (1) The Company through Qingdao Chengtou Construction Development (Group) Co., Ltd. (青島城投工程建設發展(集團)有限責任公司) holds 100 per cent. equity interest in this subsidiary.
- (2) The Company through Qingdao Chengtou Construction Development (Group) Co., Ltd. holds 100 per cent. equity interest in this subsidiary.
- (3) The Company through Qingdao Chengtou Construction Development (Group) Co., Ltd. holds 100 per cent. equity interest in this subsidiary.
- (4) There was a capital and share increase and equity transfer in this subsidiary and introduction of strategic investors in April 2020 and consequently and pursuant to agreement with the strategic investors, the Company held a 41 per cent. equity interest in this subsidiary. Such shareholding update has yet to be registered with SAMR.
- (5) In July 2022, the Company received the Approval of Qingdao SASAC on the Gratuitous Transfer of State-owned Equity Interest in Qingdao Airlines Holding (Qing SASAC [2022] No. 120) (青島市國資委關於青島航空控股有限公司國有股權無償劃轉的批覆 (青國資委[2022] 120號)), pursuant to which the Company shall transfer 50 per cent. of the state-owned equity interest in Qingdao Airlines Holding to Qingdao Tourism Group at nil consideration. As a result of the equity transfer, the Company will hold the remaining 50 per cent. of the equity interest in Qingdao Airlines Holding. As at the date of this Offering Circular, the equity transfer has not been completed. However, Qingdao Airline Holding's financial results were deconsolidated from the Group's financial statements from 1 January 2022 and it had since ceased to be a consolidated subsidiary of the Company. Completion of the relevant transfer of equity interest is subject to the completion of registration procedures with SAMR.
- (6) Qingdao Chengtou Chengjin Holding holds approximately 12.3 per cent. equity interest in this subsidiary. The Company also through Qingdao Holdings indirectly holds approximately 81.91 per cent. equity interest in this subsidiary.
- (7) On 29 December 2022, Qingdao Chengtou Chengjin Holding announced that its board of directors approved the capital increase in this subsidiary by the entity designated by Qingdao Municipal Construction Group Co., Ltd. (青島市政空間開發集團有限責任公司). As a result of the capital increase, the equity interest in this subsidiary held by Qingdao Chengtou Chengjin Holding will be reduced from 100 per cent. to 50 per cent. As at the date of this Offering Circular, such shareholding change has yet to be registered with SAMR. However, Chengtou Asset Management's financial results were deconsolidated from the Group's financial statements from 1 January 2022 and it had since ceased to be a consolidated subsidiary of the Company.

History and Development

On 23 April 2008, the establishment of the Company was approved by the Qingdao Municipal Government with the release of the Announcement of the Qingdao People's Government in relation to the Establishment of Government Invested Companies (青島市人民政府關於組建政府投資類公司的通知). On 23 May 2008, Qingdao SASAC set up the Company with the combined net assets of Qingdao Dongao Development and Construction Group Limited (青島東奧開發建設集團公司), Qingdao Development and Investment Co., Ltd. and Qingdao Urban Development and Investment Centre (青島市城市建設投資中心). The Company had a registered capital of RMB3.0 billion at its inception.

Set out below are a number of key events which occurred as well as honours and awards received in the corporate development of the Group:

Year	Event(s)
2008	On 23 May 2008, Qingdao SASAC set up the Company. In June, Qingdao Shengtong Coast Property Development Co., Ltd. (青島勝通海岸置業發展有限公司) became a controlled subsidiary of the Group focusing on land reclamation. In September, the Company set up Qingdao City Investment Environment and Energy Co., Ltd. (青島城投環境能源有限公司) to consolidate its wastewater treatment business and other environmental protection related projects, and Qingdao City Investment Tourism Development Co., Ltd. as the primary entity to operate its tourism and travel services business. In December, the Company set up Qingdao City Investment Property Development Co., Ltd. (青島城投置地發展有限公司) as the primary entity to undertake primary land development of the Sifang Happy Coastal City project, and Qingdao City Investment Real Estate Development Co., Ltd. (青島城投房地產開發公司) as the key operating subsidiary to develop affordable housing and commodity housing.
2009	Qingdao Olympic Sailing Centre (青島奧帆中心) invested and constructed by the Group received the title of “National Demonstration Zone of Coastal Tourism and Leisure” (國家濱海旅遊休閒示範) granted by National Tourism Administration (國家旅遊局). In April, Qingdao City Investment Road and Bridge Investment Development Co., Ltd. (青島城投路橋投資發展有限公司) was established by the Group to undertake major urban infrastructure projects such as the construction and operation of road, bridge, tunnels and subways. In November, the Company and Qingdao Municipal Government set up Qingdao Chengtou Hongdao Real Estate Development Co., Ltd. (青島城投紅島地產開發有限公司), a joint venture in which the Company holds 80 per cent. interest, to develop the Hongdao land development project.
2010	In January, the affordable housing construction project of Haian Xinyuan (海岸馨園) was launched.
2011	The Group was recognised as the “Outstanding Contribution Unit to Tourism of the 11th Five-Year Plan”. In addition, the Group was awarded the “High Quality Structural Engineering of Qingdao” award for its early completion of the Women and Children’s Hospital (婦兒醫院) relocation and the Central Hospital (中心醫院) expansion. 2012 Qingdao Olympic Sailing Centre was officially named as a “National First-Class Opening Port” by the General Administration of Customs (國家海關總署). In April, the Qingdao Municipal Government repositioned the Group as the key entity to implement its strategy of development of urban and rural areas, city infrastructure construction and promoting tourism in Qingdao.

Year	Event(s)
	In May, the Company was assigned an “AAA” rating by Dagong Global Credit Rating Co., Ltd., one of the three leading PRC rating agencies.
2013	In April, Haian Xinyuan was completed with 3,500 residential units in total. In April, Qingdao Municipal Resources Development Co., Ltd. (青島市政資源綜合開發有限公司) was established to conduct the underground construction between Wusi Square (五四廣場) and Olympic Sailing Base (奧帆基地). In July, Qingdao Urban and Rural Community Construction Financing Guarantee Co., Ltd. (青島城鄉社區建設融資擔保有限公司) (“Qingdao Financing Guarantee Co.”) was established to assist the financing of SMEs with manufacturing, agricultural, engineering, photovoltaic power generation, trade, e-commerce and other business lines. Qingdao Financing Guarantee Co. was elected as the vice president of the Shandong Financing Guarantee Group Association (山東省融資擔保企業協會副會長單位).
2014	The Group’s construction project department was awarded the title of the “Pioneer Worker” (工人先鋒號) of Shandong; and the Group was awarded the title of the “Advanced Unit of Information Work” (信息工作先進單位). In July, the Issuer was incorporated as the Company’s offshore financing platform. The Group obtained its offshore equity financing platform by acquiring the controlling interest in Qingdao Holdings International Limited, which is listed on The Stock Exchange of Hong Kong Limited under stock code “499”.
2015	The Chongqing Road Expressway Project was awarded the Luban Prize for Construction Project (中國建設工程魯班獎) from 2014 to 2015 and was awarded the title “Shandong Province Construction Quality ‘Taishan Cup’ Project” (山東省建築品質“泰山杯”工程) in 2015. In February, the Issuer issued dual-tranche U.S. dollars denominated bonds with a total principal amount of U.S.\$800 million, which consisted of a tranche of five-year bonds with a principal amount of U.S.\$500 million, bearing an annual interest rate of 4.75 per cent. and a tranche of ten-year bonds with a principal amount of U.S.\$300 million, bearing an annual interest rate of 5.95 per cent. In August, Qingdao Urban and Rural Community Construction Investment Group Co., Ltd. (青島城鄉社區建設投資集團有限公司) (“Urban and Rural Community Construction Investment”) was transferred to the Company at nil consideration. In September, the Issuer issued U.S. dollars denominated perpetual capital securities with a total principal amount of U.S.\$500 million bearing an initial annual distribution rate of 4.9 per cent. In September, Chengtou Real Estate Investment Group (城投地產投資集團) was established for the Group’s property development business. The Group also established Qingdao Chengshi Fund (青島城世基金), being the first real property fund in Qingdao registered with Asset Management Association of China (中國證券投資基金業協會).
2016	The Group was ranked 13th among “Top 100 Urban Investment Enterprises in China” (中國城投百強) by the Modern Research Institute (現代研究院) organised by CFACN (中國城投網) and China Zenith Group Co., Ltd. (中國現代集團有限公司); Qingdao Urban and Rural Construction Microfinance Co., Ltd. was awarded the title “National Outstanding Microfinance Enterprise” (全國優秀小額貸款公司) by Microfinance Enterprise Association in China (中國小額貸款公司協會).

Year	Event(s)
	The Chongqing Road project was awarded “Golden Cup Demonstration Project in Shandong Province” (山東省政金杯示範工程) by Shandong Province Urban Construction Management Association (山東省城市建設管理協會).
2017	The Group was awarded “Top 500 Service Industry Enterprises in China” (中國服務業企業500強) by China Enterprise Confederation (中國企業聯合會) and Chinese Entrepreneurs Association (中國企業家協會); the Group’s Xinjiang Road elevated expressway project was awarded “Golden Cup Demonstration Project in Shandong Province” by Shandong Province Urban Construction Management Association. The Group was ranked within the top 25 taxpayers in Qingdao based on the amount of taxes paid for the relevant year for five consecutive years. The Group ranked 11th among “Top 100 Urban Investment Enterprises in China” in terms of total assets and ranked first among the enterprises in Shandong Province. The Group was awarded “Advanced Energy-saving Enterprise in Shandong Province” (山東省節能先進企業) by the General Office of Shandong Provincial Government (山東省政府辦公廳) from 2015 to 2017.
2018	In March, the Group entered into a letter of intent for cooperation with the Bangkok City Investment Group. In March, Qingdao Financing Guarantee Co. became the first company in Qingdao and the second company in Shandong Province to obtain an AA+ corporate credit rating from the domestic big-four credit rating agencies. The Company converted RMB3.9 billion of its capital reserves into paid-in capital as approved by Qingdao SASAC. The registered capital of the Company has increased to RMB6.9 billion. In October, the Group issued RMB2 billion renewable domestic corporate bonds (Phase I), the first perpetual instruments in 2018 issued by a LGFV with a AAA rating with a term of more than five years. In December, certain land for building water conservancy facilities in Dagu River (大沽河) was injected into the Group by the People’s Government of Laixi City. The Group ranked first among all investment and financing platforms directly held by Qingdao SASAC, and ranked first and 11th among the investment and financing platforms in Shandong Province and in the PRC, respectively, in terms of the Group’s total assets as at 31 December 2018. The Group was awarded the title of the “Advanced Unit of Information Work for Year 2017” (2017年度信息工作先進單位) and was granted the Certificate of Executive Director of China Industrial Development and Promotion Association (中國產業發展促進會常務理事證書).
2019	In 2019, the construction of Xinjiang Road elevated expressway project was completed. The Group undertook the New Qingdao Airport expressway connecting road project. In March, Qingdao Rural Commercial Bank, which was later invested by the Group, was listed on Shenzhen Stock Exchange under stock code “002958”. In June, the Group entered into a strategic cooperation agreement with PICC Capital Investment Management Co., Ltd. (人保資本投資管理有限公司), which is a wholly-owned subsidiary of the People’s Insurance Company (Group) of China Limited (中國人民保險集團股份有限公司). In July, the Company submitted to Qingdao SASAC for approval the proposed re-classification of its businesses into three core segments: (1) urban-rural construction and development, (2) financial and trading services, and (3) emerging industrial investment and management. The approval by Qingdao SASAC had been obtained in 2019.

Year	Event(s)
	In August, as part of the Group’s initiatives to align its business focuses with government policy direction, the Company entered into an asset restructuring agreement with Qingdao Water Group involving certain of their subsidiaries to facilitate the set-up of a limited liability company specialised in wastewater treatment to be controlled by Qingdao Water Group (and will be an associate of the Company) which will serve as the vehicle for their cooperation going forward. The asset restructuring had since been completed and, among other things, the titles to the five treatment plants were transferred to Qingdao Water Group. Consequently, the Group held a five per cent. equity interest in Qingdao Water Group Environment and Energy Co., Ltd. In August, Qingdao SASAC granted approval for the transfer of the 100 per cent. equity interest in Qingdao Transportation Group to the Company. The equity transfer was completed in December 2020. In December, the Company and Nanshan Group and its affiliates entered into a framework agreement (the “Framework Agreement”), pursuant to which the Company intended to acquire assets and equity interests of certain of Nanshan Group’s subsidiaries engaged in the aviation business. Nanshan Group was a third party independent of the Company and its connected parties. The target subsidiaries include, among others, Qingdao Airlines Co., Ltd. (青島航空股份有限公司) (“Qingdao Airlines”), Nanshan Business Jet Co., Ltd. (南山公務機有限公司) and Shandong Nanshan International Flight Co., Ltd. (山東南山國際飛行有限公司). In July 2020, the Group and Nanshan Group entered into the equity and asset transfer agreement, pursuant to which the total consideration of the equity and asset transfer contemplated therein was RMB6.45 billion. The acquisition of the 100 per cent. equity interest of Qingdao Airlines by the Group was completed in September 2020.
2020	In March, Qingdao SASAC granted in-principle approval for the transfer of a 9 per cent. equity interest in Qingdao Rural Commercial Bank by Qingdao International Airport Group Co., Ltd. to the Company at nil consideration. The equity transfer was completed in October 2020. As at the date of this Offering Circular, the Company held 9.05 per cent. equity interest in Qingdao Rural Commercial Bank. In 2020, Qingdao SASAC granted in-principle approval for the transfer of 93.70 per cent. equity interest in Qingdao International Airport Group Co., Ltd. to the Company at nil consideration. The equity transfer was completed in January 2021. In April, the 100 per cent. equity interest of Doublestar Group was transferred by Qingdao SASAC to the Company at nil consideration. In April, Doublestar Group completed its capital and share increase and equity transfer by way of listing on Qingdao Property Rights Exchange. Consequently, and after the introduction of strategic investors, the Company held a 41 per cent. equity interest in Doublestar Group and became its largest shareholder. The Group was awarded “Outstanding Corporate Bonds Issuer” by Shanghai Stock Exchange Bond Market and Shenzhen Stock Exchange Bond Market.
2021	In February, the State-owned Assets Supervision and Administration Commission of Shandong (“Shandong SASAC”) granted approval for the transfer of a 46.604 per cent. equity interest in Shandong Port Group Co., Ltd. to Qingdao Transportation Group, a subsidiary of the Company at nil consideration. The equity transfer was completed in September 2021. In December, Shandong SASAC granted approval for the transfer of a 46.604 per cent. equity interest in Shandong Port Group Co., Ltd. from Qingdao Transportation Group to the Company at nil consideration. As at the date of this Offering Circular, the equity transfer has not been completed.

Year	Event(s)
	In April 2021, the General Office of the Qingdao Municipal Government issued the Notice on Printing and Distributing the Working Plan for Enhancing and Strengthening Municipal Platform Companies to Promote the Construction of Major Infrastructure Projects in the City (關於印發做大做強市屬平台公司推動全市重大基礎設施項目建設工作方案的通告) (Qingzhengbanzi [2021] No. 34), pursuant to which Qingdao SASAC will transfer 100 per cent. of the state-owned equity interests in Qingdao Water Group, Qingdao Energy Group Co., Ltd. (青島能源集團有限公司) and Qingdao Municipal Construction Group Co., Ltd. (青島市政空間開發集團有限責任公司) to the Company. As at the date of this Offering Circular, the equity transfer has not been completed. Completion of the relevant transfers of equity interests is subject to the completion of registration procedures with SAMR. Please refer to the risk factors headed “<i>Risk Factors — Risks Relating to the Group in General — The Group faces risks associated with contracting with public bodies, such as the Qingdao Municipal Government</i>” for further information. In 2021, the Group ranked 197th among “Top 500 Service Industry Enterprises in China” (中國服務業企業500強) by China Enterprise Confederation and Chinese Entrepreneurs Association, 70th among “Top 100 Enterprises in Shandong” (山東企業百強) published by Shandong Enterprise Confederation (山東省企業聯合會) and Shandong Enterprise Directors Association (山東省企業家協會) and 5th among “Top 100 Urban Investment Enterprises in China” in terms of total assets. Qingdao Financing Guarantee Co. was awarded the “2020 Outstanding Contribution Award for Industry Development” (2020年度行業發展突出貢獻獎) by Qingdao Financing Guarantee Enterprise Development Promotion Association (青島市融資性擔保企業發展促進會).
2022	In July 2022, the Company received the Approval of Qingdao SASAC on the Gratuitous Transfer of State-owned Equity Interest in Qingdao Airlines Holding (Qing SASAC [2022] No. 120) (青島市國資委關於青島航空控股有限公司國有股權無償劃轉的批覆 (青國資委[2022]120號)), pursuant to which the Company shall transfer 50 per cent. of the state-owned equity interest in Qingdao Airlines Holding to Qingdao Tourism Group at nil consideration. As at the date of this Offering Circular, the equity transfer has not been completed. Completion of the relevant transfer of equity interest is subject to regulatory procedures with SAMR. Please refer to the risk factors headed “<i>Risk Factors — Risks Relating to the Group in General — The Group faces risks associated with contracting with public bodies, such as the Qingdao Municipal Government</i>” and “— <i>Recent Developments</i>” for further information. In 2022, the Group ranked 180th among “Top 500 Service Industry Enterprises in China” (中國服務業企業500強) by China Enterprise Confederation and Chinese Entrepreneurs Association, 66th among “Top 100 Enterprises in Shandong” (山東企業百強) and 7th among “Top 50 Service Industry Enterprise in Shandong” (山東服務業企業50強企業) published by Shandong Enterprise Confederation (山東省企業聯合會) and Shandong Enterprise Directors Association (山東省企業家協會) and 5th among “Top 100 Urban Investment Enterprises in China” in terms of total assets.

Recent Developments

Additional Debt Instruments since 31 December 2021

Since 31 December 2021, the Group has entered into additional financing arrangements and issue bonds to finance its operations. As at 30 September 2022, the Group's short-term borrowings increased compared to the balance as at 31 December 2021 primarily due to its enlarged financing structure during this period. Furthermore, as at 30 September 2022, among other things, the Group's other payables and non-current liabilities due within one year increased, while the Group's other current liabilities, long-term borrowings, bonds payable, lease liability and long-term payables decreased, as compared to their respective balances as at 31 December 2021.

In January 2022, Qingdao URC Financial Leasing, a subsidiary of the Company, issued RMB300 million in aggregate principal amount of super short-term commercial papers, which had been repaid in full in October 2022, and RMB1,107 million in aggregate principal amount of asset-backed securities with the latest maturity of 2025.

In February 2022, Qingdao URC Financial Leasing issued RMB1,000 million in aggregate principal amount of corporate bonds with a maturity of three years.

In March 2022, the Company issued RMB400 million in aggregate principal amount of short-term commercial papers, which had been repaid in full in March 2023, RMB1,600 million in aggregate principal amount of private placement bonds with a maturity of three years, and RMB1,500 million in aggregate principal amount of super short-term commercial papers, which had been repaid in full in October 2022. In March 2022, Qingdao Chengtou Chengjin Holding, a subsidiary of the Company, issued RMB500 million in aggregate principal amount of renewable corporate bonds and RMB1,000 million in aggregate principal amount of renewable corporate bonds.

In April 2022, the Company issued RMB1,000 million in aggregate principal amount of private placement bonds with a maturity of five years and an option to repurchase at the end of the third year, RMB1,500 million in aggregate principal amount of medium-term notes with a maturity of five years and an option to repurchase at the end of the third year, and RMB1,000 million in aggregate principal amount of super short-term commercial papers, which had been repaid in full in January 2023. In April 2022, Qingdao URC Financial Leasing issued RMB1,332 million in aggregate principal amount of asset-backed securities with the latest maturity of 2026.

In June 2022, Qingdao Chengtou Chengjin Holding issued RMB1,000 million in aggregate principal amount of renewable corporate bonds.

In July 2022, the Issuer issued the 2022 July Bonds. In July 2022, Qingdao URC Financial Leasing issued RMB1,290 million in aggregate principal amount of asset-backed securities with the latest maturity of 2026.

In September 2022, Qingdao URC Financial Leasing issued RMB300 million in aggregate principal amount of super short-term commercial papers with a maturity of less than one year and RMB1,388 million in aggregate principal amount of asset-backed securities with the latest maturity of 2027. In September 2022, Shanghai Qingtou Financial Leasing Co., Ltd. (上海青投融資租賃有限公司), an indirect subsidiary of the Company, issued RMB563 million in aggregate principal amount of asset-backed securities with the latest maturity of 2026.

In October 2022, the Company issued RMB1,500 million in aggregate principal amount of medium-term notes with a maturity of three years.

In November 2022, the Company issued RMB1,000 million in aggregate principal amount of medium-term notes with a maturity of three years, RMB1,600 million in aggregate principal amount of private placement bonds with a maturity of three years and RMB800 million in aggregate principal amount of private placement bonds with a maturity of three years. In November 2022, Qingdao URC Financial Leasing issued RMB500 million in aggregate principal amount of private placement corporate bonds with a maturity of three years, RMB400 million in aggregate principal amount of super short-term commercial papers with a maturity of less than one year and RMB1,374 million in aggregate principal amount of asset-backed securities with the latest maturity of 2026.

In January 2023, the Company issued RMB1,200 million in aggregate principal amount of medium-term notes with a maturity of three years. In January 2023, Qingdao URC Financial Leasing issued approximately RMB462.7 million in aggregate principal amount of asset-backed securities with the latest maturity of 2026. In January 2023, Shanghai Qingtou Financial Leasing Co., Ltd., an indirect subsidiary of the Company, issued approximately RMB777.3 million in aggregate principal amount of asset-backed securities with the latest maturity of 2026.

In February 2023, the Company issued RMB300 million in aggregate principal amount of medium-term notes with a maturity of three years. In February 2023, Qingdao URC Financial Leasing issued RMB500 million in aggregate principal amount of private placement bonds with a maturity of three years.

In March 2023, the Company issued RMB400 million in aggregate principal amount of private placement bonds with a maturity of three years with an option to repurchase at the end of second year, and RMB450 million in aggregate principal amount of private placement bonds with a maturity of five years and an option to repurchase at the third year.

In April 2023, the Company issued RMB500 million in aggregate principal amount of private placement bonds with a maturity of three years, and RMB520 million in aggregate principal amount of private placement bonds with a maturity of three years with an option to repurchase at the end of the second year.

Gratuitous Equity transfer of Qingdao Airlines Holding to Qingdao Tourism Group

In July 2022, the Company received the Approval of Qingdao SASAC on the Gratuitous Transfer of State-owned Equity Interest in Qingdao Airlines Holding (Qing SASAC [2022] No. 120) (青島市國資委關於青島航空控股有限公司國有股權無償劃轉的批覆 (青國資委[2022]120號)), pursuant to which the Company shall transfer 50 per cent. of the state-owned equity interest in Qingdao Airlines Holding to Qingdao Tourism Group at nil consideration. The value of the equity interest subject to the transfer will be based on the audit report issued by Shandong Desheng Co., Ltd. Certified Public Accountants (山東德盛有限責任會計師事務所) with 31 December 2021 as the benchmark date of the equity transfer. As a result of the equity transfer, the Company will hold the remaining 50 per cent. of the equity interest in Qingdao Airlines. As at the date of this Offering Circular, the equity transfer has not been completed. However, Qingdao Airline Holding's financial results were deconsolidated from the Group's financial statements from 1 January 2022 and it had since ceased to be a consolidated subsidiary of the Company. Completion of the relevant transfer of equity interest is subject to regulatory procedures with SAMR. Please refer to the risk factors headed "*Risk Factors — Risks Relating to the Group in General — The Group faces risks associated with contracting with public bodies, such as the Qingdao Municipal Government*" for further information.

As at the date of this Offering Circular, the Company holds an approximate 5.10 per cent. equity interest in Qingdao Tourism Group. As at 31 December 2021, total assets of Qingdao Airlines Holding was RMB16,518.9 million. As at 31 December 2021, Qingdao Airlines Holding had a negative net assets position of RMB2,234.8 million. For the year ended 31 December 2021, Qingdao Airlines Holding's total operating income and net loss was RMB2,262.3 million and RMB1,587.6 million, respectively. The Company believes that the equity transfer will not materially and adversely affect the Group's net assets, operating income and net profit, nor will the equity transfer have a material negative impact on the Group's day-to-day operations or ability to service its debts.

Performance of the Group for the Nine Months Ended 30 September 2022

The Company has published its unaudited and unreviewed quarterly financial results as at and for the nine months ended 30 September 2022 on the website of the Shanghai Clearing House (<http://www.shclearing.com.cn>) (the "**2022 Interim Accounts**"). However, the 2022 Interim Accounts have not been and are not subject to an audit or a review by an independent auditor and may be subject to further adjustments. Such financial information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or a review. Such unaudited and unreviewed assessment and financial information should not be taken as an indication of the Group's business, financial condition or results of operation expected for these periods and potential investors should not rely on such interim financial information in making their investment decisions and to evaluate the Group's financial condition and results of operation for these periods or the full year ended 31 December 2022. Interim results are not necessarily indicative of the Group's results to be expected for the full year. For the avoidance of doubt, the 2022 Interim Accounts have not been set out in this Offering Circular, are not incorporated by reference herein and do not constitute part of this

Offering Circular. See “Risk Factors — Risks Relating to the Group’s Financial Statements — The Company published and may continue to publish periodical financial information in the PRC pursuant to applicable PRC regulations and the rules of relevant stock exchanges. Investors should be cautious and should not place any reliance on the financial information other than that disclosed in this Offering Circular”.

According to the unaudited and unreviewed 2022 Interim Accounts, for the nine months ended 30 September 2022, the Group recorded a slight decrease in its total operating income as compared to the same period in 2021, primarily due to, among other things, the changes in the scope of consolidation during the reporting period and the decrease in the revenue generated from the Group’s financial services, trading, construction, real estate and toll operation businesses as a result of the COVID-19 pandemic and market conditions. Although the Group’s total operating cost for the nine months ended 30 September 2022 decreased correspondingly to a greater extent for the same period primarily due to, among other things, the decrease in selling expenses, the Group recorded operating losses and losses before tax for the nine months ended 30 September 2022 as compared to an operating profit and profits before tax in the same period in 2021. This was primarily attributable to decreases in gains from other income, gains on investment, exchange gains and non-operating income. The Group recorded a greater net loss for the nine months ended 30 September 2022 as compared to the same period in 2021.

According to the unaudited and unreviewed 2022 Interim Accounts, the Group’s total assets as at 30 September 2022 recorded a substantial decrease from 31 December 2021, mainly due to, among other things, decreases in monetary funds, receivable financing, other current assets, long-term receivables, long-term equity investment, investment property, goodwill and long-term deferred expenses.

According to the unaudited and unreviewed 2022 Interim Accounts, as at 30 September 2022, the Group’s total current liabilities increased as compared to the balance as at 31 December 2021. In particular, the Group’s short-term borrowings, financial liabilities held for trading, other payables and non-current liabilities due within one year as at 30 September 2022 increased as compared to their respective balances as at 31 December 2021. However, the Group recorded a decrease in its total liabilities as at 30 September 2022 as compared to the balance as at 31 December 2021 given that there was a substantial decrease in its total non-current liabilities as at 30 September 2022 as compared to the balance as at 31 December 2021.

None of the Joint Lead Managers, the Agents, or any of their respective directors, affiliates, officers, advisors, employees, agents or representatives makes any representation, warranty or undertaking, express or implied of, or accepts any responsibility or liability with respect to, the Group or the Group’s business, financial condition or results of operation.

Changes in shareholding structure of Qingdao Chengtou Asset Management

On 29 December 2022, Qingdao Chengtou Chengjin Holding announced that its board of directors approved the capital increase in Qingdao Chengtou Asset Management by an entity designated by Qingdao Municipal Construction Group Co., Ltd. (青島市政空間開發集團有限責任公司) (the “Investor”) with 31 December 2021 as the benchmark date of the value of the capital increase. As a result of the capital increase, (i) Qingdao Chengtou Asset Management will be owned equally by Qingdao Chengtou Chengjin Holding and the Investor, respectively, (ii) the equity interest in Qingdao Chengtou Asset Management owned by Qingdao Chengtou Chengjin Holding will be reduced from 100 per cent. to 50 per cent. As at the date of this Offering Circular, such shareholding change has yet to be registered with SAMR. However, Chengtou Asset Management’s financial results were deconsolidated from the Group’s financial statements from 1 January 2022 and it had since ceased to be a consolidated subsidiary of the Company.

As at 31 December 2021, total assets and net assets of Qingdao Chengtou Asset Management amounted to RMB25,110.3 million and RMB286.1 million, respectively. For the year ended 31 December 2021, Qingdao Chengtou Asset Management’s total operating income and net loss was RMB496.0 million and RMB832.9 million, respectively. The Company believes that the changes in shareholding structure of Qingdao Chengtou Asset Management will not materially and adversely affect the Group’s net assets, operating income and net profit, nor will it have a material negative impact on the Group’s day-to-day operations or ability to service its debts.

Description of the Group's Business Segments

Overview

The Group is engaged in a diverse portfolio of businesses including (i) urban and rural infrastructure investment and construction, (ii) new energy business, (iii) industrial business, (iv) transportation, (v) financial services and (vi) other businesses.

The following table sets out a breakdown of the Group's total operating income by segment for the periods indicated:

For the year ended 31 December						
2019		2020		2021		
Amount	Per cent.	Amount	Per cent.	Amount	Per cent.	
(audited)						
(RMB in millions, except for percentages)						
Principal business segment						
Urban and rural infrastructure investment and construction . . .	337.7	2.5	3,532.0	10.7	1,159.6	2.9
New energy business	985.1	7.4	1,468.2	4.5	1,828.1	4.5
Industrial business	6,969.7	52.6	22,534.5	68.5	26,403.2	65.6
Transportation ^{(1), (2)}	—	—	468.4	1.4	3,929.1	9.8
Financial services	4,335.3	32.7	4,403.0	13.4	3,573.9	8.9
Others	508.0	3.8	389.6	1.2	3,043.0	7.6
Other businesses	124.3	0.9	121.0	0.4	309.4	0.8
Total	13,260.1	100.0	32,916.7	100.0	40,246.5	100.0

Notes:

- (1) The Group did not have transportation business prior to the completion of acquisition of 100 per cent. equity interest in Qingdao Airlines in September 2020. Accordingly, there was no operating income generated from transportation business for the year ended 31 December 2019, and the Group's operating income generated from its transportation business for the year ended 31 December 2020 represented the income of Qingdao Airlines after its consolidation since September 2020.
- (2) In July 2022, the Company received the Approval of Qingdao SASAC on the Gratuitous Transfer of State-owned Equity Interest in Qingdao Airlines Holding (Qing SASAC [2022] No. 120) (青島市國資委關於青島航空控股有限公司國有股權無償劃轉的批覆 (青國資委[2022] 120號)), pursuant to which the Company shall transfer 50 per cent. of the state-owned equity interest in Qingdao Airlines Holding to Qingdao Tourism Group at nil consideration. As a result of the equity transfer, the Company will hold the remaining 50 per cent. of the equity interest in Qingdao Airlines Holding. As at the date of this Offering Circular, the equity transfer has not been completed. However, Qingdao Airline Holding's financial results were deconsolidated from the Group's financial statements from 1 January 2022 and it had since ceased to be a consolidated subsidiary of the Company. Completion of the relevant transfer of equity interest is subject to regulatory procedures with SAMR.

(A) Urban and Rural Infrastructure Investment and Construction Segment

The Group's urban and rural infrastructure investment and construction business can be broadly divided into (i) primary land development business, (ii) infrastructure development business, (iii) development of affordable housing and commodity housing business, and (iv) industrial park construction business. For the years ended 31 December 2019, 2020 and 2021, the Group's operating income generated from this segment was RMB337.7 million, RMB3,532.0 million and RMB1,159.6 million, respectively, representing 2.5 per cent., 10.7 per cent. and 2.9 per cent. of the Group's total operating income for the relevant year.

Primary Land Development

According to the current city development plan, the Group is the designated entity to assist the Qingdao Municipal Government in its urbanisation goals and projects. Since 2008, the Group has been engaged in three primary land development projects, namely the Sifang Happy Coastal City project, the Hongdao land development project and the Qingdao Iron Project. These three primary land development projects occupy an aggregate site area of approximately 32.3 square kilometres. As at 30 June 2022, 4,124 mu of land had been developed and/or transferred by the Group.

The Qingdao Municipal Government aims to develop Qingdao into one of the most inhabitable, modern and international cities through overall planning (全域統籌) and eco-friendly and multi-dimensional development. To achieve this goal, the Qingdao Municipal Government is implementing the "Joint Development of Three Areas" (三城聯動) initiative, which focuses on the development of three key areas around the Jiaozhou Bay (膠州灣), namely, the east coast area where old towns are located, the north coast area which a modern and high-tech centre will be developed, and the west coast area whose development will focus on leveraging on ocean resources. According to the development plans of the Qingdao Municipal Government, the north coast area will be developed to include a high-tech park and four administrative districts, namely Hongdao district (紅島區), Shangma district (上馬區), Hetao district (河套區) and Jinghongtan district (棘洪灘區). In 2013, the development plan of the Hongdao Economic Zone (紅島經濟區) was officially launched by the Qingdao Municipal Government.

Business Model

The Group previously carried out primary land development in accordance with a master agreement entered into with the Qingdao Municipal Government, which set out details of the key aspects of the relevant projects, such as allocation of responsibilities between the Group and the government, financing arrangement, consideration and payment and any profit-sharing arrangement. The key terms may vary in one project from another, depending on the negotiation and definitive arrangements agreed upon with the Qingdao Municipal Government. See "*Project Descriptions*" below. Following the Notice of on Regulating Land Reserve and Financing Management (關於規範土地儲備和資金管理等相關問題的通知) issued by the Ministry of Land and Resources, MOF, PBOC and the China Banking Regulatory Commission on 2 February 2016, the Group changed the model to an agency construction model, whereby the Group is engaged as the general contractor for the development of the land development project for an agreed contracting fee payable according to the construction schedule without obtaining the land use rights of the land that it develops.

The Group's operating income from primary land development depends largely on its contractual arrangement with the local government for each project it undertakes. As recognition of the consideration for selling the land use rights is conditional upon execution of the land use rights transfer agreements and the payment at least 50 per cent. of the land premium, according to the Group's accounting policies, operating income from this business segment may fluctuate from time to time. According to the Group's accounting policies, operating income from sale of land developed by the Group is recognised when the land is delivered to the purchaser by Qingdao Land Resources Reserve and Management Centre.

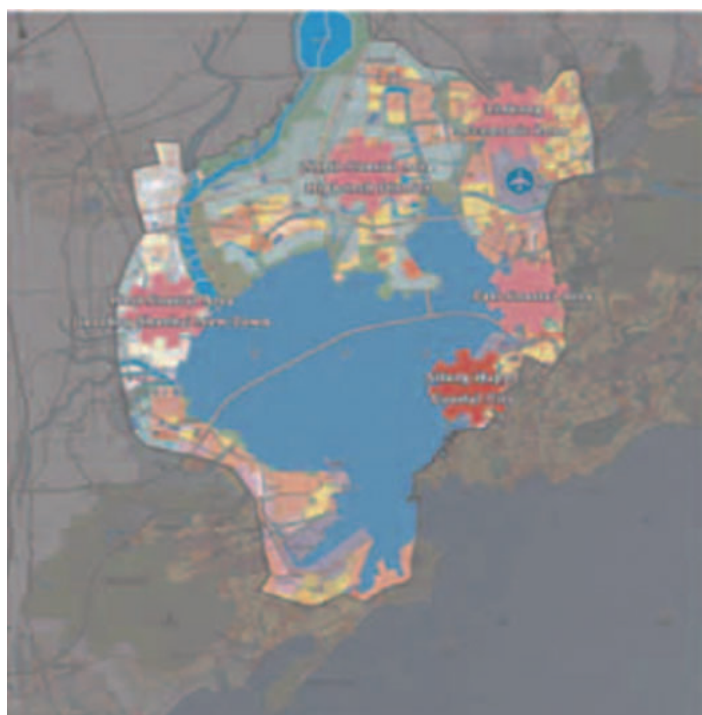
Project Descriptions

Sifang Happy Coastal City

Sifang Happy Coastal City project is a large-scale coastal area development project located in Sifang District, west of the Jiaozhou Bay Highway. This area occupies a site area of approximately 2,926 mu, which is created by way of land reclamation. The convenience with which the inner city will be able to access this area will be increased due to the relocation of the fee collection point of the Jiaozhou Bay Freeway to the west and the road widening projects of the inner city. The Qingdao Municipal Government anticipates that this area will be developed into a new environmental coastal area that is able to satisfy multiple demands of urban living, such as business, leisure, vacation and high-end residency.

The history of this project began with land reclamation by Qingdao Shengtong Coast Property Development Co., Ltd. in 2008 when it had not become a member of the Group. Therefore, Qingdao Shengtong Coast Property Development Co., Ltd. acquired the land use rights of the relevant land parcels in the first place. In June 2008, the Company acquired the controlling interest in Qingdao Shengtong Coast Property Development Co., Ltd. In 2009, the Qingdao Municipal Resources and Housing Administrative Bureau released a report concerning the early-stage land operating entity of the Sifang Happy Coastal City project, in which it announced the development plan of Sifang Happy Coastal City project and designated the Company as the primary entity to undertake land development of this area.

The following map indicates the location of this project:



Since the Group undertakes primary land development of this area in 2009, the land developed by the Group has been successively listed for transfer, and the consideration of the land transfer has been successively allocated to the Group as its operating income. As at 30 June 2022, the total

developable land area of the Sifang Happy Coastal project amounted to approximately 2,926.5 mu, of which, as at 30 June 2022, 2,926.5 mu had been developed by the Group. As at 30 June 2022, a total consideration of the land transfer of RMB5.45 billion had been received by the Group.

As at 30 June 2022, the land use rights of 2,926.5 mu of land had been obtained by the Group. Major developers of commodity properties, such as Poly Property Group, Greenland Group and Aorun Group, have commenced property development activities in Sifang Happy Coastal City. The Group develops this project through Qingdao City Investment Property Development Co., Ltd.

The primary development of this project is set out in the governmental approval (青發改投資核(2011)54號) issued by the NDRC of Qingdao in 2011. As provided in the approval and according to the agreement on recovery of state-owned construction land use right among the Company, Qingdao Shengtong Coast Property Development Co., Ltd. and the Qingdao Municipal Resources and Housing Administrative Bureau, the Qingdao Municipal Government has agreed to pay an amount which is equal to certain percentages of the fair market value of the land evaluated by an independent third-party appraiser depending on the type of land use as the compensation to Qingdao Shengtong Coast Property Development Co., Ltd. for acquiring the land use rights with respect to the Sifang Happy Coastal City. For example, if the relevant land is used for industrial purposes, the compensation to Qingdao Shengtong Coast Property Development Co., Ltd. will be 90 per cent. of the fair market value of the land as evaluated by the independent third-party appraiser. The Qingdao Municipal Government has agreed that, for each parcel of land developed Qingdao Shengtong Coast Property Development Co., Ltd., the Company will pay, on behalf of the Qingdao Municipal Government, an advance which is equal to 50 per cent. of the compensation amount payable by the Qingdao Municipal Government to Qingdao Shengtong Coast Property Development Co., Ltd., and this advance will be disbursed by the Qingdao Municipal Government to the Company as part of the amount for acquiring the land use rights. The remaining 50 per cent., which is booked as payables due to Qingdao Shengtong Coast Property Development Co., Ltd., will be paid by the Company after it receives the same amount from the Qingdao Municipal Government upon settlement.

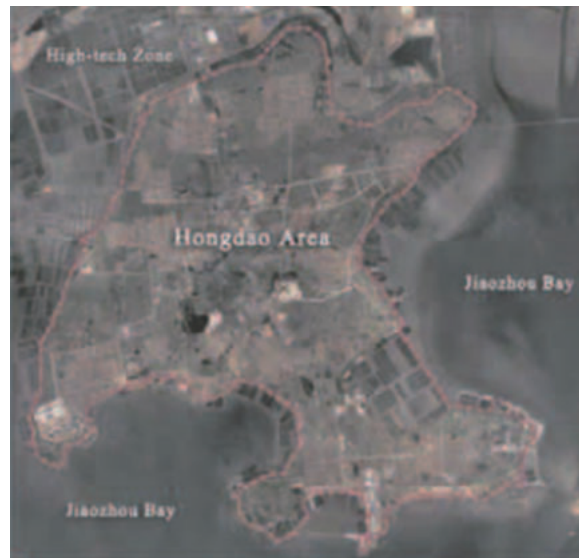
The amount equal to five per cent. of the total net profit from sale of the land use rights to third-party developers will be calculated and paid by the Qingdao Municipal Government when the land use rights of all the land parcels developed under this project are sold to third-party developers. As the primary development of part of the land has not completed, this amount has not been paid to the Group.

Hongdao Land Development Project

The history of Hongdao Land Development project began with the entering into of the Hongdao Area Land Reorganisation and Development Project Cooperation Agreement between the Group and the Chengyang District Government of Qingdao (青島市城陽區政府) in 2009 pursuant to which the Group and the Chengyang District Government of Qingdao jointly established Qingdao Chengtou Hongdao Real Estate Development Co., Ltd. undertaking primary land development business in Hongdao Street District (紅島街道轄區) with a total site area of approximately 28.7 square kilometres. Qingdao Chengtou Hongdao Real Estate Development Co., Ltd. was owned by the Group and Chengyang District Government of Qingdao jointly as to 80 per cent. and 20 per cent., respectively.

In 2013, the Qingdao Municipal Government and the Group entered into the Hongdao Street District Primary Land Development Authorisation Agreement (紅島街道轄區土地一級開發整理授權協議), pursuant to which Qingdao Chengtou Hongdao Real Estate Development Co., Ltd. changed its name to Qingdao Hongdao Development and Construction Group Co., Ltd. (青島紅島開發建設集團有限公司) and was responsible for the primary land development of Hongdao Street District which is located in the Hongdao New Economic Zone (紅島經濟新區) with a total project site area of approximately 160 square kilometres. Hongdao New Economic Zone is a key urban construction area of Qingdao and an important part of the “Joint Development of Three Areas” (三城聯動) initiative implemented by the Qingdao Municipal Government with the aim of developing Qingdao into a world-class city. According to the master development plan of the Hongdao area, the Qingdao Municipal Government anticipates that software and telecommunication, high-end manufacturing, bio-technology and pharmacy and technology services will be the key industries within this zone.

The following map indicates the location of this project:



On 18 August 2015, the management committee of the Qingdao high-tech industrial development zone (青島高新技術產業開發區管理委員會), Hongdao street office (紅島街道辦事處) and the Group entered into a land storage or transfer agreement (紅島片區土地收儲或出讓三方協議), pursuant which the parties agreed to vacate, store and transfer 3,490 mu of land in Hongdao to compensate the Group's investment.

Following the Notice of on Regulating Land Reserve and Financing Management (關於規範土地儲備和資金管理等相關問題的通知) issued by the Ministry of Land and Resources, MOF, PBOC and the China Banking Regulatory Commission on 2 February 2016, the development of Hongdao area has been changed to agency construction model. The Groups charges around 8 per cent. of total investment as its construction fee.

As at 30 June 2022, the Group has completed (i) the demolition of a total of 2,646 residential housing in the communities of Goujiao (溝角), Ningjia (寧家), Xiaoyang (曉陽) and Xiaojia (蕭家), (ii) the demolition and compensation of 169 ground attachments, (iii) construction relating to resettlement in Goujiao and payment of subsidies to farmers affected by the resettlement, (iv) the expropriation of 2,546 mu of agricultural land and purchase of 3,921 mu of cultivated land. 21 roads have been built or re-gravelled, with a total length of approximately 24.6 kilometres.

Qingdao Iron Project

The Qingdao Iron Project occupies a total site area of approximately 1.66 square kilometres and is located in Licang District (李滄區) in the north of Qingdao. The Qingdao Municipal Government has granted to the Group with the land use right of 2,494 mu of land of Qingdao Iron and Steel Holding Group Co., Ltd. (青島鋼鐵控股集團有限公司). This project is aimed to relocate the iron production plants which used to be the main source of pollution in Qingdao and to transform the municipal functions of such area. The total investment is approximately RMB10.5 billion. As at 30 June 2022, 76.47 mu of development land had been developed by the Group and a total consideration of the land transfer of RMB1.485 billion had been received by the Group.

The Group funded the development of this project through capital injection from the Qingdao Municipal Government, including the RMB2 billion special land reserve bonds issued by the government, and the proceeds provided by the fund companies established by the Group to support the development of the project.

Infrastructure Development

The Group is a key player in the execution of the Qingdao Municipal Government's plans for building and improving expressways, roads and other public infrastructure and facilities. The infrastructure projects are mainly carried out by Qingdao City Investment Road and Bridge Investment Development Co., Ltd., an indirect wholly-owned subsidiary of the Company. Since its establishment, the Group has participated in more than 60 infrastructure projects as the developer

and/or as the financing platform of the Qingdao Municipal Government, which were primarily related to public transportation, water supply and wastewater treatment, public hospitals and medical infrastructure, public facilities and water conservancy. The infrastructure development projects primarily serve Qingdao's public interest, and consequently, the profit margin for this segment is relatively restricted. Nevertheless, the Group will continue to actively align its business plans with the city's overall development strategy, focus on the development of major projects, explore new investment structures for government projects, and play a pivotal role in the anticipated transformation of Qingdao.

Business Model

Each infrastructure project is conducted pursuant to a governmental decision or an agreement entered into between the entity with relevant governmental approval and the Group after the Group wins the public tender and bidding. The Group used to adopt the "built and transfer" and "transfer to transfer" models to develop infrastructure projects. After the release of Circular 43, the Group began to explore other models such as the public-private partnership ("PPP") model. For some projects, the Group undertakes the development responsibilities as principal developer or led by the construction department of the government, such as forming feasibility reports, completing requisite environmental assessment and other regulatory procedures and coordinating the construction of the projects. For some other projects, the Group only serves as a financing platform of the Qingdao Municipal Government to obtain funding and does not participate in the development. When the Group undertakes the development of a project, it engages third-party contractors to construct these projects. The Group's contractors are generally large state-owned construction companies, such as China Railway Group Limited (中鐵集團), China State Construction Engineering Corporation (中國建築工程總公司) and Qingdao Civil Engineering Group (青島市政集團). Sometimes, private contractors may be involved to carry out construction work. Third-party contractors are customarily selected through a public tender and bidding process, in which the Group takes into consideration a number of factors relating to the candidates, such as track records, credentials, and pricing, etc.

The Qingdao Municipal Government used to be the ultimate financier of the Group's infrastructure projects. According to the arrangements with the Qingdao Municipal Government, the Qingdao Municipal Government provided 20 to 30 per cent. of the total investment in the form of capital injection and the remaining investment (including any capital shortfall created during project construction) was financed by the Group, typically using loan facilities granted by China Development Bank and other PRC commercial banks in the form of bi-lateral and syndicated loans. Payment of the capital was made in accordance with the progress of the construction. Repayment of the principal of and the interest on the loan facilities were funded with the public funds of the Qingdao Municipal Government. The Group normally reported to the Qingdao Municipal Government the amount on a quarterly basis whereupon the Qingdao Municipal Government took into consideration such amount in forming its budgets in the following quarter. From the accounting perspective, the Company recorded the project loans in the special payable account on its balance sheet. As at 31 December 2019, 2020 and 2021, the Group had special payables of RMB17,700.1 million, RMB17,539.8 million and RMB16,725.2 million, respectively. The Company booked the funds used for the actual investments of the construction projects in the construction in progress account. As at 31 December 2019, 2020 and 2021, the Group had construction in progress of RMB38,167.9 million, RMB38,652.7 million and RMB38,061.2 million, respectively. Given the nature of these projects and the financing arrangements, the Group's infrastructure development segment only generates limited profit.

Impact of Circular 43 and the Implementation Opinion on Circular 43

In September 2014, the State Council released Circular 43. In December 2014, the People's Government of Shandong Province promulgated the Implementation Opinion on Circular 43. These newly promulgated regulations are expected to have a material impact on the business model relating to the projects serving public interest as well as the future operation and financial condition of the local investment and financing platforms of local governments in the PRC. See *"Risk Factors — Risks Relating to the Group in General — PRC regulations on the administration of local government debts and their financing platforms will have a material impact on the Group's financing and business models"* and *"PRC Regulations — Regulation on Fiscal Debts of Local Governments"*.

However, pursuant to the Circular of the General Office of the State Council on Forwarding the Opinions of MOF, PBOC and China Banking Regulatory Commission on Properly Solving the Problem of Follow-up Financing for Projects under Construction of Local Government Financing Platform Companies (國務院辦公廳轉發《財政部、人民銀行、銀監會關於妥善解決地方政府融資平台公司在建項目後續融資問題意見》的通知) (the “**Circular 40**”) which was promulgated by General Office of the State Council and became effective on 11 May 2015, local governments at all levels and banking financial institutions shall properly deal with follow-up financing issues for projects under construction of financing platform companies. Local governments and banking financial institutions shall (i) support stock financing needs for projects under construction; (ii) regulate increment financing for projects under construction; (iii) administer in an effective and proper manner follow-up financing for projects under construction. Banking financial institutions shall carefully check the destinations of the loans, and focus on supporting the projects under construction of financing platform companies in respects such as farmland water conservancy facilities, affordable housing projects and urban railway systems; and (iv) improve supporting measures. Recently, the PRC government promulgated a few new regulations to control the increase in local government debts in China, such as the Joint Circular released on 11 May 2018 and the Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知(財金[2018]23號)) effective on 28 March 2018. See “*PRC Regulations — Major Laws and Regulations*”.

In light of these recent changes in the PRC regulations, the Group intends to continue to work closely with the Qingdao Municipal Government to explore innovative models to participate in public infrastructure projects. Going forward, the Group may no longer incur debts to fund the development of public interest projects that do not generate profits. These projects are expected to be funded by government bonds issued directly by the Qingdao Municipal Government. The Group may seek opportunities to participate in this type of project by contributing its execution experience.

Before the issuance of Circular 43, the Qingdao Municipal Government usually provided 20 to 30 percent. of the total investment for the infrastructure projects in the form of capital injection and the remaining investment (including any capital shortfall created during project construction) was financed by the Group, typically using loan facilities granted by China Development Bank and other PRC commercial banks in the form of bi-lateral and syndicated loans. Following the debt swap programme implemented by MOF in 2015, under which local governments were permitted to exchange bank loans of their financing platforms incurred for funding the developing of government projects and other public interest projects with long-term and low-interest government bonds they issued within the quota allocated by MOF, all of the qualified loans have been swapped with government bonds issued by the Qingdao Municipal Government as at the date of this Offering Circular. See “*Risk Factors — Risks Relating to the Group in General — PRC regulations on the administration of local government debts and their financing platforms will have a material impact on the Group’s financing and business models*”.

Material Infrastructure Projects

New Qingdao Airport Infrastructure (Phase 2) Project

The New Qingdao Airport Infrastructure (Phase 2) Project involves the relocation work within the new Qingdao Airport construction area, which amounts to 16.9 square kilometres in total. The relocation work includes the relocation and resettlement of the rural villages and enterprises, compensation for up ground attachments and relocation of hospitals, schools and pipelines. Construction of this project commenced in June 2015. The New Qingdao Airport was put into operation in 2021.

The total investment of this project is approximately RMB15.3 billion. The Qingdao Municipal Government provided capital in the amount of RMB3.06 billion. The remaining investment of RMB12.26 billion is financed by the Group with bank loans granted by China Development Bank. There is no overrun of total expenditure with respect to this project. The Qingdao Municipal Government adopted the “governmental procurement of services model” for this project and will pay a total of RMB19.2 billion to the Group as procurement price. The subject of the procurement is Qingdao Municipal Bureau of Construction and Works (青島市建築工務局).

East West Expressway (Phase 3) Project

The East West Expressway connects the undersea tunnel in southern Qingdao and Changlehe Interchange (昌樂河立交), an entrance of Hang'an Expressway (杭鞍快速路). This is one important part of the East West Expressway project to resolve traffic congestion in Qingdao city. Phase 1 of the project connects Liaocheng Road and Xuzhou Road and Phase 2 of the project connects Xuzhou Road and Fuzhou Road, both of which are in operation. Construction of this project commenced in September 2006 and was completed in November 2015.

The total investment of this project was approximately RMB3.4 billion. The Qingdao Municipal Government provided capital in the amount of 20 per cent. of the total investment and the remaining investment was financed by the Group with bank loans granted by China Development Bank. There is no overrun of total expenditure with respect to this project. All the outstanding loans for this project have been swapped with government bonds issued by the Qingdao Municipal Government.

Jiaozhou Bay Harbour Tunnel Qingdao City-end Project

Jiaozhou Bay Harbour Tunnel Qingdao City-end Project is a key part of the entire Qingdao-Huangdao Harbour Tunnel, which consists of an undersea tunnel with a length of 6.17 kilometres and the connecting part in Qingdao with a length of 1.63 kilometres. It connects the East West Freeway and Jiaozhou Bay Freeway. The project of constructing the connecting part in Qingdao was undertaken by the Group. Construction of this project commenced in September 2006 and was completed in June 2011.

The total investment of Jiaozhou Bay Harbour Tunnel Qingdao Terminal Connection Project was approximately RMB3.8 billion. The Qingdao Municipal Government provided capital in the amount of 20 per cent. of the total investment and the remaining investment was financed by the Group with bank loans granted by China Development Bank. All the outstanding loans for this project have been swapped with government bonds issued by the Qingdao Municipal Government.

Haiwan Bridge (Northbridge) City-end Connection Project

Haiwan Bridge (Northbridge) City-end Connection Project runs from west of Haiwan Bridge Jiaozhou Bay Expressway Interchange to the east along the north bank of the Licun River and has a total length of 7.6 kilometres. Construction of this project commenced in December 2009. As at the date of this Offering Circular, inspection of this project had been completed and acceptance after completion was received.

The total investment of this project was initially RMB3.7 billion. The Qingdao Municipal Government provided capital in the amount of 20 per cent. of the total investment and the remaining investment was financed by the Group with bank loans granted by China Development Bank. In 2011, the total investment was increased to RMB5.3 billion due to subsequent changes of the development plan by the Qingdao Municipal Government. The Group financed the capital shortfall with RMB1,686.0 million syndicated loan arranged by China Development Bank. All the outstanding loans for this project have been swapped with government bonds issued by the Qingdao Municipal Government.

Jiaozhou Bay Freeway (Urban Section) Widening Project

Jiaozhou Bay Freeway (Urban Section) Widening Project is a road widening project where the freeway starts from Hang'an Expressway (杭鞍快速路), connecting the Haiwan Bridge (海灣大橋) and crosses over with the Shuangbu Road Interchange (雙埠立交) on its north as well as connecting with Shuangyuan Road (雙元路). Upon completion of this project, Jiaozhou Bay Freeway became the first road with an intelligent and automatic traffic system in Qingdao. The total length of the Jiaozhou Bay Freeway is approximately 15.6 kilometres. Construction of this project commenced in December 2008 and inspection and acceptance of this project had been received in June 2017.

The total investment of this project was initially approximately RMB2.7 billion. In 2011, the total investment was increased to approximately RMB3.4 billion due to subsequent changes of the development plan by the Qingdao Municipal Government. The Group financed the capital shortfall with bank loans granted by China Development Bank. All the outstanding loans for this project have been swapped with government bonds issued by the Qingdao Municipal Government.

Chongqing Road Reconstruction and Improvement Project

This project aims to reconstruct and improve the capacity of Chongqing Road, which was one of the busiest roads initially built in 1959. Chongqing Road has a total length of approximately 15 kilometres and has a width of approximately 40 to 50 metres. Construction of this project commenced in August 2012. As at the date of this Offering Circular, inspection and acceptance after completion of this project had been completed.

The total investment of this project is approximately RMB3.9 billion. The Qingdao Municipal Government provided capital in an amount of 20 per cent. of the total investment and the Group financed the remaining investment with loans granted by China Development Bank and other fundraising activities. All the outstanding loans for this project have been swapped with government bonds issued by the Qingdao Municipal Government.

Xinjiang Road Elevated Expressway Project

Xinjiang Road Expressway connects Shanghai Road and the East West Expressway (Phase 3) and has a total length of approximately 3.5 kilometres. This project is a key part of the urban expressway network in Qingdao and is expected to divert some of the traffic to Hang'an Expressway or Huanwan Road, thus reducing the traffic congestion in the western area of Qingdao. Construction of this project commenced in April 2011. The main stretch of the expressway commenced operation in July 2015. As at the date of this Offering Circular, inspection and acceptance after completion of this project had been completed.

The total investment of this project was initially approximately RMB3.6 billion. In 2013, the total investment was increased to approximately RMB3.9 billion because of subsequent changes of the development plan by the Qingdao Municipal Government. The Group financed the expenditure of this project with capital provided by the Qingdao Municipal Government, RMB2,848.0 million syndicated loans arranged by China Development Bank, corporate bonds and internal cash. All the outstanding loans for this project have been swapped with government bonds issued by the Qingdao Municipal Government.

New Qingdao Airport Expressway Connecting Road

New Qingdao Airport Expressway Connecting Road connects Jiaozhou Bay Expressway and Qingdao-Yinchuan Expressway with a total length of approximately 9.8 kilometres, covering a site area of approximately 900,000 sq.m. This project, together with Jiaozhou Bay Expressway (undersea tunnel portion) served as an important hub of east to west transportation in Qingdao downtown and further connects the east coast and the north coast of Qingdao. The project will be funded by capital investment from the Qingdao Municipal Government, with an estimated investment amount of approximately RMB7.6 billion, including construction cost of approximately RMB5.3 billion and relocation expenses of approximately RMB2.3 billion. Construction of this project commenced in November 2019. The entire expressway commenced operation in August 2021. As at the date of this Offering Circular, the project is in the process of inspection and acceptance after completion.

Guanlu Reservoir Project

Guanlu Reservoir Project is located at the junction of Jiaozhou city and Gaomi, Weifang city and the upstream of the junction of Moshui River (墨水河) and South Jialai River (南膠萊河). It is planned that the Guanlu Reservoir will supply water to various districts in Qingdao city, such as Chengyang District (城陽區) and Jimo District (即墨區) and in Jiaozhou city and Weifang city. The total planned capacity of the Guanlu Reservoir amounted to 211 million cubic metres.

The planned total investment of this project was approximately RMB9.9 billion. Project capital is to be funded partly by the Qingdao Municipal Government as well as special government bonds, whereas the Group will finance the remaining investment with bank loans and through other fundraising activities. Revenue for this project will be generated from the sales of water. As at the date of this Offering Circular, this project is under construction.

Jinsongwu Road (Chuzhou Road — Heilongjiang Road Section) Opening-up Project

Jinsongwu Road Opening-up Project aims to ease traffic congestion around Hai'er Road, Hefei Road, Jinsong 7th Road, etc., and further strengthen the traffic linkage between the northern area of Qingdao City and Mt. Laoshan (嶗山), thereby improving the efficiency and convenience of public transportation, and enhancing the regional urban value. Jinsongwu Road is an important north-south trunk road in the centre of Dong'an District (東岸城區) with a total length of approximately 4 kilometres. This project connects the section between Chuzhou Road and Heilongjiang Road with a total length of approximately 1.2 kilometres.

The planned total investment of this project was approximately RMB250 million. The construction of this project commenced in May 2022. Jinsongwu Road (Chuzhou Road — Heilongjiang Road Section) commenced operation in December 2022.

Urban and Rural Construction

The Group engages in urban and rural construction activities primarily through Qingdao Chengtu Industrial and City Development Group Co., Ltd. (青島城投產城投資集團有限公司) and undertakes community development, infrastructure and industrial projects mainly in Pingdu, Laixi and Jiaozhou.

Laixi Longquan Lake Community Construction Project

This project is located in the north of Gaogezhuang Village of Hetoudian Town, Laixi City, south of Niwantou Village, west of Longquan Lake and east of Pengshui Road and has a total GFA of 77,721.98 sq.m. The total investment of this project is approximately RMB240 million. The main construction work includes resettlement of the villagers, construction of garages, commercial outlets and outdoor public utilities. Post-completion, the People's Government of Hetoudian Town of Laixi City will pay the project costs as well as an administrative fee of 2.0 per cent. of the total investment amount under the government procurement model. The construction and acceptance of this project was completed in December 2018.

Pingdu Fengtai Community Redevelopment and Ancillary Roads Construction Project

This project is located at Fengtai Community, Pingdu City. The total investment of this project is approximately RMB650 million. This project includes the public reconstruction of Lanqian Village, Huangjiadaokou Village, Xiaohonggou Village, community service centres and other public facilities, three municipal roads and four regional roads.

- *“Blue-Collar” Apartment Project.* This project is located to the north of Jiangshan Gongren Road and has a total GFA of approximately 22,000 sq.m. The total estimated investment amount of this project is approximately RMB111.6 million. This project includes the construction of 382 apartments and aims to improve living conditions of blue-collar workers in the Jiangshan Industrial New City. Investment in this project will be recovered from rent to be paid in relation to the apartments. The construction of this project has been completed and it has been put into operation.
- *Hotel Project.* This project is located to the south of Gongren Road and has a total GFA of approximately 8,583 sq.m. The hotel is positioned as a boutique business hotel with approximately 120 guest rooms. The total estimated project investment is approximately RMB105.4 million. The construction of this project has been completed and the project is currently operated under entrustment.

Qingdao • SCODA Pearl International Expo Centre (青島 • 上合之珠國際博覽中心)

Qingdao • SCODA Pearl International Expo Centre is located within the core area of the China-Shanghai Cooperation Organisation (“SCO”) Local Economic and Trade Cooperation Demonstration Area (中國-上海合作組織地方經貿合作示範區) (“SCODA”). With a total GFA of approximately 169,000 sq.m., it comprises the Comprehensive Hall, the SCO Elements Cultural Exhibition Area, the Multi-functional Hall and the Central Square. A landmark project of the Administrative Committee of SCODA, it integrates conference and exhibition facilities, sightseeing and tourism, commodity showcase and sales, culture, and commercial services. Furthermore, it is an important platform for Shandong Province and Qingdao to promote the multilateral integration of capital, technology and talent, not to mention, the trade, investment and cultural cooperation with SCO countries and “Belt and Road” countries across a broader field spectrum and in greater depth. The Group has participated in the construction project of Qingdao • SCODA Pearl International Expo Centre, of which delivery and acceptance had been completed in November 2022.

Further, the Group has taken on the construction of Pingdu Spring Lane Community Project (平度春天裡社區建設項目) and Chengyang Cultural and Athletics Centre Project (城陽文體中心項目), both of which are aimed at improving local infrastructure and enabling the provision of comprehensive community services to rural residents.

Development of Affordable Housing and Commodity Housing

The Group is a key force of the Qingdao Municipal Government to implement its housing policies and improve the housing conditions for low-income households in Qingdao. It has engaged in redevelopment of shanty areas and development of subsidised housing (經濟適用房) and low-rent housing (廉租房) as well as ordinary commodity housing. As at 30 June 2022, the Group had three real property projects under construction with a total estimated GFA of around 595,000 sq.m., all of which were commodity housing.

As at 30 June 2022, the Group had completed three affordable housing projects, namely Yunnan Road Public Housing Project (雲南路項目), low-rent housing and subsidised housing portion of both Haian Xinyuan (海岸馨園) and Ruihai Xinyuan (瑞海馨園). As at 30 June 2022, the Group had seven commodity housing projects in Qingdao. The Group will continue to develop commodity properties which are bundled with its affordable housing projects. The Group anticipates that sales of commodity housing are able to generate greater cash flow compared to its other investments, and provides it with a portion of the capital resources to fund the growth of other business segments.

Property Development

The Group generally follows the following steps to develop its affordable housing properties and commodity housing properties:

- *Land acquisition:* Like private real property developers, the Group normally acquires the land use rights in the public bidding, auction and sale-by-listing process. Whether or not the Group is able to acquire the target depends to a certain extent on the credentials of other bidders, costs of development and other details of the bids. For some cases where certain affordable housing properties and commodity housing properties are developed on the same parcel of land according to an integrated development plan, such as the Ruihai Xinyuan, the Group acquires the land use rights with respect to both projects at the same time. For certain other affordable housing projects which do not involve transfer of land use rights by the government, such as the Yunnan Road Affordable Housing project, the Group does not acquire the land use rights and only undertakes the development and construction of the properties for the government.
- *Project planning and design:* The Group is responsible for forming the development plan of each project and for communicating with the third-party designers whom the Group engages to design its affordable housing projects.
- *Construction:* Similar to most private real estate developers in the PRC, the Group outsources its project construction work to independent third parties to construct its affordable housing properties and commodity housing properties, such as China Construction Eighth Engineering Division Corp. Ltd. (中建八局集團有限公司) and Qingdao Construction Group Co., Ltd. (青建集團股份公司). Selection of the third-party contractors is customarily conducted through public tender and bidding process as required by national and local regulations. The Group considers bidders track record performance, work quality, proposed delivery schedules and costs in its selection process and seeks to maintain its construction costs at a reasonable level without sacrificing quality.
- *Financing:* The Group finances the development of its property development projects primarily with internal cash flow and loans granted by PRC commercial banks. For commodity housing development, the Group satisfies part of its working capital requirements with proceeds from the pre-sale of the properties. In line with industry practice, the Group is normally required to provide security in favour of the lending banks in the form of a mortgage over the land use rights with respect to the relevant project.
- *Sales:* Similar to other developers of commodity housing properties, the Group pre-sells the properties it develops prior to the completion of a project or a project phase, subject to the satisfaction of the requirements under applicable PRC laws and regulations governing the pre-sales of properties. Due to the unique nature of affordable housing and applicable PRC laws and regulations, affordable housing properties are sold only to qualified purchasers who generally have low to moderate income. Low-rent housing is typically not for sale on the market. Therefore, the Group directly delivers the low-rent housing properties to the local governments that commission it for the relevant project upon completion and acceptance.

Warranties

The construction contracts that the Group enters into with construction companies typically contain warranties with respect to quality and timely completion of the construction projects. The Group requires contractors to comply with PRC laws and regulations relating to the quality of construction. The management team of each project company monitors quality and cost control and construction progress closely during construction. The Group's construction contracts typically provide for payments based on construction progress until a specified maximum percentage of the total contract sum is paid. The Group normally withholds a certain percentage of the contract amount for up to two years from completion to cover any potential expenses incurred as a result of any construction defects. The remaining balance is payable upon the issue of a certificate approving construction quality.

Projects

The following table sets forth certain details of the housing projects the Group had developed as at 30 June 2022:

Project	Type	Site Area ⁽¹⁾	Total GFA	Completed Properties			Properties under Development	Project for Future Development	Completion/Expected Completion Date
				GFA available for sale ⁽²⁾	GFA available for lease ⁽²⁾	GFA held for investment ⁽²⁾	Expected GFA ⁽³⁾	Expected GFA ⁽⁴⁾	
				(sq.m.)					
Affordable Housing Projects									
Yunnan Road Affordable Housing Project ⁽⁵⁾	Residential	67,531	271,822	271,822	—	—	—	—	2010.11
Haian Xinyuan (affordable housing portion) ⁽⁵⁾	Residential	123,285	302,481	302,481	—	—	—	—	2013.09
Ruihai Xinyuan Plot A-3 (affordable housing portion) ⁽⁵⁾	Residential	26,219	67,982	67,982	—	—	—	—	2014.06
Total	—	217,035	642,285	642,285	—	—	—	—	
Commodity Housing Projects									
Haian Xinyuan (outlets, kindergarten)	Other	—	37,848	37,848	—	—	—	—	2013.09
Ruihai Xinyuan Plot A-2	Residential	27,074	83,000	60,000	—	—	—	—	2020.12
Ruihai Xinyuan Plot A-3 (commodity housing portion)	Residential	49,382	174,000	174,000	—	—	—	—	2015.11
Ruihai Xinyuan Plot A-4	Commercial and residential	36,614	87,800	—	—	—	87,800	87,800	⁽⁶⁾
Jiaozhou Shaohai Project	Residential	269,951	346,533	344,365	—	—	—	—	2028
World Financial Centre Project	Commercial and residential	24,800	297,000	297,000	—	—	—	—	2021
Pingdu Xinghui City Project	Residential	54,482	159,802	117,434	—	—	—	—	2024.06
Total	—	462,303	1,185,983	992,799	—	—	87,800	87,800	

Notes:

- (1) Planned site area is set out in the land use right certificates or land transfer agreements for all projects.
- (2) GFA of completed properties is calculated according to the actual measurement upon completion of construction.
- (3) Expected GFA of properties under development is calculated according to the construction permit or other available documents for the properties.
- (4) Expected GFA of properties for future development is calculated according to the planning permit or other available documents for the properties, minus GFA sold and GFA under construction.
- (5) These projects had been delivered to the relevant local governments as at 31 December 2018.
- (6) As at the date of this Offering Circular, there is no suitable development plan for certain land in this plot. Accordingly, the expected completion date is not available.

Yunnan Road Affordable Housing Project (雲南路保障房項目)

This was one of the earliest large-scale old town redevelopment and public housing projects in Qingdao. This project, which is part of the PRC government's master plan to build 10 million affordable housing units in Qingdao, was approved by Qingdao Development and Reform Commission (青島市發展和改革委員會) and involved the reconstruction of dilapidated homes for low-income households in the Yunnan Road area (雲南路片區) and the Zhongdao area (中島片區). The Group developed this project through Qingdao Development and Investment Co., Ltd., a wholly-owned subsidiary of the Company. This project had a total site area of 97,000 sq.m. and consisted of 17 residential buildings which had a total GFA of 363,338 sq.m. More than 3,000 residential units were reconstructed. The total investment amount of this project was RMB3.7 billion, of which approximately RMB2 billion was funded with loans provided by China Development Bank. The construction commenced in 2007 and was completed in 2010. This project had been delivered to the local government in 2011.

Lanhai Xingang City Project (藍海新港城項目)

Lanhai Xingang City Project is a commodity property development project bundled with the Yunnan Road Affordable Housing Project. This project occupies a total site area of approximately 340 mu and has a total GFA of 1,287,000 sq.m. The Group is developing this project through Qingdao Lanhai Xingang City Property Co., Ltd. (青島藍海新港城置業有限公司), a joint venture incorporated by the Group and Qingdao Fangxing Properties Co., Ltd. (青島方興置業有限公司) (“**Fangxing Properties**”). The Company has entered a supplemental agreement with Fangxing Properties subsequently and the parties agreed to develop the property separately. Fangxing Properties paid the Company RMB2.2 billion, after which it will develop 200 mu of the property independently. As at 30 June 2022, the Bureau of Land and Resources of Qingdao Municipal Government had acquired 30 mu as reserve land and the Company was discussing with the relevant government authorities about the readjustment of the development plan of the outstanding 110 mu of the property.

Haian Xinyuan Project (海岸馨園項目)

Haian Xinyuan is a residential property project located in Haian Road, Sifang District, where certain industrial warehouses were located. In recent years, the Qingdao Municipal Government has been implementing policies to relocate factories and manufacture facilities away from the coastal areas and to develop more residential and commercial properties on the original industrial land with a view to protect the environment around the coast and improve the urban landscape and planning.

In April 2009, the Group acquired the land use rights with respect to this project through a public bidding, auction and sale-by-listing process. The total land premium has been paid in full and the Group obtained the relevant land use rights certificate. The total investment of this project is approximately RMB2.1 billion. The Group develops this project through Qingdao City Investment Real Estate Development Co., Ltd.

Haian Xinyuan occupies a total site area of 123,285 sq.m. and has a total GFA of 340,000 sq.m. This project is expected to be developed into approximately 3,550 price-limited commodity housing units (限價商品房), subsidised housing, low-rent housing, housing for resettled residents, a kindergarten, ancillary retail units and car parking units. The Group believes that these properties are able to provide housing for more than 12,000 households.

The construction of this project commenced in 2010 and was completed in 2013. In 2018, all the affordable housing, low-rent housing and housing for resettled residents had been delivered to the local governments of Sifang District (四方區), Shibei District (市北區) and Shinan District (市南區). Price-limited commodity housing of a total GFA of 285,364 sq.m., representing 89 per cent. of the total saleable GFA, had been sold as at 30 June 2022.

Ruihai Xinyuan Project (瑞海馨園項目)

Ruihai Xinyuan is a large scale residential and commercial property project which offers a combination of subsidised housing properties, low-rent housing and commodity properties. This project is one of the start-up property projects in the Sifang Happy Coastal City. The total investment of Ruihai Xinyuan is approximately RMB2.6 billion. The Group develops this project through Qingdao City Investment Real Estate Development Co., Ltd.. The land use rights of Ruihai Xinyuan were acquired by the Group in a public bidding, auction and sale-by-listing process in August 2009.

The entire Ruihai Xinyuan consists of four plots (namely plots A-1, A-2, A-3 and A-4), occupying a total site area of 163,651 sq.m., and this project is estimated to have a total designed GFA of 381,163 sq.m. Details regarding each plot and the Group’s development are set forth below:

Plot A-1, which occupies a site area of 50,581 sq.m., was used for school construction. The school is part of the ancillary facilities of the Ruihai Xinyuan project. The construction for school buildings was completed in July 2017 and the school buildings commenced operation in September 2017.

Plot A-2, which occupies a site area of 27,074 sq.m., is designed for commodity housing construction. The total planned GFA is approximately 83,000 sq.m., including 60,000 sq.m. of residential housing. The total investment for Plot A-2 is approximately RMB0.7 billion. Construction of this project commenced in November 2017 and was completed in December 2020.

Plot A-3 has a total planned GFA of approximately 239,000 sq.m., of which 65,000 sq.m. has been allocated to the development of affordable housing, mainly subsidised housing and low-rent housing properties, and 174,000 sq.m. has been allocated to the construction of commodity housing. According to the Company's development plan, the affordable housing portion has been developed into 1,016 residential units for approximately 3,600 households, a kindergarten and ancillary retail units. Construction was completed in June 2013 and all the saleable GFA had been sold to qualified purchasers. The commodity portion has been developed into residential apartment buildings and ancillary retail units. As at 30 June 2022, the GFA of both affordable housing and commodity housing has been sold out.

Plot A-4 is for commercial use with a total site area of approximately 36,600 sq.m. and has a total designed GFA of approximately 87,800 sq.m. The Company entered into a joint development agreement with Qingdao Kaichuang Aolai Asset Management Co., Ltd. (青島開創奧萊資產管理有限公司) to develop Plot A-4 together. As at 30 June 2022, RMB467.2 million has been invested.

Jiaozhou Shaohai Project (膠州少海項目)

Jiaozhou Shaohai Project is located on the east side of Shaohai South Lake in Jiaozhou City, comprising two phases, namely Shaohai Bay (少海灣) and Tianjiao Guanlan (天驕觀瀾). Qingdao City Construction Investment Real Estate Investment Holding (Group) Co., Ltd. (青島城投地產投資控股(集團)有限公司) ("**Real Estate Investment Holding**"), an indirect wholly-owned subsidiary of the Company, has a controlling interest in Jiaozhou Shaohai Project. As at 30 June 2022, the first phase of Shaohai Bay has developed 120 residential units, of which 108 had been sold in the pre-sale stage. Tianjiao Guanlan comprises a total of 6 plots with a plot ratio of ranging from 0.8 to 1.01, with a total capacity of about 250,000 sq.m. The construction of Plot B of Tianjiao Guanlan with a planned GFA of 75,000 sq.m. commenced in September 2018 and was completed in April 2021. The construction of Plot A of Tianjiao Guanlan with a planned GFA of approximately 92,000 sq.m. commenced in August 2019 and is expected to be completed in 30 June 2023. As at 30 June 2022, the construction of other plots of Tianjiao Guanlan had not been commenced.

World Financial Centre Project (環球金融中心項目)

World Financial Centre Project is a commercial complex project located at the core of Jinjialing Financial New District, Laoshan District, Qingdao, and is jointly developed by Real Estate Investment Holding, Sincere Property (協信地產) and Nanshan Group. Real Estate Investment Holding obtained a controlling interest in World Financial Centre Project in November 2020. World Financial Centre Project has a site area of approximately 24,800 sq.m. and a planned GFA of approximately 307,000 sq.m. World Financial Centre Project comprises three super high-rise buildings and other podium buildings and these buildings will be used as boutique apartments, headquarters offices, loft offices, customised office buildings, podium commercial buildings, and underground garage. The pre-sale of World Financial Centre Project commenced in 2016 and as at 30 June 2022, the project has been completed and put into operation.

Pingdu Xinghui City Project (平度星匯城項目)

Pingdu Xinghui City Project is located in Pingdu City, with a planned total GFA of approximately 159,000 sq.m. including 1,048 residential units. The construction of the first phase of the project commenced in March 2021. Pre-sale licences had been obtained for Nos. 2, 3, 4, 5, 6, 7, 8, 11, 12, 13 and 14 buildings and the relevant pre-sales commenced in June 2021. It is expected that phase 1 and phase 2 of the Pingdu Xinghui City Project will be completed and delivered in 2023 and 2024, respectively.

Industrial Park Construction

The Group gives full play to its advantages of platform agglomeration and close relationship with the local governments in its development, construction and operation of various industrial parks that align with the new industrial city integration planning of the PRC government and promotes a balanced development of the local economy in Qingdao, including but not limited to Jiaozhou Aviation Industrial Park (膠州航空產業園), BAIC New Energy Auto Laixi Production Base Project Phase II (北汽新能源汽車萊西生產基地二期項目), High-tech Zone Medical Equipment Industrial Park (高新區醫療器械產業園), Qingdao Chengtuo West Coast Science and Technology Industrial Park (青島城投西岸科技產業園), Qingdao Aviation Science and Technology Industrial Park (青島航空科技產業園), Qirui Qingdao Passenger Vehicle Base and Qingdao Chengxin Components Technology Industrial Park (青島城鑫零部件科技產業園). The Group usually sets up joint venture companies with the authorities in the relevant district as the main entities for the construction and operation of the relevant industrial parks.

Projects

BAIC New Energy Auto Laixi Production Base Project Phase II

BAIC New Energy Auto Laixi Production Base Project Phase II is located in Laixi City, Qingdao with a total investment of RMB2.0 billion. This project has a site area of 1,230 mu and a GFA of about 200,000 sq.m. with a target annual production capacity of 250,000 vehicles. Phase I and Phase II of BAIC New Energy Auto Laixi Production Base Project is designed with a total production capacity of 300,000 vehicles. The project is comprised of stamping, welding, painting and assembly workshops and technical centres, logistics centres and operations centres. This project will support the development of batteries, motors and electric control, which served as the three major new energy automotive core components industry. Qingdao (Laixi) Urban and Rural Community Construction Investment Co., Ltd. (青島(萊西)城鄉社區建設投資有限公司), a subsidiary of the Group, is responsible for the construction. The construction and acceptance of this project was completed in January 2019.

Qingdao Chengtuo West Coast Science and Technology Industrial Park

Qingdao Chengtuo West Coast Science and Technology Industrial Park is located in Qingdao Sino-German Ecological Park (青島中德生態園), south of Jiaozhou Bay Expressway, northeast of Xiaozhu Mountain Scenic Area (小珠山風景區), and north of Muma Mountain Ecological Passage (牧馬山生態通道). To achieve its strategic positioning of “constructing a pilot zone for marine international economic cooperation (建設海洋國際經濟合作先導區)” in the West Coast New Area, the Science and Technology Industrial Park will primarily attract high-tech enterprises focusing on research and development, design, testing, manufacturing and sales of semiconductor. In November 2020, Qingdao Chengtuo West Bank Technology Co., Ltd. (青島城投西岸科技有限公司), an indirect wholly-owned subsidiary of the Company, was established for the investment and construction of the science and technology industrial park in the West Coast New Area. The industrial park has a site area of approximately 20 mu and a total planned GFA of 26,000 sq.m. comprising the office and living space of 1,800 sq.m. and the manufacturing space of 24,200 sq.m. Qingdao Chengtuo West Coast Science and Technology Industrial Park has an investment period of seven years, of which the construction period is approximately three years. The construction of the project is expected to be completed and delivered in November 2024. After four years of operation under lease, the resident enterprises in the industrial park may purchase the industrial park according to their financial situation.

Qingdao Aviation Science and Technology Industrial Park

Qingdao Aviation Science and Technology Industrial Park Phase I is located in the southern business core area of Qingdao National Airport Economic Demonstration Zone (青島國家級臨空經濟示範區) and is approximately three kilometres away from the Jiaodong New Airport. The Qingdao Aviation Science and Technology Industrial Park Phase I has a site area of approximately 60 mu and a total planned GFA of approximately 120,000 sq.m. It is planned that Qingdao Aviation Science and Technology Industrial Park Phase I will have three main business operations, namely (i) aviation training and research and development base, (ii) airport headquarter base and (iii) business travel boutique hotels. The Group is responsible for the investment, construction and operation of the Qingdao Aviation Science and Technology Industrial Park Phase I. The Group is expected to enjoy stable cash flows and/or investment return through long-term leasing, asset purchase or other means. As at the date of this Offering Circular, the relevant land use certificates of this project have been obtained and other preliminary procedures for this project are under process.

Qirui Qingdao Passenger Vehicle Base

Qirui Qingdao Passenger Vehicle Base is located in the north of Jiefang Avenue and the east of Xiushui 2nd Road in Qingdao Automobile Industry New City (青島汽車產業新城). Qingdao Chengxin Industrial Park Investment and Construction Co., Ltd. (青島城鑫產業園投資建設有限公司), an indirect subsidiary of the Company, is responsible for the investment and construction of Qirui Qingdao Passenger Vehicle Base. The project has a site area of approximately 893 mu and a planned GFA of approximately 259,800 sq.m. The construction of this project was completed and delivered in December 2022.

Qingdao Chengxin Components Technology Industrial Park

Qingdao Chengxin Components Technology Industrial Park is located in Qingdao Automobile Industry New City in Jimo District. It has a planned site area of 318 mu and a total planned GFA of 203,643 sq.m. The project is comprised of the construction of Chengxin Industrial Park, standardised factories, warehouses, four municipal roads and a parking lot. As at the date of this Offering Circular, the relevant land use certificates, construction land planning permits and construction project planning permits of this project have been obtained and other preliminary procedures for this project are under process. As at the date of this Offering Circular, the construction of certain phrases of this project has commenced.

(B) New Energy Segment

The Group's new energy business primarily comprises its photovoltaic power generation business and wind power generation business. The Group started its photovoltaic power generation business in December 2015 through construction and acquisition of power generation stations and strategic cooperation with various leading photovoltaic companies in the PRC. The Group gradually expanded its investment in renewal energy power generation business to include wind power generation in 2019. For the years ended 31 December 2019, 2020 and 2021, the Group's operating income generated from this segment was RMB985.1 million, RMB1,468.2 million and RMB1,828.1 million, respectively, representing 7.4 per cent., 4.5 per cent. and 4.5 per cent. of the Group's total operating income for the relevant year.

Photovoltaic Power Generation and Wind Power Generation

As at 30 June 2022, the aggregate total installed electricity generation capacity of the Group's photovoltaic power generation and wind power generation operations reached 2.57 GW, all of which is connected to the grid. As at 30 June 2022, the Group had 65 projects across 18 provinces in the PRC, all of which had been approved by the NDRC and ready for grid connection and power generation. In the future, the Group plans to optimise the investment and financing model for this business by transforming from a self-owned model to a combination of a partnership model, a cooperative development model and an external acquisition model. The Group also plans to create capital and operation synergies through strategic cooperation with listed companies and other large state-owned entities.

For the years ended 31 December 2019, 2020 and 2021, Qingdao Chengtou Industrial Investment (Group) Co., Ltd. (青島城投實業投資(集團)有限公司) (currently known as Qingdao Chengtou New Energy Group Co., Ltd. (青島城投新能源集團有限公司), “**Chengtou New Energy Group**”) generated 1,706.68 GWh, 2,461.31 GWh and 3,196.18 GWh of electricity, respectively. For the years ended 31 December 2019, 2020 and 2021, Chengtou New Energy Group’s sales revenue of electricity amounted to RMB984.7 million, RMB1,458.7 million and RMB1,815.5 million, respectively.

Business Model

The Group built its own power generation stations and entered into strategic agreements with various PRC leading photovoltaic or wind power companies to construct and operate the power generation stations. The Group mainly conducts this business through: (1) establishing project companies with its strategic partners; (2) constructing self-owned power stations; and (3) acquiring power stations from other companies. The Group will inject capital and provide shareholders’ loans to the project companies for the construction of power stations. The cooperation with state-owned photovoltaic and wind enterprises, listed companies and other leading photovoltaic and wind power companies maximises the Group’s advantages in its financing capability as well as leveraging the ample experience of the strategic partners in the renewal energy industry.

Power Plants

The Group’s power plants in the PRC sell electricity under power purchase agreements (the “PPAs”) to subsidiaries of the State Grid which are PRC state-owned electric utility companies that transmit and distribute power in the PRC.

The process for developing a power plant varies according to local regulations in each province or region, although there are certain common key milestones. Generally, a power plant developer first secures site control, typically by acquisition of the land or a long-term lease arrangement, obtains key energy permits, such as operational licences, and enters into key agreements, such as grid connection agreements, PPAs and other off-take agreements. Prior to construction, the developer secures the appropriate zoning and environmental permissions, applicable construction permits, and project funding. When the construction is complete, the power plant may be connected and begin selling electricity to the transmission grid.

The Group classifies its power plants as follows:

- Power plants in operation. Power plants in operation comprise power plants for which the Group has completed construction and are generating and selling electricity.
- Power plants under construction. Power plants under construction are power plants for which the relevant project company has secured site control, energy permits, all key agreements, zoning and environmental permissions and construction permits, but are in the process of being completed.
- Power plants in the pipeline. Power plants in the development pipeline are those for which the relevant project company obtained site controls and relevant government permits but are not yet ready for construction. As at 30 June 2022, the Group had 4 projects with approximately 462.5 MW installed capacity in the acquisition pipeline.

Power Purchase Agreements

The Group sells electricity to the State Grid, into the transmission grid of the localities in which the power plants are situated. As the Group grows its renewal energy generation business, the Group expects to continue to derive most of its revenue from photovoltaic and wind power generation from the State Grid. See “*Risk Factors — Risks Relating to New Energy Business — The Group depends on a number of subsidiaries of State Grid Corporation of China for a significant portion of its revenues from photovoltaic power generation business and any decrease in purchases of electricity from any one or all of them could adversely affect the Group’s business and results of operations*”.

The Group entered into a series of PPAs with its customers, including certain subsidiaries of the State Grid, who purchase electricity from the Group. Each PPA provides a framework for the ongoing electricity sales and governs the Group's rights and obligations in respect of its customer.

Under the PPAs, the Group and its customers agree on the annual sale and purchase amount of the electricity generated by the power plants and the feed-in tariffs (the “FIT”) to be received by the Group. The FIT is a fixed price decided by the government and comprises two components: (i) a benchmark electricity price borne by the customer, which is decided by the benchmark market price of electricity generated by the local coal-fired power plants using the desulfurisation method, and (ii) a government on-grid subsidy.

Government subsidies are granted to photovoltaic or wind power projects listed on the Renewable Energy Subsidy Catalogue and are paid to customers for forwarding to the Group. The customers typically pay the Group the FIT on a monthly or quarterly basis. After the signing of a PPA, but before the Group's power project is listed on the Renewable Energy Subsidy Catalogue and eligible to receive the government on-grid subsidy, the Group receives the benchmark electricity price from the customer only. After the photovoltaic or wind power project is listed on the Renewable Energy Subsidy Catalogue, government on-grid subsidies for electricity generated between the period of signing the PPA and the listing of the project on the Renewable Energy Subsidy Catalogue will be paid by the government to the Group's customers who will then forward such payment to the Group.

The PPAs are typically valid for a term of one to five years. The Group negotiates with its customers for renewal of a PPA one to six months prior to the PPA's expiry. The PPAs may be terminated upon occurrence of certain events such as a force majeure event, bankruptcy of either party, cancellation of the operating permit of either party or termination of the relevant grid connection agreement.

(C) Industrial Business Segment

The Group's industrial business segment can be broadly divided into (i) intellectual manufacturing, (ii) basic material trading, (iii) wastewater treatment and (iv) others. For the years ended 31 December 2019, 2020 and 2021, the Group's operating income generated from this segment was RMB6,969.7 million, RMB22,534.5 million and RMB26,403.2 million, respectively, representing 52.6 per cent., 68.5 per cent. and 65.6 per cent. of the Group's total operating income for the relevant year.

Intellectual Manufacturing

The Group's intellectual manufacturing business is primarily conducted by the Doublestar Group. In April 2020, the 100 per cent. equity interest in the Doublestar Group was transferred by Qingdao SASAC to the Company at nil consideration. Also in April 2020, the Doublestar Group completed its capital and share increase and equity transfer by way of listing on Qingdao Property Rights Exchange. Consequently, as at 31 December 2021, the Company held a 41 per cent. equity interest in the Doublestar Group and was the largest shareholder of the Doublestar Group.

The Doublestar Group is engaged in (i) tyre manufacturing, (ii) artificial intelligence and high-end equipment manufacturing and (iii) smart cyclic utilisation of wasted rubber. The Doublestar Group's intelligent manufacturing business adopts the model of determining production based on sales. After securing orders from its downstream customers, the Doublestar Group determines its annual production and procurement quantity based on the orders it has and enters into procurement agreements with its upstream suppliers and the relevant warehousing and logistics service providers.

The main raw materials of the Doublestar Group's business include natural rubber, synthetic compound rubber, steel cord and carbon black. Its major suppliers include PMB International Trading (HK) Limited, Sinopec Chemical Sales Co., Ltd. North China Branch Company (中國石化化工銷售有限公司華北分公司) and Jiangsu Xingda Tyre Steel Cord Co., Ltd. (江蘇興達鋼帘線股份有限公司). The Doublestar Group usually enters into annual long-term supply framework agreement with its suppliers, and the procurement price is usually the market price.

The Doublestar Group has actively expanded its “new retail” strategy with online ordering and offline service, becoming the first “new retail” tyre brand and has created a new business model from “selling tyres” to “selling kilometres”. Each of the Doublestar Group’s “smart tyres” is equipped with a small sensor, which records location, mileage, tyre temperature, tyre pressure, driving route, loading and other data where the vehicles are operating. The recorded data will then be uploaded to its “smart cloud” tyre network. The Doublestar Group also enters into strategic cooperation with JD.com, Tmall, Suning and other e-commerce platforms to build a 4.0 ecological platform of “new retail” business model for the entire smart tyre industry chain.

Basic Materials Trading

The Group started its basic materials trading business in 2015 with a focus on trading of bulk commodities such as steel, iron ore and fuel oil. The Group only procures goods after securing downstream purchasers to avoid inventory risks. Therefore, the Group does not have any inventory from its basic materials trading business.

The Group conducts its trading activities primarily through its subsidiaries such as Qingdao Chengtuo International Trade Co., Ltd. (青島城投國際貿易有限公司), Qingdao Construction Trade Centre (青島建設物資商貿中心), Liguan Investment Co., Ltd. (利冠投資有限公司), Qingdao Chengyuan Investment Management Co., Ltd. (青島程遠投資管理有限公司) and Qingdao Jinzhiquiao Investment Management Co., Ltd. (青島金之橋投資管理有限公司).

The Group’s basic materials trading business is characterised by minimum employment of funds and low risk exposure. Based on the business needs of its downstream purchasers, the Group orders and procures the bulk commodities from upstream suppliers. The upstream suppliers are responsible for the delivery of the bulk commodities. Upon the confirmation of delivery and examination by downstream purchasers, the Group will initiate the payment process with the relevant upstream suppliers. The Group generally requests downstream purchasers, which are generally medium to large scale state-owned enterprises, to settle the full amount of their sale contracts within 70 days. The Group derives its profit from the margin between its procurement cost and the selling prices of the bulk commodities traded. Such transaction arrangement has enabled the Group to minimise the inventory risk of an ordinary trading business.

Wastewater Treatment

Historically, the Group derived income from its wastewater treatment operations, which consisted of five treatment plants in Qingdao, namely Loushan River Wastewater Treatment Plant, Haibo River Wastewater Treatment Plant, Tuandao Wastewater Treatment Plant, Jimo Wastewater Treatment Plant and Chengyang Wastewater Treatment Plant. In 2012, the Qingdao Municipal Government formed Qingdao Water Group with the Group’s wastewater treatment plants assets, and while Qingdao Water Group was responsible for the day-to-day operations, the Group retained the titles to such plants.

In August 2019, as part of its initiatives to align its business focuses with government policy direction, the Group entered into an asset restructuring agreement with Qingdao Water Group. Pursuant to such agreement, a reorganisation of the assets of certain subsidiaries of the Company and Qingdao Water Group was implemented to facilitate the set-up of a limited liability company specialised in wastewater treatment to be controlled by Qingdao Water Group (and will be an associate of the Company), which will serve as a vehicle for their cooperation going forward. Total assets of the relevant subsidiaries subject to the asset restructuring amounted to approximately RMB1,426 million and RMB1,402 million as at 31 December 2018 and 31 March 2019, respectively, representing 0.71 per cent. and 0.68 per cent. of the Group’s total assets as at the same dates. The asset restructuring had been completed and, among other things, the titles to the five treatment plants were transferred to Qingdao Water Group. Consequently, the Group held a five per cent. equity interest in Qingdao Water Group Environment and Energy Co., Ltd. In April 2021, the General Office of the Qingdao Municipal Government issued the Notice on Printing and Distributing the Working Plan for Enhancing and Strengthening Municipal Platform Companies to Promote the Construction of Major Infrastructure Projects in the City (Qingzhengbanzi [2021] No. 34), pursuant to which Qingdao SASAC will transfer the entire state-owned equity interests in various entities including, among others, Qingdao Water Group to the Company. As at the date of this Offering Circular, the relevant equity transfers have not been completed. Completion of the relevant transfers of equity interests is subject to the completion of registration procedures with SAMR.

Others

The Group's other businesses under its industrial business segment primarily include education services, property leasing and healthcare.

The Group operates the Shandong Province Qingdao First International School. This private school was established in August 2007 and was transferred, without any consideration, by the Qingdao Municipal Government to the Group and has been operated by the Group since May 2011. The Group also owns and operates Dongtianshan Kindergarten (青島城投東天山幼兒園), which is located in Shibei District in Qingdao. This kindergarten was established in 2014 and commenced operation in September 2014.

The Group also generates income from its property leasing services in respect of offices in Darong Centre (大榮中心).

(D) Transportation Segment

The Group's transportation segment comprises its toll operation by Qingdao Transportation Group and its subsidiaries and its aviation business. The Group's aviation business includes both passenger and cargo services businesses. The Group only commenced its aviation business following its acquisition of the 100 per cent. equity interest of Qingdao Airlines Holding in 2020. The transfer of the entire equity interest in the Qingdao Transportation Group to the Company pursuant to the Qingdao SASAC's approval was completed in December 2020 and its accounts were consolidated into the accounts of the Group since 2021. As such, the Group did not record any income for this segment for the year ended 31 December 2019. For the years ended 31 December 2020 and 2021, the Group's operating income generated from this segment was RMB468.4 million and RMB3,929.1 million, respectively, representing 1.4 per cent. and 9.8 per cent. of the Group's total operating income for the relevant year. Pursuant to the Approval of Qingdao SASAC on the Gratuitous Transfer of State-owned Equity Interest in Qingdao Airlines Holding (Qing SASAC [2022] No. 120) (青島市國資委關於青島航空控股有限公司國有股權無償劃轉的批覆(青國資委[2022] 120號)), the Company shall transfer 50 per cent. of the state-owned equity interest in Qingdao Airlines Holding to Qingdao Tourism Group at nil consideration. As at the date of this Offering Circular, the equity transfer has not been completed. However, Qingdao Airline Holding's financial results were deconsolidated from the Group's financial statements from 1 January 2022 and it had since ceased to be a consolidated subsidiary of the Company. Completion of the relevant transfer of equity interest is subject to regulatory procedures with SAMR. See "*Description of the Group — Recent Developments — Gratuitous Equity transfer of Qingdao Airlines Holding to Qingdao Tourism Group*" for further information.

Toll Operation

Qingdao Transportation Group is the main investment and financing entity for major transportation infrastructures in Qingdao. During the 14th Five-year Plan period, Qingdao Transportation Group has been tasked by the Qingdao Municipal Government to complete the investment and construction of certain major transportation infrastructures with high quality, and it is envisioned to become a first-class regional transportation construction investment and operation enterprise.

Qingdao Transportation Group owns five expressways built with loans to be repaid by the government (G15 Shenhai Expressway Qingdao Section (G15沈海高速青島段), G20 Qingyin Expressway Qingdao Section (G20青銀高速青島段), S7602 Qingdao Qianwan Port Area No.2 Harbor Dredging Expressway (S7602青島前灣港區2號疏港高速), G2011 Qingxin Expressway Qingdao Section (G2011青新高速青島段) and S61 Qingdao Liuting Airport Expressway (S61青島流亭機場高速)) and two operational toll expressways (S19 Longqing Expressway Qingdao Section (S19龍青高速青島段) and New Airport Expressway (新機場高速)). The total mileage of these expressways amounted to approximately 448 kilometres.

The following table sets forth certain operating data of this business for the periods indicated:

	Toll income (RMB million)	
	For the year ended 31 December 2021	For the six months ended 30 June 2022
G15 Shenhai Expressway Qingdao Section.	1,486.2	685.5
G20 Qingyin Expressway Qingdao Section		
S7602 Qingdao Qianwan Port Area No.2 Harbor		
Dredging Expressway		
G2011 Qingxin Expressway Qingdao Section		
S61 Qingdao Liuting Airport Expressway		
S19 Longqing Expressway Qingdao Section.	284.1	101.1
New Airport Expressway	82.1	44.4
Total.	1,852.4	831.0

Aviation Business

The following table sets forth certain details of the Group's aircrafts as at 30 June 2022:

Model	Number of self-owned aircraft	Number of aircraft under financial lease	Number of aircraft under operating lease	Total	Average aircraft age (year)
<i>Qingdao Airlines</i>					
A320.	2	4	26	32	3.89
<i>Shandong Nanshan International Flight Co., Ltd.</i>					
C172S.	32	—	—	32	6.86
PA44.	5	—	—	5	7.01
CE525.	1	—	—	1	15.26
<i>Nanshan Business Jet Co., Ltd.</i>					
G450.	1	—	—	1	9.17
G550.	1	—	—	1	9.75
Total.	42	4	26	72	—

As at 31 March 2022, Qingdao Airlines has opened eight outstation bases in cities such as Lanzhou, Changsha and Changchun, operating 70 in-flight routes (including 69 domestic routes and one international route) with 65 navigable cities, including Tianjin, Chengdu, Nanjing, Changsha, Kunming, Shenyang, Yinchuan, Harbin, Lanzhou, Urumqi, Guiyang, Nanning, Fuzhou, Dalian, etc. In particular, since the resumption of work and production across the PRC following the occurrence of the Covid-19 pandemic, Qingdao Airlines has taken the initiative to carry out related business activities, and successively put into operation various flight routes, including Zunyi-Qingdao, Dongying-Kelamayi, Qingdao-Bintan Island, Seoul-Qingdao and Fuzhou-Tokyo, as well as other domestic and foreign chartered flights to provide convenient air transportation services to help facilitating the recovery of local economies.

Passenger Services

For the years ended 31 December 2020 and 2021 and the six months ended 30 June 2022, revenue from Qingdao Airlines' passenger services was RMB1,765.6 million, RMB2,180.4 million and RMB777.6 million, respectively, representing 98.5 per cent., 99.0 per cent. and 99.0 per cent. of Qingdao Airlines' total revenue for the relevant year.

The following table sets forth certain operating data of this business for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2019	2020	2021	2022
Available seat kilometres				
(million seat kilometres)	7,242	6,676	7,330	2,619
Passenger kilometres				
(million passenger kilometres)	5,945	4,986	5,637	1,758
Passenger capacity				
(10,000 passengers)	393	331	371	110
Load factor (per cent.)	82	74.69	76.90	67.12

Cargo Services

For the years ended 31 December 2020, 2021 and the six months ended 30 June 2022, revenue generated from Qingdao Airlines' cargo services was RMB27.0 million, RMB26.0 million and RMB10.2 million, respectively, representing 1.5 per cent., 1.0 per cent. and 1.0 per cent. of Qingdao Airlines' total revenue for the relevant year.

The following table sets forth certain operating data of this business for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2019	2020	2021	2022
Available freight turnover				
(million tonne-kilometres)	83.75	80.45	30.04	11.27
Cargo and mail carrying capacity				
(tonnes)	16,310	20,999	16,879	6,155

(E) Financial Services Segment

The Group provides a wide range of financial services, such as credit guarantees, microfinance services and products and entrusted loans, financial leasing, internet finance and fund management services, primarily through Qingdao Chengtou Chengjin Holding, Qingdao Financing Guarantee Co., Qingdao Urban and Rural Construction Microfinance Co., Ltd. (青島城鄉建設小額貸款有限公司) ("Qingdao Microfinance Co."), Qingdao URC Financial Leasing, Qingdao Chengyuan Investment Management Co., Ltd. (青島程遠投資管理有限公司), Qingdao Huiquan Private Capital Management Co., Ltd. (青島匯泉民間資本管理有限公司) and Qingdao Chengtou Asset Management. For the years ended 31 December 2019, 2020 and 2021, the Group's operating income generated from this segment was RMB4,335.3 million, RMB4,403.0 million and RMB3,573.9 million, respectively, representing 32.7 per cent., 13.4 per cent. and 8.9 per cent. of the Group's total operating income for the relevant year.

The following table shows a breakdown of the Group's operating income for this segment by product type for the periods indicated:

	For the year ended 31 December					
	2019		2020		2021	
	Amount	Per cent.	Amount	Per cent.	Amount	Per cent.
	(audited)					
	(RMB in millions, except for percentages)					
Financial Services						
Credit guarantees	161.1	3.7	162.7	3.7	164.8	4.6
Microfinance and entrusted loans ⁽¹⁾	2,455.9	56.6	2,427.6	55.1	1,962.2	54.9
Financial leasing	1,199.4	27.7	1,314.4	29.9	1,357.1	38.0
Others	518.9	12.0	498.3	11.3	89.8	2.5
Total	4,335.3	100.0	4,403.0	100.0	3,573.9	100.0

Note:

(1) This represents the operating income generated from the Group microfinance business and entrusted loans business.

The Group intends to further develop its financial services business to capture the opportunities presented by the rapid growth of the PRC financial industry, particularly the SMEs market. This plan is expected to include investment in commercial banks, securities firms and/or insurance companies, as well as expansion into Internet financing and asset management businesses. The Group believes that the development of its financial services business will not only further diversify its revenue bases and capitalise on the growing capital requirement of the SMEs in the PRC, but may also help to explore additional sources of funding for the Group's other businesses, particularly those capital-intensive infrastructure projects and property development projects.

Credit Guarantees

The Group engages in the provision of financing guarantees, non-financing guarantees and re-guarantees through Qingdao Financing Guarantee Co., which was established in July 2013 with an initial registered capital of RMB1 billion. As at the date of this Offering Circular, the registered capital of Qingdao Financing Guarantee Co. is RMB5 billion. Qingdao Financing Guarantee Co. was at the time of its incorporation the largest financing guarantee company in Shandong Province in terms of registered capital.

Qingdao Financing Guarantee Co. mainly services high growth small and medium-sized enterprises, with a focus on satisfying the financial needs of technology enterprises and agriculture, farmers and rural areas ("**San Nong**") (三農). For the years ended 31 December 2019, 2020 and 2021, operating income generated by the Group from its credit guarantee business was RMB161.1 million, RMB162.7 million and RMB164.8 million, respectively, representing 3.7 per cent., 3.7 per cent. and 4.6 per cent. of the Group's operating income for its financial services segment for the relevant year. As at 30 June 2022, the Group had 484 credit guarantee projects with an outstanding balance of guarantee of RMB15.8 billion. For the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022, the compensation rate of the Group's credit guarantee business amounted to 0.05 per cent., 0.67 per cent., 1.05 per cent. and 1.05 per cent., respectively.

The following table shows the industries to which the Group provides credit guarantees as at 30 June 2022:

Industry	Amount of guarantee (RMB million)	Number of projects
Service	6,407.6	45
Wholesale and retail	4,139.3	100
Construction.	3,024.7	191
Real Estate.	1,459.2	11
Manufacturing	575.9	23
Others	242.1	114
Total.	15,848.9	484

Financing Guarantee

To make various forms of financing more accessible to SMEs and generate credit guarantee and consulting fee income, the Group guarantees lenders that in the event of a default by the relevant borrowers, the Group will repay the debt instead. The Group selects SME customers through its internal credit evaluation system whom the Group determines to be creditworthy but lack the necessary credit histories or collateral to obtain financing independently.

Non-financing Guarantee and Re-guarantee

The Group offers non-financing guarantees in its credit guarantee business whereby the Group acts as the guarantor to promise to pay one party, the obligee, a certain amount if a second party, the principal, fails to meet certain obligations, such as fulfilling the terms of a contract. To reduce its credit risks, the Group sometimes requires the business owners or controlling persons of the principal to provide counter-guarantees to the Group, which make them jointly and severally liable with the principal in the event of a default.

The Group offers re-guarantee services to the guarantors that require additional security to the existing guarantee. Since there is already a layer of guarantee, normally the Group does not require additional credit enhancements.

Guarantee Fees

In return for its guarantee services, customers pay the Group the guarantee fees, which are generally payable upon the execution of a guarantee contract. The amount of guarantee fees charged depends on a number of factors, such as the type of guarantee to be provided, the creditworthiness and industry of the customer, the prevailing market conditions, the type and quality of the collateral, and the amount and term of the financing.

Microfinance Services and Products and Entrusted Loans

The Group engages in microfinance through Qingdao Microfinance Co., which was established in March 2014 with a paid-in monetary capital of RMB1 billion. As at 31 December 2021, the Company holds 92.0 per cent. of the equity interest of Qingdao Microfinance Co. Qingdao Microfinance Co. was at the time of its incorporation the largest microfinance company in Shandong Province in terms of registered capital. It has been dedicated to support the community construction of the city and rural areas and service the financial and business needs of San Nong and small and micro-sized enterprises.

For the years ended 31 December 2019, 2020 and 2021, operating income generated by the Group from its microfinance financing and entrusted loans business was RMB2,455.9 million, RMB2,427.6 million and RMB1,962.2 million, respectively, representing 56.6 per cent., 55.1 per cent. and 54.9 per cent. of the Group's operating income for its financial services segment for the relevant year.

Business Model

The Group offers direct loans to SMEs as well as individuals through its micro and small loan network to address their need for quick access to funds. As at 31 December 2019, 2020 and 2021 and 30 June 2022, the outstanding balance of Group's micro and small loans amounted to RMB1,094.0 million, RMB839.2 million, RMB487.9 million and RMB832.2 million, respectively.

The following table shows the distribution of the Group's micro and small loans by amount as at 30 June 2022:

Loan Amount	Balance (RMB million)	Per cent.
Up to RMB0.5 million (inclusive)	1.8	0.2
Over RMB0.5 million to RMB1 million (inclusive of RMB1 million)	3.6	0.4
Over RMB1 million to RMB3 million (inclusive of RMB3 million)	10.6	1.3
Over RMB3 million to RMB10 million (inclusive of RMB10 million)	81.8	9.8
Over RMB10 million to RMB30 million (inclusive of RMB30 million)	228.1	27.4
Over RMB30 million to RMB50 million (inclusive of RMB50 million)	128.0	15.4
Over RMB50 million.	378.2	45.5
Total.	832.2	100.0

Similar to its credit guarantee business, the Group sometimes requires the business owners or controlling persons of the borrower to act as a guarantor by providing a personal guarantee to the Group. The borrowers and their guarantors are jointly and severally liable for the repayment of the loan and the interest accrued. In addition, depending on the results of the Group's credit evaluation, the Group may require the borrowers or guarantors to post collaterals, such as land use rights and building ownership, for granting a lower interest rate, longer maturity or greater principal amount.

The following table shows the distribution of the micro and small loans by type of assurance as at 30 June 2022:

Type	Balance (RMB million)	Per cent.
Credit	127.7	15.4
Guarantee	112.4	13.5
Collateral.	407.1	48.9
Pledge	185.0	22.2
Total.	832.2	100.0

Interest Rate

The interest rate the Group charges on a micro and small loan depends on a number of factors, including the credit and type of the borrower, whether the loan is secured or unsecured, the quality of guarantee and the term of the loan. Currently, the annual interest rate normally ranges from 7 per cent. to 15 per cent.

Pursuant to the Guiding Opinions on the Pilot Operation of Small Loan Companies (關於小額貸款公司試點的指導意見) promulgated by CBIRC and PBOC and with reference to the Certain Opinions on the Court's Trial for Lending Cases (關於人民法院常理借貸案件的若干意見) issued by the Supreme People's Court of the PRC, the interest rates charge for private lending may not exceed four times the interest charged by commercial banks for comparable loans, which is generally comparable to the prevailing interest rate announced by PBOC. The courts in China will not uphold any claims for the portion of interest exceeding such limit. Any claims for interest within the limit will be protected by the PRC law. The terms prescribing the interest rate the Group charges for each loan were below the four-time threshold of the applicable interest rates announced by PBOC.

Micro and Small Loan Portfolio

The Group's customers for micro and small loan business primarily operate in the manufacturing and wholesale and retail industries. The Group focuses on providing short-term loans to minimise its risk exposure and, as a result, a majority of its micro and small loans to customers have a maturity of not more than one year.

The following table shows the term of the Group's micro and small loans as at 30 June 2022:

Terms	Balance (RMB million)	Per cent.
Due within three months	75.0	9.0
Three months to six months	70.0	8.4
Over six months to 12 months	384.4	46.2
Over 12 months	302.7	36.4
Total	832.2	100.0

Non-performing Loan Ratio

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the balances of overdue micro and small loans of the Group amounted to RMB20.0 million, RMB2.9 million, RMB4.9 million and RMB77.7 million, respectively. As at 31 December 2019, 2020 and 2021 and 30 June 2022, the ratio of the Group's overdue small loans to the total outstanding among of its small loans was 0.86 per cent., 0.3 per cent., 1.0 per cent. and 9.3 per cent., respectively.

Entrusted Loans

The Group engages in the provision of entrusted loans or capital turnover loans through various subsidiaries.

The interest rate the Group charges on an entrusted loan or a capital turnover loan depends on a number of factors, including the credit and type of the borrower, whether the loan is secured or unsecured and the term of the loan. Currently, the annual interest rate the Group charges typically ranges from eight per cent. to 15 per cent.

Financial Leasing

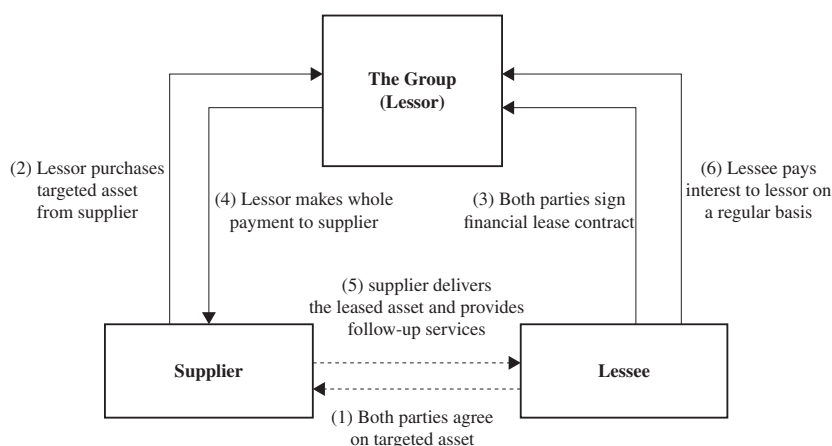
The Group categorises its financial leasing business into two types: (i) direct financial leasing and (ii) sale and leaseback. The Group engages in financial leasing through Qingdao URC Financial Leasing, which was established in June 2014 with an initial registered capital of U.S.\$49.98 million. As at 31 December 2021, the registered capital of Qingdao URC Financial Leasing was U.S.\$207.19 million. As at 31 December 2021, the Company directly and indirectly held approximately 94.2 per cent. of the equity interest in Qingdao URC Financial Leasing. Qingdao URC Financial Leasing was at the time of its establishment the largest state-controlled financial leasing company in Qingdao in terms of registered capital.

Qingdao Financial Leasing Co. engages in the provision of financial leasing services for customers in the education, water supply, public transportation, shipping, automobiles, manufacturing equipment and medical equipment industries. For the years ended 31 December 2019, 2020 and 2021, operating income generated by the Group from its financial leasing business was RMB1,199.4 million, RMB1,314.4 million and RMB1,357.1 million, respectively, representing 27.7 per cent., 29.9 per cent. and 38.0 per cent. of the Group's operating income for its financial services segment for the relevant year. As at 30 June 2022, the Group had 452 financing leasing projects with an outstanding leasing balance of RMB19,031.0 billion, while the Group had 128 factoring projects with an outstanding factoring balance of RMB1,382.4 million.

Direct Financial Leasing

In a direct financial leasing transaction, the Group, as the lessor, is entrusted by the lessee with the purchase of specific equipment and lease such equipment to the lessee. The lessee makes a down payment to the Group at the beginning of the lease term and then makes regular payments to the Group during the course of the lease. Upon the expiration of the lease term, the ownership of the equipment is transferred to the lessee at a prior agreed price. Direct financial leasing services are mainly provided to the customers when they commence new projects, expand production, pursue advanced technology or on other occasions that require external financing for purchasing new equipment.

A typical direct financial lease usually involves three parties, namely lessor, lessee and equipment supplier. The following diagram illustrates the relationship among the three parties:



The Group has standard contract templates which include the following key provisions:

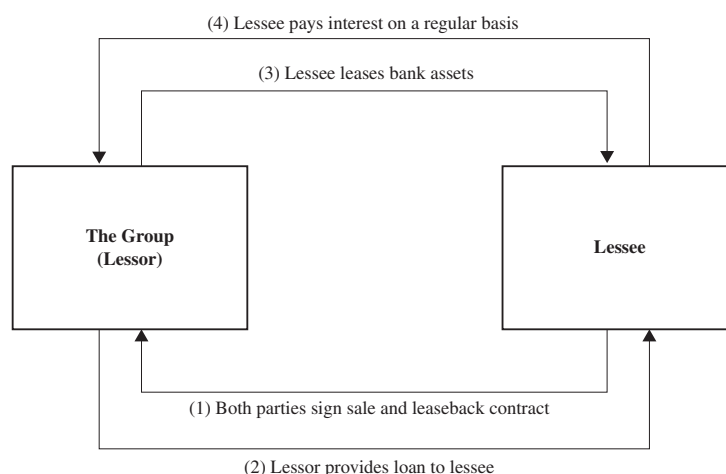
Key Term	Summary
Term	Usually 5 years
Title/ownership of equipment under lease	Lessor is the purchaser and owner of the equipment
Insurance	Usually have full insurance coverage on assets under lease; insurance cost paid by the lessee
Damage or destruction of the equipment under lease	Lessee bears all the risks of the equipment under lease and will make the lessor whole if the equipment is damaged or destroyed for any reason during the term of the lease
Credit enhancement. .	Lessee shall provide guarantees or collateral reasonably satisfactory to the lessor and all the parties shall sign the relevant security contracts on the date of the relevant financial leasing contract. The lessor may request further credit enhancement during the term of financial lease if necessary

Key Term	Summary
Equipment delivery, inspection and valuation	The equipment will be delivered to the lessee at beginning of the lease and the lessee will inspect upon delivery
Rent, fees and payment schedule	Usually a fixed rate above the PBOC benchmark interest rate with adjustment mechanism; payment of rent is usually monthly or quarterly; deposit is made as agreed
Default	If the lessee fails to make payment on time, the lessee should pay default interest. The events of default include but are not limited to: if the lessor fails to make payment according to the agreed payment schedule and fails to pay all overdue amount, or if the lessee fails to provide guarantees or collateral according to the contract
Dispute resolution.	Negotiation or litigation in a court with competent jurisdiction
Termination	After full settlement of all rent, nominal price payables, liquidated damages or compensation; or if the amount of all payables due from the lessee is less than the deposit, if any, as agreed, and per the application by the lessee, the lessor can terminate the contract at its discretion

Sale and Leaseback

In a sale and leaseback transaction, the lessee sells the existing assets to the Group as the lessor, and the Group then signs a leaseback contract with the lessee to lease the assets back to the lessee for its use. During the lease term, the lessee shall pay rents to the Group regularly. Upon the expiration of the lease term, the ownership of the assets will be transferred to the lessee at an agreed price. In the whole process, the lessee remains in possession of the underlying assets.

A typical sale-leaseback usually involves two parties, namely lessor and lessee. The following diagram illustrates the relationship between the two parties:



The Group has standard templates for its sale and leaseback business which include the following key provisions:

Key Term	Summary
Term	Usually 5 years
Title/ownership of equipment under lease	Title/ownership of equipment under lease will be transferred from lessee to lessor upon the commencement of financial lease
Insurance	Usually have full insurance coverage on assets under lease; insurance cost paid by the lessee
Damage or destruction of the equipment under lease	Lessee bears all the risks of the equipment under lease and will make the lessor whole if the equipment is damaged or destroyed for any reason during the term of the lease
Credit enhancement	Lessee shall provide guarantees or pledge reasonably satisfactory to the lessor and all the parties shall sign the relevant security contracts on the date of the relevant financial leasing contract the lessor may request further credit enhancement during the term of financial lease if necessary
Equipment delivery, inspection and valuation	The assets will remain in lessee's possession and lessor will inspect the equipment and ascertain valuation
Rent, fees and payment schedule	Usually a fixed rate above the PBOC benchmark interest rate with adjustment mechanism; payment of rent is usually monthly or quarterly; deposit is made as agreed
Default	If the lessee fails to make payment on time, the lessee should pay default interest. The events of default include but not limited to: if the lessor fails to make payment according to the agreed payment schedule and fails to pay all overdue amounts, or if the lessee fails to provide guarantees or collateral according to the terms of the contract
Dispute resolution	Negotiation or litigation in a court with competent jurisdiction
Termination	After full settlement of all rent, nominal price payables, liquidated damages or compensation

Leased Assets and Security Enhancement

In line with industry practice, the Group obtains legal title to all the assets under its financial leasing contracts and are entitled to unilaterally dispose of such assets in the case of any customer default. Moreover, in order to better manage its credit risk, the Group also often requires lessees to provide security enhancement such as (i) joint and several guarantees by the customers' legal representatives, controlling shareholders, related companies and, in some cases, third parties; (ii) security over machinery equipment and commercial and residential properties; and (iii) pledges of shares of the customers' company or its affiliates.

Risk Management

The Group prides itself on its unrivalled scale within the region, strong background of its shareholders, efficient risk management system and high quality clients, all of which have contributed to its success and distinguished itself from its competitors. Especially, to efficiently and strictly control the business risks related to its financial services, each of the abovementioned subsidiaries of the Group has adopted a three-level risk management regime to review and approve any proposed projects, namely, internal review committee of each relevant subsidiary, external review committee of the Group and capital and risk management committee of the Group.

The internal review committee of each relevant subsidiary consists of the management of that subsidiary. The external review committee members are selected from a committee member pool, which consists of management of the subsidiaries and the Group. Generally, the external review committee reviews proposed general financial service projects that are over RMB10 million and proposed financial leasing projects that are within RMB100 million. The committee member pool selection mechanism will avoid the potential risk of self-review by inviting management from other subsidiaries and from the Group. The capital and risk management committee of the Group is responsible for reviewing proposed projects that are over RMB100 million. For details of the capital and risk management committee, see “*Directors, Supervisors and Senior Management of the Company — Capital and Risk Management Committee*”.

Competition

The Group has competitive advantages as a state-owned enterprise. The Group has the exclusive rights to carry out primary land development activities in the Hongdao area and the Sifang Happy Coastal City area. Nonetheless, it faces competition in its other businesses, as these markets in China are now accessible by foreign and domestic participants.

In particular, the Group believes that its major competitors in commodity housing development are state-owned companies which engage in the development of residential and commercial developments, domestic property developers affiliated to local governmental authorities and international developers. For its other businesses, the Group believes its competitors are domestic state-owned and private companies. The PRC government has issued certain regulations in recent years to encourage market participation in these areas. For its financial services business, the Group believes its competitors are other financial service providers with similar backgrounds in Qingdao.

The principal competitive factors influencing the construction sector generally include, among others, pricing strategies adopted by competitors, availability of capital and financing resources, and the planning, design, quality and workmanship of the projects. Large international companies may have advantages in terms of scale, capital and experience.

Environmental Protection

The Group has established and implemented a group-wide quality, safety and environmental protection control management system pursuant to the requirements of ISO9001 standards. The management system specifies the standards to be met in terms of quality, safety and environmental protection control, clarifies the responsibility of various departments and personnel, identifies procedures, materials and other factors that are subject to the control of management, and provides for measures to be undertaken to ensure that various standards are met.

The Group imposes safety and anti-pollution measures, as well as regular internal safety and environmental inspections at all stages of its operational process to minimise the possibility of work-related accidents and injuries, occupational illness and environmental contamination. The Group also monitors the safety and environmental protection aspects of its sub-contractors operations. In addition, it provides safety education to employees and has established safety standards in relation to matters such as purchasing, installing and operating new equipment, constructing new facilities and improving existing facilities.

The Group believes that its safety control systems, environmental protection systems and facilities are adequate to comply with applicable PRC national and local regulations. As at the date of this Offering Circular, the Group is not aware of any penalties associated with any material breach of or non-compliance with any environmental laws and regulations.

Employees

As at 31 December 2022, the Group had 9,189 employees.

In accordance with the applicable regulations of local governments in regions which the Group has business operations, the Group makes contributions to the pension contribution plan, medical insurance, unemployment insurance, maternity insurance and personal injury insurance. The amount of contributions is based on the specified percentages of employee’s aggregate salaries as

required by relevant PRC authorities. The Group also makes contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, the Group provides annual bonuses and supplemental commercial insurance policies to employees.

The Group enters into an employment contract with each of its employees in accordance with applicable PRC laws. Such contracts include provisions on wages, vacation, employee benefits, training programmes, health and safety, confidentiality obligations and grounds for termination.

Insurance

The Group is required to obtain contractors all-risk and third-party liability insurance for most of the projects it undertakes. Such policies generally extend for the entire contract period, including the maintenance period following the completion of the project. In addition, with regard to its construction business, the Group generally purchases insurance for its fixed assets, such as its key equipment, stock and office buildings. The Group also purchases pension insurance, unemployment insurance and medical insurance for its employees according to the relevant PRC laws and regulations. The Group maintains insurance coverage in amounts that it believes are consistent with its risk of loss and industry practice.

Consistent with what the Group believes to be the customary practice in the PRC, it does not carry any business interruption insurance, key-man insurance or insurance covering potential environmental damage claims. Such insurance is not mandatory under the laws and regulations of the PRC, and such insurance is either unavailable in the PRC or requires substantial cost.

Legal Proceedings and Regulatory Compliance

The Group may be from time to time involved in disputes and legal proceedings arising in the ordinary course of its business. See *“Risk Factors — Risks Relating to the Group in General — The Group is exposed to litigation risks”*.

In 2019, Qingdao Jinqiao Ship Engineering Co., Ltd. (青島金之橋投資管理有限公司) (“**Qingdao Jinqiao**”), a subsidiary of the Company, filed an action against Qingdao Kaixuan Real Estate Co., Ltd. (青島凱旋地產有限公司) for its non-delivery of property to set off the debt of approximately RMB0.2 billion owed to Qingdao Jinqiao. In July 2020, the Intermediate People’s Court of Qingdao rejected the application by Qingdao Jinqiao and was later upheld by the High People’s Court of Shandong Province. Subsequently, Qingdao Jinqiao appealed for a retrial, which was granted by an order of the Supreme People’s Court of the PRC in December 2021. In March 2023, the Intermediate People’s Court of Qingdao granted a judgment against Qingdao Jinqiao. As at the date of this Offering Circular, Qingdao Jinqiao is in the course of preparation for lodging an application for appeal to the High People’s Court of Shandong Province against such judgment.

In 2021, Qingdao Chengtou Asset Management filed an action against Qingdao Haotong Real Estate Development Co., Ltd. (青島昊通房地產開發有限公司) at the Intermediate People’s Court of Qingdao for its non-repayment of an entrusted loan in the principal amount of RMB52.5 million (and accrued interest thereon) owed to Qingdao Chengtou Asset Management. In September 2021, the Intermediate People’s Court of Qingdao granted a judgment in favour of Qingdao Chengtou Asset Management. Qingdao Haotong Real Estate Development Co., Ltd. lodged an application for appeal to the High People’s Court of Shandong Province against such judgment. As at the date of this Offering Circular, the High People’s Court of Shandong Province has granted a judgment in favour of Qingdao Chengtou Asset Management and Qingdao Chengtou Asset Management will apply for execution of the judgment in due course.

The Group has taken various steps to reduce and control its exposure to litigation risks and will also focus on the enhancement of its internal procedures to ensure overall legal and regulatory compliance.

Save as disclosed in this Offering Circular, to the best of its knowledge, there are no other current litigation or arbitration proceedings against the Group or any of its directors as at the date of this Offering Circular that could have a material adverse effect on its financial condition or results of operations.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

DIRECTORS

The board of directors (the “**Board**”) is the final decision-making body of the Company and is primarily responsible for determining the operating plans and investment proposals, making the annual financial budget plans and major financing and restructuring plans, determining the structure of the management and branches of the Company, and appointing general manager and other senior management of the Company.

The Company is required by its articles of association to have a board of directors comprising nine directors. However, as at the date of this Offering Circular, the board of directors of the Company only consists of seven members and the appointment of the remaining directors is pending confirmation and notification by Qingdao SASAC. See “*Risk Factors — Risks Relating to the Group in General — If the Group fails to maintain effective internal controls and sound corporate governance, its business, financial condition, results of operations and reputation could be materially and adversely affected*”. The table below sets forth the directors of the Company as at the date of this Offering Circular:

Name	Age	Position/Title
CHEN Mingdong (陳明東)	54	Chairman of the Board and secretary of the party committee of the Company
ZANG Yijie (臧毅杰)	57	Director, deputy secretary of the party committee of the Company and general manager
Miao Weitao (苗維濤)	58	External director
Wang Jiagen (王健根)	56	External director
Ding Weiying (丁唯穎)	53	External director
WANG Li (王莉)	49	External director
GUO Jian (郭健)	58	Employee director, member of the party committee of the Company and chairman of labour union

Mr. CHEN Mingdong (陳明東) has been the chairman of the Board and the secretary of the party committee of the Company since June 2021. Mr. Chen held positions including the director of the government debt management office of Qingdao Municipal Finance Bureau (青島市財政局) and the deputy chief and a member of the party committee of Qingdao Municipal Finance Bureau. He previously served as the chairman of board of directors and the secretary of the party committee of Qingdao Huatong State-owned Capital Operations (Group) Co., Ltd. (青島華通國有資本運營(集團)有限責任公司, currently named as 青島華通國有資本投資運營集團有限公司). He also previously served as the general manager and the deputy secretary of party committee of the Company. Mr. Chen obtained his master’s degree in management from Ocean University of China (中國海洋大學) in 1999. Mr. Chen is a Chinese certified public accountant.

Mr. ZANG Yijie (臧毅杰) has been a director, the deputy secretary of the party committee and the general manager of the Company since August 2020. Mr. Zang held various positions in Plant Representative Department of Qingdao Municipal Finance Bureau (青島市財政駐廠員管理處), Qingdao Municipal State-owned Assets Bureau (State-owned Assets Office) (青島市國資局(國資辦)) and Qingdao SASAC. Mr. Zang obtained his bachelor’s degree in business administration from Nankai University (南開大學) in 2008.

Mr. MIAO Weitao (苗維濤) has been an external director of the Company since January 2023. He is also the external director of Qingdao Red Star Chemical Group Co., Ltd. (青島紅星化工集團有限責任公司) and Qingdao NMEI Group Co., Ltd. (青島海檢集團有限公司). Mr. Miao previously served as the secretary of the discipline commission and the deputy secretary of the party committee of Qingdao International Airport Group Co., Ltd. (青島國際機場集團有限公司). Mr. Miao obtained his bachelor’s degree in economics and management from Shandong Provincial Party School (山東省委黨校) in 1999.

Mr. WANG Jiange (王健根) has been an external director of the Company since January 2023. He is also the external director of Qingdao Red Star Chemical Group Co., Ltd. and Qingdao NMEI Group Co., Ltd. Mr. Wang previously served as the deputy director of planning and scheduling division of Qingdao Economic and Trade Commission (青島市經委計劃調度處), the director of monitoring and analysis division (監測分析處) and industry management division (行業管理處) of Economic Operation Bureau of Qingdao Economic and Trade Commission (青島市經貿委經濟運行局), the director of planning and development division of Qingdao Small and Medium-sized Enterprise Development Bureau (青島市中小企業發展局規劃發展處), the director of the secretariat and the director of the regional cooperation division (區域合作處) of Qingdao Domestic Economic Cooperation Office (青島市國內經濟合作辦公室), and a first-level researcher, the chief economist, the director of the policy and regulation division of the Qingdao Municipal Bureau of Commerce (青島市商務局). Mr. Wang obtained his postgraduate degree in economics and management from School of Economics of Peking University in 2001 and his postgraduate degree in economics and management from Shandong Provincial Party School in 2007.

Ms. DING Weiying (丁唯穎) has been an external director of the Company since January 2023. She is also the external director of Qingdao Red Star Chemical Group Co., Ltd. and Qingdao NMEI Group Co., Ltd. Ms. Ding previously served as the accountant in charge and the deputy director of finance department of Qingdao Enterprise Development Investment Co., Ltd. (青島市企業發展投資有限公司) and the director of the audit department of Qingdao China Prosperity State-owned Capital Investment Operation Group Co., Ltd. (青島華通國有資本投資運營集團有限公司). Ms. Ding obtained her master's degree in accounting from Ocean University of China in 2011.

Ms. WANG Li (王莉) has been an external director of the Company since December 2021. She is also a partner and the director of securities department of Shandong Wenkang Law Firm (山東文康律師事務所) and a member of the Legal Advisory Group for the Protection of the Rights and Interests of Small and Medium Investors in the Capital Market Department of Qingdao (青島資本市場部中小投資者權益保護法律顧問團). Ms. Wang previously served as the corporate legal counsel of China Coal Energy Group Qingdao Co., Ltd. (中國中煤能源集團青島有限公司). Ms. Wang obtained her bachelor's degree in international economic law from Qingdao University (青島大學).

Ms. GUO Jian (郭健) has been an employee director of the Company since April 2020. She is also a member of party committee of the Company and the chairman of labour union of the Company. Ms. Guo held various positions in the 67th Army of Jinan Military Region, Qingdao Customs (青島海關), Hongkong China Qingdao Development Co., Ltd. (香港華青發展有限公司), Qingdao Huaqing Financial Service Co., Ltd. (青島華青財務服務有限公司), Qingdao (Hong Kong) Huaqing Development Co., Ltd. (青島(香港)華青發展有限公司) and Qingdao Hongdao Development and Construction Group Co., Ltd. (青島紅島開發建設集團有限公司). Ms. Guo graduated from Party School of the Central Committee of Communist Party of China with a major in law in December 2002.

SUPERVISORS

The primary duties of the supervisory committee include, but are not limited to, the following:

- examining the finance of the Company and monitoring the major business activities of the Company;
- monitoring the Company's restructuring, reorganisation, mergers and acquisitions, major investments and the returns of the investments;
- monitoring the performance of the directors and senior management of the Company in discharging their duties; and
- reporting to investors in accordance with the requirements of investors.

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

<u>Name</u>	<u>Age</u>	<u>Position/Title</u>
WANG Ran (王然)	42	Employee supervisor
TANG Jing (唐靜)	42	Employee supervisor
HAN Junying (韓軍營)	47	Employee supervisor

Mr. WANG Ran (王然) has been appointed as an employee supervisor of the Company since August 2019. He also serves as the general manager of Qingdao (Jiaozhou) Urban and Rural Community Construction Investment Co., Ltd. (青島(膠州)城鄉社區建設投資有限公司). He held position of the chief accountant of Qingdao Zhongshan Property Co., Ltd. (青島中山置業有限公司) and previously served in finance department of the Company. Mr. Wang obtained his master's degree in business management from Huazhong Agricultural University in June 2013.

Ms. TANG Jing (唐靜) has been appointed as an employee supervisor of the Company since August 2019. She also serves as the director of audit and legal department of the Company. She previously held various positions in Qingdao Development and Investment Co., Ltd., Urban and Rural Community Construction Investment, Qingdao Financing Guarantee Co. and Qingdao Chengtuo Overseas Development Co., Ltd. (青島城投海外發展有限公司). Ms. Tang obtained her master's degree in business management from Huazhong Agricultural University in June 2013.

Mr. HAN Junying (韓軍營) has been appointed as an employee supervisor of the Company since August 2019. He previously held positions of journalist, chief editor and deputy director of the chief editorial office of Qingdao Daily (青島日報), deputy director of the party and people department and deputy director of the general office of the Company. Mr. Han obtained his bachelor's degree in journalism from Shandong Normal University in July 1999.

SENIOR MANAGEMENT

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

<u>Name</u>	<u>Age</u>	<u>Position/Title</u>
ZANG Yijie (臧毅杰)	57	Director, deputy secretary of the party committee of the Company and general manager
GUO Jian (郭健)	58	Employee director, member of the party committee of the Company and chairman of labour union
JIANG Yi (姜毅)	51	Chief accountant and member of the party committee of the Company
GAO Yuzhen (高玉貞)	49	Deputy general manager and member of the party committee of the Company
CAO Yong (曹勇)	54	Deputy general manager and member of the party committee of the Company
LIN Songtao (林松濤)	53	Deputy general manager and member of the party committee of the Company
YIN Cong (殷淙)	48	Deputy general manager and member of the party committee of the Company
LENG Yanbing (冷嚴冰)	48	Secretary of the discipline commission and member of the party committee of the Company

Mr. ZANG Yijie (臧毅杰) has been the deputy secretary of the party committee and the general manager of the Company since August 2020. For Mr. Zang's biography, see "*Directors*" above.

Ms. GUO Jian (郭健) has been a member of party committee of the Company and the chairman of labour union of the Company since August 2018. For Ms. Guo's biography, see "*Directors*" above.

Mr. JIANG Yi (姜毅) has been a member of the party committee of the Company since February 2014 and the chief accountant of the Company since March 2014. Mr. Jiang held positions of the head of the finance audit division, company audit division no. 2 of Qingdao Audit Bureau (青島市審計局). Mr. Jiang obtained his bachelor's degree in Management from Ocean University of China in October 2003 and obtained his doctoral degree in management from Ocean University of China in June 2013. Mr. Jiang has obtained the qualification of Senior Auditor.

Mr. GAO Yuzhen (高玉貞) has been a member of the party committee of the Company since August 2018 and the deputy general manager of the Company since December 2019. Mr. Gao currently serves as the director of the Issuer, and previously held positions in Qingdao Caixin Assets Management Co., Ltd. (青島財信資產經營有限責任公司), Qingdao Kaitou Asset Management Co., Ltd. (青島開投資產管理有限公司), Qingdao Zhongyi Investment Management Co., Ltd. (青島中億投資管理有限公司), Qingdao Chengtuo Cultural Media Co., Ltd. (青島城投文化傳媒有限公司, currently named as Qingdao Tourism Culture Media Co., Ltd. (青島旅遊文化傳媒有限公司)), Urban and Rural Community Construction Investment and Chengtuo New Energy Group. Mr. Gao obtained his master's degree in finance from Ocean University of China in June 2005.

Mr. CAO Yong (曹勇) has been the deputy general manager and a member of the party committee of the Company since September 2022. Mr. Cao previously served as the general manager of Qingdao Finance Cadre Training Centre (青島財政幹部培訓中心), the director and the secretary of the party committee of Qingdao Expressway Management Office (青島高速公路管理處) and the deputy director (in charge of work) and the deputy secretary of the party committee of Qingdao Transportation Development and Investment Centre (青島交通開發投資中心). Mr. Cao obtained his college degree in economic management from Party School of the Central Committee of Communist Party of China (中共中央黨校函授學院) in June 1993.

Mr. LIN Songtao (林松濤) has been the deputy general manager and a member of the party committee of the Company since September 2022. Mr. Lin previously served as the chairman of the board of directors of Qingdao Haifa Construction Development (Group) Co., Ltd. (青島海發建設開發(集團)有限公司). Mr. Lin obtained his bachelor's degree in engineering from Shandong University of Technology (山東工業大學) in July 1993.

Mr. YIN Cong (殷淙) has been the deputy general manager and a member of the party committee of the Company since September 2022. Mr. Yin also currently serves as the general manager of the investment and capital operation management department (investment promotion office) of the Company. Mr. Yin previously served as office director of the Social Development Division of the Qingdao Development and Reform Commission (青島市發展和改革委員會社會發展處), the assistant to the general manager and the director of the strategic investment department of Qingdao Tourism Group and the vice president of Weidong Group (偉東集團). Mr. Yin obtained his bachelor's degree in economics, majoring in investment and economic management from the Central University of Finance and Economics (中央財經大學) in July 1997, and his master's degree in management, majoring in accounting, from Ocean University of China in January 2005.

Ms. LENG Yanbing (冷嚴冰) has been the secretary of the discipline commission and a member of the party committee of the Company since January 2022. Ms. Leng previously held positions in the People's Procuratorate of Shibei District, Qingdao (青島市市北區人民檢察院), the Shibei District Committee of Qingdao (青島市市北區委), and Zhenjiang Road Sub-district, Shibei District, Qingdao (青島市市北區鎮江路街道). Ms. Leng obtained her master's degree in law from Shandong University (山東大學).

CORPORATE GOVERNANCE

The Company has established and implemented an effective corporate governance structure. At the operational level, the Company has nine departments and offices at the group company levels (such as the Office of the Board of Directors • Strategic Development Department, the Investment and Capital Operation Management Department (Group Investment Promotion Office), the Financial Fund Management Department, the Audit and Legal Department and the Safety and Enterprise Management Department (Safety Management Centre), etc.) and seven special committees (namely the Strategy and Investment Committee, the Tender Committee, the Capital and Risk Management Committee, the Compensation Appraisal Committee, the Budget Management Committee, the Audit Committee, and the Safety Production Committee).

STRATEGY AND INVESTMENT COMMITTEE

The primary duties of the Company's Strategy and Investment Committee include, but are not limited to, the following:

- researching on the development strategies and mid-to long-term planning of the Group and giving advices;
- reviewing the self-operating project investment and material financing activities of the Group and giving advices to the board of directors; and
- reviewing other important matters that may affect the development of the Group and giving advices.

TENDER COMMITTEE

The primary duties of the Company's Tender Committee include, but are not limited to, the following:

- monitoring the tender process and ensuring its compliance with relevant laws, regulations and internal requirements of the Group;
- examining tender-related matters including the tender price and resolving disputes and complaints; and
- cooperating with the supervisory departments of the Group to supervise the tender process and reporting to the supervisory departments for any violation of the laws and regulations.

CAPITAL AND RISK MANAGEMENT COMMITTEE

The primary duties of the Company's Capital and Risk Management Committee include, but are not limited to, the following:

- examining and voting on fund-related matters such as external guarantee business and asset acquisition business;
- examining and voting on projects that already passed the vote but incurred increased risk at a later stage; and
- examining and voting on other material fund-related matters and material matters that fall into the material category under internal supervisory requirements.

COMPENSATION APPRAISAL COMMITTEE

The primary duties of the Company's Compensation Appraisal Committee include, but are not limited to, the following:

- studying and promoting advanced compensation management model, strengthening the compensation researches and promoting the reform of the compensation system of the Group;
- studying and making annual compensation adjustment plan of the Company based on the relevant provincial and municipal policies, taking into account the Group's situation; and
- studying and designing the promoting policy, performance assessment system and incentive and restriction system of the Group.

BUDGET MANAGEMENT COMMITTEE

The primary duties of the Company's Budget Management Committee include, but are not limited to, the following:

- taking charge of the comprehensive budgeting of the Group and reviewing the budget proposal and budget adjustment proposal;

- examining and analysing the implementation of the budget periodically, and supervising the subsidiaries' implementation of the budgets approved by the board of directors;
- making budget adjustment suggestions when there is substantial change of the internal and external environment; and
- reviewing and examining the implementation of the annual budget of the Group, designing assessment methods, and taking charge of the assessment of the annual budget implementation.

AUDIT COMMITTEE

The primary duties of the Company's Audit Committee include, but are not limited to, the following:

- monitoring and examining the risk management and risk control system of the Group and conducting periodic evaluation of risk tolerance of the Group;
- supervising the basic internal audit system of the Group and its annual audit plans and budgets, approving the audit reports for major projects, examining and resolving the problem discovered from the auditing procedures and monitoring its implementation;
- monitoring and examining the project management, financial management, asset management and contract management of the Group; and
- monitoring and examining the financial results and relevant operating activities of the Group.

SAFETY PRODUCTION COMMITTEE

The primary duties of the Company's Safety Production Committee include, but are not limited to, the following:

- studying, deploying, coordinating and supervising the safety production works of the Group;
- formulating safety production policy of the Group and organising trainings on safety production; and
- coordinating and directing the rescue works of production safety incidents.

PRINCIPAL SHAREHOLDER

The following table sets forth information with respect to the beneficial ownership of the Company's ordinary shares as at the date of this Offering Circular by each person known to the Company to beneficially own 5.0 per cent. or more of the Company's issued and outstanding shares:

<u>Principal Shareholder</u>	<u>Capacity</u>	<u>Percentage of issued share capital</u>
Qingdao SASAC.	Sole Shareholder	100.00

PRC REGULATIONS

This section is a high-level overview and summary of the principal PRC laws and regulations which are relevant to the Group's business and operations and the issue of the Bonds. As this is a summary, it does not contain a detailed analysis of all the PRC laws and regulations which are relevant to the Group's business and operations and the issue of the Bonds.

THE PRC LEGAL SYSTEM

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

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

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

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

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

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

THE PRC JUDICIAL SYSTEM

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

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

The Civil Procedure Law of the PRC, which was adopted on 9 April 1991 and amended on 28 October 2007, 31 August 2012 and 27 June 2017, respectively, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Except for certain civil cases under special statutory jurisdictions, generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the contract. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

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

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

MAIN REGULATORY AUTHORITIES AND CONTENTS OF SUPERVISION

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

- MOHURD (former Ministry of Construction of the People's Republic of China, the "MOC") and the competent local departments of MOHURD at various levels are responsible for the comprehensive supervision over the construction industry as well as the real estate development qualifications. Such management mainly includes: management on the competency and qualification of market players, including approval and verification of the qualifications of various construction enterprises for access to market, examination and approval of occupational qualifications of individuals in the construction industry, supervision over and management on construction projects, and establishment of industrial standards, etc.
- the Ministry of Transport of the People's Republic of China (the "MOT") and the competent local departments of MOT at various levels are responsible for the construction projects of ports and highways nationwide.

- the National Railway Administration of the People's Republic of China (former Ministry of Railways, the “**MOR**”) and the competent local departments of MOR at various levels are responsible for the railway construction projects nationwide.
- the NDRC and the local development and reform commissions at various levels are responsible for the investment planning, examination and approval of city infrastructure construction projects.
- the Ministry of Environmental Protection of the People's Republic of China (former State Environmental Protection Administration, the “**SEPA**”) and the competent local departments of environmental protection at various levels are responsible for the environmental protection management of construction projects.

MAJOR LAWS AND REGULATIONS

Regulation on Fiscal Debts of Local Governments

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

In accordance with the currently effective Budget Law of the PRC (“**Budget Law**”) which took effect on 1 January 2015, local governments are empowered to issue government bonds. On 21 September 2014, Circular 43 was promulgated by the State Council. Circular 43 aims at regulating financing system of local government and three channels are presented. In accordance with Circular 43, financing platforms shall no longer serve the fiscal financing functions nor incur new government debts. Public interest projects may be funded by the government through issuing government bonds and public interest projects with income generated, such as city infrastructure construction, may be operated independently by social investors or jointly by the government and social investors through the establishment of special purpose companies. Social investors or such special purpose companies shall invest in accordance with market-oriented principles and may be funded by, among other market-oriented approaches, bank loans, enterprise bonds, project revenue bonds and asset-backed securitisation. Social investors or the special purpose companies shall bear the obligation to pay off such debts and the government shall not be liable for any of the social investors' or special purpose companies' debts. Circular 43 also sets forth the general principles of dealing with existing debts of financing platforms. Based on the auditing results of such debts run by the local governments, the existing debts that should be repaid by the local governments shall be identified, reported to the State Council for approval, and then included in the budget plan of local governments.

On 10 December 2014, the People's Government of Shandong Province promulgated the Implementation Opinion on Circular 43 to implement Circular 43 in Shandong Province, which emphasised that financing platforms shall no longer serve the fiscal financing functions nor incur new government debts.

In accordance with the Implementation Opinion on Circular 43, upon joint confirmation of the debtors and the creditors, debts of financing platforms that were incurred due to development of commercial real estate and other projects for profit shall be identified as corporate debts and shall not be repaid by local government. As for debts of financing platforms that were incurred due to public interest projects, if the income generated from such projects is sufficient to repay the principal and interests of such debts, such debts shall be repaid by such income. In addition, social investors are encouraged to construct and operate certain public interest projects; and as for the public interest projects constructed and operated by social investors, the debts incurred due to such projects shall be repaid by the project company through market-oriented approaches and shall not be repaid by local government.

On 11 May 2015, Circular 40 was promulgated by the General Office of the State Council. In accordance with Circular 40, local governments at all levels and banking financial institutions shall properly deal with follow-up financing issues for projects under construction of financing platform companies.

Projects under construction refer to projects that have started construction upon the completion of examination, approval or filing procedures in accordance with relevant regulations manuscript by competent investment authorities before the date when Circular 43 was promulgated.

On 28 March 2018, MOF promulgated the MOF Circular, which came into effect on the same day. Under the MOF Circular, when providing intermediary services for local government financing platform companies and other local state-owned enterprises regarding issuance of bonds at home and abroad, state-owned financial enterprises shall prudently evaluate the financial capability of fund-raisers and their source of funds for repayment. Where the source of revenue of bond-issuing enterprises involves fiscal funds, due diligence investigation shall be carried out, and the compliance and authenticity of fiscal funds shall be diligently verified. In bond prospectus and other documents, local financial revenues and expenditures, government debt data, or any other information implicitly or explicitly indicating support of government credit shall not be disclosed, and misleading publicity connecting with government credit shall be prohibited. It shall be specified in relevant transaction documents that the local government shall only assume limited liability to the extent of its amount of contribution and the relevant debts shall be repaid by local state-owned enterprises as independent legal persons.

On 11 May 2018, the NDRC and MOF jointly issued the Joint Circular. Under the Joint Circular, enterprises that take on foreign debts shall have materialised operations, conduct financing activities in compliance with laws after fully demonstrating the necessity of taking on such foreign debts. It is forbidden for enterprises to require or accept local governments and their subordinate departments to provide guarantees or assume debt repayment obligations for their market-oriented financing behaviours in a variety of ways, so as to ensure that “whoever borrows, who borrows from them, who borrows them, makes prudent decisions, and takes risks at his own expense”. Further, the assets owned by such enterprises shall be of good quality, the ownership shall be clear. It is forbidden that public schools, public hospitals, public cultural facilities, parks, public squares, government office buildings, municipal roads, non-toll bridges, non-operating water conservancy facilities, non-toll pipeline network facilities, reserved land use rights and other assets relating to public interests be accounted into enterprises’ assets. It is restated that in bond prospectus and other documents, local financial revenues and expenditures, government debt data, or any other information implicitly or explicitly indicating support of government credit shall not be disclosed, and misleading publicity connecting with government credit shall be prohibited, and it shall be specified in relevant transaction documents that the local government shall only assume limited liability to the extent of its amount of contribution and the relevant debts shall be repaid by local state-owned enterprises as independent legal persons.

On 6 June 2019, the General Office of the NDRC issued the Circular 666, which aims to strengthen the management of local government debt and avoid or mitigate risks relating to medium and long-term foreign debt as well as hidden debt of local governments. This circular expressly restricts the use of proceeds of foreign debt securities issued by state-owned enterprises which undertake local government financing functions to the repayment of medium and long-term offshore debt due within the impending one year.

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

- Support stock financing needs for projects under construction. Local governments at all levels and banking financial institutions shall ensure the orderly development of projects under construction. For the loans to the projects under construction of financing platform companies, if the loan contracts with legal effect have been signed before 31 December 2014 and the loans have been granted but the contracts have not yet expired, banking financial institutions shall, under the premise of fully controlling risks and implementing credit conditions, continue to grant loans as agreed in the contracts, and shall not blindly call in loans in advance, delay or suspend the granting of loans.
- Regulate increment financing for projects under construction. Local governments at all levels shall pay close attention to the increment financing needs which are expected to be given fiscal support for the projects under construction of the financing platform companies, and shall, under the premise of compliance with laws and regulations and standard administration, make overall arrangements for various kinds of capitals such as fiscal capital and social capital and ensure the

continuation and completion of projects under construction. For the projects under construction of financing platform companies for which the loan amount in the contracts that have been signed fails to meet the construction needs, if it is suitable for them to adopt government and social capital cooperation mode, they shall prioritise such mode to make up the needs. And if they are in compliance with the relevant state provisions without any other funding sources for construction, but temporarily the government and social capital cooperation mode is not suitable, the increment financing needs shall be incorporated into government budget management and solved through issuing government bonds by local governments as required by laws and relevant regulations.

- Administer in an effective and proper manner follow-up financing for projects under construction. Banking financial institutions shall carefully check the destinations of the loans, and focus on supporting the projects under construction of financing platform companies in respects such as farmland water conservancy facilities, affordable housing projects and urban railway systems.
- Improve supporting measures. Under the premise of ensuring fiscal expenditure needs, in the regions where there are corresponding amount of government bonds issuance and where the treasury balances exceed the treasury payment for one and a half months, the local financial departments are allowed to, within the limit of the amount of government bonds issuance, make more efforts to effectively use the stock of fiscal funds in the previous years and use the surplus amount of the treasury for capital flow before government bond issuance, so as to address the time difference between the financing for projects under construction and government bonds issuance.

Qualification of Construction Enterprises

In accordance with the Construction Law of the People's Republic of China (中華人民共和國建築法) amended and issued by Standing Committee of the National People's Congress (the "SCNPC") on 22 April 2011 and became effective on the same date, Regulations on Qualification Management of Construction Enterprises (建築業企業資質管理規定) promulgated by MOC on 26 June 2007 which became effective on 1 September 2007, and amended on 22 January 2015 which amendment became effective on 1 March 2015, Criterion for Qualification of Construction Enterprises (建築業企業資質標準) promulgated by MOHURD on 6 September 2014 which became effective on 1 January 2015, and Criterion for Premium Qualification of Construction General Contracting Enterprises (施工總承包企業特級資質標準) issued by MOC on 13 March 2007 and became effective on the same date, Provisions on the Management of Survey and Design Qualification of Construction Projects (建設工程勘察設計資質管理規定) promulgated by MOC on 26 June 2007 which became effective on 1 September 2007, as amended, Detailed Rules of Provisions on the Management of Survey and Design Qualification of Construction Projects (建設工程勘察設計資質管理規定實施意見) issued by MOC on 21 August 2007 and became effective on the same date, as amended, Provisions on Qualification Management of Project Supervision Enterprises (工程監理企業資質管理規定) promulgated by MOC on 26 June 2007 which became effective on 1 August 2007, as amended, Detailed Rules of Provisions on Qualification Management of Project Supervision Enterprises (工程監理企業資質管理規定實施意見) issued by MOC on 31 July 2007 and became effective on the same date, as amended, as well as other relevant laws and regulations, enterprises engaging in the business of construction, survey, design and supervision of construction projects may only carry out construction activities within the scope of their qualification grade certificates.

In accordance with the Regulations on Qualification Management of Construction Enterprises, construction enterprises shall apply for their qualifications according to their registered capital, professionals, technical equipment and completed construction project achievements, and can only carry out construction activities to the extent permitted by their qualification grades. Qualifications of construction enterprises include qualification of general contractor, qualification of professional contractor and qualification of service subcontractor.

Any enterprise that has obtained the qualification of a general contractor may enter into a contract to make contracting to the whole project or main works. The enterprise undertaking the general contracting work may carry out the whole construction project by itself or subcontract the work other than the main work or the labour service to other construction enterprises that have requisite qualifications.

Any enterprise that has obtained the qualification of a professional contractor may undertake the professional work subcontracted by the general contractor or the professional work contracted by a construction unit. A professional contracting enterprise may carry out construction by itself or subcontract the labour service work to a labour service enterprise that has the corresponding qualification.

An enterprise that has obtained the qualification of a labour service subcontractor may undertake the labour service work subcontracted by the general contracting enterprise or professional contracting enterprise.

Bidding and Tendering Management

Bidding and tendering of various construction projects have been provided in the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法) promulgated by SCNPC on 30 August 1999 which became effective on 1 January 2000, Regulation on the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法實施條例) promulgated by the State Council on 20 December 2011 which became effective on 1 February 2012, Measures for the Construction Bidding and Tendering of Construction Projects (工程建設項目施工招標投標辦法) jointly promulgated by the NDRC, MOC, MOR, MOT, Ministry of Information Industry of the People's Republic of China, Ministry of Water Resources of the People's Republic of China, and Civil Aviation Administration of China in 8 March 2003 which became effective on 1 May 2003, and amended on 11 March 2013 which amendment became effective on 1 May 2013, Administrative Measures for the Tender Invitation and Submission for Construction Engineering Design (建築工程設計招標投標管理辦法) issued by MOHURD on 1 January 2017 and became effective on 1 May 2017, Provisions on the Tendering Scope and Scale Standards of Construction Projects (工程建設項目招標範圍和規模標準規定) issued by the NDRC on 1 May 2000 and became effective on the same date, Administrative Measures for the Bidding and Tendering of Housing Construction and Municipal Infrastructure Work (房屋建築和市政基礎設施工程施工招標投標管理辦法) issued by MOC on 1 June 2001 and became effective on the same date, and Administrative Measures for the Tendering for Highway Engineering Construction Projects (公路工程建設項目招標投標管理辦法) promulgated by MOT on 8 December 2015 which became effective on 1 February 2016.

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

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

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

Quality Management

Laws and regulations on project quality mainly include Construction Law of the People's Republic of China, Measures for Quality Management of Construction Projects (建設工程質量管理條例) (as amended) issued by the State Council on 30 January 2000 and became effective on the same date, Measures for Quality Management of Construction Project Survey (建設工程勘察質量管理辦法) issued by MOC on 22 November 2007 and became effective on the same date, Interim Measures for the Administration of Quality Warranty Funds of Construction Projects (建設工程質量保證金管理暫行辦

法) issued by MOC on 12 January 2005 and became effective on the same date, Administrative Measures for Completion Acceptance Record of Building Construction and Municipal Infrastructure Projects (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) issued by MOHURD on 19 October 2009 and became effective on the same date, Measures for Quality Warranty of Building Construction Projects (房屋建築工程質量保修辦法) issued by MOC on 30 June 2000 and became effective on the same date, Measures for Completion Acceptance of Port Works (港口工程竣工驗收辦法) promulgated by MOT on 12 April 2005 which became effective on 1 June 2005 and amended on 19 April 2016 and Measures for Completion (Delivery) Acceptance of Highway Works (公路工程竣(交)工驗收辦法) promulgated by MOT on 31 March 2004 which became effective on 1 October 2004 and its Implementation Rules which is promulgated and became effective on 1 May 2010.

According to the Regulation on Quality Management of Construction Projects, all the building, surveying, designing, construction and supervision units shall be responsible for the quality of the construction projects. The competent administrative department of construction at or above county level is the competent authority for quality supervision and management of construction projects.

Work Safety Management

Major laws and regulations on work safety during the project contracting process include Work Safety Law of the People's Republic of China (中華人民共和國安全生產法) promulgated by SCNPC on 29 June 2002 which became effective on 1 November 2002, and amended on 31 August 2014 which amendment became effective on 1 December 2014, Regulation on Work Safety Management of Construction Projects (建設工程安全生產管理條例) promulgated by the State Council on 24 November 2003 which became effective on 1 February 2004, Regulation on Work Safety Licences (安全生產許可證條例) by the State Council on 13 January 2004 and became effective on the same date, and amended on 29 July 2014 which amendment became effective on the same date, Regulation on Work Safety Accident Report and Investigation (生產安全事故報告和調查處理條例) promulgated by the State Council on 9 April 2007 which became effective on 1 June 2007, and Administrative Provisions on Work Safety Licences of Construction Enterprises (建築施工企業安全生產許可證管理規定) issued by MOC on 5 July 2004 and became effective on the same date.

In accordance with the Work Safety Law of the People's Republic of China, the Regulation on Work Safety Licences and other related regulations, the State implements the work safety licence system to construction enterprises. Any enterprise failing to obtain the work safety licence shall not carry out production activity. In accordance with the Regulation on Work Safety Management of Construction Projects, all the building, surveying, designing, construction and supervision units shall be responsible for the work safety of construction projects. For general contracting projects, the general contractor shall assume full responsibility for the work safety of the construction site, and the subcontractor shall be jointly liable for the work safety of the subcontracted portions of work.

Environmental Protection Management

Major laws and regulations on environmental protection during the project construction process include the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) promulgated by SCNPC on 24 April 1979 which became effective on 1 January 1979, Law on Environmental Impact Assessment of the People's Republic of China (中華人民共和國環境影響評價法) promulgated by SCNPC on 28 October 2002 which became effective on 1 September 2003, and amended on 2 July 2016 which amendment became effective on 1 September 2016, Administrative Regulations on Environmental Protection of Construction Projects (建設項目環境保護管理條例) issued by the State Council on 29 November 1998 and became effective on the same date, and amended on 16 July 2017 which amendment became effective on 1 October 2017 and Administrative Measures for Environmental Protection Acceptance of Construction Projects upon Completion (建設項目竣工環境保護驗收管理辦法) (as amended) promulgated by SEPA on 27 December 2001 which became effective on 1 February 2002.

In accordance with the provisions of the Administrative Regulations on Environmental Protection of Construction Projects and Administrative Measures for Environmental Protection Acceptance of Construction Projects upon Completion, the PRC government implements the system of environmental impact assessment on construction projects. After the completion of a construction project, the competent administrative department of environmental protection will undergo environmental protection acceptance process and assess whether the construction project has met the requirements for environmental protection.

Qualification of a Real Estate Developer

Under the Provisions on Administration of Qualifications of Real Estate Developers (房地產開發企業資質管理規定) (as amended) (the “**Provisions on Administration of Qualifications**”) promulgated by MOC (now known as MOHURD) on 29 March 2000, a real estate developer must apply for a qualification classification certificate. An enterprise may not engage in the development and operation of properties without a qualification classification certificate for real estate development. MOC (now known as MOHURD) is in charge of monitoring the qualifications of all real estate developers within the PRC, and local real estate development authorities at or above the county level are in charge of monitoring the qualifications of local real estate developers.

Engagement in real estate development and operation by a developer without obtaining the required provisional or formal qualification certificate, or by overstepping its qualification class, may result in a fine ranging from RMB50,000 to RMB100,000. If the developer fails to rectify within the specified time limit, the authorities shall revoke the qualification certificate, and submit the matters to administrative authorities for industry and commerce for the revocation of the business licence. Pursuant to the Provisions on Administration of Qualifications, the qualification of a real estate developer should be annually inspected.

Regulations on Overseas Investment and Acquisition Activities

NDRC Supervision

According to the Measures for the Administration of Approval and Filing of Overseas Investment Projects effective from 8 May 2014 and replacing the Interim Measures for the Administration of Verification and Approval of Overseas Investment Projects, which was later amended by the Decision for Amendment of Relevant Articles in the Measures for the Administration of Approval and Filing of Overseas Investment Projects and Measures for the Administration of Approval and Filing of Projects Invested by Foreign Investors issued on 27 December 2014, the approval administration and filing administration shall be respectively applied to different overseas investment projects. Specifically, if the project is related to the sensitive countries, areas or industries, the projects shall be subject to the verification and approval of the NDRC. Specifically, where the amount of the investment made by the Chinese party is U.S.\$2 billion or more, such projects shall be subject to the examination of the NDRC and then shall be reported to the State Council for the verification and approval. Other than the projects specified above, the other projects shall be subject to the filing administration. Specifically, overseas investment projects carried out by enterprises under central management, and those carried out by local enterprises in which the amount of Chinese investment reaches or exceeds U.S.\$300 million shall be subject to the record-filing by the NDRC. Those carried out by local enterprises in which the amount of Chinese investment is below U.S.\$300 million shall be subject to the record-filing by competent investment departments of the provincial governments.

According to the Notice on Issues Concerning the Implementation of Measures for the Administration of Approval and Filing of Overseas Investment Projects, the Circular of the NDRC on Properly Handling the Delegation of Approval Authority over Outbound Investment Projects to Lower-level Authorities terminated.

Investment projects to be carried out in Hong Kong and/or the Macao Special Administrative Region shall be governed by the Measures for the Administration of Approval and Filing of Overseas Investment Projects.

On 4 August 2017, the NDRC, MOFCOM, PBOC and the Ministry of Foreign Affairs jointly issued the Guiding Opinions on Further Orienting and Regulating Outbound Investment (the “**Guiding Opinion**”), which classifies outbound investment into three groups: encouraged, restricted, and prohibited. The Guiding Opinion provides that the government will support enterprises to actively engage in outbound investment projects which promote the ‘One Belt, One Road’ strategy; deepen cooperation in international production capacity; promote the transfer of quality domestic production capacity, equipment, and applicable technologies overseas; enhance China’s technology R&D, production, and manufacturing capacity; help resolve the country’s energy shortage problems; and promote industrial upgrade.

Under the Guiding Opinion, the encouraged group includes:

- Projects that promote outbound investment in construction in the areas covered under the ‘One Belt One Road’ initiative, and basic infrastructure construction in the surrounding areas.
- Projects that steadily promote outbound investment that can facilitate the transfer of quality domestic production capacity, equipment, and applicable technology standards overseas.
- Projects that enhance investment cooperation with overseas high-tech and advanced manufacturing enterprises, and encourage domestic companies to set up *research and development* centres overseas.
- Projects that encourage domestic companies to actively participate in the exploration and development of oil, gas, and mineral projects overseas on the condition that a prudent assessment of economic benefits and interests has been conducted.
- Projects involving cooperation in agriculture.
- The government will promote outbound investment in trade and commerce, and culture and logistics, and support qualified financial institutions to establish branches and service networks overseas to carry out business lawfully.

The groups subject to restrictions include:

- Outbound projects in sensitive countries and regions that have no diplomatic relations with China; are currently at war with it; or have restrictions imposed in bi-lateral or multilateral agreements or conventions with China.
- Real estate, hotel, cinema, entertainment, and sports clubs.
- A stock investment fund or investment platform that does not invest in any real business overseas.
- Adopting technology standards that fall short of the required standards in the host country to manufacture production equipment.
- Failure to comply with the environmental protect, energy consumption or safety standards of the host country.

Investments falling into the first three areas listed above shall be subject to verification and approval by the NDRC and other competent authorities in charge of outbound investment.

The prohibited category includes:

- Projects involving the export of core military technologies and products without the approval of the Chinese government.
- Projects involving the use of technologies, techniques, or products that are prohibited for exports.
- Projects involving gambling or pornography.
- Projects involving breach of international conventions which China is a signatory to.
- Other outbound investment projects that may endanger or potentially endanger national security.

Also, further measures will be taken to improve guidance on different types of outbound investments, including:

- Further raising government service levels to support outbound investment — such as in taxation, foreign exchange, insurance, customs, and information areas.
- Providing guidance and timely alerts to domestic enterprises on their intended investment in the restricted areas overseas.

- Imposing substantial control and regulation to prevent outbound investments in prohibited areas.

MOFCOM Supervision

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

An enterprise that intends to invest in a sensitive country or region or a sensitive industry shall apply for the verification and approval by MOFCOM. “Sensitive countries and regions” mean those countries without a diplomatic relationship with the PRC, or subject to the UN sanctions or otherwise under the list of verified countries and regions published by MOFCOM from time to time. “Sensitive industries” mean those industries involving the products and technologies which are restricted from being exported, or affecting the interests of more than one country (or region). In accordance with the New Overseas Investment Rules, a Central Enterprise shall apply to MOFCOM for verification and MOFCOM shall, within 20 working days of accepting such application, decide whether or not the verification is granted. For a local enterprise, it shall apply through the provincial department of commerce to MOFCOM for such verification. The provincial department of commerce shall give a preliminary opinion within 15 working days of accepting such local enterprise’s application and report all application documents to MOFCOM, while MOFCOM shall decide whether or not the verification is granted within 15 working days of receipt of such preliminary opinion from the provincial department of commerce. Upon verification, the Enterprise Overseas Investment Certificate shall be issued to the investing enterprise by MOFCOM.

Other than those overseas investments subject to MOFCOM verification as described above, all other overseas investments are subject to a filing requirement. The investing enterprise shall fill complete the filing form through the Overseas Investment Management System, an online system maintained by MOFCOM and print out a copy of such filing form for stamping with the Company chop, and then submit such stamped filing form together with a copy of its business licence, for filing at MOFCOM (for a Central Enterprise) or the provincial department of commerce (for a local enterprise) respectively. MOFCOM or the provincial department of commerce shall accept the filing and issue the Enterprise Overseas Investment Certificate within 3 working days of receipt of such filing form.

The investing enterprise must carry out the investment within 2 years of the date of the relevant Enterprise Overseas Investment Certificate, otherwise such Certificate will automatically expire and a new filing or verification application has to be made by the investing enterprise after such expiry. In addition, if any item recorded in such Certificate is changed, the investing enterprise shall handle an updating process at MOFCOM or the provincial department of commerce (as the case may be).

If an overseas invested Company carries out a re-investment activity offshore, the investing enterprise shall report such re-investment activity to MOFCOM or the provincial department of commerce (as the case may be) after the investment is completed offshore. The investing enterprise shall fill in and print out a copy of the Overseas Chinese-invested Enterprise Re-investment Report Form from the Overseas Investment Management System and stamp and submit such Report Form to MOFCOM or the provincial department of commerce.

The New Overseas Investment Rules specifically provide that an overseas invested Company cannot use the words of “China” (“中國” or “中華”) in its name, unless otherwise approved.

Foreign Exchange Administration

SAFE issued the Notice of the SAFE on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment on 13 February 2015, abolishing the verification and approval processes of foreign exchange registration of overseas direct investment. The foreign exchange banks shall directly examine and handle foreign exchange registration of overseas direct investment. SAFE and its branches shall conduct indirect regulation of foreign exchange registration of overseas direct investment via foreign exchange banks.

The “Interim Measures for Administration of Overseas State-owned Property Rights of Central Enterprises”, the “Interim Measures for the Supervision and Administration of Overseas State owned Assets of Central Enterprises” and the “Measures for the Supervision and Administration of the Outbound Investment by Central Enterprises” also apply to overseas investment projects. Where overseas enterprises, wholly-owned or controlled by central enterprises and their subsidiaries at all levels are involved in contribution with non-monetary assets, they shall retain a professional agency with the corresponding qualifications, professional experiences and good reputation to evaluate or value subject matters, and the evaluation items or valuation results shall be submitted to SASAC for record-filing or approval.

If the domestic enterprise is a central enterprise, it shall establish and perform investment decision making procedures and management control system, establish and improve administration systems and submit to SASAC for record-filing, and establish annual investment plan and submit it to SASAC and make a copy of the project approval documents to SASAC.

The SASAC will formulate and promulgate a negative list of outbound investment projects of central enterprises, and specify outbound investment projects that are prohibited and are subject to special regulation to conduct classified regulation. No central enterprise may invest in any outbound investment project that is classified as prohibited by the negative list. As regards outbound investment projects that are classified as being subject to special regulation by the negative list, central enterprises shall submit the same to the SASAC for the latter to go through the procedures of review and control in the capacity as an investor. As regards outbound investment projects not included in the negative list, central enterprises shall make decisions on their own according to their development strategies and planning. A central enterprise shall, on the basis of the negative list of outbound investment projects of central enterprises promulgated by the SASAC, formulate its own negative list of outbound investment projects that is more stringent and specific in light of its actual situations.

Overseas enterprises which have completed overseas registration shall make state-owned assets ownership registration with SASAC.

NDRC REGISTRATION

On 14 September 2015, the NDRC issued the NDRC Circular, which became effective on the same day. In order to encourage the use of low-cost capital in the international capital markets in promoting investment and steady growth and to facilitate cross-border financing, the NDRC Circular abolished the case-by-case quota review and approval system for the issuance of foreign debts by PRC enterprises. The NDRC issued the NDRC Administrative Measures on 5 January 2023, which came into effect from 10 February 2023 and replaced the NDRC Circular.

According to the FAQs published by the NDRC on 9 February 2023, if an enterprise obtains the pre-issuance registration certificate before 10 February 2023, the certificate is still effective after the implementation of the NDRC Administrative Measures, and regulations under the NDRC Administrative Measures regarding risk management and interim and ex-post supervision of foreign debts shall be applicable.

For the purposes of the NDRC Administrative Measures, the medium- and long-term foreign debts of enterprises (“**foreign debts**”) mentioned in the NDRC Administrative Measures refer to debt instruments with a tenor of not less than one year that are borrowed from overseas by enterprises within the territory of the PRC and by overseas companies or branches controlled by them, denominated in local or foreign currency, and of which principal and interest on the foreign debts are repaid as agreed. Debt instruments include, but are not limited to, senior debts, perpetual debts, capital debts, medium-term notes, convertible bonds, exchangeable bonds, financial leasing, and commercial loans. According to this definition, foreign debts issued by both PRC enterprises and their controlled offshore enterprises or branches shall be regulated by the NDRC Administrative Measures.

According to the NDRC Administrative Measures, domestic enterprises and their overseas controlled entities prior to issuing any foreign debts shall obtain the Certificate of Review and Registration and complete the review and registration formalities. Prior to the completion of review and registration, no foreign debts may be borrowed. An enterprise shall, with the Certificate of Review and Registration, go through the relevant procedures of foreign exchange registration, account opening, proceeds receipt, payment and remittance, and use of proceeds in accordance with the applicable laws and regulations.

Moreover, pursuant to the NDRC Administrative Measures, an enterprise shall, among other things, (i) file with the NDRC the requisite information of the foreign debts within ten working days upon the completion of issuance through the NDRC Online Reporting System; (ii) within ten working days after expiry of the NDRC Certificate or the Certificate of Review and Registration, file with the NDRC the requisite information relating to the foreign debts through the NDRC Online Reporting System; (iii) within five working days before the end of January and end of July of each year that any of the foreign debts remains outstanding, file with the NDRC the information relating to, inter alia, use of proceeds, repayment of principal and interest and related plans, and major business indicators, through the NDRC Online Reporting System; and (iv) so long as any of the foreign debts remains outstanding, submit relevant information to the NDRC upon the occurrence of any material event that may affect the due performance of debt obligations, such as liquidity issue or significant assets restructuring, and take measures to isolate such risks to prevent cross default risks. If the enterprise fails to report the relevant information described above in accordance with the NDRC Administrative Measures, the NDRC may direct the enterprise to make corrections within a prescribed time period and if the violation is serious or if the enterprise fails to correct within the prescribed time period, the NDRC may give a warning to the relevant enterprise and its main responsible persons. Failure to comply with any provision of the NDRC Administrative Measures will subject the enterprise to regulatory interviews, public reprimands and publication of non-compliance record in public credit systems such as the website of “Credit China” and the national enterprise credit information publicity system.

As the NDRC Administrative Measures were issued recently, certain detailed aspects of its interpretation and application remain subject to further clarification. The Company undertakes that it will comply with the requirements of the NDRC Administrative Measures in respect of the Bonds.

Foreign Exchange Controls

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at this time. SAFE, under the authority of PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to 31 December 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through PBOC or other designated banks. Such conversion had to be effected at the official rate prescribed by SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centres. The exchange rates used by swap centres were largely determined by the demand for, and supply of, the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap centre had to obtain the prior approval of SAFE.

On 28 December 1993, PBOC, under the authority of the State Council, promulgated the “Notice of PBOC Concerning Further Reform of the Foreign Currency Control System”, effective from 1 January 1994. The notice announced the abolition of the foreign exchange quota system, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the system of settlement and payment of foreign exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centres. On 26 March 1994, PBOC promulgated the “Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange” (the “**Provisional Regulations**”), which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organisations and social organisations in the PRC.

On 1 January 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, which was determined by demand and supply of Renminbi. Pursuant to such system, PBOC set and published the daily Renminbi-U.S. dollars exchange rate. Such exchange rate was determined with reference to the transaction price for Renminbi-U.S. dollars in the interbank foreign exchange market on the previous day. Also, PBOC, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by PBOC.

On 29 January 1996, the State Council promulgated the “Regulations for the Control of Foreign Exchange of the PRC” (“**Control of Foreign Exchange Regulations**”) which became effective from 1 April 1996. The Control of Foreign Exchange Regulations classifies all international payments and transfers into current account items and capital account items. Most current account items are subject to the approval by relevant banks that are duly authorised by SAFE to do so, while capital account items are still subject to SAFE approval directly. The Control of Foreign Exchange Regulations was subsequently amended on 14 January 1997. Such amendment affirms that the State shall not restrict international current account payments and transfers. On 1 August 2008, the Control of Foreign Exchange Regulations was further amended pursuant to a resolution of the State Council and came into effect on 5 August 2008 (the “**New Forex Regulation**”). Under the New Forex Regulations, foreign currency received under current account by onshore entities will not be asked to be settled into Renminbi automatically, while foreign currency under capital account may also be maintained upon approval. The Renminbi will be convertible for current account items (including the distribution of dividends, interest and royalties payments, and trade and service-related foreign exchange transactions) upon presentation of valid receipts and proof certifying the purposes of the conversion of Renminbi into foreign currency to the designated foreign exchange banks. Conversion of Renminbi into foreign exchange and remittance of foreign exchange funds outside of PRC for capital account items, like direct investment, loan, loan guarantee, securities investment, capital contribution and repatriation of investment, is still subject to restriction, and prior approval from SAFE or its competent branch.

On 20 June 1996, PBOC promulgated the “Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange” (the “**Settlement Regulations**”) which became effective on 1 July 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. Domestic entities seeking to enter into foreign exchange transactions are required to open up foreign exchange accounts for current account or capital account transactions, as the case may be, at banks involved in foreign exchange business. Interest payments for foreign debt may be made from a foreign exchange account of a domestic entity or using foreign exchange purchased at designated foreign exchange banks after the verification of the bona fide nature of the transaction by SAFE. Domestic entities may apply to SAFE for approval to purchase foreign exchange by presenting valid documents required by the Settlement Regulations for repayment of foreign debt principal and such payment can be made upon the approval of SAFE.

On 25 October 1998, PBOC and SAFE promulgated the “Notice Concerning the Discontinuance of Foreign Exchange Swap Business” pursuant to which and with effect from 1 December 1998, all foreign exchange swap business in the PRC for foreign-invested enterprises was discontinued, while the trading of foreign exchange by foreign-invested enterprises was to be regulated under the system for the settlement and sale of foreign exchange applicable to banks.

On 21 July 2005, PBOC announced that, beginning from 21 July 2005, the PRC will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the U.S. dollars only. PBOC will announce the closing price of a foreign currency such as the U.S. dollars traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of the Renminbi on the following business day.

EIT LAW

Prior to 1 January 2008, under the then applicable PRC law and regulations, entities established in the PRC were generally subject to a 33 per cent. EIT. However, entities that satisfied certain conditions enjoyed preferential tax treatment. In accordance with the tax laws and regulations effective until 31 December 2007, foreign invested manufacturing enterprises scheduled to operate for a period no less than ten years were exempted from paying state income tax for two years starting from its first profit making year and were allowed a 50 per cent. reduction in its tax rate in the third, fourth and fifth years (“**two-year exemption and three-year reduction by half**”).

On 16 March 2007, the NPC enacted the EIT law, which, together with its related implementation rules issued by the State Council on 6 December 2007, became effective on 1 January 2008. The EIT law imposes a single uniform income tax rate of 25 per cent. on all Chinese enterprises, including foreign invested enterprises, and eliminates or modifies most of the tax exemptions, reductions and preferential

treatments available under the previous tax laws and regulations. On 26 December 2007, the State Council issued a “Notice on the Implementation of the Transitional Preferential Tax Policies”, or Circular 39.

Further, as at 1 January 2008, the enterprises that previously enjoyed “two-year exemption and three year reduction by half” of EIT and other preferential treatments in the form of tax deductions and exemptions within specified periods may, after the implementation of the EIT law, continue to enjoy the relevant preferential treatments until the expiration of the time period. However, if such an enterprise has not enjoyed the preferential treatments yet because of its failure to make profits, its preferential time period shall be calculated from 2008.

After the implementation of the EIT law, the preferential tax treatment for encouraged enterprises located in western China and certain industry-oriented tax incentives is still available. Pursuant to the “Notice on Tax Policy Issues Concerning Further Implementing the Western China Development Strategy”, effective from 1 January 2011, the enterprises within the state-encouraged industry located in western China are taxed at a preferential income tax rate of 15 per cent. for years from 1 January 2011 to 31 December 2020 after being approved by the competent tax authority.

In addition, pursuant to the Circular of MOF and SAT on Issues Relevant to the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment promulgated on 23 September 2008 and the Circular of SAT on the Issues of the Implementation of the Key Public Infrastructure Projects Supported by the State and Entitled for Preferential Tax Treatment with effect from 1 January 2008, an enterprise set up after 1 January 2008 and engaged in public infrastructure projects is entitled to three-year full exemption followed by a three-year 50 per cent. exemption commencing from the first year it generates operating income. Accordingly, wind power projects which have obtained government approval on or after 1 January 2008 are fully exempted from EIT for three years starting from the year when operating income is first derived from the sales of electricity, and is 50 per cent. exempted from EIT for three years thereafter.

Value-Added Tax

Under the Notice on Full-scale Implementation of the Pilot Reform of Business Tax to Value-added Tax Transition jointly issued by MOF and SAT on 23 March 2016 as supplemented by the Notice on Clarification of VAT Policies for Finance, Real Estate Development, Education Support Services, etc. jointly issued by MOF and SAT on 21 December 2016 and effective retroactively (excluding Article 17 thereof) as of 1 May 2016, (a) business tax has been completely replaced by value-added tax in PRC from 1 May 2016; (b) value-added tax is applicable where entities or individuals provide taxable services related to value-added tax within the PRC; (c) the services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC; (d) the services which are subject to value-added tax include the provision of financial services which refers 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; (e) “loan processing” refers to the activity of lending capital for another’s use and receiving the interest income thereon; and (f) among others, the interest (principle-guaranteed gains, remunerations, fund occupation fees and compensations, which refer to investment returns whose principal can be fully recovered upon maturity as explicitly committed under the relevant contract) obtained during the holding period (including upon maturity) of financial products shall be treated as interest income related to loan processing and thus shall be subject to value-added tax while such gains, remunerations, fund occupation fees and compensations obtained during the holding period (including upon maturity) of financial products shall not be treated as interest income or income in the nature of interest related to loan processing if their principal is not guaranteed and shall thus not be subject to value-added tax.

According to the “Tentative Regulations on the Value-added Tax of the PRC” which was revised by the State Council on 10 November 2008 and came into effect on 1 January 2009 and further revised by the “Decision of the State Council on Amending Certain Administrative Regulations” promulgated by the State Council on 6 February 2016, and the “Detailed Implementation Rules of the Tentative Regulations on the Value-added Tax of the PRC” promulgated by MOF which came into effect on 1 January 2009 and was amended on 28 October 2011, organisations or individuals who sell commodities, provide processing, repairing or replacement services, or import commodities within PRC’s territories are subject to value-added tax, and shall pay the value-added tax accordingly. The rate of the value-added tax shall be 17 per cent. or 13 per cent., depending on the commodities being sold. For taxpayers exporting commodities, the tax rate shall be zero per cent.

PRC CURRENCY CONTROLS

The following is a general description of certain currency controls in the PRC and is based on the law and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change, and does not constitute legal advice. It does not purport to be a complete analysis of all applicable currency controls in the PRC relating to the Bonds. Prospective holders of Bonds who are in any doubt as to PRC currency controls are advised to consult their own professional advisers.

Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to controls imposed under PRC law. However, as at the date of this Offering Circular, there are certain differences in the foreign exchange controls that apply within the China (Shanghai) Free Trade Pilot Zone compared with those that apply to other parts of the PRC, as further set out in the section below titled “Foreign Exchange Controls in the China (Shanghai) Free Trade Pilot Zone”.

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 legally permissible nationwide as from July 2011.

Since July 2013, the procedures for cross-border Renminbi trade settlement under current account items have been simplified, further, since June 2015, trades through e-commerce can also be settled under in Renminbi under the current regulatory regime. A cash pooling arrangement for qualified multinational enterprise group companies was introduced in late 2014, 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. In addition, the eligibility requirements for multinational enterprise groups have been lowered and the cap for net cash inflow has been increased in September 2015.

The PBOC also permits enterprises in Shanghai FTZ to establish an additional cash pool in the local scheme in Shanghai FTZ, but each onshore company within the group may only elect to participate in one cash pooling programme. In November 2016, PBOC Shanghai Headquarters further allowed banks in Shanghai to provide multinational enterprise groups with services of full-function onshore cash pooling, which will enable broader scope for utilising pooled cash.

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 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, was generally required to be made in foreign currencies. Under progressive reforms, foreign enterprises are now permitted to use Renminbi to settle all capital account items that can be settled in foreign currencies. Cross-border Renminbi payment infrastructure and trading facilities are being improved. Approval, registration and filing requirements specifically for capital account payments in Renminbi are being removed gradually.

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 Renminbi 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 and PBOC, 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. After piloting in the free trade zones, the PBOC and SAFE launched a nation-wide system of macro-prudential management on cross-border financing in 2016, which provides for a unified regime for financings denominated in both foreign currencies and Renminbi.

Since September 2015, 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 Shanghai FTZ may establish another cash pool under Shanghai FTZ rules to extend inter-company loans, although Renminbi funds obtained from financing activities may not be pooled under this arrangement.

The securities markets, specifically the Renminbi Qualified Foreign Institutional Investor (“**RQFII**”) regime and the China Interbank Bond Market (“**CIBM**”), have been further liberalised for foreign investors. The PBOC has relaxed the quota control for RQFII, and has also expanded the list of eligible foreign investors in CIBM, removed quota restriction, and granted more flexibility for the settlement agents to provide the relevant institutions with more trading facilities (for example, in relation to derivatives for hedging foreign exchange risk).

Interbank foreign exchange market is also opening-up. In January 2016, CFETS set forth qualifications, application materials and procedure for foreign participating banks (which needs to have a relatively large scale of Renminbi purchase and sale business and international influence) to access the inter-bank foreign exchange market.

Recent reforms introduced were aimed at controlling the remittance of Renminbi for payment of transactions categorised as capital account items. There can be 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.

FOREIGN EXCHANGE CONTROLS IN THE CHINA (SHANGHAI) PILOT FREE TRADE ZONE

On 18 September 2013, the State Council of the PRC issued the Circular on the Framework Plan for the China (Shanghai) Pilot Free Trade Zone (Guo Fa [2013] No. 38) (國務院關於印發中國(上海)自由貿易試驗區總體方案的通知(國發[2013]38號)) which approved the establishment of Shanghai FTZ. On 2 December 2013, the PBOC issued its opinion on supporting the financial sector for Shanghai FTZ (中國人民銀行關於金融支持中國(上海)自由貿易試驗區建設的意見); on 28 February 2014 the Shanghai Branch of SAFE issued implementation regulations (外匯管理支持試驗區建設實施細則), which was repealed on 17 December 2015, relaxing certain foreign exchange controls in respect of qualified entities in Shanghai FTZ; on 21 May 2014, the Shanghai Branch of SAFE issued the Detailed Implementation Rules for Separate Accounting in the China (Shanghai) Pilot Free Trade Zone (for Trial Implementation) (中國(上海)自由貿易試驗區分賬核算業務實施細則(試行)) and the Detailed Rules for the Prudential Management of Risks in Separate Accounting in the China (Shanghai) Pilot Free Trade Zone (for Trial Implementation) (中國(上海)自由貿易試驗區分賬核算業務風險審慎管理細則(試行)); in September 2016, CCDC issued the Bond Services Guide on China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區債券業務指引); on 10 July 2019, the Shanghai Branch of SAFE issued the Circular of the Shanghai Administration of Foreign Exchange on Issuing the Implementing Rules for Reforming Foreign Exchange Administration in the China (Shanghai) Pilot Free Trade Zone (4.0 version) (國家外匯管理局上海市分局關於印發《進一步推進中國(上海)自由貿易試驗區外匯管理改革試點實施細則(4.0版)》的

通知); further, on 28 January 2022, the Shanghai Branch of SAFE promulgated the Implementation Rules for the Pilot Reform on High-level Opening up of Foreign Exchange Administration for Cross-border Trade and Investment in Lin-gang Special Area of China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區臨港新片區開展跨境貿易投資高水平開放外匯管理改革試點實施細則).

Enterprises incorporated within Shanghai FTZ and overseas enterprises (for the purpose hereunder including Hong Kong, Macau and Taiwan) may open FTZ Accounts with qualified banks in Shanghai FTZ. A FTZ Account is a special account capable of receiving both Renminbi and foreign currencies on a separate accounting basis. Entities incorporated within Shanghai FTZ may open a FTZ Account (a “**FTE**”) with a bank based in Shanghai FTZ. An overseas entity may also open FTZ Account (a “**FTN**”) with a bank based in Shanghai FTZ. The qualified financial institutions within Shanghai FTZ or incorporated out of PRC may also open FTZ Account (a “**FTU**”).

Transactions in Renminbi and in foreign currencies can freely flow among FTEs, FTNs and FTUs, and to overseas bank accounts without being subject to approval or registration relating to foreign exchange controls. However, the flow of funds between FTZ Accounts and non-FTZ Accounts (except for certain special types of non-resident accounts) generally remain subject to cross-border foreign exchange controls. Where payments of principal and interest under the Bonds are paid into FTZ Accounts, such amounts will be subject to restrictions on foreign exchange conversion and/or offshore remittance which apply to such FTZ Accounts.

Foreign-invested entities in Shanghai FTZ are able to freely convert their funds in their FTZ Accounts between Renminbi and foreign currencies at their discretion after settlement of foreign exchange conversion with a bank based in Shanghai FTZ.

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

HONG KONG

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal (including any premium payable on redemption of the Bonds) 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 and such interest is derived from Hong Kong;
- (b) Interests on the Bond is derived from Hong Kong and is received by or accrues to a person other than a corporation (such as a partnership), carrying on a trade, profession or business in Hong Kong and such interest is derived from Hong Kong and is in respect of the funds of the trade, profession or business;
- (c) Interests on the Bond is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap.112) of Hong Kong) by way of interest which arises through or from the carrying on by the financial institution of its business in Hong Kong, notwithstanding that the moneys in respect of which the interest is received or accrues are made available outside Hong Kong; or
- (d) Interests on the Bond is received by or accrues to a corporation other than a financial institution, and arises through or from carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the Inland Revenue Ordinance), even if the moneys in respect of which the interest is received or accrues are made available outside Hong Kong.

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

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

a financial institution) by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (as defined in section 16(3) of the Inland Revenue Ordinance) from the sale, disposal or redemption of the Bonds will be subject to profits tax.

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

Stamp duty

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

PRC

The following summary describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC holders of Bonds, non-resident holders of Bonds or holders of the Bonds who are located outside of the PRC in this “PRC Taxation” section. In considering whether to invest in the Bonds, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Enterprise Income Tax

Pursuant to the EIT Law and its implementation regulations and the IIT Law and its implementation regulations, an income tax is imposed on payment of interest by way of withholding in respect of debt securities, issued by PRC enterprises to non-PRC Bondholders, including non-PRC resident enterprises and non-PRC resident individuals. The current rates of such income tax are 10 per cent. for non-PRC resident enterprises and 20 per cent. for non-PRC resident individuals.

If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the actual management organ of the Issuer is within the territory of PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to EIT at the rate of 25 per cent. in respect of its income sourced from both within and outside PRC. If the Issuer is regarded as a PRC tax resident enterprise, such income tax charged on interests paid on the Bonds to non-PRC Bondholders shall be withheld by the Issuer that is acting as the obligatory withholder and such PRC enterprise shall withhold the tax amount from each payment due.

If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the actual management organ of the Issuer is within the territory of PRC, capital gain realised by a non-resident enterprise holder or non-resident individual holder from the transfer of the Bonds may be regarded as being derived from sources within the PRC and, accordingly, may be subject to a PRC enterprise income tax or PRC individual income tax. There remains uncertainty as to whether the gains realised from the transfer of the Bonds between entities or individuals located outside of the PRC would be treated as incomes derived from sources within the PRC and be subject to PRC income tax. This will depend on how the PRC tax authorities interpret, apply or enforce the EIT Law, the IIT Law and their respective implementation rules. If such gains are subject to PRC income tax, the 10 per cent. EIT rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income.

According to the Avoidance of Double Taxation Arrangement, the tax so charged on interests paid on the Bonds to non-PRC Bondholders who, or which are residents of Hong Kong (including enterprise holders and individual holders) will be 7 per cent. of the gross amount of the interest pursuant to the Avoidance of Double Taxation Arrangement and relevant interpretation of the Avoidance of Double Taxation Arrangement formulated by SAT. 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. To enjoy such preferential tax rate of 7 per cent. or the exemption of the tax, the Issuer could apply, on behalf of the Bondholders, to SAT in accordance with the Avoidance of Double Taxation Arrangement on the interest payable in respect of the Bonds.

However, as there is no specific regulations or guidelines relating to the taxation of the issuance of cross-border debt securities in Shanghai FTZ, there is uncertainty as to whether or not Shanghai FTZ resident investors would be treated as non-resident enterprises or individuals of the PRC. In the event that Shanghai FTZ resident investors holding the Bonds are treated as PRC tax residents, such holders may be subject to additional PRC taxes (or higher PRC tax rates) in relation to any interest income or gains realised on the transfer of the Bonds. Shanghai FTZ resident investors should further consult their own legal and tax advisors in relation to their Enterprise Income Tax and Individual Income Tax obligations.

VAT

On 23 March 2016, MOF and SAT issued the Circular of Full Implementation of Business Tax to VAT Reform (關於全面推開營業稅改徵增值稅試點的通知) (Caishui [2016] No. 36) as supplemented by the Notice on Clarification of VAT Policies for Finance, Real Estate Development, Education Support Services, etc. (財政部、國家稅務總局關於明確金融房地產開發教育輔助服務等增值稅政策的通知) jointly issued by MOF and SAT on 21 December 2016 and effective retroactively (excluding Article 17 thereof) as of 1 May 2016 and other related rules and regulations (together, the “**Circular 36**”) which confirms that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Based on the definition of “loans” under Circular 36, the issuance of Bonds is likely to be treated as the holders of the Bonds providing loans to the Issuer, which thus shall be regarded as financial services subject to VAT. VAT is unlikely to apply to the Issuer’s payments of interest and other amounts on the Bonds to investors who are located outside of the PRC but there is uncertainty as to the applicability of VAT as this will depend on how the PRC tax authorities interpret, apply or enforce the Circular 36 and its implementation rules. In addition, pursuant to the Interim Regulation of the PRC on City Maintenance and Construction Tax (中華人民共和國城市維護建設稅暫行條例(2011修訂)), the Interim Provisions on the Collection of Educational Surcharges (徵收教育費附加的暫行規定(2011修訂)), the Notice of MOF on the Relevant Matters regarding Unifying the Policies on Local Education Surcharges (財政部關於統一地方教育附加政策有關問題的通知), certain surcharges on VAT may also be applicable and will be required to be withheld by the Issuer, if the Issuer is required to withhold VAT from interest payments made to the holders of the Bonds who are located outside of the PRC.

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

Circular 36 has been issued quite recently, the above statement may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36 as this will depend on how the PRC tax authorities interpret, apply or enforce the Circular 36 and its implementation rules.

Pursuant to the EIT Law and the VAT reform detailed above, the Issuer may be required under the EIT Law, the IIT Law or Circular 36 and other related PRC tax laws to withhold PRC income tax or VAT or related surcharges on VAT from the payments of interest in respect of the Bonds for any Bondholders who are “non-resident enterprises” or who are located outside of the PRC. However, in the event that the Issuer is required to make such a deduction or withholding (whether by way of EIT, IIT, VAT or otherwise), the Issuer has agreed to pay additional amounts to holders of Bonds, subject to certain exceptions, so that the holders of Bonds would receive the full amount of the scheduled payment, as further set out in Terms and Conditions of the Bonds.

However, as there is no specific regulations or guidelines relating to the taxation of the issuance of cross-border debt securities in Shanghai FTZ, there is uncertainty as to whether or not Shanghai FTZ resident investors would be treated as non-resident enterprises or individuals of the PRC. In the event that China (Shanghai) Pilot Free Trade Zone resident investors holding the Bonds are treated as PRC tax residents, such holders may be subject to additional PRC VAT on the transfer of the Bonds. Shanghai FTZ resident investors should further consult their own legal and tax advisors in relation to their VAT obligations. As 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.

Stamp Duty

According to the PRC Stamp Duty Law promulgated by the SCNPC on 10 June 2021 and became effective on 1 July 2022, enterprises or individuals which receive any instruments specified in these rules within the territory of the PRC or to the extent that any such instruments have legally binding effect within the territory of the PRC and are protected under PRC laws shall be obliged to pay relevant stamp duties in accordance with the provisions therein. A taxpayer shall calculate the amount of stamp duty payable according to the nature of the taxable instruments. However, there are no specific regulations or guidelines relating to the taxation of the issuance of cross-border debt securities in Shanghai FTZ. Although the issuance of cross-border debt securities in Shanghai FTZ may not be treated as issuance of debt instruments in China, there can be no assurance that the issuance or transfer of the Bonds will not be deemed or treated by PRC taxation authority as the entry into a loan contract or use of any other taxable instruments in the PRC and thus be subject to PRC stamp duty. In addition, there can be no assurance that PRC laws will not be revised as to impose stamp duty upon the issuance or transfer of the Bonds or similar debt instrument. If the issuance or transfer of the Bonds is treated in the same way as the entering into of a loan contract or use of any other taxable instruments in the PRC, both the borrower and lender (i.e. the Issuer and investors purchasing the Bonds, respectively) in respect of the issuance of the Bonds would be each subject to PRC stamp duty of 0.005 per cent for issuance of bond, or any other rate applicable to the issuance or transfer of the Bonds (or such higher rate if local governments have other additional requirements).

Given the fact that the Issuer and the CCDC entered into the services agreement, there are uncertainties regarding whether the services agreement shall be deemed as taxable instruments of technological contract (excluding instruments for assignment of patent rights and proprietary technology use right) for the purpose of stamp duties listed in the Schedule of Stamp Duty Items and Tax Rates (印花税税目税率表) attached to the Stamp Duty Law. According to the Stamp Duty Law, if the services agreement is considered to be a type of taxable instruments of technological contract, it shall be subject to stamp duty of 0.03 per cent. of the stated price, remuneration or usage fee.

Investors should further consult their own legal and tax advisers in relation to their PRC stamp duty obligations and liabilities in relation to any transfer of the Bonds.

The proposed financial transaction tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances. The issuance and subscription of Bonds should, however, be exempt.

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

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

The Issuer and the Company have entered into a subscription agreement (the “**Subscription Agreement**”) with the Joint Lead Managers dated 18 April 2023 pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to issue and the Joint Lead Managers have severally and not jointly agreed to subscribe and pay for, or to procure the subscription and payment of, the principal amount of the Bonds as set forth opposite their names in the following table.

Joint Lead Managers	Principal amount of the Bonds (CNY)
ICBC International Securities Limited	87,500,000
China International Capital Corporation Hong Kong Securities Limited.	87,500,000
CEB International Capital Corporation Limited	87,500,000
BOCOM International Securities Limited.	87,500,000
Industrial Bank Co., Ltd. Hong Kong Branch.	87,500,000
China Minsheng Banking Corp., Ltd., Hong Kong Branch.	87,500,000
China CITIC Bank International Limited	87,500,000
China Zheshang Bank Co., Ltd. (Hong Kong Branch)	87,500,000
Total.	<u>700,000,000</u>

The Subscription Agreement provides that the Issuer and the Company will jointly and severally indemnify the Joint Lead Managers 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 and the Bonds being issued.

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. The Joint Lead Managers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Issuer and the Company, for which they received or will receive customary fees and expenses. In addition to the transactions noted above, the Joint Lead Managers and their affiliates may, from time to time, engage in other transactions with, and perform services for, the Issuer, the Company or their respective subsidiaries, jointly controlled entities or associates in the ordinary course of their business. In addition, the Joint Lead Managers and certain of their respective subsidiaries and affiliates may hold shares or other securities in the Issuer or the Company as beneficial owners, on behalf of clients or in the capacity of investment advisors.

The Joint Lead Managers and their respective affiliates may purchase the Bonds and be allocated the Bonds for asset management and/or proprietary purposes, acting as investor for their own account but not with a view to distribution, and may in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer or the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering of the Bonds. In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates may purchase the Bonds and 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 accounts and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such transactions would be carried out as bi-lateral 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 purchaser of the Bonds). Such investment and securities activities may involve securities and instruments of the Issuer and/or the Company. Accordingly, references herein to the Bonds being offered should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Bonds. If this is the case, liquidity of trading in the Bonds may be constrained (see “*Risk Factors — Risks Relating to the Bonds, the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking and*

the Standby Facility Agreement — A trading market for the Bonds may not develop, and there are restrictions on resale of the Bonds”). The Issuer, the Company and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors.

In connection with the issue of the Bonds, any of the Joint Lead Managers acting as the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) may, to the extent permitted by applicable laws and directives, over-allot the Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager shall act as principal and not as agent of the Issuer. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the offer of the Bonds is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules. Neither the Issuer, the Company nor the Joint Lead Managers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Bonds. In addition, neither the Issuer, the Company nor the Joint Lead Managers make any representation that any Joint Lead Manager or its agent will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Company, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the Company, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer, the Company or any CMI (including its group companies) and inform the Joint Lead Managers accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place “X-orders” into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer or the Company. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Joint Lead Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, private banks should disclose, at the same time, if such order is placed other than on a “principal” basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a “principal” basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a “principal” basis may require the relevant affiliated Joint Lead Manager(s) (if any) to categorise it as a proprietary order and apply the “proprietary orders” requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any “Associations” (as used in the SFC Code);
- Whether any underlying investor order is a “Proprietary Order” (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: project_sail2022@icbci.com.hk; cm_syn_hk@cicc.com.cn; dcm-ct@cebi.com.hk; cmd_dcm@cibhk.com; hkdcem@cmbc.com.cn; TMG_Syndicate@cncbinternational.com.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Company, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Joint Lead Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Joint Lead Manager with such evidence within the timeline requested.

GENERAL

Neither the Issuer, the Company nor the Joint Lead Managers makes any representation that any action has been or will be taken in any jurisdiction by the Joint Lead Managers or the Issuer or the Company that would permit a public offering of the Bonds, or possession or distribution of the Offering Circular (in proof or final form) or any other offering or publicity material relating to the Bonds (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each of the Joint Lead Managers will severally comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Bonds or has in its possession or distributes the Offering Circular (in proof or final form) or any such other material, in all cases at its own expense. The Issuer, the Company and the Joint Lead Managers will have no responsibility for, and each of the Joint Lead Managers will severally obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery of the Bonds. The Joint Lead Managers are not authorised to make any representation or use any information in connection with the issue and sale of the Bonds other than as contained in, or which is consistent with, the Offering Circular (in final form) or any amendment or supplement to it.

UNITED STATES

The Bonds have not been and will not be registered under the Securities Act or any state securities law and may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each of the Joint Lead Managers has represented that it has not offered or sold, and agrees that it will not offer, sell or deliver, any Bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any “directed selling efforts” (as defined in Regulation S under the Securities Act) with respect to the Bonds. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

UNITED KINGDOM

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

- (i) 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 the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

HONG KONG

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

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

SINGAPORE

Each of the Joint Lead Managers has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the SFA. Accordingly, each Joint Lead Manager has represented, warranted 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 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 and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, 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 defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) 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 of Singapore.

Any reference to the SFA is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

JAPAN

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “FIEA”) and each Joint Lead Manager has represented and agreed that it will not offer or sell any Bonds, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

THE PRC

Each of the Joint Lead Managers has represented and agreed that neither it nor any of its affiliates has offered or sold or will offer or sell any of the Bonds, directly or indirectly, in the PRC as part of the initial distribution of the Bonds except as permitted by the securities laws of the PRC. However, in respect of the special arrangement in Shanghai FTZ, the Bonds are allowed to be offered or sold, directly or indirectly, in Shanghai FTZ to the extent that such offer or sale is permitted by the securities laws or any other applicable laws or regulations of the PRC, or approved by the relevant PRC regulatory authorities.

RATINGS

The Bonds are expected to be assigned a rating of “A” by Lianhe Global upon issuance. In addition, the Company has been assigned a corporate rating of “BBB+” with a “negative” outlook by Fitch and a corporate rating of “A” with a “positive” outlook by Lianhe Global. The ratings do not address the payment of any additional amounts and do not constitute recommendations to buy, sell or hold the Bonds inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings will remain in effect for any period or that the ratings will not be suspended, downgraded, reduced or withdrawn by such rating agencies in the future if, in their respective judgment, circumstances so warrant. Each such rating should be evaluated independently of any other rating on the Issuer or the Company.

GENERAL INFORMATION

1. **Central Depository:** The Bonds will be issued in uncertificated book-entry form entered in CCDC (CCDC Code: G2380106).
2. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the execution, issue and performance of its obligations under the Bonds, the Deed of Covenant, the Agency Agreement, the Deed of Equity Interest Purchase Undertaking, the Standby Facility Agreement and the Keepwell Deed. The issue of the Bonds was authorised by written resolutions of the board of directors of the Issuer dated 19 December 2022 and 11 April 2023. The Company has obtained all necessary consents, approvals and authorisations in connection with the entry into the Keepwell Deed, the Standby Facility Agreement and the Deed of Equity Interest Purchase Undertaking which was approved by the board of directors of the Company on 28 December 2021 and 13 April 2023, respectively. PRC counsel to the Company has advised that no approvals or consents are required from any regulatory authorities in the PRC for the Company to enter into the Keepwell Deed, the Deed of Equity Interest Purchase Undertaking or the Standby Facility Agreement.
3. **No Material Adverse Change:** Save as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position or prospects of the Issuer, the Company and the Group since 31 December 2021. Save as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position or prospects of the Issuer since its date of incorporation.
4. **Litigation:** Save as disclosed in this Offering Circular, none of the Issuer, the Company or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer or the Company, as the case may be, believes are material in the context of the Bonds, nor is any of the Issuer or the Company aware that any such proceedings are pending or threatened.
5. **Available Documents:** Copies of the following documents will be available for inspection from the Issue Date at the Issuer's registered office (being as at the Issue Date at Unit 9, 26th Floor, Tower 1, Admiralty Centre, No. 18 Harcourt Road, Admiralty, Hong Kong) during normal business hours, so long as any of the Bonds is outstanding:
 - (i) the English translation of the Company's audited consolidated financial statements as at and for the years ended 31 December 2020 and 2021;
 - (ii) the Issuer's audited consolidated financial statements as at and for the years ended 31 December 2020 and 2021;
 - (iii) the Deed of Covenant;
 - (iv) the Agency Agreement;
 - (v) the Keepwell Deed;
 - (vi) the Deed of Equity Interest Purchase Undertaking;
 - (vii) the Standby Facility Agreement;
 - (viii) the Articles of Association of the Issuer; and
 - (ix) the Articles of Association of the Company.

6. **Financial Statements:** The audited consolidated financial statements of the Company as at and for the years ended 31 December 2020 and 2021 which are incorporated by reference in this Offering Circular, have been audited by BDO China, as stated in its reports appearing therein. The audited consolidated financial statements of the Issuer as at and for the years ended 31 December 2020 and 2021 which are included elsewhere in this Offering Circular, have been audited by BDO Hong Kong, as stated in its reports appearing herein.

The audited consolidated financial statements of the Company as at and for the years ended 31 December 2020 and 2021 have only been prepared in Chinese, i.e. the Chinese Financial Statements. An English translation of the Chinese Financial Statements and the auditor's audit reports in respect of such financial statements, i.e. the Financial Statements Translation, has been prepared and included elsewhere in this Offering Circular for reference only. Should there be any inconsistency between the Chinese Financial Statements and the Financial Statements Translation, the Chinese Financial Statements shall prevail. The Financial Statements Translation does not itself constitute audited financial statements, and is qualified in its entirety by, and is subject to the financial information set out or referred to in, the Chinese Financial Statements. None of the Joint Lead Managers or the Agents or any of their respective directors, officers, employees, representatives, agents, advisors or affiliates or any person who controls any of them has independently verified or checked the accuracy of the Financial Statements Translation and can give no assurance that the information contained in the Financial Statements Translation is accurate, truthful or complete. Potential investors must exercise caution when they use such financial information to evaluate the Group's financial condition and results of operations.

According to the Joint Circular, any public interest assets such as public schools, public hospitals, public cultural facilities, parks, public squares, office buildings of government departments and public institutions, municipal roads, non-toll bridges, non-operating water conservancy facilities, no-charge pipe network facilities and other public interest assets and the usage rights of reserve land cannot be counted towards the Group's assets for the purposes of issuing medium and long-term foreign debt. Please see "*Risk Factors — Risks Relating to the Group in General — PRC regulations on the administration of local government debts and their financing platforms will have a material impact on the Group's financing and business models*" for further information.

7. **Listing of the Bonds:** Approval in-principle has been obtained from the SGX-ST for the listing and quotation of the Bonds on the Official List of the SGX-ST. So long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that any global certificate that may be issued in respect of the Bonds (the "**Global Certificate**") is exchanged for Bonds in definitive form, the Issuer shall appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption. In addition, in the event that the Global Certificate is exchanged for Bonds in definitive form, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Bonds in definitive form, including details of the paying agent in Singapore, for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

INDEX TO FINANCIAL STATEMENTS

Pages

ENGLISH TRANSLATION OF AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

Auditor's Report	F-4
Consolidated Balance Sheet	F-7
Balance Sheet	F-9
Consolidated Income Statement	F-11
Income Statement	F-12
Consolidated Cash Flow Statement	F-13
Cash Flow Statement	F-14
Consolidated Statement of Changes in Owners' Equity	F-15
Statement of Changes in Owners' Equity	F-17
Notes to the Consolidated Financial Statements	F-19

ENGLISH TRANSLATION OF AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

Auditors' Report	F-206
Consolidated Balance Sheet	F-209
Balance Sheet	F-211
Consolidated Income Statement	F-213
Income Statement	F-214
Consolidated Cash Flow Statement	F-215
Cash Flow Statement	F-216
Consolidated Statement of Changes in Owners' Equity	F-217
Statement of Changes in Owners' Equity	F-219
Notes to the Consolidated Financial Statements	F-221

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE ISSUER AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2021

Directors' Report	F-387
Independent Auditor's Report	F-389
Consolidated Statement of Profit or Loss and Other Comprehensive Income	F-393
Consolidated Statement of Financial Position	F-394
Consolidated Statement of Changes in Equity.	F-395
Consolidated Statement of Cash Flows.	F-396
Notes to the Consolidated Financial Statements	F-397

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE ISSUER AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2020

Directors' Report	F-423
Independent Auditor's Report	F-425
Consolidated Statement of Profit or Loss and Other Comprehensive Income	F-429
Consolidated Statement of Financial Position	F-430
Consolidated Statement of Changes in Equity.	F-431
Consolidated Statement of Cash Flows.	F-432
Notes to the Consolidated Financial Statements	F-433

**QINGDAO CITY CONSTRUCTION
INVESTMENT (GROUP) CO., LTD.**

**AUDITOR'S REPORT AND FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2021

**[ENGLISH TRANSLATION OF AUDITOR'S
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

**IF THERE IS ANY CONFLICT BETWEEN THE
CHINESE VERSION AND ITS ENGLISH
TRANSLATION, THE CHINESE VERSION
WILL PREVAIL]**

Qingdao City Construction Investment (Group) Co., Ltd.
Auditor's Report and Financial Statements

(From 1 January 2021 to 31 December 2021)

	Table of Contents	Page
I.	Auditor's Report	1-3
II.	Financial Statements	
	Consolidated and Company's Balance Sheets	1-4
	Consolidated and Company's Income Statements	5-6
	Consolidated and Company's Statements of Cash Flows	7-8
	Consolidated and Company's Statements of Changes in Owners' Equity	9-12
III.	Notes to the Financial Statements	1-179

Auditor's Report

Xin Kuai Shi Bao Zi [2022] No. ZA21417

Qingdao City Construction Investment (Group) Co., Ltd.

I. Opinion

We have audited the accompanying financial statements of Qingdao City Construction Investment (Group) Co., Ltd. (hereinafter referred to as "the Company") which comprise the consolidated and company's balance sheets as at 31 December 2021, the consolidated and company's income statements, the consolidated and company's statements of cash flows, and the consolidated and company's statements of changes in owners' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position as at 31 December 2021 and the consolidated and company's financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

II. Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

IV. Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understand of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's



立信会计师事务所(特殊普通合伙)

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Western Block, No.1 Taizhou Fifth Road, Shinan District,

Qingdao, Shandong Province P.R. China 266071

Tel: 86-532-85830978

Fax: 86-532-85839908

report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

BDO CHINA SHU LUN PAN
CERTIFIED PUBLIC ACCOUNTANTS LLP

Certified Public Accountant of China:

Certified Public Accountant of China:

Shanghai, China

28th April 2022

This audit report and the accompanying notes to the financial statements are the English translation of the Chinese audit report. In case of doubt as to the presentation of these documents, the Chinese version shall prevail.

Qingdao City Construction Investment (Group) Co., Ltd.
Consolidated Balance Sheet
December 31st, 2021

(All amounts are presented in CNY yuan unless otherwise stated)

Items	Note 8	Closing balance	Opening balance
Current assets:			
Monetary funds	8.1	22,867,002,438.16	24,230,244,807.94
△Settlement provision			
△Lending funds			
Financial assets held for trading	8.2	4,512,777,867.11	6,425,124,240.37
☆Financial assets measured at fair value through profit or loss			
Financial asset derivatives			
Notes receivable	8.3	1,215,153,922.83	61,915,756.97
Accounts receivable	8.4	15,303,673,146.20	11,362,773,730.94
Receivables financing	8.5	580,830,331.16	862,704,476.69
Advance to suppliers	8.6	2,063,902,442.32	1,219,775,875.10
△Premiums receivable			
△Reinsurance accounts receivable			
△Reinsurance contract reserves receivable			
Other receivables	8.7	27,099,611,889.91	25,342,776,302.06
Including: Dividend receivable		87,145,100.00	
△Financial assets purchased under resale agreements			
Inventories	8.8	19,036,905,543.86	15,745,986,894.48
Including: Raw material		1,194,495,505.02	1,028,342,894.33
Inventory goods(finished goods)		3,479,278,221.12	2,677,606,153.03
Contract assets	8.9	2,233,829,221.23	2,225,132,853.56
Assets classified as held for sale	8.10	74,326,266.86	92,289,422.77
Non-current assets due within one year	8.11	7,896,976,293.67	7,540,175,121.51
Other current assets	8.12	7,432,798,493.72	14,648,073,399.12
Total current assets		110,317,787,857.03	109,756,972,881.51
Non-current assets:			
△Loans and advances to customers	8.13	7,555,877,651.14	7,624,373,510.14
Debt investment	8.14	25,355,481,863.50	24,120,094,456.79
☆Available-for-sale financial assets			
Other debt investment			
☆Held-to-maturity investments			
Long-term receivables	8.15	21,978,221,826.40	21,466,704,947.17
Long-term equity investment	8.16	53,243,870,280.19	57,158,936,418.94
Other equity instruments investment	8.17	76,832,838,927.11	29,067,178,314.79
Other non-current financial assets	8.18	11,702,562.56	17,725,019.81
Investment property	8.19	6,475,005,915.51	6,317,756,000.17
Fixed assets	8.20	42,419,290,275.42	31,270,451,063.97
Including: Original value		62,043,429,820.79	48,425,478,186.52
Accumulated depreciation		19,287,167,093.16	16,771,916,994.42
Impairment provision		337,345,752.69	383,111,048.13
Construction in progress	8.21	38,061,197,734.84	38,652,719,199.45
Biological assets	8.22	3,074,661.51	3,190,401.63
Oil and gas assets			
Right of use assets	8.23	9,389,291,384.95	8,780,423,973.00
Intangible assets	8.24	20,908,004,254.22	4,027,632,890.26
Development expenses	8.25	54,527.74	
Goodwill	8.26	5,011,686,178.60	5,036,266,978.60
Long-term deferred expenses	8.27	1,517,988,108.28	1,407,316,617.19
Deferred tax assets	8.28	2,784,131,520.12	3,024,004,282.72
Other non-current assets	8.29	25,031,140,397.28	13,094,174,060.53
Including: Authorized reserve materials			
Total non-current assets		336,578,858,069.37	251,068,948,135.16
Total assets		446,896,645,926.40	360,825,921,016.67

Note: Subjects with △ in the table are exclusively for financial enterprises; subjects with # are exclusively for foreign-invested enterprises; subjects with ☆ are exclusively for companies that have not implemented the new financial instrument standards.

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative:

Chief Financial Officer:

Chief Accountant:

Qingdao City Construction Investment (Group) Co., Ltd.
Consolidated Balance Sheet (Cont'd)
December 31st, 2021

(All amounts are presented in CNY yuan unless otherwise stated)

Items	Note 8	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings	8.30	20,524,961,780.24	18,909,034,342.72
△ Borrowings from the central bank			
△ Loans from banks and other financial institutions			
Financial liabilities held for trading	8.31		22,603,263.57
☆ Financial liabilities measured at fair value through profit or loss			
Financial liability derivatives			
Notes payable	8.32	4,404,335,141.23	1,549,027,480.02
Accounts payable	8.33	12,388,378,214.27	7,355,889,319.37
Advances from customers	8.34	133,629,490.39	348,048,279.00
Contract liability	8.35	1,566,665,085.54	1,559,950,697.45
△ Financial assets sold under repurchase agreements			
△ Account deposits and interbank deposits			
△ Funds from acting for securities trading			
△ Agency underwriting securities			
Employee benefits payable	8.36	671,480,593.04	483,298,567.47
Including: Wages payable		180,783,845.98	181,735,589.16
Welfare payable		3,123,654.46	592,624.11
#Including: Employee bonus and welfare funds			
Taxes and surcharges payable	8.37	966,492,798.77	1,036,765,711.90
Including: Tax payable		960,529,796.03	1,031,731,429.50
Other payables	8.38	9,979,927,234.80	12,378,178,579.26
Including: Dividend payable		42,747,358.12	181,285,468.94
△ Fees and commissions payable			
△ Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	8.39	31,182,714,435.08	22,872,465,041.62
Other current liabilities	8.40	8,798,212,914.98	6,531,628,392.29
Total current liabilities		90,616,797,688.34	73,046,889,674.67
Non-current liabilities:			
△ Insurance contract reserve			
Long-term borrowings	8.41	80,016,307,751.27	59,872,575,265.92
Bonds payable	8.42	75,630,756,660.89	57,719,175,125.81
Including: Preference share			
Perpetual debenture			
Lease liability	8.43	7,167,652,193.69	7,049,876,093.19
Long-term payables	8.44	22,147,402,432.48	20,403,811,451.01
Long-term employee benefits	8.45	1,269,101,378.88	1,431,357,236.79
Estimated liabilities	8.46	1,509,062,329.45	1,461,755,233.61
Deferred income	8.47	957,995,706.16	1,262,866,686.38
Deferred tax liabilities	8.28	2,679,272,614.15	3,161,570,113.80
Other non-current liabilities	8.48	841,607,698.08	111,841,720.31
Including: Special reserve fund			
Total non-current liabilities		192,219,158,765.05	152,474,828,926.82
Total liabilities		282,835,956,453.39	225,521,718,601.49
Owners' equity:			
Paid-in capital (or equity)	8.49	6,900,000,000.00	6,900,000,000.00
State capital		6,900,000,000.00	6,900,000,000.00
State-owned legal entity capital			
Collective capital			
Private capital			
Foreign capital			
#Less: Investment returned			
Net paid-in capital (or equity)		6,900,000,000.00	6,900,000,000.00
Other equity instrument	8.50	16,821,000,000.00	24,810,000,000.00
Including: Preference share			
Perpetual debenture		16,821,000,000.00	24,810,000,000.00
Capital reserves	8.51	107,540,375,820.02	60,625,413,300.51
Less: treasury stock			
Other comprehensive income		3,937,198,832.04	4,937,135,607.32
Including: Foreign currency translation differences		304,135,355.80	167,327,851.28
Special reserve	8.52	4,910,265.08	2,395,084.68
Surplus reserve			
Including: Statutory surplus reserve			
Arbitrary surplus reserve			
#Reserve fund			
#Business development fund			
#Profit return for investment			
△ General risk reserve	8.53	80,788,016.16	57,733,821.45
Undistributed profits	8.54	-1,622,932,509.84	-709,750,928.28
Total equity attributable to owners of the parent company		133,661,340,423.46	96,622,926,885.68
Non-controlling interest		30,399,349,049.55	38,681,275,529.50
Total owners' equity		164,060,689,473.01	135,304,202,415.18
Total liabilities and owners' equity		446,896,645,926.40	360,825,921,016.67

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The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative:

Chief Financial Officer:

Chief Accountant:

Qingdao City Construction Investment (Group) Co., Ltd.
Balance Sheet
December 31st, 2021

(All amounts are presented in CNY yuan unless otherwise stated)

Items	Note 12	Closing balance	Opening balance
Current assets:			
Monetary funds		8,235,517,796.87	13,379,869,043.92
△Settlement provision			
△Lending funds			
Financial assets held for trading			
☆Financial assets measured at fair value through profit or loss			
Financial asset derivatives			
Notes receivable			
Accounts receivable	12.1	12,564,506.52	19,470,946.51
Receivables financing			
Advance to suppliers		3,236,579.63	2,136,646.56
△Premiums receivable			
△Reinsurance accounts receivable			
△Reinsurance contract reserves receivable			
Other receivables		74,653,265,423.65	64,033,003,042.15
Including: Dividend receivable			138,210,000.00
△Financial assets purchased under resale agreements			
Inventories			
Including: Raw material			
Inventory goods(finished goods)			
Contract assets			
Assets classified as held for sale			
Non-current assets due within one year			247,500,000.00
Other current assets			708,890,850.98
Total current assets		82,904,584,306.67	78,390,870,530.12
Non-current assets:			
△Loans and advances to customers			
Debt investment			4,000,000,000.00
☆Available-for-sale financial assets			
Other debt investment			
☆Held-to-maturity investments			
Long-term receivables		9,912,636,483.44	10,657,136,588.51
Long-term equity investment		86,406,629,003.88	76,898,347,106.75
Other equity instruments investment		54,218,887,902.77	9,062,305,401.91
Other non-current financial assets			
Investment property		68,164,095.00	66,877,980.00
Fixed assets		1,016,501,338.64	1,938,557,267.35
Including: Original value		1,218,069,816.10	2,109,448,424.80
Accumulated depreciation		201,568,477.46	170,891,157.45
Impairment provision			
Construction in progress		10,699,982,902.25	11,906,859,376.47
Biological assets			
Oil and gas assets			
Right of use assets			
Intangible assets		3,744,524.73	3,048,056.88
Development expenses			
Goodwill			
Long-term deferred expenses		30,580,632.11	7,438,589.65
Deferred tax assets		357,048.70	357,048.70
Other non-current assets		2,195,391,899.72	14,000,000.00
Including: Authorized reserve materials			
Total non-current assets		164,552,875,831.24	114,554,927,416.22
Total assets		247,457,460,137.91	192,945,797,946.34

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The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative:

Chief Financial Officer:

Chief Accountant:

Qingdao City Construction Investment (Group) Co., Ltd.
Balance Sheet(Cont'd)
December 31st, 2021

(All amounts are presented in CNY yuan unless otherwise stated)

Items	Note 12	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings		2,996,298,086.58	4,160,000,000.00
△ Borrowings from the central bank			
△ Loans from banks and other financial institutions			
Financial liabilities held for trading			
☆ Financial liabilities measured at fair value through profit or loss			
Financial liability derivatives			
Notes payable		300,000.00	22,900,000.00
Accounts payable		64,198,802.56	59,470,037.72
Advances from customers			
Contract liability			
△ Financial assets sold under repurchase agreements			
△ Account deposits and interbank deposits			
△ Funds from acting for securities trading			
△ Agency underwriting securities			
Employee benefits payable		569,503.83	661,483.31
Including: Wages payable			
Welfare payable			
#Including: Employee bonus and welfare funds			
Taxes and surcharges payable		36,531,949.02	17,744,446.87
Including: Tax payable		35,356,454.58	17,089,762.23
Other payables		13,037,109,111.50	14,390,741,800.12
Including: Dividend payable			
△ Fees and commissions payable			
△ Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year		15,244,010,767.70	14,700,183,860.73
Other current liabilities		7,664,398,575.34	6,028,762,465.76
Total current liabilities		39,043,416,796.53	39,380,464,094.51
Non-current liabilities:			
△ Insurance contract reserve			
Long-term borrowings		37,492,708,838.28	32,036,761,928.05
Bonds payable		54,155,000,000.00	36,550,000,000.00
Including: Preference share			
Perpetual debenture			
Lease liability			
Long-term payables		4,389,963,870.87	5,356,071,025.78
Long-term employee benefits			
Estimated liabilities			
Deferred income			
Deferred tax liabilities		1,011,738,447.47	1,350,126,638.66
Other non-current liabilities			
Including: Special reserve fund			
Total non-current liabilities		97,049,411,156.62	75,292,959,592.49
Total liabilities		136,092,827,953.15	114,673,423,687.00
Owners' equity:			
Paid-in capital (or equity)		6,900,000,000.00	6,900,000,000.00
State capital		6,900,000,000.00	6,900,000,000.00
State-owned legal entity capital			
Collective capital			
Private capital			
Foreign capital			
#Less: Investment returned			
Net paid-in capital (or equity)		6,900,000,000.00	6,900,000,000.00
Other equity instrument		15,321,000,000.00	23,310,000,000.00
Including: Preference share			
Perpetual debenture		15,321,000,000.00	23,310,000,000.00
Capital reserves		88,995,187,170.82	46,966,726,746.11
Less: treasury stock			
Other comprehensive income		2,997,624,803.43	4,014,770,563.12
Including: Foreign currency translation differences			
Special reserve			
Surplus reserve			
Including: Statutory surplus reserve			
Arbitrary surplus reserve			
#Reserve fund			
#Business development fund			
#Profit return for investment			
△ General risk reserve			
Undistributed profits		-2,849,179,789.49	-2,919,123,049.89
Total owners' equity		111,364,632,184.76	78,272,374,259.34
Total liabilities and owners' equity		247,457,460,137.91	192,945,797,946.34

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The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative:

Chief Financial Officer:

Chief Accountant:

Qingdao City Construction Investment (Group) Co., Ltd.
Consolidated Income Statement
from Jan 1st, 2021 to Dec 31st, 2021

(All amounts are presented in CNY yuan unless otherwise stated)

Items	Note 8	Closing balance	Opening balance
I. Total operating income		40,246,491,506.69	32,916,748,077.26
Including: Operating income	8.55	40,246,491,506.69	32,916,748,077.26
△ Interest income			
△ Premiums earned			
△ Fees and commissions income			
II. Total operating costs		46,520,466,350.13	34,276,840,885.29
Including: Operating costs	8.55	34,450,260,071.32	26,118,693,056.73
△ Interest expenses			
△ Expenses on fees and commissions			
△ Surrender value			
△ Net amount of compensation payout			
△ Net amount withdrawn for insurance contract reserves			
△ Policy dividend payment			
△ Reinsurance expenses			
Taxes and surcharges		253,919,550.26	649,515,191.35
Selling expenses	8.56	656,334,266.94	636,396,048.37
General administrative expenses	8.56	3,027,269,208.03	1,744,671,998.71
Research and development expenses	8.56	751,184,061.20	404,318,779.98
Financial expenses	8.56	7,381,499,192.38	4,723,245,810.15
Including: Interest expenditure		8,001,882,505.04	5,096,830,417.63
Interest income		638,712,517.04	434,736,486.92
Foreign exchange net loss (net income is listed with "-")		-189,184,022.15	-81,936,543.32
Others			
Plus: Gains from other income ("-" for losses)	8.57	1,168,261,222.69	581,805,117.86
Gain on investment ("-" for losses)	8.58	6,369,424,515.61	3,950,532,803.34
Including: Investment income from associates and joint ventures		512,491,057.87	260,689,191.02
Gain from derecognition of financial assets measured at amortized cost			
△ Exchange gains (losses are listed with "-")			
Net exposure hedging gains (losses are listed with "-")			
Gains from changes in fair value ("-" for losses)	8.59	91,736,729.42	1,128,370,749.39
Credit impairment losses (losses are listed with "-")	8.60	-574,810,825.37	-54,350,693.36
Loss from asset impairment	8.61	-176,163,963.53	-1,356,528,953.15
Gain or loss on disposal asset ("-" for losses)	8.62	289,934,037.96	504,795,076.39
III. Operating profit ("-" for losses)		894,406,873.34	3,394,531,292.44
Plus: Non-operating income	8.63	216,645,423.77	110,528,063.09
Including: Government grants		14,575,473.91	8,412,602.63
Less: Non-operating expenses	8.64	131,733,687.26	48,951,532.49
IV. Profit before tax ("-" for losses)		979,318,609.85	3,456,107,823.04
Less: Income tax expense	8.65	755,854,528.38	1,120,225,854.28
V. Net profits ("-" for net losses)		223,464,081.47	2,335,881,968.76
1. Classified by ownership:			
1.1 Net profit attributable to owners of the parent company		545,389,097.03	1,854,296,249.80
1.2 Minority interest income		-321,925,015.56	481,585,718.96
2. Classified by business continuity:			
2.1 Net profit from operation on going concern basis		223,464,081.47	2,335,881,968.76
2.2 Net profit from cease of operation			
VI. Other comprehensive income, net of tax		-1,273,501,232.53	414,027,544.97
Other comprehensive income after tax attributable to owners of parent company	8.66	-999,936,775.28	721,712,157.93
1. Other comprehensive income which will not be reclassified subsequently to profit or loss		-1,136,614,577.31	6,053,529.30
1.1 Remeasurement gains or losses of a defined benefit plan		-11,038,537.06	6,053,529.30
1.2 Other comprehensive income using the equity method that will not be reclassified to profit or loss			
1.3 Changes in fair value of other equity instrument investments		-1,125,576,040.25	
1.4 Changes in fair value of the company's own credit risk			
1.5 Others			
2. Other comprehensive income items which will be reclassified subsequently to profit or loss		136,677,802.03	715,658,628.63
1.1 Other comprehensive income convertible to profit or loss under the equity method		-129,274.63	-26,137,157.06
1.2 Changes in fair value of other debt investments			
☆ 1.3 Profit and loss from changes in fair value of available-for-sale financial assets			508,008,639.36
1.4 The amount of financial assets reclassified into other comprehensive income			
☆ 1.5 Gains or losses from held-to-maturity investments reclassified as available-for-sale financial assets			
1.6 Provision for credit impairment of other debt investments			
1.7 Cash flow hedge reserve (effective part of cash flow hedge gains and losses)			
1.8 Foreign currency financial statement translation difference		136,807,504.52	233,791,735.06
1.9 Others		-427.86	-4,588.73
Other comprehensive income, net of tax, attributable to non-controlling interests		-273,564,457.25	-307,684,612.96
VII. Total comprehensive income		-1,050,037,151.06	2,749,909,513.73
1. Total comprehensive income attributable to owners of parent company		-454,547,678.25	2,576,008,407.73
2. Total comprehensive incomes of non-controlling interest		-595,489,472.81	173,901,106.00
VIII. Earnings per share			
1. Basic earnings per share			
2. Diluted earnings per share			

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The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative:

Chief Financial Officer:

Chief Accountant:

Qingdao City Construction Investment (Group) Co., Ltd.
Income Statement
from Jan 1st, 2021 to Dec 31st, 2021

(All amounts are presented in CNY yuan unless otherwise stated)

Items	Note 12	Closing balance	Opening balance
I. Total operating income		12,511,907.83	21,951,568.12
Including: operating income	12.2	12,511,907.83	21,951,568.12
△Interest income			
△Premiums earned			
△Fees and commissions income			
II. Total operating costs		2,238,553,146.35	1,990,364,655.67
Including: operating costs	12.2	9,876,698.32	11,659,428.20
△Interest expenses			
△Expenses on fees and commissions			
△Surrender value			
△Net amount of compensation payout			
△Net amount withdrawn for insurance contract reserves			
△Policy dividend payment			
△ Reinsurance expenses			
Taxes and surcharges		16,513,066.68	12,667,220.77
Selling expenses			
General administrative expenses		152,885,565.26	138,715,096.41
Research and development expenses			
Financial expenses		2,059,277,816.09	1,827,322,910.29
Including: Interest expenditure		2,263,744,976.11	1,901,943,506.37
Interest income		326,558,527.13	166,005,185.65
Foreign exchange net loss (net income is listed with "-")			
Others			
Plus: Gains from other income ("-" for losses)		27,266,105.65	56,102,000.00
Gain on investment ("-" for losses)	12.3	3,469,786,310.18	1,326,493,619.62
Including: Investment income from associates and joint ventures		294,495,746.27	194,156,290.16
Gain from derecognition of financial assets measured at amortized cost			
△Exchange gains (losses are listed with "-")			
Net exposure hedging gains (losses are listed with "-")			
Gains from changes in fair value ("-" for losses)		1,286,115.00	
Credit impairment losses (losses are listed with "-")		-20,381,533.15	
Loss from asset impairment			-7,346,564.33
Gain or loss on disposal asset ("-" for losses)		57,226.49	26,460,584.63
III. Operating profit ("-" for losses)		1,251,972,985.65	-566,703,447.63
Plus: Non-operating income		1,005,000.48	5,562.53
Including: Government grants		1,000,000.00	
Less: Non-operating expenses		2,998,030.35	3,607.90
IV. Profit before tax ("-" for losses)		1,249,979,955.78	-566,701,493.00
Less: Income tax expense		660,395.38	338,866.63
V. Net profits ("-" for net losses)		1,249,319,560.40	-567,040,359.63
Net profit from operation on going concern basis		1,249,319,560.40	-567,040,359.63
Net profit from cease of operation			
VI. Other comprehensive income, net of tax		-1,017,145,759.69	-26,137,157.06
1. Other comprehensive income which will not be reclassified subsequently to profit or loss		-1,017,145,759.69	
1.1 Remeasurement gains or losses of a defined benefit plan			
1.2 Other comprehensive income using the equity method that will not be reclassified to profit or loss			
1.3 Changes in fair value of other equity instrument investments		-1,017,145,759.69	
1.4 Changes in fair value of the company's own credit risk			
1.5 Others			
2. Other comprehensive income items which will be reclassified subsequently to profit or loss			-26,137,157.06
1.1 Other comprehensive income convertible to profit or loss under the equity method			-26,137,157.06
1.2 Changes in fair value of other debt investments			
☆1.3 Profit and loss from changes in fair value of available-for-sale financial assets			
1.4 The amount of financial assets reclassified into other comprehensive income			
☆1.5 Gains or losses from held-to-maturity investments reclassified as available-for-sale financial assets			
1.6 Provision for credit impairment of other debt investments			
1.7 Cash flow hedge reserve (effective part of cash flow hedge gains and losses)			
1.8 Foreign currency financial statement translation difference			
1.9 Others			
VII. Total comprehensive income		232,173,800.71	-593,177,516.69
VIII. Earnings per share			
1. Basic earnings per share			
2. Diluted earnings per share			

Note: Subjects with △ in the table are exclusively for financial enterprises; subjects with ☆ are exclusively for companies that have not implemented the new financial instrument standards.

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative:

Chief Financial Officer:

Chief Accountant:

Qingdao City Construction Investment (Group) Co., Ltd.
Consolidated Cash Flow Statement
from Jan 1st, 2021 to Dec 31st, 2021

(All amounts are presented in CNY yuan unless otherwise stated)

Items	Note 8	Closing balance	Opening balance
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		47,624,478,359.99	28,554,231,030.35
△Net increase in customer bank deposits and placement from banks and other financial institutions			
△Net increase in the borrowings from the central bank			
△Net increase in loans from other financial institutions			
△Premiums received from original insurance contracts			
△Net cash received from reinsurance business			
△Net increase in policyholders' deposits and investments			
△Net increase in disposal of financial assets held for trading			
△Cash received from interest, handling charges and commissions		669,618,250.13	825,202,329.17
△Net increase in loans from banks and other financial institutions			
△Net capital increase in repurchase business			
△Net cash received from agency sales of securities			
Refunds of taxes and surcharges		420,823,403.82	378,187,569.45
Cash received from other operating activities		8,247,636,191.95	3,283,707,712.78
Sub-total of cash inflows from operating activities		56,962,556,205.89	33,041,328,641.75
Cash paid for goods purchased and services received		38,736,680,021.48	21,069,507,124.34
△Net increase in lease payment and advances to customers		-213,419,387.00	-240,513,254.10
△Net increase in deposits in central bank and other banks and financial institutions			
△Cash paid for original insurance contract claims			
△Net increase in lending funds			
△Cash paid for interests, handling charges and commissions			
△Cash dividends paid for policyholders			
Cash paid to and on behalf of employees		4,412,047,284.32	2,687,633,588.84
Cash paid for taxes and surcharges		2,371,701,178.98	2,177,645,631.95
Cash paid for other operating activities		11,217,159,698.46	5,388,365,986.92
Sub-total of cash outflows from operating activities		56,524,168,796.24	31,082,639,077.95
Net cash flows from operating activities		438,387,409.65	1,958,689,563.80
II. Cash flows from investing activities:			
Cash received from disposal of investments		48,852,833,519.14	59,705,723,299.84
Cash received from returns on investments		6,278,609,879.21	4,261,169,841.11
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		531,705,629.25	86,389,400.95
Net cash received from disposal of subsidiaries and other business units		360,026,776.40	1,066,820,958.72
Cash received from other investing activities		2,882,794,797.29	4,265,079,349.41
Sub-total of cash inflows from investing activities		58,905,970,601.29	69,385,182,850.03
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		4,868,773,031.35	2,054,347,354.43
Cash paid for investments		58,727,704,219.36	90,068,088,444.11
△Net increase in pledge loans			
Net cash paid to acquire subsidiaries and other business units		1,185,443,721.33	107,262,589.14
Cash paid for other investing activities		1,774,964,355.73	2,257,240,955.10
Sub-total of cash outflows from investing activities		66,556,885,327.77	94,486,939,342.78
Net cash flows from investing activities		-7,650,914,726.48	-25,101,756,492.75
III. Cash flows from financing activities:			
Cash received from absorption of investments		1,436,785,886.89	11,802,678,253.03
Including: cash received by subsidiaries from investments by minority shareholders		890,925,586.89	11,643,328,253.03
Cash received from borrowings		101,952,992,475.47	106,474,619,213.15
Cash received from other financing activities		3,928,595,117.78	10,571,055,889.35
Sub-total of cash inflows from financing activities		107,318,373,480.14	128,848,353,355.53
Cash paid for debt repayments		75,498,013,906.50	76,460,330,645.08
Cash paid for distribution of dividends and profits or payment of interest		11,547,429,551.25	8,307,244,934.93
Including: dividends and profits paid to minority shareholders by subsidiaries		278,000,028.57	640,378,342.75
Cash paid for other financing activities		14,476,088,088.36	14,628,797,895.46
Sub-total of cash outflows from financing activities		101,521,531,546.11	99,396,373,475.47
Net cash flows from financing activities		5,796,841,934.03	29,451,979,880.06
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		-174,878,042.99	-114,139,490.19
V. Net increase in cash and cash equivalents		-1,590,563,425.79	6,194,773,460.92
Plus: Balance of cash and cash equivalents at the beginning of the period		20,834,998,475.07	14,640,225,014.15
VI. Balance of cash and cash equivalents at the end of the period		19,244,435,049.28	20,834,998,475.07

Note: Subjects with △ in the table are exclusively for financial enterprises.

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative:

Chief Financial Officer,

Chief Accountant:

Qingdao City Construction Investment (Group) Co., Ltd.

Cash Flow Statement

from Jan 1st, 2021 to Dec 31st, 2021

(All amounts are presented in CNY yuan unless otherwise stated)

Items	Note 12	Closing balance	Opening balance
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services			
△Net increase in customer bank deposits and placement from banks and other financial institutions			
△Net increase in the borrowings from the central bank			
△Net increase in loans from other financial institutions			
△Premiums received from original insurance contracts			
△Net cash received from reinsurance business			
△Net increase in policyholders' deposits and investments			
△Net increase in disposal of financial assets held for trading			
△Cash received from interest, handling charges and commissions			
△Net increase in loans from banks and other financial institutions			
△Net capital increase in repurchase business			
△Net cash received from agency sales of securities			
Refunds of taxes and surcharges		27,912,434.93	56,100,000.00
Cash received from other operating activities		440,497,326.65	454,104,818.13
Sub-total of cash inflows from operating activities		468,409,761.58	510,204,818.13
Cash paid for goods purchased and services received			
△Net increase in lease payment and advances to customers			
△Net increase in deposits in central bank and other banks and financial institutions			
△Cash paid for original insurance contract claims			
△Net increase in lending funds			
△Cash paid for interests, handling charges and commissions			
△Cash dividends paid for policyholders			
Cash paid to and on behalf of employees		87,427,919.80	68,400,040.73
Cash paid for taxes and surcharges		16,144,036.21	14,413,400.91
Cash paid for other operating activities		147,469,183.68	359,921,548.87
Sub-total of cash outflows from operating activities		251,041,139.69	442,734,990.51
Net cash flows from operating activities		217,368,621.89	67,469,827.62
II. Cash flows from investing activities:			
Cash received from disposal of investments		1,136,912,052.93	1,997,729,697.83
Cash received from returns on investments		3,253,701,757.91	1,074,806,259.99
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		232,249.88	76,808.15
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities		1,257,360,000.00	2,000,000,000.00
Sub-total of cash inflows from investing activities		5,648,206,060.72	5,072,612,765.97
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		178,962,882.09	59,797,870.95
Cash paid for investments		10,455,384,563.92	15,967,447,261.39
△Net increase in pledge loans			
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities			
Sub-total of cash outflows from investing activities		10,634,347,446.01	16,027,245,132.34
Net cash flows from investing activities		-4,986,141,385.29	-10,954,632,366.37
III. Cash flows from financing activities:			
Cash received from absorption of investments		545,860,300.00	159,350,000.00
Cash received from borrowings		56,554,595,000.00	76,595,290,000.00
Cash received from other financing activities		9,955,234,367.63	10,776,403,792.93
Sub-total of cash inflows from financing activities		67,055,689,667.63	87,531,043,792.93
Cash paid for debt repayments		40,770,082,362.65	44,459,897,714.36
Cash paid for distribution of dividends and profits or payment of interest		7,025,959,710.30	4,938,460,543.25
Cash paid for other financing activities		18,111,899,693.27	22,564,224,019.73
Sub-total of cash outflows from financing activities		65,907,941,766.22	71,962,582,277.34
Net cash flows from financing activities		1,147,747,901.41	15,568,461,515.59
IV. Effect of fluctuation in exchange rate on cash and cash equivalents			
V. Net increase in cash and cash equivalents		-3,621,024,861.99	4,681,298,976.84
Plus: balance of cash and cash equivalents at the beginning of the period		11,301,577,604.98	6,620,278,628.14
VI. Balance of cash and cash equivalents at the end of the period		7,680,552,742.99	11,301,577,604.98

Note: Subjects with △ in the table are exclusively for financial enterprises.

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative:

Chief Financial Officer:

Chief Accountant:

Qingdao City Construction Investment (Group) Co., Ltd.
Consolidated Statement of Changes in Owners' Equity

from Jan 1st, 2021 to Dec 31st, 2021

(All amounts are presented in CNY yuan unless otherwise stated)

Items	Current period														
	Equity attributable to owners of the parent company														
	Other equity instrument					Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Sub-total	Non-controlling interest	Total owner's equity
	Paid in capital	Preference share	Perpetual bond	Others											
I. Closing balance of last year	6,900,000,000.00		24,810,000,000.00		60,672,350,212.73	42,994,424.39		2,395,084.68			97,733,821.45	436,095,631.86	92,920,909,575.41	38,679,655,444.45	131,599,665,020.26
Plus: adjustments for changes in accounting policies					46,976,912.22							-1,145,846,509.24	3,702,017,310.27	2,220,084.05	3,704,237,894.02
Adjustments for correction of accounting errors in prior year															
Others															
II. Operating balance of the current year	6,900,000,000.00		24,810,000,000.00		60,675,412,300.51	4,977,135,607.32		2,395,084.68			97,733,821.45	-700,750,276.26	98,622,926,865.68	38,681,275,529.50	135,304,202,415.18
III. Increases/decrease in the current year ("+" for decrease)					46,914,062,519.51	-999,936,775.28		2,515,180.40			23,054,104.71	-913,181,581.56	37,038,413,537.76	-8,984,296,479.05	26,756,497,657.76
1. Total comprehensive income						-999,936,775.28						945,380,097.03	454,547,678.25	-995,480,472.81	-1,050,037,151.06
2. Capital contributed or reduced by owners					46,914,062,519.51							1,203,861.56	38,926,196,021.61	-7,638,046,170.20	31,388,149,851.41
(1) Ordinary share contributed by the owner					46,984,340,200.00								46,984,340,200.00	-7,705,391,148.08	39,278,937,852.05
(2) Capital contribution by other equity instrument holders															-7,989,000,000.00
(3) Amount of share based payment recognized in owner's equity															1,737,676.75
(4) Other															65,607,101.05
3. Withdrawal and use of special reserve															
(1) Withdrawal of special reserve															
(2) Use of special reserve															
4. Profit distribution															
(1) Accrued surplus reserves															
Including: Statutory Surplus Reserves															
Arbitrary Surplus Reserves															
#Reserve Fund															
#Business Development Fund															
#Profit Reserve for Investment															
(2) Profit distributed to owners															
(3) Profit distributed to owners															
(4) Others															
5. Inter-group transfer of equity															
(1) Capital reserve transfer into capital															
(2) Surplus reserve transfer into capital															
(3) Surplus reserve making up loss															
(4) Carry forward the retained earnings of the changes in the defined benefit plan															
(5) Other comprehensive income carried forward retained earnings															
(6) Other															
IV. Closing balance of the current year	6,900,000,000.00		16,821,000,000.00		107,540,373,820.02	3,977,198,832.04		4,910,265.08			80,788,016.16	-1,622,931,299.84	133,661,340,823.46	30,399,340,040.55	164,960,689,473.01

Note: Subjects with Δ in the table are exclusively for financial enterprises; subjects with # are exclusively for foreign-invested enterprises.

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative:

Chief Financial Officer:

Chief Accountant:

Qingdao City Construction Investment (Group) Co., Ltd.
Consolidated Statement of Changes in Owners' Equity
from Jan 1st, 2021 to Dec 31st, 2021
(All amounts are presented in CNY yuan unless otherwise stated)

Items	Prior period									
	Equity attributable to owners of the parent company									
	Paid-in capital	Preference share	Other equity instrument	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit
I. Closing balance of last year	6,900,000,000.00		Perpetual bond	34,004,358,468.26		-579,417,333.34	38,626.51		28,215,094.37	1,589,235,199.08
Plus: adjustments for changes in accounting policies										
Adjustments for correction of accounting errors in prior year										
Others										
II. Opening balance of the current year	6,900,000,000.00		17,800,000,000.00	34,004,358,468.26		-579,417,333.34	38,626.51		28,215,094.37	1,589,235,199.08
III. Increase/decrease in the current year ("+" for decrease)			7,010,000,000.00	26,668,121,744.47		721,712,157.93	2,356,458.17		29,518,727.08	-1,153,139,567.12
I. Total comprehensive income						721,712,157.93				1,854,296,249.80
2. Capital contributed or reduced by owners			7,010,000,000.00	26,668,121,744.47						-2,044,719,087.12
(1) Ordinary share contributed by the owner				27,255,117,460.16						
(2) Capital contributed by other equity instrument holders			7,010,000,000.00							
(3) Amount of share-based payment recognized in owner's equity										
(4) Other										
3. Withdrawal and use of special reserve				-586,995,715.69					-2,044,719,087.12	
(1) Withdrawal of special reserve										
(2) Use of special reserve										
4. Profit distribution										
(1) Accrued surplus reserves										
Including: Statutory Surplus Reserves										
Arbitrary Surplus Reserves										
#Reserve Fund										
#Business Development Fund										
#Profit Return For Investment										
Δ(2) Accrued general risk reserve										
(3) Profit distributed to owners										
(4) Others										
5. Intra-group transfer of equity										
(1) Capital reserve transfer into capital										
(2) Surplus reserve transfer into capital										
(3) Surplus reserve making up loss										
(4) Carry forward the retained earnings of the changes in the defined benefit plan										
(5) Other comprehensive income carried forward retained earnings										
(6) Other										
IV. Closing balance of the current year	6,900,000,000.00		24,810,000,000.00	60,673,390,212.73		42,294,824.59	2,395,084.68		57,733,821.45	436,095,631.96

Note: Subjects with Δ in the table are exclusively for financial enterprises; subjects with # are exclusively for foreign-invested enterprises.

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative(s)

Chief Financial Officer

Chief Accountant

Qingdao City Construction Investment (Group) Co., Ltd.
Statement of Changes in Owners' Equity
from Jan 1st, 2021 to Dec 31st, 2021

(All amounts are presented in CNY yuan unless otherwise stated)

Items	Paid-in capital	Other equity instrument			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Total owners' equity
		Preference share	Perpetual bond	Others								
I. Closing balance of last year	6,900,000,000.00		23,310,000,000.00		47,013,703,658.33		-28,311,069.70				-2,963,326,049.47	74,331,466,539.16
Plus: adjustments for changes in accounting policies					-46,976,912.22		4,043,881,632.82				44,202,999.58	4,040,907,720.18
Adjustments for correction of accounting errors in prior year												
Others												
II. Opening balance of the current year	6,900,000,000.00		23,310,000,000.00		46,966,726,746.11		4,014,770,563.12				-2,919,123,049.89	78,372,374,259.34
III. Increases/decreases in the current year ("+" for increases)			-7,989,000,000.00		42,028,460,424.71		-1,017,145,759.69				69,943,260.40	33,092,257,925.42
1. Total comprehensive income							-1,017,145,759.69				1,249,319,560.40	232,173,800.71
2. Capital contributed or reduced by owners			-7,989,000,000.00		42,028,460,424.71							34,039,460,424.71
(1) Ordinary share contributed by the owner					46,994,349,200.05							46,994,349,200.05
(2) Capital contribution by other equity instrument holders			-7,989,000,000.00									-7,989,000,000.00
(3) Amount of share-based payment recognised in owner's equity												
(4) Other					-4,955,888,775.34							-4,955,888,775.34
3. Withdrawal and use of special reserve												
(1) Withdrawal of special reserve												
(2) Use of special reserve												
4. Profit distribution												
(1) Accrued surplus reserves												
Including: Statutory Surplus Reserves												
Arbitrary Surplus Reserves												
/Reserve Fund												
/Business Development Fund												
/Profit Return for Investment												
△(2) Accrued general risk reserve												
(3) Profit distributed to owners												
(4) Others												
5. Intra-group transfer of equity												
(1) Capital reserve transfer into capital												
(2) Surplus reserve transfer into capital												
(3) Surplus reserve making up loss												
(4) Carry forward the retained earnings of the changes in the defined benefit plan												
(5) Other comprehensive income carried forward retained earnings												
(6) Other												
IV. Closing balance of the current year	6,900,000,000.00		15,321,000,000.00		88,995,187,170.82		2,997,624,803.43				-2,849,179,789.49	111,364,632,184.76

The accompanying notes to the financial statements are an integral part of the financial statements.
Legal Representative:

Chief Financial Officer:

Chief Accountant:

Qingdao City Construction Investment (Group) Co., Ltd.
Statement of Changes in Owners' Equity
from Jan 1st, 2021 to Dec 31st, 2021
(All amounts are presented in CNY yuan unless otherwise stated)

Items	Prior period						
	Paid-in capital	Other equity instrument		Capital reserve	Less: Treasury shares	Other comprehensive income	Total owners' equity
		Preference share	Perpetual bond				
I. Closing balance of last year	6,900,000,000.00		16,800,000,000.00	20,815,576,569.08		-2,773,912.64	42,387,043,166.60
Plus: adjustments for changes in accounting policies							
Adjustments for correction of accounting errors in prior year							
Others							
II. Opening balance of the current year	6,900,000,000.00						
III. Increases/decreases in the current year ("+" for increases)							
1. Total comprehensive income							
2. Capital contributed or reduced by owners							
(1) Ordinary share contributed by the owner				20,815,576,569.08		-2,773,912.64	42,387,043,166.60
(2) Capital contribution by other equity instrument holders				26,198,127,089.25		-26,137,157.06	31,844,422,372.56
(3) Amount of share-based payment recognised in owner's equity				26,198,127,089.25		-26,137,157.06	-593,177,516.69
(4) Other				28,544,241,824.46			32,708,127,089.25
3. Withdrawal and use of special reserve							28,544,241,824.46
(1) Withdrawal of special reserve				-2,346,114,735.21			6,510,000,000.00
(2) Use of special reserve							
4. Profit distribution							
(1) Accrued surplus reserves							
Including: Statutory Surplus Reserves							
Arbitrary Surplus Reserves							
#Reserve Fund							
#Business Development Fund							
#Profit Return For Investment							
Δ(2) Accrued general risk reserve							
(3) Profit distributed to owners							-270,526,200.00
(4) Others							
5. Intra-group transfer of equity							
(1) Capital reserve transfer into capital							
(2) Surplus reserve transfer into capital							
(3) Surplus reserve making up loss							
(4) Carry forward the retained earning of the changes in the defined benefit plan							
(5) Other comprehensive income carried forward retained earning							
(6) Other							
IV. Closing balance of the current year	6,900,000,000.00		23,310,000,000.00	47,013,703,658.33		-28,911,069.70	74,231,466,539.16

Note: Subjects with Δ in the table are exclusively for financial enterprises; subjects with # are exclusively for foreign-invested enterprises.

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative:

Chief Financial Officer

Chief Accountant:

QINGDAO CITY CONSTRUCTION INVESTMENT (GROUP) Co., LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31st 2021

(All amounts are presented in CNY unless otherwise stated)

1 Company profile

1.1 Company history, registered place, type of organization and address of headquarters

Qingdao City Construction Investment (Group) Co., Ltd. (hereinafter referred to as "the Company") is a wholly state-owned company approved to be incorporated by the Qingdao Municipal People's Government by the Circular of the Qingdao Municipal People's Government on Establishing Government-invested Companies (Qing ZF [2008] No.11) on May 23, 2008, pursuant to which, the Company was contributed by the State-Owned Assets Supervision & Administration Commission of Qingdao Municipal Government with the net assets lawfully occupied and used by Qingdao Dongao Development and Construction Group, Qingdao Development Investment Co., Ltd. and Qingdao City Construction Investment Center, with the registered address located at A-121 Macao Road, Shinan District, Qingdao City, unified social credit code: No.91370200675264354K; legal representative: Chen, Mingdong and registered capital: CNY 6.9 billion.

1.2 Main operating activities

Business license of the Company stipulates business scope: urban old city reconstruction and traffic construction; land consolidation and development; municipal facilities construction and operation; investment and development of government real estate projects; investment and operation of modern service industry; Other investment and business activities other than those prohibited by national laws and regulations approved by the government. (Projects subject to approval according to the law may be operated after approval by relevant departments)

1.3 Controller of the Company.

The controlling party of the Company is the State-Owned Assets Supervision & Administration Commission of Qingdao Municipal Government.

1.4 The term of operation

May 23, 2008 to no fixed term.

2 Basis of preparation of financial statements

According to transactions and events that have actually occurred, the Company recognizes, measures and prepares its financial statements in accordance with the Accounting Standards for Business Enterprises-Basic Standard and detailed standards together with application guidelines and interpretations (hereinafter collectively referred to as the "Accounting Standards for Business Enterprises").

The financial statements of the Company are prepared on a going concern basis.

3 Statement on compliance with Accounting Standards for Business Enterprises

The Company prepared the financial statements following the requirements of the Accounting Standards for Business Enterprises, which have truly and completely reflected the consolidated and

parent Company's financial position, operating results, cash flows, and other information for the year ended December 31st, 2021.

4 Significant accounting policies and accounting estimates

In 2017, the Ministry of Finance issued the revised Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments, No. 23-Transfer of Financial Assets, No. 24-Hedge Accounting and No. 37-Presentation of Financial Instruments (Revised in 2017) (hereinafter referred to as "New Financial Instrument Standards"). According to the provisions of the New Financial Instrument Standards, companies listed both at home and abroad and companies listed overseas which adopt IFRS or Accounting Standards for Business Enterprises to prepare financial reports shall implement the provision from January 1, 2018; other domestic listed enterprises shall implement the provision from January 1, 2019; non-listed enterprises that implement Accounting Standards for Business Enterprises shall implement the provision from January 1, 2021. Companies are encouraged to implement in advance.

According to the "Notice on Further Implementation of Accounting Standards Related to New Financial Instruments" issued by the Ministry of Finance and China Banking and Insurance Regulatory Commission on December 30, 2020 (Cai Kuai [2020] No. 22), non-listed enterprises that are subject to the "Capital Management Measures for Commercial Banks (Trial)" (CBIRC Order No. 1 2012), if it is indeed difficult to implement accounting standards related to new financial instruments, the implementation can be postponed to January 1, 2022. For asset management products subject to the Guiding Opinions on Standardizing Asset Management Business of Financial Institutions (Yinfa [2018] No. 106), the implementation date of accounting standards related to new financial instruments can be postponed to January 1, 2022. Insurance companies that meet the conditions of suspending the implementation of accounting standards related to new financial instruments in the Notice of the Ministry of Finance on The Transitional Measures for The Implementation of the Accounting Standards Related to New Financial Instruments by Insurance Companies (Finance and Accounting No.20 2017), the implementation date of accounting standards relating to new financial instruments is allowed to be suspended until the implementation date of Accounting Standards for Business Enterprises No. 25-Insurance Contracts (CK [2020] No. 20).

In 2017, the Ministry of Finance issued the revised Accounting Standards for Business Enterprises No. 14-Revenue (hereinafter referred to as the "New Revenue Standards"), according to the regulation of the new revenue standards, companies listed both at home and abroad and companies listed overseas which adopt IFRS or Accounting Standards for Business Enterprises to prepare financial reports shall implement the provision from January 1, 2018; other domestic listed enterprises shall implement the provision from January 1, 2020; non-listed enterprises that implement Accounting Standards for Business Enterprises shall implement the provision from January 1, 2021. Companies are encouraged to implement in advance.

In 2018, the Ministry of Finance promulgated the revised Accounting Standards for Business Enterprises No. 21 - Leasing (hereinafter referred to as the "New Leases Standards"). According to the provisions of the new leases standards, companies listed both at home and abroad and companies listed overseas which adopt IFRS or Accounting Standards for Business Enterprises to prepare financial reports shall implement the provision from January 1, 2019; other domestic listed enterprises shall implement the provision from January 1, 2021. Companies whose parent companies or subsidiaries are listed overseas and prepare their overseas financial statements in accordance with IFRS or Accounting

Standards for Business Enterprises may implement the Standards ahead of time, but not earlier than the date when they simultaneously implement the New Financial Instrument Standards and the New Revenue Standards.

According to the Ministry of Finance's Circular on the Revision and issuance of Accounting Standards for Business Enterprises No.14-Revenue and other relevant provisions, if the parent company implements the new standards, but its subsidiaries have not implemented the new standards, the parent company shall adjust the financial statements of its subsidiaries in accordance with the provisions of the new standards when preparing consolidated financial statements. If the parent company has not yet implemented the new standards but the subsidiary companies have implemented the new standards, the parent company may, when preparing consolidated financial statements, adjust the financial statements of the subsidiary company in accordance with the accounting policies of the parent company, or directly merge the financial statements of the subsidiary company prepared in accordance with the new standards. If the parent company directly merges the financial statements prepared by its subsidiaries in accordance with the new standards, it shall disclose the fact in the consolidated financial statements and separately disclose the accounting policies and other relevant information of the parent company and its subsidiaries.

When the Company prepares the consolidated financial statements, the financial statements prepared by the relevant subsidiaries in accordance with the new standards are directly consolidated during the comparison period.

4.1 Accounting period

The accounting year is from January 1st to December 31st.

The accounting year for newly established company is from the date it was established to December 31st.

4.2 Functional currency

CNY is adopted as the Company's functional currency.

4.3 Accounting basis and measurement principle

The financial statements are prepared on an accrual basis, and primarily follow the historical cost measurement principle except for the specified accounting basis.

4.4 Business combinations

The business combination of the Company includes business combination under common control and business combination not under common control.

4.4.1 Business combinations under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount of the acquirer. The accounting policy adopted by the acquiree is different from that adopted by the acquirer, the acquiree shall, according to accounting policy, adjust the relevant items in the financial statements of the acquirer, and shall, pursuant to the present Standard, recognize them on the basis of such adjustment.

The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital

surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings.

The direct cost for the business combination of the combining party shall, including the expenses for audit, assessment and legal services, be recorded into the profits and losses at the current period.

The handling fees, commissions and other expenses for the issuance of equity securities for the business combination shall be credited against the surplus of equity securities; if the surplus is not sufficient, the retained earnings shall be offset.

The Company consolidated balance sheet, income statement, and cash flow statement on the acquisition date. The consolidated income statement shall include the incomes, expenses and profits of the acquiree incurred from the beginning of the current period to the acquisition date. The consolidated cash flow statement shall include the cash flow of the parties to the combination from the beginning of the current period to the acquisition date.

4.4.2 Business combination not under the common control

The assets transferred and liabilities incurred or assumed by the acquirer for consideration should be measured in light of their acquisition-date fair value, and recognize the resulting gains or losses, if any, between them and their carrying amounts into the profits and losses at the current period.

The acquirer shall distribute the combination costs on the acquisition date, and shall recognize the acquisition-date fair value of all identifiable assets, liabilities and contingent liabilities it obtains from the acquiree.

The acquirer shall recognize the positive balance between the consideration and the fair value of the identifiable net assets it obtains from the acquiree as goodwill. If, after the reexamination, the considerations are still less than the fair value of the identifiable net assets it obtains from the acquiree, it shall record the bargain purchase into the profits and losses of the current period.

As for the assets other than intangible assets acquired from the acquiree in a business combination (not limited to the assets which have been recognized by the acquiree), if it is possible that future economic benefits with the item will flow to the entity and their fair values can be measured reliably, they shall be separately recognized and measured in light of their fair values. As for any intangible asset acquired in a combination, if its fair value can be measured reliably, it shall be separately recognized as an intangible asset and shall be measured in light of its fair value. As for the liabilities other than contingent liabilities acquired from the acquiree, if the performance of the relevant obligations is likely to result in any out-flow of economic benefits from the enterprise, and their fair values can be measured reliably, they shall be separately recognized and measured in light of their fair values. As for the contingent liabilities of the acquiree obtained in a combination, if their fair values can be measured reliably, they shall be separately recognized as liabilities and shall be measured in light of their fair values.

The temporary deductible differences obtained from acquiree due to business combination can only be determined temporarily if it cannot fulfill the recognition criteria of deferred tax asset on the acquisition date. Within 12 months after acquisition date, if there is foreseeable evidence that economic benefit from acquiree will flow into the Company, the deferred tax asset shall be recognized and deduct same amount of goodwill. If goodwill is less than the deferred tax asset, it shall record profit and loss into current period; except for above mentioned circumstances, deferred tax asset recognized due to business combination shall be recorded into profit and loss into current period.

The direct cost for the business combination of the combining party shall, including the expenses for

audit, assessment and legal services, be recorded into the profits and losses at the current period. The bonds issued for the consideration or the handling fees, commissions and other expenses for assuming other liabilities shall be recorded into the amount of initial measurement of the bonds or other debts.

The Company consolidated balance sheet on acquisition date, it shall be recorded at fair value of the identifiable assets, liabilities and contingent liabilities it obtains from the acquiree.

4.4.3 Determining the acquisition date and the date of disposal

Purchase or sale of shareholding in order to increase or decrease subsidiaries under non-common control, the acquisition date shall be determined as the time when control transferred. Specifically:

Method of determining the acquisition date

- (1) The purchase contract or agreement has been approved by the shareholders general meeting and by internal authority approval;
- (2) In the case acquisition needs to be approved by the authorities by regulation, the Company obtains the approval;
- (3) The property transfer procedures completed;
- (4) Acquirer has paid the majority amount of the quoted price (more than 50%), and willingly and plan to pay the remaining amount;
- (5) Acquirer has actually controlled the financial and operating policies of the acquiree, enjoy the corresponding profit and risk.

Method of determining the date of disposal: upon the transaction is finished, the time of loss control is the time of sale.

4.4.4 Determining the fair value on the acquisition date

In the active market, the fair value of assets and liabilities shall be the quoted price in the active market; in the case of no active market, the fair value shall be the appraisal value, taking into consideration of the quoted price agreed by the transaction parties who are familiar with the market and voluntary transactions, or the fair value of the similar assets or liabilities, present value of cash flow, or option pricing model.

4.5 Preparation of consolidated statements

4.5.1 Scope

The scope of consolidated financial statement is based on 'control' all of its subsidiaries shall be included into the consolidated financial statements.

Control exists when the investor has all the following: power over the investee; exposure, or rights to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Relevant activities refer to activities of the investee that significantly affect the investee's returns. Relevant activities of the investee shall be determined depending on the circumstance, which generally include selling and purchasing of goods or services, managing financial assets, acquiring or disposing of assets, researching and developing activities, and financing activities. The Company shall consider all facts and circumstances when assessing whether it controls an investee. The Company shall reassess its control when changes in relevant facts and circumstances lead to changes in the elements of control.

4.5.2 Procedure

The consolidated financial statements shall be prepared by the parent based on the financial statements

of the parent and its subsidiaries, and using other related information. When preparing consolidated financial statements, the Company shall, consider the entire group as an accounting entity, adopt uniform accounting policies and apply the requirements of Accounting Standard for Business Enterprises relating to recognition, measurement and presentation. The consolidated financial statements shall reflect the overall financial position, operating results and cash flows of the group.

A parent shall prepare consolidated financial statements using uniform accounting policies for similar transactions and other events in similar circumstances. In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company. For subsidiaries acquired from a business combination involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date. After adjusted long-term investment in subsidiaries by using equity method, the parent shall prepare consolidated financial statements based on parent and subsidiaries financial statements and other information.

All significant intra-group balances, transactions and unrealized profits are eliminated in the consolidated financial statements.

The portion of a subsidiary's equity, net profits or losses and total comprehensive income for the period not attributable to the shareholders of the Company are recognized as non-controlling interests and presented separately in the consolidated financial statements under shareholder's equity, net profits and total comprehensive income respectively. Where the amount of losses for the current period attributed to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess amount is allocated against non-controlling interests.

(a) Acquiring subsidiaries

When preparing the consolidated balance sheet, if the parent has acquired a subsidiary or business during the reporting period through a business combination involving enterprises under common control, the opening balances of the consolidated balance sheet shall be adjusted as if the reporting entity after the combination has been in existence since the date the ultimate controlling party first obtained control. The subsidiary's revenue, expense and profit, from beginning to the end of the reporting period in which the combination takes place, shall be included in the consolidated income statement. The cash flow of the subsidiary or business, from the beginning to the end of the reporting period in which the combination takes place, shall be included in the consolidated cash flow statement. In addition, relevant items in the comparative statement shall be adjusted as if the reporting entity after the combination has been existence since the date the ultimate controlling party first obtained control.

When the Company becomes capable of exercising control over an investee not under common control due to additional investment or other reasons, when preparing the consolidated financial statements, the acquirer shall re-measure its previously held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount shall be recognized as investment income for the period when the acquisition takes place. When the previously-held equity investment is accounted for under the equity method, any other comprehensive income previously recognized in relation to the acquiree's equity changes shall be transferred to profit or loss for the current period when the acquisition takes place.

During the reporting period, a subsidiary or business has been acquired through a business combination

not involving enterprises under common control, or by other mean, the opening balance of consolidated financial statement shall not be adjusted, where the revenue, expense and profit of that subsidiary or business from the acquisition date to the end of the reporting period shall be included in the consolidated income statement, and the cash flow of that subsidiary or business, from the acquisition date to the end of reporting period, shall be included in the consolidated cash flow statement. When the Company becomes capable of exercising control over an investee not under common control due to additional investment or other reasons, when preparing the consolidated financial statements, the acquirer shall re-measure its previously held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount shall be recognized as investment income for the period when the acquisition takes place. When the previously-held equity investment is accounted for under the equity method, any other comprehensive income previously recognized in relation to the acquiree's equity changes shall be transferred to profit or loss for the current period when the acquisition takes place.

(b) Disposal of subsidiaries

During the reporting period, where the Company disposes its subsidiary, the revenue, expense and profit of that subsidiary or business from the beginning of the reporting period to the disposal date shall be included in the consolidated income statement. If the Company loses control of an investee due to the disposal of a portion of an equity investment or other reasons, the remaining equity investment shall be re-measured at the fair value in the consolidated financial statements at the date when control is lost. The difference between the total amount of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and the share of net assets of the former subsidiary calculated continuously from the acquisition date or the combination date based on the previous shareholding proportion, shall be recognized as investment income for the current period when control is lost, except for other comprehensive income arising from the remeasurement of the net benefit or net assets of the defined benefit plan by the investee. If the shareholding ratio of the Company decreases due to the increase of subsidiary capital by other investors, thus losing control, accounting treatment shall be carried out in accordance with the above-mentioned principles.

When the parent loses control of a subsidiary in multiple transactions in which it disposes of its subsidiary in stages, in determining whether to account for the multiple transactions as a single transaction, a parent shall consider all of the terms and conditions of the transactions and their economic effects. One or more of the following may indicate that the parent should account for the multiple arrangements as a single transaction:

- *arrangements are entered into at the same time or in contemplation of each other;
- *arrangements work together to achieve an overall commercial effect;
- *the occurrence of one arrangement is dependent on the occurrence of at least one other arrangement;
- *One arrangement considered on its own is not economically justified when considered together with other arrangements.

If each of the multiple transactions forms part of a bundled transaction which eventually results in loss of control of the subsidiary, these multiple transactions should be accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets in each transaction prior to the loss of control shall be recognized in other comprehensive income and transferred to the profit or loss when the parent eventually loses control of the subsidiary.

(c) Where the parent has acquired a subsidiary's equity interest held by non-controlling interests, the difference between the increase in the cost of long-term equity investments as a result of acquisition of non-controlling interests and share of net assets of the subsidiary calculated continuously from the acquisition date or the combination date based on the new shareholding proportion shall be adjusted to the capital reserve as capital premium in the consolidated financial statements. If the balance of the capital reserve is not sufficient, any excess shall be adjusted against retained earnings.

(d) Where the parent disposes of a portion of the long-term equity investments in a subsidiary without loss of control, the difference between the amount of the consideration received and the corresponding portion of net assets of the subsidiary calculated continuously from the acquisition date or the combination date related to the disposal of long-term equity investments shall be adjusted to the capital reserve as capital premium in the consolidated financial statements. If the balance of the capital reserve is not sufficient, any excess shall be adjusted against retained earnings.

4.6 Classification of joint venture arrangements and accounting treatment methods for joint operations

Joint venture arrangements are divided into joint operations and joint ventures. When the Company is a joint venture party of a joint venture arrangement, and enjoys the relevant assets of the arrangement and bears the liabilities related to the arrangement, it is a joint operation.

The Company recognizes the following items related to the share of interest in the joint operation and conducts accounting treatment in accordance with the relevant accounting standards:

- (1) Recognize the assets held by the Company separately and recognize the assets held jointly by the Company's share;
- (2) Recognize the liabilities of the Company alone and recognize the liabilities held jointly by the Company's share;
- (3) Recognize the income generated from the sale of the share of the common operating output enjoyed by the company;
- (4) Recognize the income generated by the joint operation due to the sale of the output according to the Company's share;
- (5) Recognize the expenses incurred separately and the expenses incurred in the joint operation according to the Company's share.

4.7 Recognition criteria of cash and cash equivalents

Cash refers to the cash in hand and deposits that are readily available for payment.

Cash equivalents refer to short-term and highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. Equity investment does not belong to cash equivalents.

4.8 Methods of accounting and translation for foreign currency transactions

4.8.1 Translation method

Foreign currency transactions of the Company are translated into RMB at the spot exchange rates on the date when the transactions occur. For ending balances of the various foreign currency accounts, foreign currency monetary items are translated at the spot exchange rates on the balance sheet date, with any differences arising therefrom included in the current profit and loss; foreign currency non-monetary items measured at historical cost should still be translated at the spot exchange rates

when the transactions occur; foreign currency non-monetary items measured at fair value should be translated at the spot exchange rates on the date when the fair value is determined, with any differences arising therefrom recorded as profit and loss from changes in fair value.

4.8.2 Principles for the translation of foreign currency financial statements

- (1) Items of assets and liabilities in the balance sheet should be translated at the spot exchange rates on the balance sheet date. Owners' equity items, except for the item of "undistributed profits", are translated at the spot exchange rates on the date when the transactions occur;
- (2) The income and expense items in the income statement are translated at the spot exchange rates or approximate exchange rates prevailing on the date when transactions occur;
- (3) Exchange differences arising on translation of foreign currency financial statements contribute by the above translation should be separately presented under the owners' equity in the balance sheet;
- (4) Items in the statement of cash flows are translated at the spot exchange rates or approximate exchange rates on the date when translations occur. The effect of fluctuation in exchange rate on cash should, as an adjustment item, be separately presented in the statement of cash flows.

4.9 Financial instruments

The Company recognizes financial assets or financial liabilities when the Company become a party of the financial instruments.

Accounting policies since the implementation of the New Financial Instruments Standards

4.9.1 Classification of financial assets

According to the business model of managing financial assets and the contractual cash flow characteristics of financial assets, the Company divides financial assets into the following three categories: 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.

The Company classifies the financial assets that meet the following conditions and are not designated as financial assets measured at fair value through profit or loss as financial assets measured at amortized cost:

- The Company's business model for managing the financial assets is to collect contractual cash flows;
- The terms of the financial asset contract stipulate that cash flows generated on a specific date are only payments of principal and interest based on the amount of outstanding principal.

The Company classifies the financial assets that meet the following conditions and are not designated as financial assets measured at fair value through profit or loss as financial assets measured at fair value through other comprehensive income:

- The Company's business model for managing the financial assets is both to collect contractual cash flows and to sell the financial assets;
- The terms of the financial asset contract stipulate that cash flows generated on a specific date are only payments of principal and interest based on the amount of outstanding principal.

For non-trading equity instrument investments, the Company can irrevocably designate them as financial assets measured at fair value through other comprehensive income upon initial recognition. The designation is made on the basis of a single investment, and the relevant investment conforms to the definition of equity instruments from the perspective of the issuer. Except for the above financial assets measured at amortized cost and measured at fair value through other comprehensive income, the

Company classifies all other financial assets as financial assets measured through profit or loss.

At the time of initial recognition, in order to eliminate or significantly reduce accounting mismatch, the Company irrevocably designated some financial assets that should have been measured at amortized cost or at fair value through other comprehensive income as financial assets measured at fair value through profit and loss.

At initial recognition, the financial liabilities of the Company are classified into: financial liabilities measured at fair value through profit or loss, and financial liabilities measured at amortized cost.

The Company classifies financial liabilities that meet one of the following conditions as financial liabilities measured at fair value through profit or loss:

- a) accounting mismatches can be eliminated or significantly reduced;
- b) management and performance evaluation of financial liability portfolios or combinations of financial assets and financial liabilities based on fair value according to corporate risk management or investment strategies as stated in formal written documents, and report to key management personnel on this basis;
- c) the financial liabilities include embedded derivatives that need to be split separately.

4.9.2 Recognition basis and measurement method for financial instruments

(1) Financial assets measured at amortized cost

Financial assets at amortized cost include notes receivable, accounts receivable, other receivables, long-term receivables, and investment in debt obligations which are initially measured at fair value and related transaction cost shall be recorded into the initial recognized amount. For accounts receivable excluding significant financing and accounts receivable that the Company decides not to consider financing components less than one year, the initial measurement shall be made at the contract transaction price. The interest calculated with actual rates for the holding period shall be recorded into the current profit or loss. When recovered or disposed, the difference between the price obtained and the carrying value of the financial assets shall be recorded into the current profit or loss.

(2) Financial assets measured at fair value through other comprehensive income (debt instruments)

Financial assets measured at fair value through other comprehensive income (debt instruments) include accounts receivable financing and investment in other debt obligations which are initially measured at fair value and related transaction cost shall be recorded into the initial recognized amount. The subsequent measurement of the financial assets shall be at fair value and changes of fair value except for interest calculated with actual rates, impairment losses or gains and exchange gains or losses shall be recorded into other comprehensive income. When derecognized, the accumulated gains or losses originally recorded into other comprehensive income shall be transferred into the current profit or loss.

(3) Financial assets measured at fair value through other comprehensive income (equity instruments)

Financial assets at fair value through other comprehensive income (equity instruments) include investment in other equity instruments, etc. which are initially measured at fair value and related transaction cost shall be recorded into the initial recognized amount. The subsequent measurement of the financial assets shall be at fair value and changes of fair value shall be recorded into other comprehensive income. The dividends obtained shall be recorded into the current profit or loss. When derecognized, the accumulated gains or losses originally recorded into other comprehensive income shall be transferred into retained earnings.

(4) Financial assets measured at fair value through profit or loss

Financial assets at fair value through profit or loss include held-for-trading financial assets, derivative

financial assets and other non-current financial assets which are initially measured at fair value and the related transaction cost shall be recorded into the current profit or loss. The subsequent measurement of the financial assets shall be at fair value and the changes of fair value shall be recorded into the current profit or loss.

(5) Financial liabilities measured at fair value through profit or loss

Financial liabilities at fair value through profit or loss include held-for-trading financial liabilities and derivative financial liabilities which are initially measured at fair value and the related transaction cost shall be recorded into the current profit or loss. The subsequent measurement of the financial liabilities shall be at fair value and the changes of fair value shall be recorded into the current profit or loss. When derecognized, the difference between the carrying value and the paid consideration shall be recorded into the current profit or loss.

(6) Financial liabilities measured at amortized cost

Financial liabilities at amortized cost include short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings, bonds payable and long-term payables, etc., which are initially measured at fair value and the related transaction cost shall be recorded into the initial recognized amount. The interest calculated with actual rates for the holding period shall be recorded into the current profit or loss. When derecognized, the difference between the paid consideration and the carrying value of the financial liabilities shall be recorded into the current profit or loss.

4.9.3 Derecognition and transfer of financial assets

The Company shall terminate the recognition of the financial asset when one of the following conditions are met:

- (1) The right of collecting contractual cash flows of the financial assets has been terminated;
- (2) The financial assets have been transferred and the Company has transferred almost all risks and rewards in the ownership of financial assets to the transferee;
- (3) The financial assets have been transferred, and although the Company has neither transferred nor retained almost all the risks and rewards in the ownership of the financial assets, it has not retained its control over the financial assets.

If the Company retained nearly all of the risks and rewards related to the ownership of the financial asset, it shall continue to recognize the transferred financial asset.

When judging whether the transfer of financial assets meets the above-mentioned conditions for derecognition of financial assets, the principle of substance over form shall be adopted.

The Company divides the transfer of financial assets into integral transfer and partial transfer. If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the amounts of the following two items shall be recorded in the current profit and loss:

- (1) The carrying amount of the transferred financial asset;
- (2) The sum of the consideration received for the transfer of financial assets and the amount of the corresponding portion of the accumulated changes in fair value originally included in shareholder's equity directly (the financial assets involved in the transfer are financial assets measured at fair value through other comprehensive income).

If the transfer of partial financial asset satisfies the conditions for derecognition, the entire carrying value of the transferred financial asset shall, between the portion whose recognition has been stopped and the portion whose recognition has not been stopped, be apportioned according to their respective relative fair value on the transfer date, and the difference between the amounts of the following two

items shall be included into the current profit and loss:

- (1) The carrying value of the portion whose recognition has been terminated;
- (2) The sum of consideration of the portion whose recognition has been terminated, and derecognition amount among the accumulative amount of the changes of the fair value originally recorded in the shareholder's equity (the financial assets involved in the transfer are financial assets measured at fair value through other comprehensive income)

Where the transfer of the financial asset does not meet the conditions for the termination of recognition, the financial asset shall continue to be recognized and the consideration received shall be recognized as a financial liability.

4.9.4 Derecognition of financial liabilities

Financial liabilities are derecognized in full or in part only when the present obligation is discharged in full or in part. An agreement entered into force between the Company (debtor) and a creditor to replace the original financial liabilities with new financial liabilities with substantially different terms, the Company shall derecognize the original financial liabilities as well as recognize the new financial liabilities.

If all or part of the contract terms of the existing financial liabilities are substantially modified, the recognition of the existing financial liabilities shall be terminated, and the financial liabilities after the modification shall be recognized as a new financial liability.

When financial liabilities are derecognized in full or in part, the difference between the carrying amount of the derecognized financial liabilities and the consideration paid (including transferred non-cash assets or new financial liability) is recognized in the current profit and loss.

If the Company repurchases part of the financial liability, it shall distribute the overall book value of the financial liability on the repurchase date according to the relative fair value of the continuing recognition part and the terminated recognition part. The difference between the book value allocated to the terminated recognition portion and the consideration paid (including non-cash assets transferred out or new financial liabilities assumed) is recorded in the current profit and loss.

4.9.5 Determination method of fair value of financial instrument

The fair value of a financial instrument with an active market shall be determined based on the quoted price in the active market. For financial instruments with no active market, valuation techniques are used to determine their fair value. At the time of valuation, the Company adopts valuation techniques that are applicable under the current circumstances and have sufficient data and other information to support, and chooses to be consistent with the characteristics of the assets or liabilities considered by market participants in the transactions of related assets or liabilities. The relevant observable input value shall be used first. Only when the relevant observable input value cannot be obtained or it is not feasible to obtain, the unobservable input value shall be used.

4.9.6 Impairment method and accounting treatment of financial instrument

The Company estimates the expected credit losses of financial assets measured at amortized cost, financial assets (debt instruments) measured at fair value through comprehensive income and financial guarantee contracts on an individual or collective basis.

The Company takes into account all reasonable and well-founded information, including past due events, current situation and forward-looking information to estimate the expected credit loss. The

expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows discounted at the original effective interest rate and receivable from the contract and all cash flows expected to be received by the Company. If the credit risk of the financial instrument has increased significantly since the initial recognition, the Company measures its loss provision according to the amount equivalent to the expected credit loss of the financial instrument in the whole duration. If the credit risk of the financial instrument has not increased significantly since the initial recognition, the Company measures its loss provision according to the amount equivalent to the expected credit loss of the financial instrument in the next twelve months. The increased or reversed amount of the loss reserves formed thereby shall be included in the current profit and loss as impairment losses or gains.

The Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition to assess whether the credit risk of financial instruments has increased significantly since the initial recognition.

Individual provision for impairment refers to the significant amount of a single financial asset (the standard is CNY 100 million) or the existence of objective evidence indicating that the impairment of the financial asset has occurred. The provision for impairment shall be made according to the difference between the present value of its future cash flow and its book value.

Combination provision for impairment means that in addition to the financial assets that are individually depreciated, or when the expected credit loss cannot be assessed at a reasonable cost for a single financial asset, the remaining financial assets need to be classified according to business characteristics based on credit risk characteristics. For certain combinations, provision for impairment is made on a combined basis.

The method for accruing impairment provision for a combination is as follows:

Combination Type	Basis for determining the combination	Accrual method
Aging Combination	Divide the portfolio using the age of the receivables as the credit risk characteristic	Aging analysis method
Lease Receivables	Risk type	Scoring classification method
Factoring Receivables	Risk type	Scoring classification method
Receivables from treasury operations	Risk type	Scoring classification method

(1) Ageing portfolio impairment matrix method

The Company uses the aging matrix method to accrue impairment provision for financial assets formed from daily operating activities such as sales of goods and provision of labor services according to the aging analysis method.

The aging matrix method is based on the aging analysis, uses the migration rate to estimate the historical loss rate, and predicts the credit loss after considering the forward-looking information. The migration rate in the aging portfolio is the ratio of receivables in a certain aging group that are not recovered after a fiscal year and are included in a longer aging group.

(2) Risk type combination scoring and classification method

For the determination of the expected credit loss rate accrued for the risk type combinations, the Company refers to historical credit loss experience, combine with current conditions and forecasts of future economic conditions, and calculate expected credit loss through default risk exposure and

expected credit loss rate within the next 12 months or the entire duration. Specific steps are as follows:

Step 1: According to the recovery risk characteristics of the funds, confirm the stage of expected credit loss for different funds respectively;

Step 2: Calculate the loss rate according to different financial assets and the stage in which the expected impairment loss occurs;

Step 3: Accrue provision for impairment according to the expected loss rate determined by the Company.

(3) Other combinations

- ① Receivables between affiliated companies;
- ② Receivables from the Company and government administrative departments;
- ③ Receivables for personal reserve funds of employees within the company;
- ④ Other conclusive evidence that indicates the receivables can be recovered in full.

The credit risk involved in the above combination is basically controllable based on the consideration of the Company's business operations, and no provision for impairment is made.

Companies with industry regulatory requirements should take into account the company's provision policy and industry regulatory requirements, and make provision for impairment in accordance with the principle of whichever is higher.

Accounting Policies Before Implementing the New Financial Instruments Standards

4.9.7 Recognition and derecognition of financial instruments

A financial instrument of the Company is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

When the Company becomes a party to a financial instrument, it should recognize a financial asset or financial liability.

Any financial asset of the Company should be derecognized when it meets either of the following conditions: when the contractual right to collect the cash flow from a financial asset is expired; or the financial asset is transferred and conforms to the derecognition conditions under the Accounting Standards for Business Enterprise No.23 — Transfer of Financial Assets.

Only when all or part of the current obligations under a financial liability is extinguished should the financial liability or part of it be derecognized.

4.9.8 Classification of financial assets

The Company's financial assets are measured at fair value upon initial recognition and divided into the following four categories:

(1) Financial assets measured at fair value through profit and loss

The Company's financial assets measured at fair value through profit and loss include financial assets held for trading and financial assets designated as those measured at fair value through profit and loss. Financial assets held for trading comprise financial assets that are obtained for sales in a short term and derivative financial instruments. Financial assets measured at fair value through profit and loss should be measured subsequently at fair value with any realized and unrealized profit and loss included in the current profit and loss.

(2) Held-to-maturity investments

The Company's held-to-maturity investments refer to the non-derivative financial assets with fixed maturity and fixed or determinable recoverable amounts, for which the Company has the positive intent

and ability to hold to maturity, except for the non-derivative financial assets that have been reclassified as financial assets of other categories. Financial assets of this category should be measured subsequently at amortized cost by using the effective interest method and the gain or loss arising from derecognition, impairment or amortization should be included in the current profit and loss.

(3) Loans and receivables

The Company's loans and receivables refer to the non-derivative financial assets with fixed or determinable recoverable amounts that are not quoted on an active market. Financial assets of this category should be measured subsequently at amortized cost by using the effective interest method and any gains and losses arising from derecognition, impairment or amortization should be included in the current profit and loss.

(4) Available-for-sale financial assets

The Company's available-for-sale financial assets refer to the non-derivative financial assets designated as available for sale at initial recognition and the non-derivative financial assets not classified into the three categories as mentioned above. Financial assets of this category should be measured subsequently at fair value. Their premiums/discounts should be amortized by using the effective interest method and recognized as interest income. Their fair value changes should be included in the other comprehensive income. For those derecognized or with identified impairment, the corresponding part originally directly included in owners' equity should be transferred out and included in the current profit and loss.

4.9.9 Classification of financial liabilities

The Company's financial liabilities are classified the financial liability in accordance with the business model and divided into the following two categories:

(1) Financial liabilities measured at fair value through profit and loss (FVTPL)

The Company's financial liabilities measured at FVTPL include financial liabilities held for trading and financial liabilities designated as those measured at fair value through current profit and loss upon initial recognition.

(2) Other financial liabilities

Neither financial liabilities measured at FVTPL are allowed reclassified into other financial liabilities, nor the other financial liabilities allowed to reclassify into the category measured at FVTPL.

4.9.10 Transaction costs

Transaction costs related to financial assets or financial liabilities measured at fair value through current profit and loss are directly included in the current profit and loss while transaction costs related to financial assets or financial liabilities of other categories should be included in their initially recognized amounts.

4.9.11 Fair values of financial instruments

As for the financial assets or financial liabilities for which there is an active market, the quoted prices on the active market should be used to determine the fair values thereof. Where there is no active market for a financial instrument, the Company should adopt reasonable value appraisal techniques to determine its fair value. The value appraisal techniques mainly include the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value obtained by reference to other financial instruments of the same essential nature, the discounted cash flow method and the option pricing model.

4.9.12 Determining the discount rate

When determining the discount rate, the Company estimates the future cash flows by taking into account all the contractual terms of a financial asset or financial liability (including prepayment option, call option and similar options), but should take into no account the future credit loss.

In addition, the Company should take into account all fees paid or received between parties to the contract for a financial asset or financial liability that are an integral part of the discount rate, transaction costs, premiums or discounts, etc. When the future cash flows or the duration of a financial asset or financial liability cannot be reliably estimated, the cash flows of such financial asset or financial liability throughout the whole term of the contract should apply.

4.9.13 Impairment of financial assets

The Company checks on the balance date the book values of financial assets other than those measured at fair value through current profit and loss. If there is any objective evidence that a financial asset is impaired, provision for impairment should be made. The objective evidence of impairment of a financial asset refers to any event actually occurred after the initial recognition of the financial asset which has adverse effect, the amount of which can be measured reliably by the Company, on the expected future cash flows of the financial asset.

An impairment test should be made on the financial assets with significant single amounts. If there is any objective evidence that the financial assets are impaired, impairment loss should be recognized and included in the current profit and loss.

(1) Financial assets measured at amortized cost

If there is objective evidence indicating that a financial asset is impaired, the book value of the financial asset should be written down to the present value of the expected future cash flows (excluding the credit loss that has not incurred). The write-downs should be included in the current profit and loss. The present value of the expected future cash flows is discounted at the original effective interest rate of the financial asset with the value of relevant security considered.

If, after the Company recognizes the impairment loss of a financial asset, there is objective evidence indicating that the value of the impaired financial asset is recovered and it is objectively related to the event happened after the recognition of the loss, then the previously recognized impairment loss should be reversed and included in the current profit and loss. However, the book value after reversion should not exceed the amount of amortized cost of the financial asset on the date of reversion had the impairment provision not been made.

(2) Financial assets measured at cost

If there is objective evidence indicating that a financial asset has been impaired, the difference between the book value of the financial asset and the present value of the future cash flows discounted at prevailing market rate of return for similar financial assets should be recognized as the impairment loss and included in the current profit and loss. Once recognized, no impairment loss should be reversed.

(3) Available-for-sale financial assets

If there is objective evidence that an available-for-sale financial asset has been impaired, the cumulative loss from decline in fair value previously directly included in owners' equity should be transferred out and included in the current profit and loss.

The cumulative loss transferred out is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized

in profit and loss.

If, in subsequent accounting periods, there is a recovery in the fair value of the available-for-sale debt instruments for which an impairment loss has been recognized, which can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss may be reversed. The impairment loss on the available-for-sale equity instrument investments may not be reversed through the profit and loss.

4.9.14 Transfer of financial assets

Transfer of the Company's financial assets means that the Company assigns or delivers the financial assets to a party other than the issuer of the financial assets.

The Company derecognizes a financial asset when substantially all the risks and rewards related to the ownership of the financial asset have been transferred to the transferee; if substantially all the risks and rewards related to the ownership of a financial asset are retained, the financial asset will not be derecognized.

If the Company neither transfers nor retains substantially all the risks and rewards related to the ownership of a financial asset, it should deal with the financial asset depending on the following circumstances, respectively, as follows: if it gives up the control over the financial asset, it should derecognize the financial asset and recognize assets and liabilities arising therefrom; if it does not give up the control over the financial asset, it should recognize the financial asset to the extent of its continuous involvement in the transferred financial asset and recognize the relevant liability accordingly.

4.9.15 Impairment on financial assets

(1) Provision for bad debts of loans include general provision, special provision, and specific provision. The general provision shall be accrued at 1% of the closing balance.

The risk control department of the Company based on related regulations and 5-grade classification of loans, makes below provision:

5-grade classification of loans	Provision (%)
Normal loans	0-1
Watched loans	2
Substandard loans	25
Doubtful loans	50
Loss loans	100

Among them, provisions for losses of substandard and specific provision shall be made case by case.

The provision coverage is higher than 150%.

The risk categories are as following:

Normal: The debtor to fulfill the contract, there is no reason to doubt the debtor is unable to repay the debt in full and on time.

Watched: Although the debtor currently has the ability to repay the debt, but some factors may adversely affect the repayment.

Substandard: The debtor's ability to repay the obviously in difficulty, rely entirely on their normal business revenues to repay the debt, even if the collateral, may also cause some loss.

Doubtful: The debtor cannot repay the debt, even if the collateral, it will be a significant loss.

Loss: After taking all possible methods and all necessary legal procedures, creditor's rights cannot be

recovered, or only a small portion can be recovered.

(2) The Company written-off of losses in line with the related regulation set by the authority. The creditor's rights shall be written-off while get the approval of board of directors. And any written-off documents shall be archived.

4.10 Receivables

Receivables include accounts receivable, other receivables, etc.

Accounting policies since the implementation of the new financial instrument standards

For details, please refer to "4.9 Financial Instruments - Accounting policies since the implementation of the New Financial Instruments Standards - Impairment method and accounting treatment of financial instrument".

Accounting policies before the implementation of the New Financial Instrument Standards

4.10.1 Recognition criteria of bad debts

Irrecoverable receivables arising from bankruptcy of the debtor after taking legal clearance procedures, irrecoverable receivables arising from the death of the debtor leaving no assets to pay off and nobody to assume the obligations, the receivables that the debtor fails to repay within three years and are recorded as bad debts upon approval of the general meeting or the board of directors, and other claims that have been impaired and assessed as irrecoverable should be recognized.

4.10.2 Accounting methods of loss on bad debts

The Company adopts the allowance method for the accounting of bad debt losses.

The Company shall, on the day of balance sheet, make a judgment on whether there is any indication that assets may be impaired. If there are indications that receivable may be impaired, the carrying amount shall be written down to the recoverable amount. The deduction shall be recorded under impairment loss account. To predict the present value of the future cash flow, the Company shall take into consideration the discount rate of actual interest when receivable initially recognized, and also considered the value of mortgages. There is insignificant difference between the present value and estimate future cash flow for short-term receivable, therefore, the discounted rate shall not be considered when calculate impairment loss.

If there is any objective evidence proving that the value of the said financial asset has been restored, and it is objectively related to the events that occur after such loss is recognized, the impairment-related losses as originally recognized shall be reversed and be recorded under losses from impairment of assets account into the profits and losses of the current period. However, the reversed carrying amount shall not be any more than the post-amortization costs of the said financial asset on the day of reverse under the assumption that no provision is made for the impairment.

When impairment loss actual happens, the provision shall be reversed, and if it is short of loss, the difference shall be recorded into current period losses from impairment of assets directly.

4.10.3 Method and proportion of provision for bad debts

For individual receivables with amounts above CNY1 million (inclusive), if there is objective evidence that the receivables have been impaired, provision for bad debts should be made based on the difference of the present value of their future cash flows in short of their book values. For individual receivables with insignificant amounts and individual receivables with significant amounts that have

not been impaired as shown in a separate test, the proportion of provision for bad debts of each group for the reporting period should be determined based on the actual loss rate of the receivables group with identical aging and in combination with the current situation. For receivables with solid evidence indicating that there is significant difference as to the recoverability, provision for bad debts should be made by using the specific identification method.

Proportions of the provision for bad debts are as follows:

Aging of receivables	Proportion of provision
Within 1 (inclusive) year	0%
1 - 2 (inclusive) years	10%
2 - 3 (inclusive) years	20%
3 - 4 (inclusive) years	30%
4 - 5 (inclusive) years	40%
Over 5 years	50%

Factoring receivables use the risk type method to accrue bad debt provisions, which are divided into:

Normal: The debtor can perform the contract without sufficient reason to suspect that the debtor cannot repay the debt on time and in full.

Concern: Although the debtor is currently capable of repaying the debt, there are some factors that may adversely affect the repayment.

Sub-category: The debtor's repayment ability is obviously in trouble, and it cannot rely on its normal operating income to fully repay the debt. Even if the guarantee is executed, it may cause some losses.

Doubtful: The debtor cannot repay the debt in full, and even if the guarantee is executed, it will certainly cause greater losses.

Loss: After taking all possible measures or all necessary legal procedures, the creditor's right cannot be recovered, or only a small part can be recovered.

The specific risk classification accrual ratio is as follows:

Types of risk	Accrual proportion
Normal	0%
Concern	2%
Sub-category	25%
Doubtful	50%
Loss	100%

The provision for bad debts shall not be less than 1% of the closing balance of factoring business.

4.10.4 Accounting treatment methods for the sale, pledge and discounting of receivables

The accounting treatment should be subject to the Interim Provisions on the Accounting Treatment of the Debt Financing Business and Other Related Business Between Enterprises and Banks and Other Financial Institutions (CK [2003] No.14) issued by the Ministry of Finance.

4.10.5 The groups without provision for bad debts

No provision for bad debts is made for receivables due from related companies;

No provision for bad debts is made for receivables due from government administrative departments;

No provision for bad debts is made for receivables due from employees' margin;

4.11 Inventories

4.11.1 Measurement

The Company's inventories are divided into raw materials, self-made semi-finished products and products in progress, low-value consumables, inventory goods, development costs, development products, turnover materials, etc. Inventories are measured at actual cost when obtained and use the weighted average method when sent out.

The Company adopts the one-off write off method to amortize low value consumables and packaging materials, which are included in the cost of relevant assets or current profit and loss.

4.11.2 Inventory system

The Company adopted the perpetual inventory system.

4.11.3 Measurement at each balance sheet date

- (1) Closing balance of inventories should be measured at the lower of their costs or net realizable values.
- (2) The Company 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.
- (3) The materials held for production shall be measured at cost if the net realizable value of the finished products is higher than the cost. If a decline of the value of materials shows that the net realizable value of the finished products is lower than the cost, the materials shall be measured at the net realizable value.
- (4) The net realizable value of inventories held for the execution of sales contracts or labor contracts shall be calculated on the ground of the contract price. If the Company holds more inventories than the quantities subscribed in the sales contract, the net realizable value of the excessive part of the inventories shall be calculated on the ground of the general sales price.
- (5) The Company shall make provision on impairment loss of inventories on the ground of individual item. For raw materials with large quantity and relatively low unit prices, the provision on impairment loss shall be made on the ground of the categories of inventories. For the inventories related to the series of products manufactured and sold in the same area, and of which the final use or purpose is identical or similar thereto, and if it is difficult to measure them by separating them from other items, the provision on impairment loss shall be made on a combination basis.
- (6) The Company shall confirm the net realizable value of inventories on each balance sheet date. If the factors causing any write-down of the inventories have disappeared, the amount of write-down shall be reversed from the provision on impairment loss that has been made. The reversed amount shall be included in the current profits or losses.
- (7) Sell of inventories which has already made provision on impairment loss, the cost of inventories shall be deducted by the provision on impairment loss.

4.12 Contract asset

Accounting policies since the implementation of new revenue standards

4.12.1 Recognition method and criteria

The Company lists contract asset or contract liability on the balance sheet based on the relationship between performance obligation and customer payment. The Company lists the right to receive consideration for transferring goods or providing service to customers (and the right depends on other factors other than the passage of time) as contract asset. The contract asset and liability under the same contract are presented in net amount. The Company's unconditional (only depending on the passage of time) right to collect consideration from customers is listed separately as receivables.

4.12.2 Determination method and accounting treatment method of expected credit loss of contract asset

For details on the determination method and accounting treatment method of expected credit losses of contract asset, please refer to “Financial Asset Impairment Testing Method and Accounting Treatment Method” in 4.9 Financial Instruments-Companies that have implemented the new financial instrument standards” in this note.

4.13 Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, the Group's long-term equity investments in its joint ventures and associates, as well as the long-term equity investments where the Group does not have control, joint control or significant influence over the investees and which are not quoted in an active market and whose fair value cannot be reliably measured.

4.13.1 Initial measurement

(1) Initial measurement for the business combination under common control

For a business combination involving enterprises under common control, if the consideration of the combination is satisfied by paying cash, transfer of non-cash assets or assumption of liabilities, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings.

If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the owners' equity of the party being absorbed in the consolidation financial statements of the ultimate controlling party at combination date. The aggregate face value of the share issued shall be accounted for as share capital. The difference between the initial investment cost and the aggregate face value of the shares issued shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings.

The audit, legal, valuation and consulting fees, other intermediary fees, and related administrative fees paid by the absorbing party or acquirer for the business combination, shall be recognized in profit or loss as incurred.

Where the accounting policies and accounting period adopted by the investee are not consistent with those used by the investor, the investor shall, using its own accounting policies and accounting period, adjust the relevant items of the investee.

(2) Initial measurement for the business combination not under common control

For a business combination involving enterprises not under common control, the initial investment cost of the long-term equity investment on the acquisition date shall be:

For a business combination realized by a transaction of exchange, the combination costs shall be the fair values, on the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control on the acquiree.

① For a business combination realized by two or more transactions of exchange, the combination costs shall be the summation of the costs of all separate transactions.

② The direct cost for the business combination of the combining party shall, including the expenses for audit, assessment and legal services, be recorded into the profits and losses at the current period.

③ Where any future event that is likely to affect the combination costs is stipulated in the combination contract or agreement, if it is likely to occur and its effects on the combination costs can be measured reliably, the acquirer shall record the said amount into the combination costs.

(3) Long-term equity investment acquired otherwise than through a business combination shall be determined as follows:

① For a long-term equity investment acquired by paying cash, the initial investment cost shall be the actual purchase price has been paid. Initial investment cost also includes those costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment.

② For a long-term equity investment acquired by the issue of equity securities, the initial investment cost shall be the fair value of the equity.

In existence of open market, the fair value of the long-term equity investment is subject to market price, taking into account the effects of trading volume, and the impact of restrictive conditions of fair value. If there is no open market, the fair value is based on and determined by the invested Company.

③ The initial investment cost of long-term equity investment from investor shall be the contract price, except the contract price is not fair value.

④ For a long-term equity investment acquired through an exchange of non-monetary assets, it is essentially that the exchange has commercial in nature and fair value of exchanged assets can be measured reliably. For the long-term equity investment acquired with commercial in nature, and the fair value of exchanged assets can be measured reliably, the initial investment cost shall be the fair value of the assets surrendered and related tax, unless there is conclusive evidence that the fair value of assets received more reliable. For the long-term equity investment acquired without commercial innature, or the fair value of exchanged assets cannot be measured reliably, the initial investment cost shall be the carrying amount of the assets surrendered and related tax.

⑤ For a long-term equity investment acquired through a debt restructuring transaction, the initial investment cost shall be the proportion of fair value of the net realizable assets in invested Company the investor entitled to.

No matter how the investor acquired a long-term equity investment, the dividend receivable and retained profit that had been announced but not yet paid which included in the acquisition price shall be recorded into dividend receivable account, and shall not be contributed as part of initial investment cost.

4.13.2 Subsequent measurement and measurement criteria of gain on investment

(1) Subsequent measurement under cost method

Where an investor is able to exercise control over an investee, the long-term equity investment shall be accounted for using the cost method. Under the cost method, a long-term equity investment shall be measured at its initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment shall be adjusted accordingly. Cash dividends or profit distributions declared by the investee shall be recognized as investment income in the current period.

(2) Subsequent measurement under equity method

A long-term equity investment in an associate or a joint venture shall be accounted for using the equity method.

Where the initial investment cost of a long-term equity investment exceeds an investor's interest in the fair values of an investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost. Where the initial investment cost is less than the investors' interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference shall be credited to profit or loss for the current period, and the cost of the long-term equity investment shall be adjusted accordingly.

After the Company has acquired a long-term equity investment, it shall recognize its share of the investee's net profit or loss, as well as its share of the investee's other comprehensive income, as investment income or losses and other comprehensive income, and adjust the carrying amount of the investment accordingly.

Where the accounting policies and accounting period adopted by the investee are not consistent with those used by the investor, the investor shall, using its own accounting policies and accounting period, adjust the relevant items of the financial statements of the investee, and the recognize investment income or loss, other comprehensive income, and other related items, based on the adjusted financial statements of the investee.

The investor shall recognize its share of the investee's net profits or losses after making appropriated adjustments based on the fair values of the investee's identifiable net assets at the acquisition date. The investor shall recalculate the depreciation and amortization in accordance with fair values if there is a difference between fair values and carrying amount of identifiable net assets.

Under the following conditions, the Company recognized its gain on investment based on net profit of the invested Company:

- ① The Company cannot obtain the fair value of identifiable net assets at the acquisition date;
- ② There is insignificant difference between the fair value of identifiable net assets and the carrying amount of identifiable net assets at the acquisition date; and
- ③ The Company could not adjust the net profit or loss of the invested Company due to related information missing.

Intra group transaction between the investor and investee shall be eliminated by the portion of unrealized gain or loss that attributable to the investor, and the investor shall recognize any profit or loss by the portion that is attributable from the investee.

The actual cash dividends and profits shall be handled in accordance with the following conditions:

- ① If the cash dividends and profits obtained from the invested entity do not exceed the share of the book net profits realized by the invested entity after the investment, the book value of the long-term equity investment (adjustment for profit and loss) shall be deducted.

② the book value of long-term equity investments should be deducted as per the Company's share of the profits or cash dividends declared by the investee.

In recognizing the Company's share of net loss of the investee, the book value of the long-term equity investments and other long-term interests substantively forming part of its net investments in the investee are written down until zero, except that the Company has the obligation to undertake extra loss. Subsequent to the acquisition date, the Company should recognize the investment income or loss and adjust the book value of the long-term equity investments accordingly as per its share of the net profit or loss of the investee.

Changes in owners' equity other than the net profit or loss from the investee are adjusted to the book value of the long-term equity investments, and included in the owners' equity, and are carried over to the current profit and loss at appropriate proportion upon disposal of the said investments.

4.13.3 Provision on impairment

On the balance sheet date, the Company shall examine on whether the impairment does exist based on following signs:

- (1) The current market price of assets falls, and its decrease is obviously higher than the expected drop over time or due to the normal use;
- (2) The economic, technological or legal environment in which the enterprise operates, or the market where the assets is situated will have any significant change in the current period or in the near future, which will cause adverse impact on the enterprise;
- (3) The market interest rate or any other market investment return rate has risen in the current period, and thus the discount rate of the enterprise for calculating the expected future cash flow of the assets will be affected, which will result in great decline of the recoverable amount of the assets;
- (4) Other evidence indicates that the impairment of assets has probably occurred.

Where any evidence shows that there is possible assets impairment, the recoverable amount of the assets shall be estimated. The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the assets minus the disposal expenses and the current value of the expected future cash flow of the assets. Where the measurement result of the recoverable amount indicates that an asset's recoverable amount is lower than its carrying value, the carrying value of the asset shall be written down to the recoverable amount, and the written-down amount shall be recognized as the losses from impairment of assets and be recorded as the profit or loss for the current period. Simultaneously, a provision for the impairment of assets shall be made accordingly. If the recoverable amount cannot be measured individually, the recoverable amount of related long-term investment shall be grouping and make provision under the group in accordance with "accounting standard for business enterprises No. 8- Impairment of assets" Once any losses from impairment of assets is recognized, it shall not be reversed in the future accounting periods.

4.14 Investment properties

4.14.1 Definition and classification

Investment properties are properties held to earn rentals or for capital appreciation or both, which can be measured and sold on an individual basis. Investment properties include:

- (1) land use right leased out

Refers land use right obtained by sell or transferred, leased out under operating lease. Operating leased land use right sublet to third party shall not be considered as investment property.

(2) land use right held and to be transferred upon appreciation

Refers to land use right obtained by the Company, held and to be transferred upon appreciation. In accordance with government requirement, idle land and land held but not transferred upon appreciation shall not be classified as investment property.

(3) buildings leased out

Refers to buildings owned by the Company and leased by operating leases, including buildings built by the Company itself or used for lease after completion of development activities.

For the vacant building held by the Company for operating lease, if the board of directors or similar authority make a written resolution, clearly stated that it is merely for the operating lease and the intention of holding will not change in the short term, even if the lease agreement has not been signed yet, it shall be regarded as investment property.

4.14.2 Recognition

No investment properties shall be recognized unless it meets the following requirements simultaneously:

- (1) The economic benefits pertinent to this investment properties are likely to flow into the Company;
- (2) The cost of the investment properties can be reliably measured.

4.14.3 Initial measurement

- (1) The cost of the investment properties by acquisition consists of the acquisition price, relevant taxes, and other expenses directly relegated to the asset.
- (2) The cost of self-built investment properties composes of the necessary expenses for building the asset to the intended condition for use.
- (3) The cost of an investment properties obtained by other means shall be recognized in accordance with the relevant accounting standards.

4.14.4 Subsequent measurement

Fair value model

The Company does not accrue depreciation or amortization for investment properties measured using the fair value model. The carrying amount shall be adjusted based on fair value adjustment at each year end, the difference between the carrying amount and adjusted fair value shall be recorded into current profit and loss (gain/ (loss) on the changes in fair value).

Neither depreciation nor amortization shall be made during the period when the investment properties are subjected to re-development if the Company is not going to transfer the property into owner-occupied properties.

4.14.5 Transfers

(1) Owner-occupied properties transferred into investment properties

Where the Company which has conclusive evidence to indicate that the purpose of the property has changed, and the owner-occupied property transferred into investment properties, the properties shall be measured on fair value on the transferring date. If the fair value of transferring date is less than the carrying amount of the property, the difference shall be recorded into gain or loss on changes in fair value account, and if the fair value is more than the carrying amount, the difference shall be recorded into capital reserve account.

(2) Investment properties transferred into Owner-occupied properties

Where the Company transferred investment properties into owner-occupied properties, the carrying amount of owner-occupied properties shall be the fair value on the transferring date, the difference between the fair value and carrying amount shall be recorded into current period profit or loss.

4.14.6 Change of measurement model

The investment properties which adopt the fair value model shall not be changed into the cost model.

When the Company has adopted the fair value model, if there is evidence that when the Company acquires an investment property for the first time (or when an existing property first becomes investment property following the completion of construction or development, or after a change in use) and that the fair value of the investment property cannot be measured reliably on a continuing basis. In such cases, the Company shall measure that investment property using the cost model until the disposal, assuming the residual value of the investment property to be zero.

4.15 Fixed assets

4.15.1 Recognition criteria

Fixed assets are tangible assets that are held for production of goods or supply of services, for rental to others, or for administrative purposes and have useful life of more than one accounting year. Fixed assets can only be recognized when the following conditions are met at the same time:

- 1) the economic benefits associated with the fixed assets are likely to flow into the company;
- 2) the cost of the fixed assets can be reliably measured.

4.15.2 Initial measurement of fixed assets

The fixed assets of the Company are initially measured at cost.

4.15.3 Classification

The fixed assets are classified as following categories: building and constructions, structure-photovoltaic, wind power station, machinery equipment, transportation equipment— vehicles, transportation equipment - airframe, engine and core parts, electronic equipment, roads, other equipment, etc.

4.15.4 Depreciation methods of fixed assets

(1) Determination of depreciation method and estimated useful life, estimated residual value rate and annual depreciation rate: fixed asset is depreciated by the straight-line method. The annual depreciation rate determined according to the category, estimated useful life and estimated residual value rate of fixed assets, each company may determine the estimated useful life and estimated residual value rate based on the actual use of the asset.

Before the implementation of the new Leases standards, the fixed assets leased by financial lease shall adopt depreciation policies consistent with those of the fixed assets owned by the company. Where it can be reasonably ascertained that the ownership of the leased asset will be acquired at the end of the lease term, depreciation shall be calculated during the remaining useful life of the leased asset; Where it is not reasonably certain that the ownership of the leased asset can be acquired at the end of the lease term, depreciation shall be calculated and withdrawn during the shorter period between the lease term and the remaining useful life of the leased asset.

Since the implementation of the new Leases standards, the company accrues depreciation according to the relevant provisions of the new Leases standards for right-of-use assets. For details, please refer to the accounting treatment of right-of-use assets in "4.32 Leases-Accounting policies since the implementation of the new Leases standards" in this note.

Depreciation of fixed assets begins when they reach a predetermined usable condition, and stops when they are terminated for recognition or classified as non-current assets held for sale.

The residual value rate, estimated useful life and annual depreciation rate of various fixed assets are as follows:

Category	Residual value rate (%)	Estimated useful lives (year)	Annual depreciation rate (%)
Buildings and constructions	3—5	8—50	1.90—12.13
Structure-photovoltaic, wind power station	0—5	20—25	1.90—4.85
Machinery equipment	0—5	5—30	3.17—20.00
Transportation equipment - vehicles	0—5	3—15	6.33—33.33
Transportation equipment - airframe, engine and core parts	0—5	6—20	4.75-16.67
Electronic equipment	0—5	3—10	9.50—33.33
Roads	0	25	4.00
Other equipments	0—5	3—20	4.75—33.33

(2) Depreciation method for fixed assets with impairment provision: for fixed assets with impairment provision, depreciation shall be calculated and withdrawn based on the original value of the fixed asset after deducting the estimated residual value, the amount after depreciation and impairment provision and the remaining useful life.

4.15.5 Subsequent expenditure of fixed assets

The subsequent expenditure includes repair, maintenance, renovation, upgrading, etc. The accounting treatment is: it shall be capitalized into the cost of fixed assets after deducted the cost of replaced part if it can satisfy recognition criteria, or shall be expensed in current period if it cannot satisfy the recognition criteria.

When the renovation expenditure satisfied recognition criteria, it shall be recorded individually under a subline of fixed asset, and depreciated on straight-line basis at the lower of remaining useful lives and the period spent before the next renovation.

Renovation for leased asset under operating lease shall be recorded under Long-term deferred expenses, and shall be amortized at lower of estimated lease terms and the period spent before the next renovation.

Structuring repair during the regular intervals is a kind of upgrading in nature (the useful lives extended

significantly, the quality of the products increased, and the cost of unit product decreased), it shall be capitalized into the cost of fixed assets, amongst non-upgrading expenditure shall be expensed into current profit or loss. During the period of structuring repair, the depreciation continues.

(1) Accounting treatment for subsequent expenditure shall be capitalized

Reversed the original cost, accumulated depreciation, and provision on impairment of the fixed asset into construction in progress account, and cease the depreciation. Any subsequent expenditure shall be recorded under construction in progress account. The asset transferred from construction in progress account to fixed asset account when the subsequent repair finished and reached its intended use, and start depreciation by using the re-estimated useful lives and net residual value

(2) Accounting treatment for subsequent expenditure shall be expensed

It shall be recorded under general administrative expenses account. It shall be recorded under selling expenses account if the expenditure related with sales department.

4.15.6 Provision for impairment of fixed assets

At the balance sheet date, the Company shall decide if there is any indication that the fixed asset has been impaired.

Impairment indications mainly include:

- (1) The current market price of assets falls, and its decrease is obviously higher than the expected drop over time or due to the normal use;
- (2) The economic, technological or legal environment in which the Company operates, or the market where the assets is situated will have any significant change in the current period or in the near future, which will cause adverse impact on the Company;
- (3) The market interest rate or any other market investment return rate has risen in the current period, and thus the discount rate of the Company for calculating the expected future cash flow of the assets will be affected, which will result in great decline of the recoverable amount of the assets;
- (4) Any evidence shows that the assets have become obsolete or have been damaged substantially;
- (5) The assets have been or will be left unused, or terminated for use, or disposed ahead of schedule;
- (6) Any evidence in the internal report of the Company shows that the economic performance of the assets has been or will be lower than the expected performance, for example, the net cash flow created by assets or the operating profit (or loss) realized is lower (higher) than the excepted amount, etc.; and
- (7) Other evidence indicates that the impairment of assets has probably occurred.

Where any evidence shows that there is possible assets impairment, the recoverable amount of the assets shall be estimated. The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the assets minus the disposal expenses and the current value of the expected future cash flow of the individual asset. Where the measurement result of the recoverable amount indicates that an asset's recoverable amount is lower than its carrying value, the carrying value of the asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as the losses from impairment of assets and be recorded as the profit or loss for the current period. Simultaneously, a provision for the impairment of assets shall be made accordingly. Where the recoverable amount for individual asset cannot be determined, the recoverable amount of the group assets which the asset belongs shall be determined. The impairment loss on fixed asset will not be reversed in subsequent accounting periods once recognized.

4.15.7 Recognition basis and valuation method of fixed assets under financing lease before the implementation of the New Leases Standards

If any of the following conditions are stipulated in the terms of the lease agreement signed by the company and the lessor before the implementation of the new leases standards, it is recognized as a financial leased asset:

- (1) After the expiration of the lease, the ownership of the leased assets shall belong to the Company;
- (2) The Company has the option to purchase the asset, and the purchase price is far lower than the fair value of the asset when exercising the option;
- (3) The lease term accounts for the majority of the useful life of the leased asset;
- (4) The present value of the minimum lease payment on the lease commencement date is not significantly different from the fair value of the asset.
- (5) The leased asset is special in nature, and only the lessee can use it without major modification. 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 fee.

Since the implementation of the new leases standard, the company shall recognize and measure the right-of-use asset in accordance with the relevant provisions of the new leases standards. For details, please refer to the relevant accounting treatment of right-of use assets in this note "4.32 Leases - accounting policies since the implementation of the new leases standards".

4.15.8 Disposal

The Company shall terminate the recognition of the fixed asset when it is disposed of, or no economic benefit is expected to be generated through the use or disposal. The amount of the disposal income from the sale, transfer, scrap or damage of the fixed assets after deducting its carrying value and related taxes is recorded into the current profit and loss.

4.16 Construction in progress

4.16.1 Measurement of construction in progress

The Company accounts for all projects at actual cost. The borrowing expenses that are incurred before the project is completed and delivered for use and are allowed to be capitalized should be included in the project cost; after delivery for use, its related interest expense should be included in the current profit and loss.

4.16.2 Timing of construction in progress transferred into fixed assets

When the construction reaches its intended use, it shall be transferred into fixed assets account based on actual cost. For the fixed asset which reached intended use but not yet verified the final settlement, it shall be recorded on estimated cost, and adjust when actual cost finalized. The associated accumulated depreciation shall not be adjusted.

4.16.3 Provision for impairment of construction in progress

At the balance sheet date, the Company shall decide if there is any indication that the construction in progress has been impaired.

Impairment indications mainly include:

- (1) The current market price of assets falls, and its decrease is obviously higher than the expected drop over time or due to the normal use;
- (2) The economic, technological or legal environment in which the Company operates, or the market where the assets is situated will have any significant change in the current period or in the near future, which will cause adverse impact on the Company;
- (3) The market interest rate or any other market investment return rate has risen in the current period, and thus the discount rate of the Company for calculating the expected future cash flow of the assets will be affected, which will result in great decline of the recoverable amount of the assets;
- (4) Any evidence shows that the assets have become obsolete or have been damaged substantially;
- (5) Any evidence shows that the assets have been or will be left unused, or terminated for use, or disposed ahead of schedule;
- (6) Any evidence in the internal report of the Company shows that the economic performance of the assets has been or will be lower than the expected performance, for example, the net cash flow created by assets or the operating profit (or loss) realized is lower (higher) than the expected amount, etc.;
- (7) Other evidence indicates that the impairment of assets has probably occurred.

Where any evidence shows that there is possible assets impairment, the recoverable amount of the assets shall be estimated. The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the assets minus the disposal expenses and the current value of the expected future cash flow of the individual asset. Where the measurement result of the recoverable amount indicates that an asset's recoverable amount is lower than its carrying value, the carrying value of the asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as the losses from impairment of assets and be recorded as the profit or loss for the current period. Simultaneously, a provision for the impairment of assets shall be made accordingly. Where the recoverable amount for individual asset cannot be determined, the recoverable amount of the group assets which the asset belongs shall be determined. The impairment loss on construction in progress will not be reversed in subsequent accounting periods once recognized.

4.17 Borrowing costs

The Company's borrowing costs are interest incurred due to borrowings and other relevant costs, including interest on borrowings, amortization of discounts or premiums on borrowings, auxiliary expenses and exchange translation difference attributable to foreign currency borrowings.

4.17.1 Principles of borrowing costs capitalization and expensing

The borrowing costs directly attributable to the acquisition and construction or production of assets eligible for capitalization should be capitalized and other borrowing costs should be included in the current profit and loss. Assets eligible for capitalization refer to fixed assets, investment properties, inventories and other assets that may reach their intended use or sale status only after long-time acquisition and construction or production activities.

Borrowing costs of the Company may be capitalized only when all the following conditions are met at the same time:

- (1) Asset disbursements have already been incurred;
- (2) Borrowing costs have already been incurred;
- (3) The acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have already been started.

4.17.2 Capitalization period

The capitalization period shall refer to the period from the commencement to the cessation of capitalization of the borrowing costs, excluding the period of suspension of capitalization of the borrowing costs. If the acquisition and construction or production activities of assets of the Company eligible for capitalization are interrupted abnormally and this condition lasts for more than three months, the capitalization of borrowing costs should be suspended. The borrowing costs incurred during interruption are included in the current profit and loss till the construction or production activities restarted. Whereas the interruption is the necessary procedure in order to bring the construction or production activities of assets into intended use or sale condition, the borrowing cost capitalization continues.

Capitalization of borrowing costs should be ceased when the acquired and constructed or produced assets of the Company eligible for capitalization have reached their intended use or sale condition. Any subsequent borrowing costs are included in the current profit and loss.

4.17.3 Recognition of capitalized amounts

During the period of capitalization, the to-be-capitalized number of interests (including the amortization of discounts or premiums) in each accounting period shall be determined according to the following provisions:

(1) As for specifically borrowed loans for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests shall be determined in light of the actual cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment.

(2) Where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the enterprise shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

During the period of capitalization, the amount of interest capitalized during each accounting period shall not exceed the amount of interest actually incurred to the relevant borrowings in the current period.

Where there is any discount or premium, the amounts of discounts or premiums that shall be amortized during each accounting period shall be determined by the real interest rate method, and an adjustment shall be made to the amount of interests in each period.

(3) For the ancillary expense incurred to a specifically borrowed loan, those incurred before a qualified asset under acquisition, construction or production is ready for the intended use or sale shall be capitalized at the incurred amount when they are incurred, and shall be recorded into the costs of the asset eligible for capitalization; those incurred after a qualified asset under acquisition and construction or production is ready for the intended use or sale shall be recognized as expenses on the basis of the incurred amount when they are incurred, and shall be recorded into the profits and losses of the current period. The ancillary expenses arising from a general borrowing shall be recognized as expenses at their incurred amount when they are incurred, and shall be recorded into the profits and losses of the current period.

(4) During the period of capitalization, the exchange balance on foreign currency borrowings shall be capitalized, and shall be recorded into the cost of assets eligible for capitalization. But the exchange balance on foreign currency not related with borrowings shall be expensed into current period financial expenses.

4.18 Biological assets

Productive biological assets refer to biological assets held for the purpose of producing agricultural products, providing labor services or leasing, including economic forests, fuel forests, livestock and draft animals, etc. Productive biological assets shall be measured initially at cost. The cost of a self-built or propagated productive biological asset refers to the necessary expenditures incurred by the asset before the asset achieves the intended purpose of production that can be directly attributed to the asset, including the borrowing costs conforming to the capitalization conditions.

4.19 Intangible assets

4.19.1 Recognition

Intangible assets refer to identifiable non-monetary assets that are owned or controlled by the Company and have no physical form. Intangible assets can only be confirmed when the following conditions are met at the same time:

- (1) meet the definition of intangible assets;
- (2) the expected future economic benefits related to the asset are likely to flow into the Company;
- (3) the cost of the asset can be measured reliably;

4.19.2 Measurement of intangible assets

The intangible assets are initially measured at cost. The actual cost shall be measured as follows:

- (1) The cost of outsourcing intangible assets shall include the purchase price, relevant taxes and other necessary expenditures directly attributable to intangible assets for the expected purpose. Where the payment of purchase price for intangible assets is delayed beyond the normal credit conditions, which is of financing intention, the cost of intangible assets shall be determined on the basis of the current value of the purchase price.
- (2) The cost invested into intangible assets by investors shall be determined according to the conventional value in the investment contract or agreement, except for those of unfair value in the contract or agreement.
- (3) The cost of intangible assets obtained from debt recombination shall be determined in accordance with fair value, non-operating expenses shall be recognized when there is balance between the fair value and carrying amount of debt recombination.
- (4) Intangible asset obtained through transaction which is commercial in nature and the fair value of the assets received and surrendered can be measured reliably, the fair value of the assets surrendered shall be the basis for the determination of the cost of the assets received, unless there is any exact evidence showing that the fair value of the assets received is more reliable. Whereas the transaction is not commercial in nature, or the fair value of the assets received and surrendered cannot be measured reliably, the carrying value of the assets surrendered shall be the basis or the determination of the cost of the assets received.
- (5) Intangible assets obtained through business combination under common control, the initial cost shall be the carrying amount of acquire; whereas intangible assets obtained through business

combination not under common control, if the fair value can be reliably measured, the initial cost shall be the fair value.

4.19.3 Subsequent measurement

The Company shall analyze and judge the service life of intangible assets, when it obtains intangible assets. As for the intangible assets with finite useful life, the Company shall estimate the years of its service life, or the amount of the output or any other similar measurement unit, which constitutes its service life. If it is unable to forecast the period when the intangible asset can bring economic benefits to the Company, it shall be regarded as an intangible asset with infinite useful life.

(1) Subsequent measurement for intangible assets with finite useful lives

Intangible assets with finite useful lives shall be reasonably amortized using the straight-line method according to the following principles:

Categories of intangible assets	Amortization period
Trademark	Benefit period
Patent	Date of recognition to the expiry date stipulated by law
Non-patent technology	Estimated period of time which can bring economic benefit inflow (normally 10 years)
Land use rights	In accordance with land registration certificate
Property rights	In accordance with the contract signed
Naming rights	Confirmation date to the end date of title validity
Software	2-10 years
Mine franchise right	Yield method
Proprietary technology	Contract period
Industrial property right	Statutory right of use
Copyright	2 years
Maritime right of use	50 years
Right to use the parking space	In accordance with the contract signed
Franchise rights	25 years
Others	Benefit period

The amortization amount of intangible assets shall be its cost minus the expected residual value. For intangible assets with an impairment provision, the accumulative amount of impairment provision shall be deducted from the cost as well. The amortization expenses shall be recorded into current period profit or loss.

Amortization expenses normally recorded under General Administrative Expenses account, however, if certain intangible asset merely for specific products, and its economic benefits realized through this type of products, the amortization shall be recorded under Manufacturing Cost account, and becomes part of the cost component in this type of products. If certain intangible asset merely uses for R&D

another intangible asset, during the period when fulfilled the requirement of capitalization, the amortization expenses shall be capitalized as part of its cost.

(2) Subsequent measurement for intangible assets with infinite useful lives

The Company does not amortize the intangible assets with indefinite useful lives, but it will review their useful lives each year and perform an impairment test.

For those intangible assets which no clear legal contracts or lack of lawful supporting documents, the Company shall take all possible considerations, such as hiring experts, comparing the experience within the same industry or studying the historical experience, to determine the period such intangible asset can bring economic benefits to the Company. If the Company still unable to determine, the intangible asset shall be recognized as infinite useful life.

4.19.4 Provision for impairment of intangible assets

At the balance sheet date, the Company shall decide if there is any indication that an intangible asset has been impaired.

Impairment indications mainly include:

- (1) The current market price of assets falls, and its decrease is obviously higher than the expected drop over time or due to the normal use;
- (2) The economic, technological or legal environment in which the Company operates, or the market where the assets is situated will have any significant change in the current period or in the near future, which will cause adverse impact on the Company;
- (3) The market interest rate or any other market investment return rate has risen in the current period, and thus the discount rate of the Company for calculating the expected future cash flow of the assets will be affected, which will result in great decline of the recoverable amount of the assets;
- (4) Any evidence shows that the assets have become obsolete or have been damaged substantially or the assets have been or will be left unused, or terminated for use, or disposed ahead of schedule;
- (5) Any evidence in the internal report of the Company shows that the economic performance of the assets has been or will be lower than the expected performance, for example, the net cash flow created by assets or the operating profit (or loss) realized is lower (higher) than the expected amount, etc.; and
- (6) Other evidence indicates that the impairment of assets has probably occurred.

Where any evidence shows that there is possible assets impairment, the recoverable amount of the assets shall be estimated. The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the assets minus the disposal expenses and the current value of the expected future cash flow of the individual asset. Where the measurement result of the recoverable amount indicates that an asset's recoverable amount is lower than its carrying value, the carrying value of the asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as the losses from impairment of assets and be recorded as the profit or loss for the current period. Simultaneously, a provision for the impairment of assets shall be made accordingly. Where the recoverable amount for individual asset cannot be determined, the recoverable amount of the group assets which the asset belongs shall be determined. The impairment loss on intangible assets will not be reversed in subsequent accounting periods once recognized.

4.19.5 Specific criteria for dividing research phase and development phase of the Company's internal research and development projects

The Company's internal research and development project expenditures are divided into research stage

expenditures and development stage expenditures.

Research Stage: the stage of original planned investigation and research activities undertaken for the acquisition and understanding of new scientific or technical knowledge.

Development Stage: the stage of applying research results or other knowledge to a plan or design to produce new or substantially improved materials, devices, products and other activities prior to commercial production or use.

4.19.6 Specific conditions of capitalization for the expenditures in the development stage

Expenditures incurred during the research stage shall be recorded into current profit and loss. Expenditures in the development stage that simultaneously meet the following conditions shall be recognized as intangible asset. Expenditures in the development stage that fail to meet the following conditions shall be recorded into the current profit and loss:

- (1) Technically feasible to complete the intangible asset so that it can be used or sold;
- (2) Having the intention to complete the intangible asset and use or sell it;
- (3) The ways in which the intangible asset generates economic benefits, including the ability to prove that the product produced by the intangible asset exists market or the intangible asset itself exists market, and intangible assets used internally can prove its usefulness;
- (4) Having sufficient technical, financial and other resources to support the completion of the development of the intangible asset, and having the ability to use or sell the intangible asset;
- (5) The expenditures attributable to the development stage of the intangible asset can be reliably measured.

Expenditures in the development stage that do not meet the above conditions shall be recorded into current profit and loss at the time of occurrence. Expenditures in the research stage shall be recorded into current profit and loss when it occurs.

4.20 Goodwill

The goodwill formed by merger of companies and the initial cost of goodwill in business combination not under common control is the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquire.

Goodwill shall be derecognized and recorded into current period profit or loss when the Company disposes its asset or group of assets.

Goodwill shall not be amortized and it shall be subject to an impairment test at least at the end of each year. The goodwill shall, together with the related asset group or combination of asset group, be subject to the impairment test. When apportioning the carrying value of the goodwill to the relevant asset groups or combinations of asset groups, it shall be apportioned on the basis of the proportion of the fair value of each asset group or combination of asset groups to the total fair value of the relevant asset groups or combinations of asset groups. Where it is difficult to measure the fair value reliably, it shall be apportioned on the basis of the proportion of the carrying value of each asset group or combination of asset groups to the total carrying value of the relevant asset groups or combinations of asset groups.

When making an impairment test on the relevant asset groups or combination of asset groups containing goodwill, if any evidence shows that the impairment of asset groups or combinations of asset groups is possible, the Company shall first make an impairment test on the asset groups or combinations of asset groups not containing goodwill, calculate the recoverable amount, compare it with the relevant carrying value and recognize the corresponding impairment loss. Then the Company

shall make an impairment test of the asset groups or combinations of asset groups containing goodwill, and compare the carrying value of these asset groups or combinations of asset groups (including the carrying value of the goodwill apportioned thereto) with the recoverable amount. Where the recoverable amount of the relevant assets or combinations of the asset groups is lower than the carrying value thereof, it shall recognize the impairment loss of the goodwill. Impairment loss of goodwill shall be recorded in the period when it occurred, and it shall not be reversed in the subsequent period.

4.21 Long-term deferred expenses

The long-term deferred expenses of the Company refer to expenses that have occurred but have a beneficial period of over one year (exclusive). Long-term deferred expenses shall be recorded when actual occurred, expenses occurred during the formation period, except for purchasing fixed assets, shall be expensed in full amount on the month when operating activity started. Other long-term deferred expenses are amortized evenly over the expected benefit period of each project and included in the profit and loss of each amortization period.

4.22 Contract Liability

Accounting policies since the implementation of new revenue standards

The Company lists contract asset or contract liability on the balance sheet based on the relationship between performance obligation and customer payment. The Company's obligations to transfer goods or provide services to customers for which consideration has been received or receivable are shown as contractual liabilities. The contract asset and liability under the same contract are presented in net amount.

4.23 Employee benefits payable

4.23.1 Contents of the employee benefits

(1) Scope of employee

- ① All personnel who have entered into an employment contract with the Company, including full time, part-time and temporary employees;
- ② Personnel who have not signed labor contracts with the Company but are formally appointed by the Company;
- ③ Personnel who provided services to the Company that are similar to those provided by its employee, also fall within the scope of employees, although such personnel have neither signed an employment contract with, nor have they been formally appointed by the Company. (They include personnel who render services to the Company under an employment contract signed between the Company and the labor service intermediary agent company)

(2) Scope of employee benefits

The Company's employee benefits are various rewards and other related expenses provided by the Company for obtaining employee's services, mainly including:

- ① Short-term remuneration refers to the employee remuneration that the enterprise needs to pay within 12 months after the end of the annual reporting period in which the employee provides relevant services, excluding the compensation for the termination of the labor relationship with the employee. Including staff wages, bonuses, allowances and subsidies, staff welfare fees, social insurance fees, housing provident funds, trade union funds and staff education funds, etc.

② Post-employment benefits are any remuneration and benefits in exchange for service rendered by employees that are payable after the retirement of the employees or termination of employment relationship.

③ Termination benefits are compensation provided when the Company decides to terminate the employment relationship with employees before the end of the employment contracts, or compensation provided as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts.

④ Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

4.23.2 Recognition and measurement of employee benefits

In addition to the compensation due to the termination of the labor relationship with the employees, the Company shall recognize the employee benefits payable as liabilities during the accounting period when the employees provide services for the Company, and record the costs or expenses of related assets according to the beneficiaries.

(1) Monetary benefits

The actual amount paid to beneficiaries shall be recorded in the relevant asset costs or expenses of the current period. The welfare should be recorded when paid.

(2) Non-monetary benefits

① For the self-produced products or purchased goods distributed to employees as welfare, the fair value and related tax of the product shall be recorded as the relevant asset costs or expenses of the current period.

② For the Company provides the houses free of charge to employees, the depreciation in each period shall be recorded into asset cost or current profit or loss in accordance with each beneficiary. At the same time recognized as welfare payable. If the beneficiary is not identifiable, the related depreciation shall be recorded into profit or loss in current period, and recognized welfare payable.

4.23.3 Termination benefits

If the Company terminates the labor relationship with the employee before the expiration of the labor contract, or proposes compensation to encourage the employee to accept the layoff voluntarily, and meets the following conditions at the same time, it shall confirm the expected compensation for the termination of the labor relationship with the employee as projected liabilities, and included in one-off current administrative expenses:

- (1) the company has formulated a formal plan to terminate the labor relationship or proposed a voluntary layoff proposal, which will be implemented soon;
- (2) the enterprise cannot unilaterally withdraw the labor relationship termination plan or the layoff proposal.

For the labor relationship termination plan or voluntary layoff proposal implemented in phases or stages, the Company shall regard the entire plan as consisting of individual labor relationship termination plans or voluntary layoff proposals. When each period or phase of the plan meets the conditions for the recognition of projected liabilities, recognize the projected liabilities arising from the provision of termination benefits in this period or the plan at this stage. The current administrative expenses included in this part of the plan that meet the recognition conditions for projected liabilities cannot wait to be recognized until all the plans meet the recognition conditions.

For the termination plan which the employee has no right to choose for, welfare payable shall be accrued in accordance with number of the employees and the compensation for each employee.

For the termination plan which the employee accepted voluntarily, the welfare payable shall be accrued based on the number of the employee and the compensation for each employee in accordance with Accounting Standard for Business Enterprises No 13-contingency.

If the employee layoff within one year but the termination benefits are not expected to be settled within one year, the Company shall measure termination benefits into administrative expense account after discounted by applying same period bond interest rate. The difference between this amount and actual payable amount shall be recognized as unrecognized finance charge, and be recorded under finance expense account in subsequent period upon the benefit actual paid. No discount shall be granted when the amount of benefits payable for dismissal is not much different from the amount after discount.

4.24 Share-based payments

The term "share-based payment" refers to a transaction in which the Company grants equity instruments or undertakes equity-instrument-based liabilities in return for services from employee or other parties.

4.24.1 The equity-settled share-based payments

Equity-settled share-based payment refers to a transaction in which an enterprise uses shares or other equity instruments as consideration to obtain services.

(1) Equity-settled share-based payment in exchange for employee services

For share-based payment in exchange for employee services, it is measured at the fair value of the equity instruments granted by the share-based payment. On each balance sheet date during the waiting period, based on the best estimate of the number of exercisable equity instruments, according to the fair value of the equity instruments on the grant date, the services obtained in the current period are included in the relevant asset costs or current expenses, at the same time, it is included in other capital reserves in the capital reserves.

For equity-settled share-based payments that are exercisable immediately after grant in exchange for services provided by employees (such as share-based payments that grant restricted shares), the services obtained shall be included in the cost of relevant assets or current expenses based on the fair value of the equity instruments on the grant date, and included in the share premium in the capital reserve.

(2) Equity-settled share-based payment in exchange for the services of another party

In exchange for services from other parties, it means that an enterprise exchanges itself for services provided by other relevant parties other than employees of the enterprise. For measuring the fair value of the services exchanged for share-based payment, if the fair value of the services of other parties cannot be measured reliably, but the fair value of equity instruments can be measured reliably, it should be measured at the fair value of the equity instruments on the date of service acquisition. The Company shall record the cost or expense of relevant assets according to the determined fair value.

If the fair value of the granted equity instrument cannot be reliably measured, the equity instrument shall be measured at the intrinsic value, and the change in the intrinsic value shall be included in the current profit and loss. At the same time, the number of services obtained shall be confirmed based on the number of final feasible rights or equity instruments actually exercised. Intrinsic value refers to the difference between the fair value of the shares that the counterparty has the right to subscribe for or

obtain and the price that should be paid in accordance with the share-based payment agreement.

4.24.2 The cash-settled share-based payments

Cash-settled share-based payment refers to a transaction in which the Company assumes an obligation to deliver cash or other assets calculated on the basis of shares or other equity instruments in order to obtain services.

On each balance sheet date during the waiting period, the Company shall, on the basis of the best estimate of the vesting situation, and according to the fair value of the liabilities assumed by the Company, include the services obtained in the current period into the relevant asset costs or current expenses. At the same time, it is included in the employee compensation payable, and the fair value of the employee compensation payable is re-measured on each balance sheet date and settlement date before settlement, and its changes are included in the profit and loss.

For cash-settled share-based payments that are vested immediately after grant (e.g. share-based payments granting virtual stock or performance stock), on the grant date, the fair value of the liabilities assumed by the enterprise shall be included in the relevant asset costs or expenses, and shall be included in the employee compensation payable at the same time, and the fair value of the employee compensation payable shall be re-measured on each balance sheet date and settlement date before settlement. Changes are included in profit or loss.

4.24.3 Determination basis for the best estimate of exercisable equity instruments

On each balance sheet date, the Company, based on the changes in number of employees that can exercise options, the completion of performance indicators and other follow-up information obtained most recently, amends the expected number of exercisable stock options, and recognizes the costs that should be amortized over each period on such basis. The option expenses across multiple accounting periods may generally be amortized at the proportion of the length of the waiting for such options during an accounting period in the total length of the waiting.

4.25 Bonds payable

Non-convertible bonds issued by the Company are treated as liabilities based on the actual total issue price; the difference between the total issue price of bonds and the total par values of bonds, as premiums or discounts of bonds, are amortized over the duration of the bonds at the effective interest method.

Convertible bonds issued by the Company are split into liability and equity on initial recognition, and measured separately. The fair value of the liability part shall be initially recognized, the equity part shall be the remaining amount after deducted fair value of the liability part initially recognition amount from total issuing price.

Bond interest shall be accrued periodically, each period, the interest shall be recorded into financial expenses after deducted amortization premium or plus amortization discount. If the bond issued for construction project, the associated interests shall be capitalized into construction cost after deducted amortization premium or plus amortization discount before the construction project reaches its working condition, and expensed after the construction project reaches its working condition.

4.26 Estimated liabilities

4.26.1 Recognition criteria of estimated liabilities

The Company recognizes the estimated liabilities when an obligation related to contingencies such as the external guarantee, pending litigation or arbitration, product quality assurance, layoffs, onerous contract, restructuring obligations, fixed assets disposal righteousness, satisfies all the following conditions:

- (1) this obligation is a present obligation of the Company;
- (2) the performance of such obligation is probable to result in outflow of economic benefits from the Company;
- (3) the amount of the obligation can be measured reliably.

4.26.2 Measurement method of estimated liabilities

Estimated liabilities are initially measured according to the best estimate of the expenditure required to perform the current obligation. There is a continuous range of required expenditures, and the best estimate within the range with the same probability of occurrence of various outcomes is determined by the middle value of the range. In other cases, the best estimate is determined as follows:

- (1) Where contingencies involve a single item, the best estimate is determined at the amount most likely to occur;

- (2) When contingencies involve more than one item, the best estimate shall be calculated and determined according to various possible amounts and their probability of occurrence.

If all or part of the expenses required by the company to settle its estimated liabilities are expected to be compensated by a third party or other party, the amount of compensation shall be recognized separately as an asset when it is basically confirmed to be received. The amount of compensation recognized shall not exceed the book value of the provisions recognized.

4.27 Recognition principles of revenues

Accounting policies since the implementation of the New Revenue Standard

The Company fulfills its contractual obligation to recognize revenue when a customer acquires control of the relevant goods or service. Obtaining control over related goods or service means being able to dominate the use of the goods or service and derive almost all of the economic benefits from it.

If the contract contains two or more performance obligations, the Company shall, at the beginning date of the contract, allocate the transaction price to each individual performance obligation in proportion to the relative proportion of the individual selling prices of the goods or services promised by each individual performance obligation. The Company measures revenue at the transaction price allocated to each individual performance obligation.

The transaction price refers to the amount of consideration that the Company expects to be entitled to receive due to the transfer of goods or services to the customer, excluding payments collected on behalf of third parties and payments expected to be returned to the customer. The Company determines the transaction price in accordance with the terms of the contract and combined with its past practices. When determining the transaction price, it takes into account the impact of variable consideration, significant financing components in the contract, non-cash consideration, consideration payable to customers and other factors. The Company determines the transaction price including the variable consideration not to exceed the amount of accumulated recognized revenue which is highly unlikely to

be materially reversed when the relevant uncertainty is eliminated. Where there is a significant financing component in the contract, the Company shall determine the transaction price in accordance with the amount payable in cash upon the customer taking control of the goods or services, and shall amortize the difference between the transaction price and the contract consideration by the actual interest rate method during the contract period.

If one of the following conditions is satisfied, it shall be deemed to have fulfilled its performance obligation within a certain period of time; otherwise, it shall be deemed to have fulfilled its performance obligation at a certain point:

- (1) the customer acquires and consumes the economic benefits arising from the fulfillment of the contract by the Company at the same time as the Company performs the contract.
- (2) the customer is able to control the goods under construction during the Company's performance process.
- (3) the goods produced by the Company during the performance of the contract have irreplaceable uses, and the Company is entitled to collect payment for the cumulative performance part that has been completed so far during the entire contract period.

For the performance obligations performed within a certain period of time, the Company shall recognize the revenue in accordance with the performance progress during that period, except where the performance progress cannot be reasonably determined. Considering the nature of the goods or services, the Company adopts the output method or the input method to determine the performance progress. When the performance progress cannot be reasonably determined, and the costs incurred are expected to be compensated, the Company shall recognize the revenue according to the amount of costs incurred until the performance progress can be reasonably determined.

For performance obligations performed at a certain point, the Company recognizes the revenue at the point when the customer obtains control of the relevant goods or services. When determining whether a customer has obtained control over goods or services, the Company considers the following indications:

- (1) the Company has a present right to payment for the asset—the customer is presently obliged to pay for the asset;
- (2) the Company has transferred the legal title of the asset to the customer—the customer has the legal title of the asset;
- (3) the Company has transferred physical possession of the asset—the customer has the physical possession of the asset;
- (4) the Company has transferred of the significant risks and rewards of ownership of an asset to the customer—the customer has the significant risks and rewards of ownership of the asset;
- (5) the customer has accepted the asset or the service.

Accounting policies before the implementation of the New Revenue Standard

4.27.1 Recognition method of revenue from sales of goods

Revenue from sales of goods of the Company is recognized when all the following conditions are satisfied at the same time, not relying on receipt of payment as a criterion for revenue recognition:

- (1) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (2) the Company retains neither continuous management rights generally associated with ownership nor effective control over the goods sold;

- (3) the amount of the revenue can be measured reliably;
- (4) it is probable that the relevant economic benefits will flow into the Company;
- (5) the relevant cost incurred or to be incurred can be measured reliably.

4.27.2 Recognition method of revenue from rendering services

When the outcome of a service transaction can be reliably estimated on the balance sheet date, service revenue is recognized by using the percentage-of-completion method. The Company determines the completion progress of the labor service transaction according to the measurement of the completed work/the ratio of the labor service provided to the total labor service to be provided/the ratio of the incurred cost to the estimated total cost (the work progress confirmation form will be issued by the business department).

When the outcome of a service transaction cannot be reliably estimated on the balance sheet date, revenues should be treated as follows:

- (1) if the service costs incurred are expected to be fully compensated, revenues from rendering services are recognized at the service costs incurred, and the service costs should be carried forward by the same amount;
- (2) if the service costs incurred are not expected to be fully compensated, revenues from rendering of services are not recognized and the service costs incurred are included in the current profit and loss.

4.27.3 Transfer of right of use assets

(1) Recognition criteria

The revenue from transfer of right of use assets consists of interest revenue and royalty revenue. Confirmation can only be made when the following conditions are met:

- ① the relevant economic benefits will flow into the Company;
- ② the amount of revenue can be measured reliably.

(2) Detailed accounting treatment

- ① the amount of interest revenue should be measured and confirmed in accordance with the length of time for which the Company's cash is used by others and the actual interest rate;
- ② the amount of royalty revenue should be measured and confirmed in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

4.27.4 Guarantee fee income

The guarantee fee income is recognized when, according to the guarantee contract, the guarantee responsibility has been assumed, the economic benefits related to the guarantee contract are likely to flow into the Company and the amount can be reliably measured.

4.27.5 Consultancy fee income

The consulting fee income is recognized when the relevant labor service is provided and the income can be reasonably estimated.

4.27.6 Timing of revenue recognition

(1) Sale of commercial goods: the revenue is recognized when the goods were transported from the seller's warehouse (risks associated with transportation either carried by buyer or carrier) or the buyer accepted the goods and invoice. For mechanical products that need to be installed and inspected,

revenue is recognized when the installation and inspection are completed.

(2) Sale of land or commodity house: the revenue is recognized when the contract is signed; the construction is finished and examined by the authorities, obtained payment evidence from buyer in accordance with contract and passed the key to the buyer.

(3) Internet sales: payment prior to delivery, the revenue is recognized when the goods is transported and invoice is issued; payment after receiving, the revenue is recognized when the buyer received the goods and invoice, and signed delivery notes.

(4) Rendering services and the assignment of right of use assets shall be recognized according to the time of collection stipulated in the contract or agreement.

(5) Interest revenue: the revenue shall be recognized based on final interest settlement date in the contract or agreement. Any uncollected interest receivable overdue within 90 days from final interest settlement date of a loan shall be recognized as revenue in current period. Any uncollected interest receivable overdue over 90 days from final interest settlement date of a loan, no matter the principal paid or overdue, the uncollected interest shall not be recognized as revenue in current period, and it shall be recognized in the period when collected. For the uncollected interest which already recorded into profit or loss in current period, if the principal or interest overdue over 90 days, it shall be deducted from profit or loss. In the case of principal in mature but not yet collected over 90 days, the associated interest shall not be recognized into current period. For the loan subject to lawsuit or arbitration, the interest shall not be recognized from the date filing court or arbitration.

(6) Transportation service revenue: ticket revenue from passenger transportation, freight transportation, postal transportation and baggage service is recognized when transportation service is provided.

4.28 Construction contracts

Accounting policies before the implementation of the New Revenue Standard

The Company's revenue under a construction contract is recognized at the total amount or total cost under the construction contract received or receivable; contract expenses recognized should include expenses directly or indirectly related to the implementation of the contract incurred from the conclusion of the contract until the completion of the contract.

When the outcome of a construction contract can be estimated reliably on the balance sheet date, revenue and expenses under the construction contract should be recognized at the percentage-of-completion method. The term "percentage-of-completion method" means a method by which the contractor recognizes its revenues and costs in the light of the schedule of the contracted project. The Company recognizes the completion progress of a contract based on the proportion of the accumulated contract costs actually incurred in the total expected contract costs.

The outcome of a fixed price contract can be estimated in a reliable way when all of the conditions as follows are met simultaneously: the total contract revenue can be measured in a reliable way; the economic benefits pertinent to the contract will flow into the Company; the actual contract costs incurred can be clearly distinguished and can be measured in a reliable way; and both the schedule of the contracted project and the contract costs to complete the contract can be measured in a reliable way.

4.28.1 The outcome of a cost-plus contract can be estimated in a reliable way when the conditions as follows are met simultaneously:

- (1) The economic benefits pertinent to the contract will flow into the Company; and
- (2) The actual contract costs incurred can be clearly distinguished and measured in a reliable way.

4.28.2 Where the outcome of a construction contract cannot be estimated reliably, the Company shall:

- (1) If the contract cost can be recovered, the contract revenue is recognized based on the actual contract cost that can be recovered, and the contract cost is recognized as a contract expense in the current period in which it is incurred;
- (2) If the contract costs are irrecoverable, they are recognized as the contract expenses immediately when incurred and no revenue under the contract will be recognized.

4.29 Contract Costs

Accounting policies before the implementation of the New Revenue Standard

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer.

If the costs to fulfil a contract with a customer are not within the scope of other accounting standards, the Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- (1) the costs relate directly to an existing contract or to a specifically identifiable anticipated contract;
- (2) the costs generate or enhance resources of the Company that will be used in satisfying performance obligations in the future;
- (3) the costs are expected to be recovered.

If the incremental cost resulting from the Company's acquiring of contract is predicted to be retrieved, it shall be recognized as an asset, amortized by adopting the same basis with the recognition of commodities or service revenues related to the assets and included into the current profit and loss. If the assets' amortization period does not exceed one year, it shall be immediately included into the current profit and loss.

If the book value of contract costs is higher than the difference of the following two items, corresponding depreciation reserves shall be counted and withdrawn and it shall be recognized as the assets depreciation loss:

- (1) the residual consideration predicted to be acquired by transferring commodities related to the assets;
- (2) the costs predicted to occur due to the transfer of related commodities.

If the difference between (1) and (2) is higher than the book value of contract costs due to any change in various factors causing depreciation in previous periods, it shall be restituted to the withdrawn assets depreciation reserves and included in the current profit and loss. However, the book value of restituted contract costs shall not exceed the book value of the assets on the day of restitution based on the hypothesis that depreciation reserves are not counted and withdrawn.

4.30 Government subsidies

4.30.1 Classification

Government subsidies are monetary assets and non-monetary assets that the Company obtains from the government free of charge. It is divided into government subsidies related to assets and government subsidies related to income.

Government grants related to assets refer to government grants acquired by the Company for the purpose of purchasing or constructing or otherwise forming long-term assets. Government grants

related to income refer to government grants other than government grants related to assets.

The Company's specific criteria for classifying government subsidies as related to assets are: government subsidies obtained by the Company for the purpose of purchasing or constructing or otherwise forming long-term assets.

The Company divides government subsidies into specific criteria related to income: it refers to government subsidies other than government subsidies related to assets.

For the government documents that do not clearly stipulate the subsidy object, the Company's judgment on the government subsidy is related to the assets or related to the income: whether it is used for purchase or construction or other forms of long-term assets.

4.30.2 Recognition time of government subsidy

Government grants can only be recognized if they meet the following conditions:

- (1) the Company can meet the conditions attached to the government subsidy;
- (2) the Company can receive government subsidies.

4.30.3 Detailed accounting treatment

Government subsidies related to assets are written off against the book value of the underlying assets or recognized as deferred income. If it is recognized as deferred income, it shall be included in the current profit and loss in a reasonable and systematic manner within the useful life of the relevant assets. (If it is related to the daily activities of the Company, it is included in other income; if it is not related to the daily activities of the Company, it is included in the non-operating income);

The government subsidies related to the income, which are used to compensate the related costs or losses of the Company in the future period, are recognized as deferred income and are included in the current profit and loss in the period in which the relevant costs or losses are recognized (if it is related to the daily activities of the Company, it is included in other income; if it is not related to the daily activities of the Company, it is included in the non-operating income) or the relevant cost or loss is offset; if it is used to compensate the related costs or losses incurred by the Company, it is directly included in the current profit and loss. (If it is related to the daily activities of the Company, it is included in other income; if it is not related to the daily activities of the Company, it is included in the non-operating income) or offset related costs or losses.

The policy preferential loan interest discounts obtained by the Company are divided into the following two cases and are separately accounted for:

- (1) The finance allocates the interest subsidy funds to the loan bank. If the loan bank provides loans to the Company at a policy preferential interest rate, the Company will use the actual amount of the borrowed money as the book value of the loan, according to the loan principal and the policy. The preferential interest rate calculates the relevant borrowing costs.
- (2) If the government directly allocates the discounted funds to the Company, the Company will offset the relevant borrowing costs.

4.31 Deferred income tax assets and deferred income tax liabilities

4.31.1 Recognition of deferred income tax assets and deferred income tax liabilities of the Company:

Deferred income tax assets or deferred income tax liabilities are calculated and recognized based on differences between book value and tax base of the assets and liabilities (where the items that are not

recognized as assets or liabilities but the tax base of which can be determined, such tax base is recognized as the difference) and according to the applicable tax rate in the expected period when such assets are taken back or liabilities are repaid.

4.31.2 Deferred tax assets

The deferred income tax assets are recognized to the extent of taxable income that is probable to offset the deductible temporary differences. On the balance sheet date, where unambiguous evidence shows that it is probable to derive sufficient taxable income in subsequent periods to offset the deductible temporary differences, the deferred income tax assets that have not been recognized in prior accounting periods are recognized.

4.31.3 Deferred tax liabilities

The Company shall recognize the deferred income tax liabilities arising from a deductible temporary difference to the extent of the amount of the taxable income which it is most likely to obtain and which can be deducted from the deductible temporary difference. Taxable income and associated income tax increases due to temporary differences reverse, and lead to the economic benefit outflow of the Company, in the same period it occurred, deferred tax liabilities shall be recognized.

4.32 Lease

Accounting policies since the implementation of the New Leases Standards

Lease refers to a contract whereby the lessor transfers the right to use the assets to the lessee for consideration within a certain period of time. On the contract commencement date, the Company shall evaluate whether the contract is a lease or includes a lease. If one party in the contract transfers the right to control the use of one or more identified assets within a certain period in exchange for consideration, the contract is a lease or includes a lease.

If the contract contains multiple separate leases at the same time, the Company shall split the contract and conduct accounting treatments for each of the separate leases. If the contract contains both lease and non-lease parts, the lessee and the lessor will split the lease and non-lease parts.

4.32.1 The Company as the lessee

(1) The right-of-use assets

On the lease inception date, the Company shall recognize the right-of-use assets for the lease, except for the short-term lease and low-value asset lease. The right-of-use assets shall be initially measured at cost, which includes:

- A. The amount of the initial measurement of the lease liability;
- B. Any lease payments made at or before the commencement date, less any lease incentives received;
- C. Any initial direct costs incurred by the Company;
- D. An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Company subsequently adopts the straight-line method to depreciate the right-of-use assets. If the ownership of the leased assets can be reasonably determined upon the expiration of the lease term, the Company shall deduct depreciation over the remaining useful life of the leased assets. Otherwise, depreciation of the leased asset shall be accrued in the shorter period between the lease period and the

remaining useful life of the leased asset.

The Company determines whether the right-of-use assets have been impaired in accordance with the long-term asset impairment principle, and performs accounting treatment for the identified impairment loss.

(2) Lease liabilities

At the commencement date, the Company shall recognize the lease liabilities except for the short-term lease and low-value asset lease. Lease liabilities are initially measured at the present value of the outstanding lease payments. Lease payments includes:

- A. Fixed payments (including in-substance fixed payments), less any incentives receivable;
- B. Variable lease payments that depend on an index or a rate;
- C. Amounts expected to be payable by the Company under residual value guarantees;
- D. The exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- E. Payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

The Company uses the interest rate implicit in the lease as the discount rate, but if the interest rate implicit in the lease cannot be reasonably determined, the Company's incremental borrowing interest rate shall be used as the discount rate.

The Company calculates the interest expense of the lease liability during each period of the lease term according to a fixed periodic interest rate, and includes it in the current profit and loss or the cost of related assets.

Variable lease payments that are not included in the measurement of lease liabilities are included in the current profit and loss or the cost of related assets when they actually occur.

After the commencement date, if the following circumstances occur, the Company shall remeasure the lease liability and adjust the corresponding right-of-use asset. 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 difference shall be included in the current profit and loss:

- ① When the evaluation result or actual exercise situation of the purchase option, renewal option or termination option changes, the Company shall remeasure the lease liability according to the present value calculated by the changed lease payment amount and the revised discount rate.
- ② When the actual fixed payment changes, the expected payable amount of the residual value guarantee changes, or the index or ratio used to determine the lease payment changes, the Company shall remeasure the lease liability at the present value calculated from the changed lease payment amount and the original discount rate. However, if changes in lease payments originate from changes in floating interest rates, the present value is calculated using the revised discount rate.

(3) Short-term lease and low-value asset lease

The Company chooses not to recognize the right-of-use assets and lease liabilities for short-term lease and low-value asset lease, and will record the relevant lease payments into the current profit and loss or the cost of the relevant assets in accordance with the straight-line method during the lease period. Short-term lease refers to a lease for a period of no more than 12 months since the lease inception date and does not include a purchase option. Low-value asset lease refers to the lease of a single leased asset with a low value when it is a brand-new asset. Where the Company subleases or expects to sublease a leased asset, the original lease is not a low-value asset lease.

(4) Lease modifications

The Company shall account for a lease modification as a separate lease if both conditions are met:

①The modification increases the scope of the lease by adding the right to use one or more underlying assets; and

②The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for a separate lease, at the effective date of the lease modification, the Company shall allocate the consideration in the modified contract, determine the lease term of the modified lease and remeasure the lease liability by discounting the revised lease payments using a revised discount rate.

For lease modifications that decrease the scope of the lease, the Company shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease. The Company shall recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

If other lease modifications cause the lease liability to be remeasured, the Company shall adjust the carrying amount of the right-of-use asset accordingly.

4.32.2 The Company as the lessor

At the commencement date, the Company shall classify each of its leases as either a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Operating lease refers to a lease other than finance lease.

When the Company acts as a sublease lessor, the sublease shall be classified based on the right-of-use asset generated from the original lease.

(1) Accounting treatment of operating lease

Lease income under an operating lease is recognized as revenue on a straight-line basis over the period of the lease. The Company capitalizes the initial direct expenses incurred related to the operating lease, and allocates them to the current profit and loss on the same basis as the confirmation of rental income during the lease term. The amount of variable lease payment not included in the lease income is included in the current profit and loss when it actually occurs. If the operating lease is changed, the company will account for it as a new lease from the effective date of the change, the amount received in advance or receivable in connection with the lease before the change shall be deemed as the amount received in the new lease.

(2) Accounting treatment of finance lease

On the lease inception date, the Company recognizes the finance lease receivables for the finance lease and terminates the recognition of the financial lease assets. In the initial measurement of the finance lease receivable, the Company shall take the net lease investment amount as the entry value of the finance lease receivable. The net lease investment amount is the sum of the unsecured residual value and the present value of the lease income that has not been received at the lease inception date discounted at the embedded interest rate on the lease.

The Company calculates and recognizes interest income for each period of the lease term based on a fixed periodic interest rate. The termination recognition and impairment of the finance lease receivables shall be accounted for in accordance with "4.9 Financial Instruments" in this note.

The variable lease payment not included in the net lease investment measurement shall be recorded into the current profit and loss when actually incurred.

If a financial lease is changed and the following conditions are met at the same time, the Company

shall treat the change as a separate lease for accounting treatment:

- ①The change expands the scope of the lease by adding the right-of-use to one or more leased assets;
- ②The increased consideration is equivalent to the amount of the individual price of the expanded part of the lease scope adjusted according to the contract conditions.

If the change of the financial lease is not accounted for as a separate lease, the Company shall deal with the changed lease in the following situations:

- ①If the change takes effect on the lease inception date, and the lease is classified as an operating lease, the Company shall treat it as a new lease from the effective date of the lease change, and take the net lease investment amount before the effective date of the lease change as the book value of the leased assets;
- ②If the change takes effect on the lease inception date, and the lease is classified as a finance lease, the Company shall conduct accounting treatment in accordance with the policy of "4.9 Financial instruments" of this note on the modification or renegotiation of the contract.

4.32.3 Sale and lease-back transaction

The Company evaluates and determines whether the transfer of assets in the sale and lease-back transaction is a sale in accordance with the principles stated in "4.27 Revenue" in this note.

(1) As the lessee

If the transfer of assets in the sale and lease-back transaction belongs to sales, the Company, as the lessee, shall measure the right-of-use asset formed by the sale and lease-back transaction according to the part of the book value of the original assets related to the right-of-use obtained by the lease-back, and only recognize the relevant gain or loss with respect to the rights transferred to the lessor. If the transfer of assets in the sale and lease-back transaction does not belong to sales, the Company as the lessee shall continue to confirm the transferred assets and at the same time confirm a financial liability equal to the transfer income. For the accounting treatment of financial liabilities, please refer to "4.9 Financial Instruments" in this note.

(2) As the lessor

If the transfer of assets in the sale and lease-back transaction belongs to sales, the Company, as the lessor, shall carry out accounting treatment for the purchase of assets, and shall carry out accounting treatment for the lease of assets according to the aforementioned policy of "2. The Company as the lessor". Where the transfer of assets in the sale and lease-back transaction does not belong to sales, the Company, as the lessor, does not recognize the transferred asset, but recognizes a financial asset equal to the transfer income. For the accounting treatment of financial assets, please refer to "4.9 Financial instruments" in this note.

Accounting policies before the implementation of the New Leases Standards

The term "lease" refers to an agreement under which the lessor conveys to the lessee in return for rent the right to use an asset for an agreed period of time. The main features of lease are only the use right of related asset has been transferred but ownership during the lease term, and the transferred is shall be paid for rental.

4.32.4 Classification

The Company shall classify a lease as a finance lease or an operating lease on the lease commencement date.

4.32.5 Recognition criteria

(1) A finance lease is identified when one or more of the conditions below are met:

- ① the ownership of the leased asset is transferred to the lessee when the term of lease expires;
- ② the lessee has the option to purchase the leased asset and the purchase price is far lower than the asset's fair value at the time of exercise of the option;
- ③ even if the ownership of the asset is not transferred, the lease term covers most of the remaining useful life (75% or above) of the leased asset;
- ④ In the case of the lessee, the present value of the minimum lease payments on the lease commencement date amounts to substantially all of the fair value (90% or above) of the leased asset on the lease commencement date; in the case of the lessor, the present value of the minimum lease receipts on the lease commencement date amounts to substantially all of the fair value of the leased asset on the lease commencement date;
- ⑤ The leased assets are of a specialized nature that only the lessee can use them without making major modifications.

(2) Operating lease refers to a lease other than finance lease.

4.32.6 Accounting treatment of finance lease

(1) Accounting treatments of lessees in finance leases

On the lease commencement date, the lower of the fair value of the leased asset on the lease commencement date and the present value of the minimum lease payment is taken as the entry value of the leased asset, and the minimum lease payment is taken as the entry value of the long-term payable, the difference as unrecognized financing expenses. The initial direct costs such as commissions, attorney's fees and traveling expenses, stamp duties directly attributable to the leased item incurred during the process of lease negotiating and signing the lease agreement shall be recorded in the asset value of the current period. When calculating the present value of the minimum lease payments, if the interest rate implicit in the lease of the lessor can be obtained, the interest rate implicit in the lease is used as the discount rate; otherwise, the interest rate specified in the lease contract is used as the discount rate. If the interest rate implicit in the lease of the lessor cannot be obtained and the lease contract does not stipulate the interest rate, the bank loan interest rate of the same period shall be used as the discount rate.

Unrecognized financing expenses are calculated and recognized in the current period according to the actual interest rate method during the lease period.

The Company adopts the depreciation policy consistent with its own fixed assets to accrue the depreciation of leased assets. If it can be reasonably determined that the ownership of the leased asset will be obtained at the expiration of the lease term, depreciation shall be accrued over the useful 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 within the shorter of the lease term and the useful life of the leased asset.

Contingent rents are recorded in current profit and loss when actually incurred.

(2) Accounting treatment of lessor in finance leases

On the lease commencement date, the lessor takes the sum of the minimum lease receipts and the initial direct expenses on the lease commencement date as the entry value of the finance lease receivables, and record unguaranteed residual value. The difference between the sum of the minimum lease receipts,

the initial direct expenses and the unsecured residual value and the sum of its present value is recognized as unrealized financing gain.

Contingent rentals are included in the current profit and loss when they are actually incurred.

(3) Rental receivable for finance lease

Lease receivables are classified as normal, attention, secondary, suspicious, and loss.

The accrual of the risk reserve includes the combination accrual and the individual accrual.

① Group accruals method

The assets classified into the normal category and the attention category in the corresponding finance lease receivable are evaluated in a combined manner, and the loss rate is predicted by the model and provision for impairment is accrued.

By analyzing the changes in the risk classification at a specific time in the finance lease receivables with similar credit risk characteristics, the probability of loss of the financial lease receivables is estimated, and multiply the financing receivables of the normal and concerned types on the current balance sheet date and the loss rate, which is the provision for impairment.

At the end of each quarter, the Company will evaluate the impairment of the portfolio of finance lease receivables to reflect the expected future cash flow of the portfolio of finance lease receivables, and the observable data for which the reduction can be reliably measured is an objective basis. Make a judgement and estimation of receivables about whether there is any sign of impairment of the finance lease receivables and its extent, and determine whether it is necessary to make provision for impairment.

Estimation of portfolio valuations requires a high degree of reliance on judgments. Critical factors affecting estimation include model assumptions (such as loss identification period or default loss rate), and the degree of correlation between qualitative indicators and defaults. When assessing the methods and assumptions used to make impairment estimates, changes in the macroeconomic environment and uncertainties in the region of operation, as well as the effects of changes in the level of portfolio management of finance lease payments, need to be considered and appropriate adjustments made.

② Single Accrued methods

The finance lease receivable is classified as non-performing assets (substandard, suspicious, and loss) that is required to be tested the impairment by individually, and the present value of future cash flows at the end of each quarter is calculated using the discounted cash flow model. The impairment shall be recognized when the present value is lower than the carrying value.

The substantive judgement is needed when the financial lease receivable is significant by individually. The impairment indicator should be included the specific lease (or a specific similar lessee) that a deteriorating financial position that affects its ability to repay loans, where its industry is backward or overcapacity, and where economic conditions in its area have deteriorated. The Company will make the judgments when assessing the quality of regular financial lease receivables and other indications that there may have impairment indicator. If the financial lease receivables are not tested for impairment individually and it is insignificant impairment of individual amounts, financial lease payments should be aggressive that the Company shall use the portfolio evaluation method to measure.

4.32.4 Accounting treatments in operating leases

The rents from operating leases shall be recorded by the lessor and lessee in profit and loss of the current period by using the straight-line method over each period of the lease term. The initial direct costs incurred by a lessor or lessee shall be recognized as the profits and losses of the current period. The contingent rents shall be recorded into the profit and loss of the current period in which they actually occur.

4.33 Held for sale

If the book value is recovered mainly through sale (including non-monetary asset exchange with commercial substance) rather than continuous use of a non-current asset or disposal group, it is classified as held for sale.

The Company classifies non-current assets or disposal groups that meet the following conditions simultaneously as held for sale:

- (1) According to the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under the current conditions;
 - (2) The sale is very likely to occur, that is, the company has made a resolution on a sale plan and obtained a confirmed purchase commitment, and the sale is expected to be completed within one year.
- If the relevant regulations require the relevant authority of the company or the regulatory department to approve the sale, the approval has been obtained.

For non-current assets (excluding financial assets, deferred tax assets, and investment properties that are subsequently measured using the fair value model) or disposal groups classified as held-for-sale, if book value is higher than the net amount of fair value less selling expenses, the book value shall be written down to the net amount after the fair value minus the selling expenses, included in current profit and loss, and accrued the provision for impairment of assets held for sale at the same time.

5 Changes in accounting policies and accounting estimates

5.1 Changes in accounting policies

The following accounting standards for business enterprises and other relevant regulations promulgated or revised by the Ministry of Finance have been implemented:

- Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No.23-Transfer of Financial Assets, Accounting Standards for Business Enterprises No.24-Hedge Accounting, Accounting Standards for Business Enterprises No.37-Presentation of Financial Instruments (revised in 2017) (collectively, the "New Financial Instrument Standards")
- Accounting Standards for Business Enterprises No.14-Revenue (revised in 2017) (referred to as "New Revenue Standards")
- Accounting Standards for Business Enterprises No.21-Lease (revised in 2018) (referred to as "New Leases Standards")
- Interpretation of Accounting Standards for Business Enterprises No. 14 (issued in 2021) (referred to as "Interpretation No. 14")
- Notice on Adjusting the Scope of Application of the Regulations on the Accounting Treatment of Rent Concessions Related to the New Coronary Pneumonia Epidemic (CK [2021] No. 9)
- Interpretation of Accounting Standards for Business Enterprises No. 15 (issued in 2021) (referred to as "Interpretation No. 15")

5.1.1 Implementation of New Financial Instrument Standards

In 2017, the Ministry of Finance revised the Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No.23- Transfer of Financial Assets, and Accounting Standards for Business Enterprises No.24 - Hedging Accounting and Accounting Standards for Business Enterprises No.37-Presentation of Financial Instruments. The revised standard states that for financial instruments which have not been

derecognized on the date of initial application, if the previous recognition and measurement are inconsistent with the revised standards, they should be adjusted retrospectively. If the data in the previous comparative statement is inconsistent with the revised standards, no adjustment is required.

With the implementation of the New Financial Instrument Standards on January 1, 2021, the cumulative impact of retrospective adjustments will be reflected in the adjusted amount of retained earnings and other comprehensive income on January 1, 2021. Comparison reports are not adjusted.

5.1.2 Implementation of New Revenue Standards

In 2017, the Ministry of Finance revised the Accounting Standards for Business Enterprises No. 14 – Revenue. The revised standard stipulates that the amount of retained earnings at the beginning of the year and other relevant items in the financial statements shall be adjusted according to the cumulative impact of the first implementation of the standard, and no adjustment shall be made to the information of the comparable period.

According to the provisions of the standard, the implementation of the new revenue standard only adjusts the amount of retained earnings at the beginning of the year and other related items in the financial statements on the cumulative impact of contracts that have not been completed on the date of initial implementation, and does not adjust the comparative financial statements.

5.1.3 Implementation of New Leases Standards

In 2018, the Ministry of Finance revised the Accounting Standards for Business Enterprises No. 21 – Lease. Companies listed both at home and abroad and companies listed overseas which adopt IFRS or Accounting Standards for Business Enterprises to prepare financial reports shall implement the provision from January 1, 2019. Other companies that implement Accounting Standards for Business Enterprises shall implement the provision from January 1, 2021. According to the revised standard, for contracts that existed before the date of initial application, the Company chooses not to reassess whether it is a lease or contains a lease on the date of initial application.

- The Group as the lessee
- The Group chooses to adjust the amount of retained earnings and other related items in the financial statements at the beginning of the year according to the cumulative impact of the initial implementation of the New Leases Standards, without adjusting the comparable period information. For operating leases that existed before the date of initial application, the Company measures the lease liability at the present value of the remaining lease payments at the date of initial application discounted at the Company's incremental borrowing rate on the date of initial application, and for each lease, choose one of the following two methods to measure the right-of-use asset:
 - Assuming that the book value of the New Leases Standard is adopted from the lease commencement date, the Company's incremental borrowing rate on the date of initial application is used as the discount rate.
 - An amount equal to the lease liability, and make necessary adjustment according to the prepaid rent. The above companies use this method for all other leases.

For operating leases prior to the date of initial application, the above companies apply one or more of the following simplified treatments for each lease while applying the above method:

- 1) Leases that will be completed within 12 months of the first execution date are treated as short-term leases;

- 2) When measuring lease liabilities, the same discount rate is used for leases with similar characteristics;
- 3) The measurement of right-of-use assets does not include initial direct costs;
- 4) If there is an option to renew the lease or to terminate the lease, the lease period shall be determined according to the actual exercise of the option before the date of initial execution and other latest information;
- 5) As an alternative to the right-of-use asset impairment test, assess whether a contract containing a lease is an onerous contract before the date of initial application in accordance with Accounting Standards for Business Enterprises No. 13-Contingencies, and adjust the right-of use asset according to the amount of loss provision included in the balance sheet before the initial application;
- 6) For lease changes that occurred before the date of initial implementation, no retrospective adjustment will be made. According to the final arrangement of lease changes, accounting treatment will be carried out in accordance with the New Leass Standards.

In measuring the lease liability, the Company discounts the lease payments using the lessee's incremental borrowing rate at 1 January 2021.

For finance leases that existed before the date of initial application, the Group shall measure the right-of-use assets and lease liabilities respectively according to the original book values of the finance lease assets and finance lease payable on the initial application date.

- The Group as the lessor

For sub-leases classified as operating leases before the date of initial application and subsistence after the date of initial application, the Group shall re-evaluate them on the date of initial application based on the remaining contract terms and terms of the original lease and sub-lease, and classify them in accordance with the provisions of the New Leases Standards. If it is reclassified as a finance lease, the Group will account for it as a new finance lease.

Except for sub-lease, the Group is not required to make adjustment in accordance with the New Leases Standards for leases in which it is the lessor. The Company shall conduct accounting treatment according to the New Leases Standard since the first implementation date.

5.1.4 Implementation of Interpretation of Accounting Standards for Business Enterprises No. 14

The Ministry of Finance issued interpretation of Accounting Standards for Business Enterprises No. 14 on February 2, 2021 (CK [2021] No. 1, hereinafter referred to as "Interpretation No. 14"), effective as of the date of issuance. The relevant business newly added from January 1, 2021 to the implementation date shall be adjusted according to Interpretation No. 14.

①Public-Private Partnership (PPP) Project Contracts

Interpretation No. 14 is applicable to PPP project contracts that meet both the "dual characteristics" and "dual control" described in the Interpretation. Retrospective adjustments should be made to relevant PPP project contracts that were implemented before December 31, 2020 and have not been completed by the implementation date. If retrospective adjustment is impractical, it shall be applied from the beginning of the earliest period in which the retrospective adjustment is possible. The amount of the accumulated impact shall be adjusted to the retained earnings at the beginning of the implementation year and other related items in the financial statements, and no adjustment shall be made to comparable period information. The implementation of this provision has not had a significant impact on the financial position and operating results of the Company.

②Benchmark rate reform

Interpretation No. 14 simplifies the accounting treatment for situations in which the benchmark interest rate reform leads to changes in the basis for determining cash flows related to financial instrument contracts and lease contracts.

According to the provisions of the Interpretation, the business related to the benchmark interest rate reform that occurred before December 31, 2020 should be adjusted retrospectively, except where retrospective adjustment is impractical. No adjustment to comparative financial statement data in prior period is required. On the implementation date of the interpretation, the difference between the original book value and the new book value of financial assets and financial liabilities shall be included in the retained earnings or other comprehensive income at the beginning of the annual reporting period in which the interpretation is implemented. The implementation of this provision has not had a significant impact on the financial position and operating results of the Company.

5.1.5 Implementation of Notice on Adjusting the Scope of Application of the Regulations on the Accounting Treatment of Rent Concessions Related to the New Coronary Pneumonia Epidemic

On June 19, 2020, the Ministry of Finance issued the Regulations on the Accounting Treatment of Rent Concessions Related to the New Coronary Pneumonia Epidemic (CK [2020] No.10). For rent concessions such as rent relief and deferred rent payment directly caused by the new coronary pneumonia epidemic that meet the conditions, enterprises can choose to adopt a simplified method for accounting treatment. On May 26, 2021, the Ministry of Finance issued the Notice on Adjusting the Application Scope of the Regulations on the Accounting Treatment of Rent Concessions Related to the New Coronary Pneumonia Epidemic (CK [2021] No.9), effective from May 26, 2021, the Regulations on the Accounting Treatment of Rent Concessions Related to the New Coronary Pneumonia Epidemic allows the application of the simplified method of rent concessions related to the new coronary pneumonia epidemic to be applied from “the concession is only for lease payments payable before June 30, 2021” adjusted to “the concession is only for lease payments payable before June 30, 2022”, and other applicable conditions remain unchanged.

The Company has chosen to adopt the simplified method for accounting treatment of all lease contracts that meet the conditions before the adjustment of the scope of application. All similar lease contracts that meet the conditions after adjustment of the scope of application are also accounted for by the simplified method. Retrospective adjustments are made to the relevant lease contracts that have been accounted for with lease changes before the notice issued, but the data in the comparative financial statements of the previous period are not adjusted. The relevant rent concessions that occurred between January 1, 2021 and the effective date of the notice that were not accounted for in accordance with the notice shall be adjusted according to the notice. The implementation of this provision has not had a significant impact on the financial position and operating results of the Company.

5.1.6 Implementation of the "Enterprise Accounting Standards Interpretation No.15" on the presentation of the centralized fund management

On December 30, 2021, the Ministry of Finance issued the Interpretation No. 15 of Accounting Standards for Business Enterprises (CK [2021] No.35, hereinafter referred to as "Interpretation No.15"). The contents of "Related Presentation of Centralized Fund Management" shall be implemented from the date of publication, and the financial statement data of the comparable period shall be adjusted accordingly. Interpretation No.15 clearly stipulates how the balance involved in the centralized management funds of the parent company and member units through internal settlement centers,

financial companies, etc., should be presented and disclosed in the balance sheet. The implementation of this provision has not had a significant impact on the financial position and operating results of the Company.

5.2 Changes in accounting estimates

None.

5.3 Adjustment of items related to the financial statements at the beginning of the year in which the new financial instrument standards, new revenue standards and new leases standards are implemented for the first time

Items	Balance at the end of last year	Balance at the beginning of this year	Adjustment
Current assets:			
Monetary funds	24,230,244,807.94	24,230,244,807.94	
△Settlement provision			
△Lending funds			
Financial assets held for trading	123,582,774.11	6,425,124,240.37	6,301,541,466.26
☆ Financial assets measured at fair value through profit or loss	5,053,407,981.19		-5,053,407,981.19
Financial asset derivatives			
Notes receivable	61,915,756.97	61,915,756.97	
Accounts receivable	11,374,263,073.79	11,362,773,730.94	-11,489,342.85
Receivables financing	862,704,476.69	862,704,476.69	
Advance to suppliers	1,291,692,734.63	1,219,775,875.10	-71,916,859.53
△Premiums receivable			
△Reinsurance accounts receivable			
△Reinsurance contract reserves receivable			
Other receivables	35,972,473,966.88	25,342,776,302.06	-10,629,697,664.82
△Financial assets purchased under resale agreements			
Inventories	17,191,969,400.40	15,745,986,894.48	-1,445,982,505.92
Contract assets	2,225,132,853.56	2,225,132,853.56	
Assets classified as held for sale	92,289,422.77	92,289,422.77	
Non-current assets due within one year	5,090,378,238.79	7,540,175,121.51	2,449,796,882.72
Other current assets	12,006,401,771.03	14,648,073,399.12	2,641,671,628.09
Total current assets	115,576,457,258.75	109,756,972,881.51	-5,819,484,377.24

Qingdao City Construction Investment (Group) Co., Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Items	Balance at the end of last year	Balance at the beginning of this year	Adjustment
Non-current assets:			
△ Loans and advances to customers	7,823,109,430.14	7,624,373,510.14	-198,735,920.00
Debt investment		24,120,094,456.79	24,120,094,456.79
☆ Available-for-sale financial assets	72,692,363,198.51		-72,692,363,198.51
Other debt investment			
☆ Held-to-maturity investments	18,175,991,250.35		-18,175,991,250.35
Long-term receivables	21,466,704,947.17	21,466,704,947.17	
Long-term equity investment	6,609,000,385.70	57,158,936,418.94	50,549,936,033.24
Other equity instruments investment	33,978,000.00	29,067,178,314.79	29,033,200,314.79
Other non-current financial assets	17,725,019.81	17,725,019.81	
Investment property	6,317,756,000.17	6,317,756,000.17	
Fixed assets	34,349,993,560.51	31,270,451,063.97	-3,079,542,496.54
Construction in progress	38,652,719,199.45	38,652,719,199.45	
Biological assets	3,190,401.63	3,190,401.63	
Oil and gas assets			
Right of use assets	555,121,155.55	8,780,423,973.00	8,225,302,817.45
Intangible assets	4,027,632,890.26	4,027,632,890.26	
Development expenses			
Goodwill	5,036,266,978.60	5,036,266,978.60	
Long-term deferred expenses	1,407,316,617.19	1,407,316,617.19	
Deferred income tax assets	2,668,324,456.68	3,024,004,282.72	355,679,826.04
Other non-current assets	15,123,656,250.87	13,094,174,060.53	-2,029,482,190.34
Total non-current assets	234,960,849,742.59	251,068,948,135.16	16,108,098,392.57
Total assets	350,537,307,001.34	360,825,921,016.67	10,288,614,015.33
Current liabilities:			
Short-term borrowings	18,909,034,342.72	18,909,034,342.72	
△ Borrowings from the central bank			
△ Loans from banks and other financial institutions			
Transactional financial liabilities	22,603,263.57	22,603,263.57	
☆ Financial liabilities measured at fair value			

Qingdao City Construction Investment (Group) Co., Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Items	Balance at the end of last year	Balance at the beginning of this year	Adjustment
through profit or loss			
Financial liability derivatives			
Notes payable	1,549,027,480.02	1,549,027,480.02	
Accounts payable	7,356,416,948.53	7,355,889,319.37	-527,629.16
Advances from customers	1,751,731,386.71	348,048,279.00	-1,403,683,107.71
Contract liability	245,026,585.27	1,559,950,697.45	1,314,924,112.18
△ Financial assets sold under repurchase agreements			
△ Account deposits and interbank deposits			
△ Funds from acting for securities trading			
△ Agency underwriting securities			
Employee benefits payable	483,298,567.47	483,298,567.47	
Taxes and surcharges payable	1,036,765,711.90	1,036,765,711.90	
Other payables	12,448,936,579.26	12,378,178,579.26	-70,758,000.00
△ Fees and commissions payable			
△ Reinsurance accounts payable			
Held for sale liabilities			
Non-current liabilities due within one year	22,253,708,400.12	22,872,465,041.62	618,756,641.50
Other current liabilities	6,490,563,224.11	6,531,628,392.29	41,065,168.18
Total current liabilities	72,547,112,489.68	73,046,889,674.67	499,777,184.99
Non-current liabilities:			
△ Insurance contract reserve			
Long-term borrowings	59,872,575,265.92	59,872,575,265.92	
Bonds payable	57,719,175,125.81	57,719,175,125.81	
Lease liability	280,407,102.16	7,049,876,093.19	6,769,468,991.03
Long-term payables	22,747,196,954.67	20,403,811,451.01	-2,343,385,503.66
Long-term employee benefits	1,431,357,236.79	1,431,357,236.79	
Estimated liabilities	1,431,788,502.61	1,461,755,233.61	29,966,731.00
Deferred income	1,293,262,028.10	1,262,866,686.38	-30,395,341.72
Deferred income tax liabilities	1,580,714,724.10	3,161,570,113.80	1,580,855,389.70
Other non-current liabilities	33,752,551.24	111,841,720.31	78,089,169.07

Items	Balance at the end of last year	Balance at the beginning of this year	Adjustment
Total non-current liabilities	146,390,229,491.40	152,474,828,926.82	6,084,599,435.42
Total liabilities	218,937,341,981.08	225,521,718,601.49	6,584,376,620.41
Owners' equity:			
Paid-in capital (or equity)	6,900,000,000.00	6,900,000,000.00	
Other equity instrument	24,810,000,000.00	24,810,000,000.00	
Capital reserves	60,672,390,212.73	60,625,413,300.51	-46,976,912.22
Less: treasury stock			
Other comprehensive income	42,294,824.59	4,937,135,607.32	4,894,840,782.73
Special reserve	2,395,084.68	2,395,084.68	
Surplus reserve			
△General risk reserve	57,733,821.45	57,733,821.45	
Undistributed profits	436,095,631.96	-709,750,928.28	-1,145,846,560.24
Total equity attributable to owners of the parent company	92,920,909,575.41	96,622,926,885.68	3,702,017,310.27
Non-controlling interest	38,679,055,444.85	38,681,275,529.50	2,220,084.65
Total owners' equity	131,599,965,020.26	135,304,202,415.18	3,704,237,394.92
Total liabilities and owners' equity	350,537,307,001.34	360,825,921,016.67	10,288,614,015.33

6 Taxation

6.1 Major taxes and tax rates

Tax type	Basis for taxation	Applicable tax rate (%)
VAT	Taxable sales income	1、3、5、6、9、10、12、 13、14.5、15、16
Urban maintenance and construction tax	Actual VAT paid	5、7
Corporate income tax	Taxable income	16.5、15、17、19、20、21、 22、24、25、26.65、28、 30、35.5

The details of subsidiaries which are subjected to different income tax rate:

Name of the subsidiaries	Applicable Tax Rate (%)
Qingdao Doublestar Tire Industry Co., Ltd., Qingdao Doublestar Equipment Manufacturing Co., Ltd., Qingdao Xinghua Intelligent Equipment Co., Ltd., Qingdao Jinke Mould Co., Ltd., Doublestar Dongfeng Tire Co., Ltd. and other high-tech companies	15

Foreign subsidiaries of Doublestar Group Co., Ltd. shall be taxed according to the amount of taxable income in each country	19、21、22、26.65、30、 35.5
Hong Kong International (Qingdao) Co., LTD., Huaqing Development (holding) Group Co., Ltd. and other Hong Kong subsidiaries	16.5
Qingdao Zhongzi Zhongcheng Group Co., Ltd. Singapore company	17
Qingdao Zhongzi Zhongcheng Group Co., Ltd. Indonesia company	22
Qingdao Zhongzi Zhongcheng Group Co., Ltd. South African company	28
Qingdao Zhongzi Zhongcheng Group Co., Ltd. Philippine company	25
Qingdao Zhongzi Zhongcheng Group Co., Ltd. Zimbabwe company	24
Small and micro-scale companies such as Qingdao Chengtou Energy Equity Investment Management Co., Ltd.	20

6.2 Tax preference

6.2.1. VAT

(1) According to the "Notice of the Ministry of Finance and the State Administration of Taxation on Comprehensively Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax" (Cai Shui [2016] No.36), general taxpayers among the pilot taxpayers who have been approved by the People's Bank of China, the CBIRC or the Ministry of Commerce to engage in financial leasing business, providing tangible movable property financial leasing services and tangible movable property financing sale and leaseback services, shall implement the VAT immediate collection and refund policy for the portion of the actual VAT tax liability exceeding 3%. The Company's subsidiary Qingdao Urban and Rural Construction Finance Leasing Co., Ltd. and Shanghai Qingtou Financial Leasing Co., Ltd. comply with the above-mentioned VAT immediate collection and refund policy.

(2) According to the "Notice of the Ministry of Finance and the State Administration of Taxation on Continued Implementation of the VAT Policy on PV Power Generation" ([2016] No.81), the Company's subordinate project companies engaged in PV power generation comply with 50% immediate collection and refund policy of the VAT.

(3) According to the "Announcement of Relevant Policies on Deepening the Reform of VAT" jointly issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs (Announcement of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, No.39, 2019), from April 1, 2019 to December 31, 2021, taxpayers of production and living services are allowed to add 10% of the current deductible input tax to offset the tax payable (abbreviated as the policy of additional deduction). The Company's subsidiaries, Qingdao Urban Investment Enterprise Development Co., Ltd., Qingdao Traffic Engineering Supervision Consulting Co., Ltd., Qingdao Taishi Jirun Enterprise Management Consulting Co., Ltd.,

Qingdao Hongfushuo Enterprise Management Consulting Co., Ltd., etc. meet the policy requirements and are subject to additional reduction policy.

(4) According to the "Announcement on Clarifying the Value-Added Tax Deduction Policy for the Living Service Industry" issued by the Ministry of Finance and the State Administration of Taxation (No.87 [2019] of the Ministry of Finance and State Administration of Taxation), from October 1, 2019 to December 31, 2021 On July 1, 2019, taxpayers in the living service industry were allowed to add 15% of the deductible input tax for the current period to deduct the tax payable (hereinafter referred to as the 15% deduction policy). The hotel management branch of Qingdao Urban Investment Enterprise Development Co., Ltd., a subsidiary of the company, is subject to the 15% deduction policy.

(5) According to the Ministry of Finance and the State Administration of Taxation "Notice on Comprehensively Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax" CS [2016] No. 36, the VAT for academic education income is reduced or exempted. The Company's subsidiary Qingdao No. 1 International School in Shandong Province enjoys the preferential tax policy. Medical services provided by medical institutions are exempt from VAT. Qingdao Chengtou Chunhui First Rehabilitation Hospital Co., Ltd., a subsidiary of the Company, enjoys the preferential tax policy. According to Annex 3 "Regulations on the transitional policy for the pilot program of replacing business tax with value-added tax", the childcare and education services provided by nurseries and kindergartens are exempt from VAT. Qingdao Chengtou Shinan East Tianshan Kindergarten, a subsidiary of the Company, complies with the above policies and regulations, and income from childcare and education is exempt from value-added tax.

(6) The Company's subsidiary Qingdao Zhongzizhongcheng Group Co., Ltd. implements the "exemption, deduct, and refund" tax policy for export products. The Company's subsidiary Qingdao Zhongzizhongcheng Import and Export Co., Ltd. implements the "exemption and refund" tax policy for export products.

(7) According to the Announcement of the State Administration of Taxation on Issues Concerning the Tax Collection and Administration of the VAT Exemption Policy for Small-scale Taxpayers (Announcement No. 4 [2019] of the State Administration of Taxation), small-scale taxpayers who have VAT taxable sales and whose total monthly sales do not exceed CNY100,000.00 (If one quarter is a tax period, the quarterly sales do not exceed CNY300,000.00, the same below) are exempt from VAT. Xinjiang Qingyuan Biomass Energy Co., Ltd. enjoys the preferential tax policy from January 1, 2021. According to the Announcement of the State Administration of Taxation on the Exemption of Small-scale Taxpayers from the Collection of Value-Added Tax (Announcement No.5 [2021] of the State Administration of Taxation), the small-scale taxpayers who have VAT taxable sales, and the total monthly sales does not exceed CNY150,000.00 (If one quarter is a tax period, the quarterly sales do not

exceed CNY450,000.00, the same below) are exempted from VAT. The company's subsidiaries Xinjiang Qingyuan Biomass Energy Co., Ltd., Qingdao Semiconductor Industry Development Fund Partnership (Limited Partnership), etc., enjoys the preferential tax policy from April 1, 2021.

6.2.2 Corporate income tax

(1) According to tax law provisions, the income from the investment and operation of public infrastructure projects supported by the state is regularly deducted and exempted from the corporate income tax. The income of the company's subordinate project companies engaging in the investment and operation of power projects specified in the "Public Infrastructure Projects Corporate Income Tax Preference Catalog", starting from the tax year in which the project obtains the first production and operation income, are exempted of the corporate income tax from the first to the third year, and halved from the fourth to the sixth year.

(2) According to the "Announcement on Issues Concerning the Implementation of the Inclusive Income Tax Reduction and Exemption Policy for Small and Low-profit Enterprises" (Announcement No.2 [2019] of the State Administration of Taxation), from January 1, 2019 to December 31, 2021, the part of the annual taxable income not exceeding CNY 1 million shall be included in the taxable income at a reduced rate of 25%, and the corporate income tax shall be paid at the rate of 20%. For the part of the annual taxable income exceeding CNY 1 million but not more than CNY 3 million, a reduction of 50% is included in the taxable income, and the corporate income tax is paid at the tax rate of 20%.

According to the Announcement of the State Administration of Taxation on Matters Concerning the Implementation of Preferential Income Tax Policies for Supporting the Development of Small and Low-profit Enterprises and Individual Business (State Administration of Taxation Announcement No. 8 [2021]), for small and low-profit enterprises whose annual taxable income does not exceed CNY 1 million, a reduction of 12.5% is included in the taxable income, and the corporate income tax is paid at a rate of 20%. Implementation period: the policy shall be implemented from January 1, 2021, and terminated on December 31, 2022.

The Company's subsidiaries Qingdao Municipal Resources Comprehensive Development Co., Ltd., Qingdao Traffic Resources Development Co., Ltd., Qingdao Traffic Engineering Supervision Consulting Co., Ltd., Qingdao Zhongcheng Industrial Co., Ltd., Qingdao Rongsheng New Energy Co., Ltd., Qingdao Caibao Villa Resort Co., Ltd., Qingdao Zhongchuang Real Estate Co., Ltd., Qingdao Zhongyi Investment Management Co., Ltd., Qingdao Chengtou Cycle Equity Investment Management Co., Ltd., etc. all meet the identification standards of small and low-profit enterprises, and the corporate income tax is calculated and paid at 20%.

(3) According to the Indonesian Government Regulation No. 1 of 2020, from March 31, 2020, the

income tax rate of taxpayers of enterprises and permanent establishments in Indonesia shall be reduced to: a, 22% - for the 2020 and 2021 tax years; b, 20% - for the 2022 tax year. According to the Indonesian Government Law No.7 of 2021 - Tax Regulations Harmonization Law, the corporate income tax rate shall be maintained at 22% from 2022 and cancel the provisions of Law No.2 of 2020, that is, to further reduce the corporate income tax rate to 20% from 2022. The Company's subsidiaries PT. Transon Energy Kapitalindo, PT. Transon Bumindo Resources, PT.Transon Daya Indomining, PT. Transon Mining Development, PT. Transon Global Resources, PT.Transon Ocean Industry Park, PT. W & H Brothers Mining, PT. Kutal Nyala Resources, PT. CIS Resources, PT.Madani Sejahtera, PT. Bumi Morowali Utama, PT.Integra Prima Coal, PT.Aset Sulawesi Mineralindo, PT.Transon Alam Jaya meet the policy requirements, the corporate income tax will be calculated at 22% from April 1, 2020.

(4) According to the "Corporate Recovery and Corporate Tax Incentives CREATE Act" passed by the Philippines in February 2021, the corporate income tax of enterprises and permanent establishments in the Philippines will be reduced from 30% to 25%, and will take effect retroactively from July 1, 2020. The Company's subsidiary, Philippines Qian Jia Services Incorporated, complies with the policy requirements, and will calculate corporate income tax at 25% from July 1, 2020.

(5) Subsidiaries such as Qingdao Doublestar Tire Industry Co., Ltd., Qingdao Doublestar Equipment Manufacturing Co., Ltd., Qingdao Xinghua Intelligent Equipment Co., Ltd., Qingdao Jinke Mould Co., Ltd., and Doublestar Dongfeng Tire Co., Ltd. are recognized as high-tech enterprises and enjoy 15 % preferential income tax rate.

(6) According to the "Announcement of the National Development and Reform Commission of the Ministry of Finance and the State Administration of Taxation on Continuing the Corporate Income Tax Policy for the Western Development" (Announcement No. 23 [2020] of the Ministry of Finance): from January 1, 2021 to December 31, 2030, the establishment of companies in encouraged industries in the western region are levied corporate income tax at a reduced rate of 15%. The company's subsidiaries Xinjiang Hengdong Wind Energy Co., Ltd., Ningxia Yanchi County Zhongmin New Energy Power Co., Ltd., Xinjiang Huaran Dongfang New Energy Co., Ltd., Ningxia Yanchi County Guangfu Electric Power Co., Ltd., Hami Huaran Dongfang Jingxia Wind Power Co., Ltd. The company and Mulei County Jiarui Guangsheng Power Generation Co., Ltd. meet the policy requirements and enjoy the preferential tax policy.

6.3.3 Other taxes

(1) According to the "Notice on implementing preferential policies for small-scale VAT taxpayers " (Lu CS[2019] No. 6) of the Shandong Provincial Department of Finance and the State Administration of Taxation, Shandong Provincial Taxation Bureau, a 50% reduction in resource tax, urban maintenance

and construction tax, real estate tax, urban land use tax, stamp tax (excluding securities transaction stamp tax), farmland occupation tax, education surcharge, and local education surcharge shall be imposed on small-scale VAT taxpayers from January 1, 2019 to December 31, 2021.

According to the "Notice on the Policies for the Reduction and Exemption of Urban Land Use Tax during the Period of Epidemic Prevention and Control" (Lu CS [2020] No. 16) and the "Notice on Continuing the Implementation of the Policies for the Reduction and Exemption of the Urban Land Use Tax for Property Tax" (Lu CS [2020] 25 No.), "Notice of Shandong Provincial People's Government on Printing and Distributing the List of "Six Stability" and "Six Guarantees" to Promote High-Quality Development Policies (First Batch)" (Lu Zhengfa [2020] No. 17), exemption of property tax and urban land use tax for small-scale VAT taxpayers will continue until June 30, 2021. According to the "Notice of Shandong Provincial People's Government on Printing and Distributing the List of "Six Stability" and "Six Guarantees" to Promote High-Quality Development Policies (Second Batch)" (Lu Zhengfa [2021] No. 4), for small-scale taxpayers of value-added tax, the implementation period of the property tax and urban land use tax exemption policy will be extended to December 31, 2021 on the basis of the extension to June 30, 2021.

According to the "Notice of Qingdao Municipal Bureau of Finance, State Administration of Taxation, Qingdao Municipal Taxation Bureau on Clarifying the Difficulty Reduction and Exemption Policies for Urban Land Use Tax and Real Estate Tax During the Epidemic Prevention and Control Period" Qing CS [2020] No. 8, small-scale taxpayers of VAT, can apply for exemption from urban land use tax and real estate tax on self-owned land and real estate. According to the provisions of Qing CS [2020] No. 19, QingCS [2021] No.7 and Qing CS [2022] No. 1, the period for exempting small-scale VAT taxpayers from urban land use tax and property tax has been extended to December 2022. March 31.

The Company's subsidiaries Qingdao Chengtou (Penglai) Investment Development Holding Co., Ltd., Qingdao Chengtou Energy Equity Investment Management Co., Ltd., Weihai Chenghai Real Estate Co., Ltd., Qingdao Chengtou Hongdao Development and Construction Group Co., Ltd., Qingdao Caibao Villa Resort Co., Ltd., Qingdao Hongying Investment and Real Estate Co., Ltd. and Qingdao Qihang Real Estate Investment Co., Ltd. meet the policy requirements and enjoy the preferential tax policy.

(2) "Notice of the Ministry of Finance and the State Administration of Taxation on Continuing the Preferential Policies for Reduction and Exemption of Urban Land Use Tax for Urban Bus Stations, Road Passenger Stations, Urban Rail Transit Systems" (CS [2019] No. 11): from January 1, 2019 to 31 December 2021, urban land use tax will be exempted for urban bus depots, road passenger depots, and urban rail transit system operation land. The above-mentioned preferential tax policies are applicable to Qingdao Highway Main Hub Construction and Development Center, a subsidiary of the Company.

(3) According to CS [2004] No. 39, educational land is exempt from urban land use tax, and Qingdao

No. 1 International School in Shandong Province, a subsidiary of the Company, enjoys the preferential tax policy.

(4) According to the "Notice of Shandong Provincial Department of Finance on Matters Concerning Exemption from Local Water Conservancy Construction Funds", the Company's subsidiaries shall be exempted from local water conservancy construction funds from January 1, 2021. Zhongcheng International Trade Co., Ltd., Qingdao Zhongcheng Industrial Co., Ltd., Jiaojian Urban Investment Holding (Shandong) Co., Ltd., etc. meet the policy requirements and enjoy reductions and exemptions.

(5) According to the "Notice on Expanding the Exemption Scope of Relevant Government Funds" (CS [2016] No. 12) issued by the Ministry of Finance and the State Administration of Taxation, the scope of education surcharges, local education surcharges, and water conservancy construction funds to be exempted from the current monthly taxpayer whose monthly sales or turnover does not exceed CNY 30,000.00 (quarterly taxable sales or turnover does not exceed CNY 90,000.00) to be extended to monthly taxable monthly sales of no more than CNY100,000.00 (quarterly sales or turnover of no more than CNY 300,000.00). Qingdao Zhongzizhongcheng Industrial Co., Ltd., a subsidiary of the Company, enjoys the preferential tax policy.

(6) According to the "Notice of Xinjiang Uygur Autonomous Region Taxation Bureau on Implementing Inclusive Tax Reduction and Exemption Policies for Small and Micro Enterprises" (Xinzhengfa [2019] No. 13), for small-scale VAT taxpayers, resource tax, urban maintenance and construction tax, real estate tax, urban land use tax, stamp tax (excluding securities transaction stamp tax), cultivated land occupation tax, education surcharge, and local education surcharge are levied by 50% of the tax amount. The Company's subsidiary, Xinjiang Qingyuan Biomass Energy Co., Ltd., complies with the policy requirements and enjoys a reduction.

7 Business combinations and consolidated financial statements

(The monetary units in the following listed tables are in CNY ten thousand unless otherwise specified.)

7.1 Subsidiaries

No.	Company name	Level	Type of enterprise	Registration place	Business nature	Paid in capital	Share-holding (%)	Voting rights (%)	Investment amount	Acquisition method
1	Qingdao Development and Investment Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Qingdao	Comprehensive investment company	100,000.00	100.00	100.00	275,718.16	Business combination under common control
2	Qingdao Shengtong Coast Real Estate Development Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Qingdao	Real estate development	10,000.00	51.00	51.00	88,230.00	Business combination not under common control
3	Qingdao Hongying Investment and Real Estate Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Qingdao	Real estate development	7,746.93	50.00	50.00	4,744.29	Business combination not under common control
4	Qingdao No. 1 International School in Shandong Province	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Qingdao	Education guarantee	10.00	100.00	100.00	1,579.98	Others
5	Qingdao Hongdao Development and Construction Group Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Qingdao	Real estate development	5,000.00	80.00	80.00	4,000.00	Investment establishment
6	Qingdao Oasis Wetland Development Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Qingdao	Real estate development	5,000.00	100.00	100.00	5,000.00	Investment establishment
7	Qingdao City Investment Technology	Tier 1 Subsidiary	Domestic non-financial	Qingdao	Technology development	5,000.00	100.00	100.00	5,000.00	Investment

Qingdao City Construction Investment (Group) Co., Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

No.	Company name	Level	Type of enterprise	Registration place	Business nature	Paid in capital	Share-holding (%)	Voting rights (%)	Investment amount	Acquisition method
	Development Co., Ltd.		subsidiaries							establishment
8	Qingdao Hongdao Culture and Art Center Development Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Qingdao	Cultural Center Construction and Operation	5,000.00	100.00	100.00	5,000.00	Investment establishment
9	Qingdao Chengtuo Industrial Investment (Group) Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Qingdao	Physical investment	135,713.00	100.00	100.00	660,500.00	Investment establishment
10	Huaqing Development (Holdings) Group Co., Ltd.	Tier 1 Subsidiary	Overseas Subsidiaries	Hongkong	Comprehensive investment company	82.08	100.00	100.00	0.08	Others
11	Hong Kong International (Qingdao) Co., Ltd.	Tier 1 Subsidiary	Overseas Subsidiaries	Hongkong	International trade	8,450.37	100.00	100.00	8,128.06	Others
12	Qingdao Chengtuo Financial Holding Group Co., Ltd.	Tier 1 Subsidiary	Domestic financial subsidiaries	Qingdao	Asset Investment and Operation	550,000.00	100.00	100.00	1,126,002.52	Investment establishment
13	Qingdao Chengtuo Overseas Development Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Qingdao	Foreign investment and investment consulting	5,000.00	100.00	100.00	5,000.00	Investment establishment
14	Qingdao Urban Investment Engineering Construction Development (Group) Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Qingdao	Construction	100,000.00	100.00	100.00	100,000.00	Investment establishment
15	Qingdao Zhonghong Real Estate Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Qingdao	Real estate development	1,000.00	100.00	100.00	1,263.63	Business combination under common control
16	Qingdao Chengtuo Venture Development Group Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Qingdao	Capital market services	135,000.00	100.00	100.00	135,000.00	Investment establishment

Qingdao City Construction Investment (Group) Co., Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

No.	Company name	Level	Type of enterprise	Registration place	Business nature	Paid in capital	Share-holding (%)	Voting rights (%)	Investment amount	Acquisition method
17	Qingdao (Pingdu) Urban and Rural Community Construction Investment Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Qingdao	Business service industry	38,800.00	79.38	79.38	31,311.74	Others
18	Qingdao (Jiaozhou) Urban and Rural Community Construction Investment Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Qingdao	Building decoration, decoration and other construction industry	18,340.00	100.00	100.00	46,248.74	Others
19	Qingdao (Laixi) Urban and Rural Community Construction Investment Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Qingdao	Real estate	38,387.11	60.00	60.00	79,600.87	Others
20	Qingdao (Chengyang) Urban and Rural Community Construction Investment Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Qingdao	Residential Services, Repairs and Other Services	9,000.00	100.00	100.00	59,153.25	Others
21	Qingdao Airlines Holdings Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Qingdao	Business service industry	10,000.00	100.00	100.00	200,000.00	Investment establishment
22	Urban Investment Exchange (Qingdao) Investment Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Qingdao	Professional technical service industry	160,000.00	51.00	51.00	81,600.00	Investment establishment
23	Qingdao City Zhirong Investment Holding Group Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Qingdao	Capital market services	5,000.00	51.00	51.00	2,550.00	Investment establishment
24	Pingdu Western New Town Development and Construction Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Qingdao	Land management	20,000.00	60.00	60.00	12,000.00	Investment establishment

Qingdao City Construction Investment (Group) Co., Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

No.	Company name	Level	Type of enterprise	Registration place	Business nature	Paid in capital	Share-holding (%)	Voting rights (%)	Investment amount	Acquisition method
25	Qingdao City Air Development Group Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Qingdao	Land management	100,000.00	51.00	51.00	51,000.00	Investment establishment
26	Qingdao Chengxin Holding Group Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Qingdao	Business service industry	32,200.00	46.00	46.00	32,200.00	Investment establishment
27	Double Star Group Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Qingdao	Capital market services	16,341.46	41.00	41.00	104,968.56	Others
28	Qingdao Municipal Resources Comprehensive Development Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Qingdao	Municipal engineering construction	5,000.00	100.00	100.00	3,725.31	Investment establishment
29	Qingdao Chengrou (Penglai) Investment Development Holding Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Qingdao	Business service industry	8,472.11	51.00	51.00	7,932.78	Investment establishment
30	Qingdao Chengsheng Investment Management Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Qingdao	Business service industry	1,000.00	100.00	100.00	1,000.00	Investment establishment
31	Tianjin Qingcheng Industrial Development Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Tianjin	Business service industry	44,500.00	100.00	100.00	44,500.00	Investment establishment
32	Tianjin Qingcheng Cultural Development Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Tianjin	Business service industry	47,500.00	100.00	100.00	47,500.00	Investment establishment
33	Qingdao Talent Development Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Qingdao	Business service industry	1,000.00	100.00	100.00	1,000.00	Investment establishment

No.	Company name	Level	Type of enterprise	Registration place	Business nature	Paid in capital	Share-holding (%)	Voting rights (%)	Investment amount	Acquisition method
34	Qingdao Transportation Development Group Co., Ltd.	Tier 1 Subsidiary	Domestic non-financial subsidiaries	Qingdao	Business service industry	76,075.14	100.00	100.00	1,173,075.46	Others

7.2 Explanation on the exclusion of those entities with more than half of the voting rights from the scope of consolidation

Given the Company's wholly-owned subsidiaries Qingdao Dongao development Group, Qingdao City Construction Investment Center and their subsidiaries are non-profit organizations, they are excluded from the scope of the consolidated financial statements according to GF (2010) 19, "Notice of the State Council on Issues Concerning Strengthening the Management of Local Government Financing Platform Companies".

7.3 Entities newly included in the consolidation scope in the current period

No	Name of the entities	Acquisition method	Net asset as at the end of the period	Net profit during the period
1	Qingdao Chengsheng Investment Management Co., Ltd.	Established by Investment	-507.47	-1,507.47
2	Tianjin Qingcheng Industrial Development Co., Ltd.	Established by Investment	43,481.91	20.58
3	Tianjin Qingcheng Cultural Development Co., Ltd.	Established by Investment	46,543.32	155.53
4	Qingdao Talent Development Co., Ltd.	Established by Investment	976.61	-23.39
5	Qingdao Transportation Development Group Co., Ltd.	Others	1,208,282.16	-8,813.44

8 Notes to the consolidated financial statements

8.1 Monetary funds

Items	Closing balance	Opening balance
Cash on hand	791,700.90	947,754.40
Bank deposit	18,187,813,076.66	19,515,146,933.06
Other monetary funds	4,678,397,660.60	4,714,150,120.48
Total	22,867,002,438.16	24,230,244,807.94

Restricted monetary funds:

Items	Closing balance	Opening balance
Bank acceptance margin	1,608,522,922.98	484,178,044.12
Credit margin	34,952,266.89	45,689,690.55
Loan margin	86,265,928.38	129,191,235.19
Supervised pre-sale housing payment	182,878,235.44	16,185,347.90
Refundable deposit	64,720,225.00	80,772,863.36
Project deposit	16,605,168.91	19,316,100.63
Housing mortgage deposit	1,409,818.94	1,498,022.54
Housing maintenance funds	4,295,766.57	5,270,423.57
Frozen capital	91,084,737.05	8,702,761.36
Pledge deposits on loan	1,111,777,029.07	1,651,980,000.00
Performance bond	106,846,629.57	626,683,579.85
Financing lease factoring deposit	33,000,000.00	33,000,000.00
Guarantee deposit	23,353,892.66	65,382,201.20
Migrant workers' wage margin	5,806,338.23	4,255,914.30
Other margins	242,612,462.34	215,435,136.95
Others	8,435,966.85	7,705,011.35
Total	3,622,567,388.88	3,395,246,332.87

8.2 Financial assets held for trading

Item	Closing fair value	Opening fair value
Financial assets at fair value through profit or loss	4,512,777,867.11	6,425,124,240.37
Including: Debt Instruments Investment	75,087,670.45	147,560,350.20
Equity Instrument	4,399,117,968.17	6,155,076,944.10

Item	Closing fair value	Opening fair value
Others	38,572,228.49	122,486,946.07
Total	4,512,777,867.11	6,425,124,240.37

8.3 Notes Receivable

Category	Closing balance			Opening balance		
	Carrying amount	Bad debt reserves	Book value	Carrying amount	Bad debt reserves	Book value
Bank acceptance bills	738,299,976.34		738,299,976.34	49,915,756.97		49,915,756.97
Trade acceptance bills	476,969,912.27	115,965.78	476,853,946.49	12,000,000.00		12,000,000.00
Total	1,215,269,888.61	115,965.78	1,215,153,922.83	61,915,756.97		61,915,756.97

8.4 Accounts Receivable

8.4.1 Accounts Receivable disclosure based on accrued bad debt reserve method

Category	Closing balance				Opening balance			
	Carrying amount		Bad debts reserves		Percentage (%)	Bad debts reserves		Book value
	Amount		Amount	Accrual ratio (%)		Amount	Accrual ratio (%)	
Individual assessment	1,188,876,560.98	7.39	93,872,860.87	7.90	3.18	84,704,232.08	22.14	297,847,358.60
Credit Risk Collective Assessment	14,905,970,716.36	92.61	697,301,270.27	4.68	96.82	597,337,665.03	5.12	11,064,926,372.34
Including: Account Receivable Age Analysis Portfolio	7,279,704,135.31	45.23	634,937,292.50	8.72	44.95	589,450,565.71	10.89	4,825,187,984.90
Credit Risk Characteristics Portfolio	1,973,923,524.52	12.26	62,363,977.77	3.16	12.99	7,887,099.32	0.50	1,556,195,642.53
Non-Bad-Debts-Reserve Portfolio	5,652,343,056.53	35.12			38.88			4,683,542,744.91
Total	16,094,847,277.34	100.00	791,174,131.14		100.00	682,041,897.11		11,362,773,730.94

8.4.2 Individual assessment

Debtors	Carrying amount	Bad debts reserves	Expected credit loss rate (%)
PT.Metal Smeltindo Selaras	113,574,481.34	1,135,744.81	1.00
Gansu Civil Aviation Airport Group Co., Ltd.	17,797,500.00	17,797,500.00	100.00
Shanghai Kanglong International Travel Service Co., Ltd.	16,449,507.59	12,949,507.59	78.72
Shanghai Everbright Town International Travel Agency Co., Ltd. Hainan Branch	16,061,438.31	7,961,438.31	49.57
Beijing Landun Aviation Service Co., Ltd.	14,440,300.33	10,140,300.33	70.22
Guangzhou Tengku Information Technology Co., Ltd.	14,148,552.41	2,359,935.63	16.68
Chengdu Chuoyue International Travel Agency Co., Ltd.	9,745,619.50	2,070,605.91	21.25
Bamboo Garden International Travel Service Co., Ltd.	9,485,673.89	3,685,673.89	38.86
Hongcheng (Guangzhou) International Air Transport Co., Ltd.	5,624,519.76	3,604,519.76	64.09
Gansu Kanghui International Travel Agency Co., Ltd.	4,766,150.00	997,300.79	20.92
Guangdong Tianqu Aviation Service Co., Ltd.	4,168,522.60	2,968,522.60	71.21
State Grid Xinjiang Electric Power Co., Ltd. Hami Power Supply Company	939,285,415.16	9,105,008.99	0.97
GuoTuo Transfer	3,976,436.64	3,976,436.64	100.00
Dashang Group	2,250,000.00	2,250,000.00	100.00
Poland Semplit conveyor belt	2,349,706.02	2,349,706.02	100.00
Others	14,752,737.43	10,520,659.60	71.31
Total	1,188,876,560.98	93,872,860.87	

8.4.3 Credit Risk Collective Assessment

(1) Aging combination

Account Age	Closing Balance			Beginning Balance		
	Carrying amount		Bad debts reserves	Carrying amount		Bad debts reserves
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 1 year (inclusive)	6,501,227,331.66	89.31	197,471,813.06	4,796,121,079.98	88.57	237,300,298.51
1-2 years	171,030,407.78	2.35	13,132,689.89	158,143,885.38	2.92	14,291,140.15
2-3 years	134,672,936.89	1.85	25,184,225.58	33,330,173.71	0.62	5,169,408.52
3-4 years	51,749,927.91	0.71	16,119,211.55	51,418,881.22	0.95	18,255,966.23
4-5 years	46,753,156.67	0.64	23,259,037.76	121,568,589.29	2.25	60,701,626.91
Above 5 years	374,270,374.40	5.14	359,770,314.66	254,055,941.03	4.69	253,732,125.39
Total	7,279,704,135.31	100.00	634,937,292.50	5,414,638,550.61	100.00	589,450,565.71

(2) Non Bad-Debts-Reserve Portfolio

Debtors	Closing balance	Opening balance
Qingdao Haisi Energy Equity Investment Fund Enterprise (Limited Partnership)		2,960,000.00
Shandong Shengli Co., Ltd.	14,800,000.00	14,800,000.00
Qingdao Sifang Urban Development Co., Ltd.	28,900,000.00	28,900,000.00
Qingdao Shengxin Binhai Real Estate Development Co., Ltd.	14,900,000.00	14,900,000.00
Qingdao Shiao Investment Development Co., Ltd.	24,570,000.00	24,570,000.00
Qingdao Tourism Group Co., Ltd.	9,590.00	9,590.00
Qingdao Qingcheng Yuhui New Energy Co., Ltd.	403,000,000.00	403,000,000.00
Qingdao Changsheng Ridian Solar Technology Co., Ltd.	10,782,868.06	10,782,868.06
Qingdao CCCC Urban Investment Real Estate Co., Ltd.	884,669.72	
Qingdao Tourism Culture Media Co., Ltd.	4,000,000.00	4,000,000.00
Qingdao Wudaokou New Energy Automobile Industry Fund Enterprise (Limited Partnership)	513,750,199.03	
Anhui Chery Commercial Vehicle Sales Co., Ltd.	102,203,539.37	102,203,539.37
Pingdu City Construction Investment Development Co., Ltd.	24,794,738.80	
Shandong Taishan Iron and Steel Group Co., Ltd.	99,991,576.67	

Debtors	Closing balance	Opening balance
PT.Metal Smeltindo Selaras	79,510,421.40	
Qingdao Milestone International Trading Co., Ltd.	559,831.50	
China Nuclear Industry Zhongyuan Construction Co., Ltd.	18,222,363.75	
Chery Automobile Henan Co., Ltd.	5,651,821.12	
Electricity Bills Receivable	3,501,548,587.11	2,710,327,422.58
Government Department	672,060,818.67	1,297,540,714.28
Other Clients	132,202,031.33	69,548,610.62
Total	5,652,343,056.53	4,683,542,744.91

8.5 Receivables financing

Category	Closing balance	Opening balance
Bill Receivable	580,830,331.16	862,704,476.69
Account Receivable		
Total	580,830,331.16	862,704,476.69

8.6 Advances to suppliers

8.6.1 Account Age analysis

Account Age	Closing balance			Beginning balance		
	Carrying amount		Bad debts reserves	Carrying amount		Bad debts reserves
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 1 year (inclusive)	1,758,637,698.30	84.69		1,012,603,355.53	82.18	657,820.00
1-2 years	105,974,749.86	5.10		94,504,947.90	7.67	
2-3 years	89,564,656.73	4.31		26,462,339.02	2.15	
Above 3 years	122,550,222.96	5.90	12,824,885.53	98,667,652.65	8.00	11,804,600.00
Total	2,076,727,327.85	100.00	12,824,885.53	1,232,238,295.10	100.00	12,462,420.00

8.6.2 Individual amount with significant value which aged over 1 year

Creditors	Debtors	Closing Balance	Account Age	Reasons for unsettlement
Qingdao City Investment Property Management Co., Ltd.	Residents Committee of Xiaozhuang Community, Hongdao Street,	65,980,000.00	Over 3 years	Final settlement was not made

Qingdao City Construction Investment (Group) Co., Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Creditors	Debtors	Closing Balance	Account Age	Reasons for unsettlement
	Chengyang District, Qingdao City			
Qingdao Chengtou Fenghui Real Estate Co., Ltd.	Management Committee of Tongji New Economic Zone, Jimo District, Qingdao	56,072,526.00	Over 1 year	Final settlement was not made
Qingdao Zhongzizhongcheng Group Co., Ltd.	Sichuan West Point Electric Power Design Co., Ltd.	14,967,610.51	1-2 years	Final settlement was not made
Qingdao Hongdao Development and Construction Group Co., Ltd.	Hongdao Sub-district Office, Chengyang District, Qingdao City	8,500,000.00	3 years	Demolition working capital
Qingdao Fortune Villa Resort Co., Ltd.	Finance Office of Xifu Town Sub-district Office, Chengyang District, Qingdao City	11,729,600.00	5 years	Final settlement was not made
Total		157,249,736.51		

8.7 Other Receivables

Item	Closing balance	Opening balance
Interest receivable	2,552,896,707.05	2,339,940,058.05
Dividends receivable	87,145,100.00	
Other receivables	24,459,570,082.86	23,002,836,244.01
Total	27,099,611,889.91	25,342,776,302.06

8.7.1 Interest Receivables

Item	Closing balance	Opening balance
Working capital interest	9,649,222.22	4,001,766.66
Loan interest	339,275,555.15	474,811,381.57
Entrusted loan interest	1,995,077,144.11	1,638,455,232.36
Debt restructuring interest	181,681,830.11	173,352,123.15
Borrowing interest	24,461,074.23	31,392,170.03
Bond interest		17,897,193.70
Factoring interest	2,730,260.62	
Others	21,620.61	30,190.58
Total	2,552,896,707.05	2,339,940,058.05

8.7.2 Dividend Receivables

Item	Closing balance	Opening balance
Dividend Receivables account age within one year	87,145,100.00	
Including: Shandong Port Group Co., Ltd.	87,145,100.00	
Total	87,145,100.00	

8.7.3 Other Receivables

Other Receivables disclosure based on accrued bad debt reserve method

Category	Closing balance				Beginning balance			
	Carrying Amount		Bad debts reserve		Carrying amount		Bad debt reserve	
	Amount	Percentage (%)	Amount	Accrual ratio (%)	Amount	Percentage (%)	Amount	Accrual ratio (%)
Individual Assessment	277,095,366.49	1.07	148,732,725.52	53.68	285,976,408.27	1.17	129,975,073.94	45.45
Credit Risk Collective Assessment	25,669,022,337.25	98.93	1,337,814,895.36	5.21	24,194,047,878.60	98.83	1,347,212,968.92	5.57
Including: Account Receivable Age Analysis Portfolio	2,668,625,081.58	10.29	1,301,916,718.41	48.79	3,173,472,419.75	12.96	1,321,870,616.84	41.65
Credit Risk Characteristics Portfolio	111,886,946.96	0.43	35,898,176.95	32.08	61,781,405.83	0.25	25,342,352.08	41.02
Non Bad-Debits-Reserve Portfolio	22,888,510,308.71	88.21			20,958,794,053.02	85.62		
Total	25,946,117,703.74	100.00	1,486,547,620.88		24,480,024,286.87	100.00	1,477,188,042.86	
								23,002,836,244.01

(1) Individual Assessment

Debtors	Closing balance		
	Carrying amount	Bad debts reserve	Expected credit loss rate(%)
Shanghai Everbright Town International Travel Agency Co., Ltd. Hainan Branch	1,241,088.88	1,241,088.88	100.00
Finance Office of Wenquan Sub-district Office, Jimo District, Qingdao	20,175,873.00	20,175,873.00	100.00
DHT Aviation Inc.	2,275,752.45	657,820.00	28.91
Qingdao Jianyuan Mechanized Construction Co., Ltd.	177,000,000.00	69,945,180.64	39.52
Qingdao Dingxin Hongye Development and Construction Co., Ltd.	20,000,000.00	1,000,000.00	5.00
Qingdao Yandao Hotel Co., Ltd.	13,340,442.07	13,340,442.07	100.00
Shandong Zhuohong Real Estate Co., Ltd.	22,050,000.00	22,050,000.00	100.00
Qingdao Xinneng Equipment Integration Co., Ltd.	19,700,000.00	19,700,000.00	100.00
Taipusiqi Changsheng Ridian Agricultural Technology Co., Ltd.	8,000.00	8,000.00	100.00
Qingdao Doublestar Foundry Machinery Co., Ltd.	371,226.54	371,226.54	100.00
Others	932,983.55	243,094.39	26.06
Total	277,095,366.49	148,732,725.52	

(2) Credit Risk Collective Assessment

1) Other Receivable Age Analysis Portfolio

Account Age	Closing balance			Opening balance		
	Carrying amount		Bad debts reserve	Carrying amount		Bad debts reserve
	Amount	Percentage (%)		Amount	Percentage (%)	
Within 1 year(inclusive)	1,126,374,702.03	42.21	51,404,078.50	1,606,592,107.68	50.63	3,881,967.29
1-2 years	288,867,391.09	10.82	43,658,311.89	1,369,590,112.21	43.16	1,257,313,885.55
2-3 years	1,137,956,475.97	42.65	1,113,232,162.29	89,588,836.71	2.82	17,059,729.24
3-4 years	8,585,515.57	0.32	2,705,629.73	16,306,684.76	0.51	6,902,945.05
4-5 years	13,440,621.72	0.50	5,493,621.42	44,122,656.07	1.39	13,065,650.83
Above 5 years	93,400,375.20	3.50	85,422,914.58	47,272,022.32	1.49	23,646,438.88
Total	2,668,625,081.58	100.00	1,301,916,718.41	3,173,472,419.75	100.00	1,321,870,616.84

2) Non Bad-Debts-Reserve Portfolio

Debtors	Closing balance	Opening balance
Qingdao Lanhai Xingang City Real Estate Co., Ltd.	1,255,000,000.00	1,255,000,000.00
Shandong Shengli Co., Ltd.	60,671,328.89	60,671,328.89
Qingdao Shiao Investment Development Co., Ltd.	2,000,000.00	2,000,000.00
Huasheng Green Energy Agricultural Technology Co., Ltd.	9,256,403.01	33,593,334.92
Qingdao Huibo Real Estate Co., Ltd.	41,606,716.17	41,606,716.17
Qingdao Huijie Real Estate Co., Ltd.	32,342,099.93	32,342,099.93
Qingdao Huitai Real Estate Co., Ltd.	21,880,452.83	21,820,452.83
Qingdao Huilian Real Estate Co., Ltd.	54,040,250.04	54,040,250.04
Qingdao Huiding Real Estate Co., Ltd.	13,870,846.35	13,870,846.35
Qingdao Zhonghe Freya Ecological Animal Husbandry Co., Ltd.	12,876,525.78	12,876,525.78
Qingdao Xindong Hotel Co., Ltd.	30,065,824.95	30,065,824.95
Olympic Sailing Museum	3,508,000.00	3,508,000.00
Qingdao Ferry Co., Ltd.	184,041,102.55	184,041,102.55
Qingdao Tourism Group Automobile Co., Ltd.	16,255,727.02	16,255,727.02
Qingdao Tourism Group Co., Ltd.	541,990,190.54	541,990,190.54
Qingdao Nanxin Urban Investment Management Consulting Co.,	69,000,000.00	69,000,000.00

Debtors	Closing balance	Opening balance
Ltd.		
Qingdao Tourism Culture Media Co., Ltd.	19,717,795.52	19,717,795.52
Qingdao International Yacht Club Co., Ltd.	35,051,261.16	35,051,261.16
Qingdao Iron and Steel Holding Group Co., Ltd.	478,293,239.38	723,893,239.38
Qingdao Olympic Sailing Center Performing Arts Co., Ltd.	108,578,932.45	108,578,932.45
Qingdao Chengtou Tourism Economic Development Co., Ltd.	399,161,684.71	399,161,684.71
Qingdao Tourism Group Hotel Management Co., Ltd.	186,273,754.49	186,273,754.49
PT.Metal Smeltindo Selaras	329,406,623.38	
Prosperity East (Tuquan) Agricultural Technology Co., Ltd.	1,100,000.00	1,100,000.00
Qingdao Xiyuan Holdings Co., Ltd.	515,138.05	438,365.80
Taipusi Banner Borui Urban and Rural Construction and Asset Management Co., Ltd.	2,847,000.00	2,847,000.00
Tuquan County Mengdong Urban Development Investment Management Co., Ltd.	9,420,000.00	9,420,000.00
Vanlink Company Limited	255,840,000.00	262,080,000.00
Chongqing Honghan Enterprise Management Consulting Co., Ltd.	177,955,448.03	177,955,448.03
Shandong Xincheng Hengye Group Co., Ltd.	100,777,671.24	
CCCC Real Estate Co., Ltd.	784,000,000.00	784,000,000.00
Qingdao Chengxiu Real Estate Investment Co., Ltd.	1,643,312.99	162,559,312.99
Qingdao Nanxin Investment Co., Ltd.	57,028,564.03	57,028,564.03
Qingdao Runbin Business Management Co., Ltd.	13,896,764.68	21,590,300.00
Longkou Nanxin Yuanheng Real Estate Co., Ltd.	31,680,000.00	30,000,000.00
Nanshan Group Co., Ltd.	323,531,062.51	323,531,062.51
Qingdao Chenghui New Energy Co., Ltd.	8,750,000.00	8,750,000.00
Qingdao Nanxin Urban Investment Real Estate Co., Ltd.	2,249,543.48	2,249,543.48
Yantai Runde Real Estate Co., Ltd.	4,649,324.00	4,649,324.00
Qingdao Dongao Development and Construction Group Corporation	89,537,107.48	83,909,306.76
Qingdao Urban Construction Investment Center	48,799,454.42	44,129,564.75
Huaqing Development Co., Ltd.	89,719,265.88	91,032,308.31
Qingdao Boao Yihe Urban Investment Health Technology Development Co., Ltd. Health Checkup Center	213,539.00	213,539.00

Debtors	Closing balance	Opening balance
Qingdao Donghai New Energy Co., Ltd.	479,666.64	479,666.64
Qingdao International Airport Group Co., Ltd.	450,000,000.00	
Qingdao Xindong Property Co., Ltd.	150,000.00	150,000.00
Qingdao Changsheng Ridian Solar Technology Co., Ltd.	164,315,105.55	
Qingdao Xiexin Yuanhai Real Estate Co., Ltd.	1,240,241.78	498,960.00
Qingdao Xiecheng Shihe Investment Management Center (Limited Partnership)	2,375,093.19	
Qingdao Zhuocheng Real Estate Co., Ltd.	200,000.00	
Qingdao Yicheng Real Estate Co., Ltd.	200,000.00	
Pingdu City Construction Investment Development Co., Ltd.	2,175,681.10	
Hong Kong Anyu Trading Co., Ltd.	358,000.00	358,000.00
Qingdao Jianyuan Mechanized Construction Co., Ltd.		342,081.99
Qingdao Milestone International Trading Co., Ltd.	5,000,000.00	
Qingdao University Information Industry Co., Ltd.	384,000.00	
Government department	13,885,064,625.53	12,833,711,393.58
Internal employee loans and reserves	5,608,962.22	7,057,944.00
Others	2,461,916,977.76	2,203,353,299.47
Total	22,888,510,308.71	20,958,794,053.02

8.8 Inventories

Items	Closing balance			Opening balance		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Raw material	1,196,825,897.43	2,330,392.41	1,194,495,505.02	1,030,798,749.24	2,455,854.91	1,028,342,894.33
Semi-goods and WIP	387,179,559.83	6,790,877.26	380,388,682.57	284,821,219.40	3,007,931.33	281,813,288.07
Development cost	12,749,353,942.67	7,017,429.47	12,742,336,513.20	11,080,654,453.29	7,017,429.47	11,073,637,023.82
Finished goods	3,800,355,165.22	321,076,944.10	3,479,278,221.12	2,856,614,089.15	179,007,936.12	2,677,606,153.03
Development product	1,133,734,301.79		1,133,734,301.79	632,114,107.33		632,114,107.33
Turnover materials	35,819,512.94		35,819,512.94	52,403,186.77		52,403,186.77
Completed unsettled assets formed by construction contracts	70,552,307.22		70,552,307.22			
Others	300,500.00		300,500.00	70,241.13		70,241.13
Total	19,374,121,187.10	337,215,643.24	19,036,905,543.86	15,937,476,046.31	191,489,151.83	15,745,986,894.48

8.9 Contract assets

Item	Closing balance			Opening balance		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
RKEF special smelting equipment complete set project	222,422,113.96	2,224,221.14	220,197,892.82	136,934,874.37	1,369,348.74	135,565,525.63

Qingdao City Construction Investment (Group) Co., Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Item	Closing balance			Opening balance		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
2*65MW coal-fired power plant equipment complete project	134,029,674.80	1,340,296.75	132,689,378.05	110,815,520.36	1,108,155.20	109,707,365.16
Construction of RKEF Phase I (4*33MVA Nickel Iron Ore Arc Furnace) Project in Sulawesi, Indonesia				10,214,860.73	102,148.61	10,112,712.12
RKEF (4*33MVA Nickel Iron Ore Arc Furnace) New Project Phase I Construction General Contract	837,247.59	8,372.48	828,875.11			
RKEF-period (4*33MVA nickel-iron ore furnace) engineering process change construction general contract	3,085,354.83	30,853.55	3,054,501.28			
Construction of PSDI 2*65MW Coal-fired Power Plant Project in Sulawesi, Indonesia	202,286,554.03	2,022,865.53	200,263,688.50	62,238,175.13	603,944.21	61,634,230.92
2*65MW coal-fired power plant new project construction general contract	9,186,546.46	91,865.46	9,094,681.00			
2*65MW coal-fired power plant project expansion and general contract	12,969,882.58	129,698.83	12,840,183.75			
132MW wind power project in the Philippines				771,986,285.10	38,599,314.28	733,386,970.82
100MW Photovoltaic Project in the Philippines	1,163,717,475.32	11,637,174.75	1,152,080,300.57	1,179,986,041.54	11,799,860.42	1,168,186,181.12
Engineering project	488,070,343.62		488,070,343.62			
Warranty	15,136,521.14	427,144.61	14,709,376.53	6,572,731.45	32,863.66	6,539,867.79
Total	2,251,741,714.33	17,912,493.10	2,233,829,221.23	2,278,748,488.68	53,615,635.12	2,225,132,853.56

8.10 Assets classified as held for sale

Category	Closing balance	Opening balance
Assets classified as held for sale	74,326,266.86	92,289,422.77
Assets in disposal groups classified as held for sale		
Total	74,326,266.86	92,289,422.77

Assets classified as held for sale

Category	Closing Balance			Estimated disposal time	Reason for sale	Subsidiary
	Carrying amount	Impairment provision	Book value			
Nanjing TBR production line	74,326,266.86		74,326,266.86	2022	Idle State	Nanjing Kumho Tire Co., Ltd.
Total	74,326,266.86		74,326,266.86			

Note: The Nanjing TBR production line is an idle asset of Nanjing Kumho Tire Co., Ltd. The equipment sales agreement was signed in October 2020, and the sale is expected to be completed around August 2021, however, due to effect of COVID-19 Pandemic (Border restrictions ect.), the physical transfer has been delayed and the sale process is expected to be completed in 2022.

8.11 Non-current assets due within one year

Item	Closing balance	Opening balance
Long-term receivables due within one year	5,755,501,661.77	5,088,490,026.78
Debt investments due within one year	2,138,895,851.78	2,449,796,882.72
Finance lease receivables due within one year	1,534,101.36	1,888,212.01
Other non-current assets due within one year	1,044,678.76	
Total	7,896,976,293.67	7,540,175,121.51

8.12 Other Current Assets

Item	Closing balance	Opening balance
Deferred expense	31,359,350.57	30,315,798.28
Prepaid tax	217,191,541.88	52,118,950.15
Prepay VAT, Input Tax to Be Deducted, Input Tax to Be Certified, Value-Added Tax, etc.	2,317,146,591.85	2,258,783,001.05
Trust Fund		700,000,000.00
Reclamation Lands Use Rights	312,206,805.08	187,129,165.53

Item	Closing balance	Opening balance
Entrusted loan	3,095,258,196.81	7,181,717,392.36
Debt investment	155,869,650.00	153,453,791.00
Working Capital Loan	1,208,159,968.28	1,526,829,100.83
Bond Investment	50,000,000.00	2,500,000,000.00
Wantai Project	42,972,720.38	42,972,720.38
Others	2,633,668.87	14,753,479.54
Total	7,432,798,493.72	14,648,073,399.12

8.13 Loans and advances to customers

8.13.1 Loans and advances are distributed according to individuals and enterprises

Item	Closing balance	Opening balance
Personal loans and advances	25,630,000.00	144,940,717.00
Corporate loans and advances	7,940,994,803.14	7,809,400,873.14
Total loans and advances	7,966,624,803.14	7,954,341,590.14
Less: loan loss provision	410,747,152.00	329,968,080.00
Including: Individual assessment	203,025,571.10	191,761,851.10
Collective assessment	207,721,580.90	138,206,228.90
Carrying Value of loans and advances	7,555,877,651.14	7,624,373,510.14

8.13.2 Loans and advances distributed according to guarantee method

Item	Closing balance	Opening balance
Credit Loans		
Guaranteed loan	153,276,330.00	1,032,205,717.00
Collateral loan	7,813,348,473.14	6,922,135,873.14
Including: Mortgage loan	5,121,568,473.14	5,489,335,873.14
Pledged loan	2,691,780,000.00	1,432,800,000.00
Total loans and advances	7,966,624,803.14	7,954,341,590.14
Less: loan loss provision	410,747,152.00	329,968,080.00
Including: Individual Assessment	203,025,571.10	191,761,851.10
Collective assessment	207,721,580.90	138,206,228.90
Book value of loans and advances	7,555,877,651.14	7,624,373,510.14

8.13.3 Loan loss provision

Item	Current period		Prior period	
	Individual	Combination	Individual	Combination
Opening balance	36,797,331.10	94,434,828.90		99,068,647.58
Accrual during the period	154,964,520.00	43,771,400.00		
Initial balance of the current period	191,761,851.10	138,206,228.90		99,068,647.58
Current period provision	11,263,720.00	69,515,352.00	36,797,331.10	20,163,512.42
Current period transfer out				
Current period charge off				
Current period transfer back				24,797,331.10
Reversal due to the recovery of original written-off loans and advances				
Reversal of loans and advances due to increase in discounted value				
Reversal due to other factors				
Closing balance	203,025,571.10	207,721,580.90	36,797,331.10	94,434,828.90

8.14 Debt Investment

Details of debt investment

Item	Closing balance			Opening balance		
	Carrying amount	Impairment provision	Carrying value	Carrying amount	Impairment provision	Carrying value
Bond Investment	4,086,563,578.07		4,086,563,578.07	823,389,266.59		823,389,266.59
Corporation loan investment	6,741,235,590.06	80,300,000.00	6,660,935,590.06	9,655,381,285.45	80,000,000.00	9,575,381,285.45
Corporate convertible bond investment	1,240,000,000.00	12,400,000.00	1,227,600,000.00	1,860,000,000.00		1,860,000,000.00
Entrusted Loan	11,602,934,782.93	659,001,441.60	10,943,933,341.33	10,929,017,496.99	510,963,497.16	10,418,053,999.83
Trust investment	1,206,970,000.00	4,800,000.00	1,202,170,000.00	1,081,000,000.00		1,081,000,000.00
Fund investment	63,000,000.00		63,000,000.00	63,000,000.00		63,000,000.00
Investment in other projects	1,171,279,354.04		1,171,279,354.04	299,269,904.92		299,269,904.92
Total	26,111,983,305.10	756,501,441.60	25,355,481,863.50	24,711,057,953.95	590,963,497.16	24,120,094,456.79

8.15 Long-term receivables

Item	Closing balance			Opening balance		
	Carrying amount	Bad debts reserve	Carrying value	Carrying amount	Bad debts reserve	Carrying value
Finance lease	11,583,578,794.74	72,952,214.42	11,510,626,580.32	10,573,974,847.34	72,392,614.06	10,501,582,233.28
Installment sales of goods	438,399,298.71	31,983,333.40	406,415,965.31	246,933,975.64	30,216,666.62	216,717,309.02
Jiaodong airport project	9,912,636,483.44		9,912,636,483.44	10,657,136,588.51		10,657,136,588.51

Item	Closing balance			Opening balance		
	Carrying amount	Bad debts reserve	Carrying value	Carrying amount	Bad debts reserve	Carrying value
Financial lease deposit				9,000,000.00		9,000,000.00
Trust industry protection funds	48,000,000.00		48,000,000.00	54,500,000.00		54,500,000.00
Agricultural innovation park investment fund	27,805,410.93		27,805,410.93	24,585,410.93		24,585,410.93
Payment by installments to provide labor services	71,034,684.51		71,034,684.51			
Others	1,702,701.89		1,702,701.89	3,183,405.43		3,183,405.43
Total	22,083,157,374.22	104,935,547.82	21,978,221,826.40	21,569,314,227.85	102,609,280.68	21,466,704,947.17

8.16 Long-term equity investment

8.16.1 Classification

Items	Opening balance	Additions	Deductions	Closing balance
Investments in subsidiaries	25,779,671,696.16		11,730,754,582.35	14,048,917,113.81
Investment in joint ventures	1,056,274,606.82	6,593,542.13	3,801,231.08	1,059,066,917.87
Investment in associates	30,469,115,056.87	8,730,560,414.01	917,647,531.46	38,282,027,939.42
Sub-total	57,305,061,359.85	8,737,153,956.14	12,652,203,344.89	53,390,011,971.10
Less: Provision for impairment of long-term equity investments	146,124,940.91	16,750.00		146,141,690.91
Total	57,158,936,418.94	8,737,137,206.14	12,652,203,344.89	53,243,870,280.19

8.16.2 Details

Invested parties	Cost of Investment	Opening balance	Movement during the period						Closing balance	Closing balance for impairment
			Additional investment during the year	Disposal during the year	Gain on investment under equity method	OCI Adj.	Changes in other reserve	Cash dividend declared or profit	Provision for impairment	Others
Total	64,366,183,190.86	57,305,061,359.85	4,066,097,464.32	833,848,919.86	512,493,163.10	-189,324.63	-2,349,515.51	85,061,002.54	16,750.00	-7,572,191,253.63
Subsidiaries	25,779,671,696.16	25,779,671,696.16								-11,730,754,582.35
Qingdao Urban Construction Investment Center	11,661,358.18	11,661,358.18								11,661,358.18
Qingdao Transportation Development Group Co., Ltd.	11,730,754,582.35	11,730,754,582.35								-11,730,754,582.35
Qingdao International Airport Group Co., Ltd.	14,037,255,755.63	14,037,255,755.63								14,037,255,755.63
2. Joint ventures	1,056,648,172.46	1,056,274,606.82	3,000,000.00	3,801,231.08	3,593,542.13					1,059,066,917.87
Qingdao Dongzhong Tengyu Equity Investment Partnership (Limited Partnership)	52,000,000.00	57,073,968.12	1,000,000.00		3,127,182.69					61,201,150.81
Qingdao Guohua Jiaye Construction Engineering Co., Ltd.	2,000,000.00		2,000,000.00		-248,534.61					1,751,465.39
Nuclear Construction Youth Control(Shandong)Project Management Ltd.	1,000,000.00	1,000,000.00			61,077.09					1,061,077.09
Shenzhen Qingyun Wanli Asset Management Co., Ltd.	1,648,172.46	6,314,651.32			652,851.80					6,967,503.12
Qingdao Lanhai Xinggang City Real Estate Co., Ltd.	1,000,000,000.00	988,084,756.30			965.16					988,085,721.46
Qingdao Anjian Investment Co., Ltd.		3,801,231.08		3,801,231.08						

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Invested parties	Cost of Investment	Opening balance	Movement during the period						Closing balance	Closing balance for impairment
			Additional investment during the year	Disposal during the year	Gain on investment under equity method	OCI Adj.	Changes in other reserve	Cash dividend declared or profit	Provision for impairment	Others
3. Joint ventures	37,529,863,322.24	30,469,115,056.87	4,063,097,464.32	830,047,688.78	508,899,620.97	-189,324.63	-2,349,515.51	85,061,002.54	16,750.00	4,158,563,328.72
Qingdao Guofu Financial Assets Trading Center Co., Ltd.	12,500,000.00	11,653,335.25			-1,149,558.80					10,503,776.45
City Gold (Qingdao) Investment Co., Ltd.	4,768,300.00	3,823,053.93			-26,604.97					3,796,448.96
Qingdao Dongfang Port Haitou Technology Co., Ltd.	9,364,738.51	9,259,835.76			-442,960.46					8,816,875.30
Qingdao Chengyu Investment Center (Limited Partnership)	10,000,000.00	12,902,305.79			-2,653,076.09					10,249,229.70
Qingdao Lending New Building Materials Technology Co., Ltd.	40,000,000.00		40,000,000.00		-1,458,656.95					38,541,343.05
Qingdao Pengsheng Marine Equipment Co., Ltd.	59,000,000.00		59,000,000.00		-104,861.30					58,895,138.70
Qingdao Chengzhong Qijin Asset Management Co., Ltd.	1,650,000.00		1,650,000.00		134,627.33					1,784,627.33
Qingdao Chengfaxin Real Estate Development Co., Ltd.	4,000,000.00		4,000,000.00		-1,297.89					3,998,702.11
Henan Yuanbin Jiang Hengshun Equity Investment Fund (Limited Partnership)	15,000,000.00	16,531,072.28			1,185,121.94					17,716,194.22
Yangzhou Yuanbinjiang Zhongheng Supply Chain Co., Ltd.	1,470,000.00	1,684,177.97			84,813.26					1,768,991.23
Qingdao Zhongcheng Intelligent Manufacturing Co., Ltd.	4,590,000.00				-37,673.65					2,692,391.90
Qingdao Bozhi Yueyin Enterprise Management Partnership	481,300.00		481,300.00		-62.00					481,238.00

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Invested parties	Cost of Investment	Opening balance	Movement during the period						Closing balance	Closing balance for impairment
			Additional investment during the year	Disposal during the year	Gain on investment under equity method	OCI Adj.	Changes in other reserve	Cash dividend declared or profit	Provision for impairment	Others
(Limited Partnership)										
Shandong International Coastal Culture Industry Co., Ltd.	228,850,000.00	224,500,453.47			-1,050,140.69					223,450,312.78
Ningbo Mershan Bonded Port Area Yoyin Deyu Equity Investment Partnership (Limited Partnership)	100,000,000.00	100,000,000.00			11,625,300.00					111,625,300.00
Qingdao Chengtong Yueyin Kaiyong Venture Capital Partnership (Limited Partnership)	187,000,000.00		187,000,000.00		-2,409,600.00					184,590,400.00
Qingdao Chengtong Yueyin Private Equity Investment Fund Partnership (Limited Partnership)	305,593,800.00		305,593,800.00		-78,600.00					305,515,200.00
Qingdao Blue Valley Jiayu Investment Development Co., Ltd.	1,000,000.00									
Qingdao Huaqing Education Investment Co., Ltd.	18,000,000.00	38,487,945.72			658,689.12					39,146,634.84
Qingdao Chengtong Yicun Tongwei Equity Investment Fund of Fund Partnership (Limited Partnership)	8,575,000.00	8,575,000.00			-245,312.10					8,329,687.90
Qingdao Chengtong Yicun Equity Investment Management Co., Ltd.	690,000.00	667,409.68			-39,126.14					628,283.54
Qingdao Qingfeng Investment Co., Ltd.	3,500,000,000.00	3,500,000,000.00								3,500,000,000.00

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Invested parties	Cost of Investment	Opening balance	Movement during the period						Closing balance	Closing balance for impairment
			Additional investment during the year	Disposal during the year	Gain on investment under equity method	OCI Adj.	Changes in other reserve	Cash dividend declared or profit	Provision for impairment	Others
Qingdao Nianxin Urban Investment Management Consulting Co., Ltd.	45,000,000.00	23,050,622.13			-4,625,464.97					18,425,157.16
Qingdao Huijie Real Estate Co., Ltd.	138,589.52									
Qingdao Huibo Real Estate Co., Ltd.	109,884.82									
Qingdao Huihai Real Estate Co., Ltd.	140,281.90									
Qingdao Chengxin Real Estate Investment Co., Ltd.	161,700,000.00		161,700,000.00		-1,536,745.66					160,163,254.34
Qingdao Oriental Garden of Eden Cultural Tourism Development Co., Ltd.	150,000,000.00	155,708,932.46			-6,203,080.89					149,505,851.57
Qingdao Shiao Investment Development Co., Ltd.	250,000,000.00	263,307,004.77			-107,572.40					262,199,432.37
Qingdao CCCC Urban Investment Real Estate Co., Ltd.	413,321,429.42	23,321,429.00	390,000,000.42		-2,944,802.18					410,376,627.24
City Air Transportation Service (Qingdao) Co., Ltd.	7,072,700.00		7,072,700.00		987,011.63			1,203,027.54		6,856,684.09
Qingdao Wudokou New Energy Automobile Industry Fund Enterprise (Limited Partnership)	14,137,619,682.46	10,137,619,682.46							4,000,000,000.00	14,137,619,682.46
Qingdao Taihe Jinqin Medical Care Co., Ltd.	35,000,000.00	35,009,310.86			1.80					35,009,312.66
Qingdao Jinuo Investment Co., Ltd.	14,700,000.00	14,698,162.50								14,698,162.50

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Invested parties	Cost of Investment	Opening balance	Movement during the period						Closing balance	Closing balance for impairment
			Additional investment during the year	Disposal during the year	Gain on investment under equity method	OCI Adj.	Changes in other reserve	Cash dividend declared or profit	Provision for impairment	Others
Qingdao Zesheng Textile Co., Ltd.	19,000,000.00	16,677,827.88								16,677,827.88
Qingdao Teller Environmental Protection Building Materials Co., Ltd.	16,750.00	16,750.00							16,750.00	16,750.00
Qingdao Yuexi Guest Lai Zhongshan Shopping Co., Ltd.	179,517,157.70	165,573,397.98			-2,076,056.21					163,497,341.77
Qingdao Zhonghe Freya Ecological Animal Husbandry Co., Ltd.	58,800,000.00	57,088,174.55								57,088,174.55
Wanfeng Aircraft Industry Co., Ltd.	1,843,100,000.00		1,843,100,000.00		112,000,000.00					1,955,100,000.00
Guangdong Guohong Hydrogen Energy Technology Co., Ltd.	264,000,000.00		264,000,000.00		-4,266,716.27					259,733,283.73
Galaxy City Pacific Project	2,800,000.00		2,800,000.00		-665,472.98					2,134,527.02
Qingdao Huidian Real Estate Co., Ltd.	4,849,534.59	24,289,525.80			33,002,688.33					57,292,214.13
Qingdao Huicheng Real Estate Co., Ltd.	4,857,012.56	48,325,263.03			63,765,957.47					112,091,220.50
Qingdao Huiding Real Estate Co., Ltd.	107,627.91									
Qingdao Huilian Real Estate Co., Ltd.	87,072.55				18,914,078.25					18,914,078.25
Beijing Energy International Holdings Co., Ltd.	898,340,424.78	727,184,749.39								727,184,749.39
Hongfeng Culture Co., Ltd.	553,480,868.80	532,573,122.29			-12,729,726.92					519,843,395.37
										125,733,772.00

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Invested parties	Cost of Investment	Opening balance	Movement during the period						Closing balance	Closing balance for impairment
			Additional investment during the year	Disposal during the year	Gain on investment under equity method	OCI Adj.	Changes in other reserve	Cash dividend declared or profit	Provision for impairment	Others
Vanlink Company Limited	89,450.00	89,450.00								89,450.00
Qingdao Recycling Enterprise Management Co., Ltd.	164,512.00	242,616.59			-14,136.59					228,480.00
Qingdao Haisiquanzong Private Equity Fund Management Co., Ltd.	12,776,700.16	18,290,029.05			1,541,917.28			2,160,000.00		17,671,946.33
Qingdao Hailang Special Equipment Technology Co., Ltd.	5,100,000.00	3,657,625.45								-3,657,625.45
China Overseas Star Dragon Industry (Qingdao) Co., Ltd.	2,777,324.84	1,671,426.50			-1,286,908.90					384,517.60
Hebei Dazhengren Automobile Sales and Service Group Co., Ltd.	37,524,241.03	37,524,241.03								37,524,241.03
arab haji industries co., ltd.	697,620.00	697,620.00				-60,050.00				637,570.00
Beijing Hurricane Partner Network Technology Co., Ltd.	7,110,303.25	6,749,857.18			-36,726.70					6,713,130.48
Xingda Network Technology (Qingdao) Co., Ltd.	3,900,000.00	3,907,807.25			322,024.02					4,229,831.27
Suxing Automotive Technology (Qingdao) Co., Ltd.	3,000,000.00	3,052,955.72			-31,004.36					3,021,951.36
Huajian Green Wheel Resource Recycling Co., Ltd.	1,500,000.00	1,501,576.23			62,585.38					1,564,161.61
Beijing Xinggun Future Automobile Technology Co., Ltd.	500,000.00		500,000.00		208,225.26					708,225.26
CAMCE Jihua Heavy Industry (Qingdao) Co., Ltd.	67,500,000.00		67,500,000.00							67,500,000.00

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Invested parties	Cost of Investment	Opening balance	Movement during the period						Closing balance	Closing balance for impairment
			Additional investment during the year	Disposal during the year	Gain on investment under equity method	OCI Adj.	Changes in other reserve	Cash dividend declared or profit	Provision for impairment	Others
Qingdao Davixing High-end New Material Co., Ltd.	53,200,000.00		53,200,000.00							53,200,000.00
Xinyu Zhike Carbon Neutral Equity Investment Partnership (Limited Partnership)	20,000,000.00		20,000,000.00							20,000,000.00
Qingdao Wancheng Didulhui Real Estate Development Co., Ltd.	500,000.00		500,000.00							500,000.00
China Construction Port Group Co., Ltd.	76,800,786.75				16,133,744.86	-129,274.63	-2,349,515.51	6,697,975.00		159,490,888.62
Qingdao Rural Commercial Bank Co., Ltd.	2,220,789,162.22	2,595,751,315.73	11,252,663.90		277,473,000.00			75,000,000.00		2,809,476,979.63
Qingdao Talent Group Co., Ltd.	10,200,000.00	8,708,235.94			-2,159,342.56					6,548,893.38
Qingdao Haichuang Development and Construction Investment Co., Ltd.	200,000,000.00	200,000,000.00			19,181,123.67					219,181,123.67
Global Non ferrous Metals Industry Fund LP (Cayman)	1,072,041,070.00	876,294,070.00	195,747,000.00							1,072,041,070.00
PT. Metal Smeltindo Solanas	448,000,000.00		448,000,000.00							448,000,000.00
Qinggang Group's old factory	9,729,399,996.47	10,559,447,685.25		830,047,688.78						9,729,399,996.47

8.17 Other equity instruments investment

Items	Closing balance	Opening balance
Equity Instrument investment	76,832,838,927.11	29,067,178,314.79
Total	76,832,838,927.11	29,067,178,314.79

8.18 Other non-current financial assets

Items	Fair value at the end of the period	Fair value at the beginning of the period
Debt instrument investment	10,700,062.56	11,715,019.81
Trust protection fund	1,002,500.00	6,010,000.00
Total	11,702,562.56	17,725,019.81

8.19 Investment property

Items	Closing balance	Opening balance
Investment property	6,475,005,915.51	6,317,756,000.17
Total	6,475,005,915.51	6,317,756,000.17

8.20 Fixed Assets

Item	Closing balance	Opening balance
Fixed asset	42,418,916,974.94	31,270,450,143.97
Disposal of Fixed Assets	373,300.48	920.00
Total	42,419,290,275.42	31,270,451,063.97

8.20.1 Fixed Assets

Items	Opening balance	Additions	Deductions	Closing balance
1. Total original value	48,425,478,186.52	20,875,448,236.44	7,257,496,602.17	62,043,429,820.79
Inc: Buildings and constructions	11,646,350,926.19	1,521,128,642.44	1,544,649,684.95	11,622,829,883.68
Structure-photovoltaic, wind power station	10,169,460,019.47	4,627,974,627.70	60,344,885.89	14,737,089,761.28
Land	1,904,769,663.46		216,002,433.01	1,688,767,230.45
Roads		11,667,699,236.23	2,926,728,665.40	8,740,970,570.83
Machinery equipment	19,726,295,714.20	2,420,240,459.98	2,071,534,101.19	20,075,002,072.99
Transportation equipment-	298,197,998.07	55,274,142.57	32,356,939.79	321,115,200.85

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Items	Opening balance	Additions	Deductions	Closing balance
vehicles				
Transportation equipment - airframe, engine and core parts	851,504,222.89	258,899,314.90	73,462.85	1,110,330,074.94
Electronic equipment	42,902,775.79	76,387,161.98	3,268,732.77	116,021,205.00
Other equipment	3,785,996,866.45	247,844,650.64	402,537,696.32	3,631,303,820.77
2.Total accumulated depreciation	16,771,916,994.42	4,854,836,561.83	2,339,586,463.09	19,287,167,093.16
Inc: Buildings and constructions	2,504,329,054.55	440,855,309.42	234,377,316.61	2,710,807,047.36
Structure-photovoltaic, wind power station	1,108,582,485.84	1,188,334,659.18	4,488,806.43	2,292,428,338.59
Land				
Roads		349,295,916.35		349,295,916.35
Machinery equipment	10,106,590,736.95	1,789,821,589.93	1,082,673,619.86	10,813,738,707.02
Transportation equipment– vehicles	227,093,781.62	49,540,255.14	26,390,084.48	250,243,952.28
Transportation equipment - airframe, engine and core parts	190,557,957.80	507,255,954.33	432,407,842.17	265,406,069.96
Electronic equipment	28,453,636.32	46,098,228.12	3,058,405.23	71,493,459.21
Other equipment	2,606,309,341.34	483,634,649.36	556,190,388.31	2,533,753,602.39
3. Total book value	31,653,561,192.10			42,756,262,727.63
Inc: Buildings and constructions	9,142,021,871.64			8,912,022,836.32
Structure-photovoltaic, wind power station	9,060,877,533.63			12,444,661,422.69
Land	1,904,769,663.46			1,688,767,230.45
Roads				8,391,674,654.48
Machinery equipment	9,619,704,977.25			9,261,263,365.97
Transportation equipment– vehicles	71,104,216.45			70,871,248.57
Transportation equipment - airframe, engine and core parts	660,946,265.09			844,924,004.98
Electronic equipment	14,449,139.47			44,527,745.79
Other equipment	1,179,687,525.11			1,097,550,218.38
4.Total provision for impairment	383,111,048.13	2,806,909.98	48,572,205.42	337,345,752.69
Inc: Buildings and constructions	26,402,131.19	698,395.77	2,934,651.65	24,165,875.31

Items	Opening balance	Additions	Deductions	Closing balance
Structure-photovoltaic, wind power station				
Land				
Roads				
Machinery equipment	353,709,135.94	1,510,544.05	45,342,257.32	309,877,422.67
Transportation equipment—vehicles				
Transportation equipment - airframe, engine and core parts				
Electronic equipment				
Other equipment	2,999,781.00	597,970.16	295,296.45	3,302,454.71
5. Total net book value	31,270,450,143.97			42,418,916,974.94
Inc: Buildings and constructions	9,115,619,740.45			8,887,856,961.01
Structure-photovoltaic, wind power station	9,060,877,533.63			12,444,661,422.69
Land	1,904,769,663.46			1,688,767,230.45
Roads				8,391,674,654.48
Machinery equipment	9,265,995,841.31			8,951,385,943.30
Transportation equipment—vehicles	71,104,216.45			70,871,248.57
Transportation equipment - airframe, engine and core parts	660,946,265.09			844,924,004.98
Electronic equipment	14,449,139.47			44,527,745.79
Other equipment	1,176,687,744.11			1,094,247,763.67

8.20.2 Disposal of fixed assets

Item	Closing balance	Opening balance
Office equipment	3,279.50	920.00
Machinery equipment	370,020.98	
Total	373,300.48	920.00

8.21 Construction in Progress

Items	Closing balance			Opening balance		
	Carrying amount	Impairment	Book value	Carrying amount	Impairment	Book value
Construction in progress	38,067,415,958.41	6,218,223.57	38,061,197,734.84	38,657,908,310.79	5,189,111.34	38,652,719,199.45
Engineer material						
Total	38,067,415,958.41	6,218,223.57	38,061,197,734.84	38,657,908,310.79	5,189,111.34	38,652,719,199.45

Details:

Name of the project	Closing balance			Opening balance		
	Carrying amount	Impairment	Book value	Carrying amount	Impairment	Book value
Chanzhi Reservoir and surrounding water infrastructure development project	6,194,031,229.00		6,194,031,229.00	6,194,031,229.00		6,194,031,229.00
Dagu River Water Conservancy Facilities and Land Development Project	5,693,571,909.65		5,693,571,909.65	5,693,571,909.65		5,693,571,909.65
Bay Bridge Wiring	4,357,970,200.58		4,357,970,200.58	4,573,048,848.48		4,573,048,848.48
Xinjiang Road Expressway Project	3,505,495,295.01		3,505,495,295.01	3,459,865,626.43		3,459,865,626.43
Chongqing Road Expressway Project	2,992,602,387.26		2,992,602,387.26	2,991,402,387.26		2,991,402,387.26
Ring Jiaozhou Bay Expressway	2,983,376,445.25		2,983,376,445.25	2,957,527,391.65		2,957,527,391.65
Jinshui Road Opening Project	2,484,400,000.00		2,484,400,000.00	2,484,400,000.00		2,484,400,000.00
Expressway Phase III	2,384,619,088.11		2,384,619,088.11	2,384,619,088.11		2,384,619,088.11
Cross-Harbour Tunnel Connection Works	1,470,724,825.07		1,470,724,825.07	1,468,817,428.88		1,468,817,428.88
Feifa Procurement	1,440,572,183.35		1,440,572,183.35	536,775,177.41		536,775,177.41
Kumho Tire Project Engineering	643,749,807.65		643,749,807.65	155,400,322.43		155,400,322.43
Qingdao Citizen Health Center Construction Project	500,885,654.43		500,885,654.43	472,553,934.10		472,553,934.10
Qingdao Indonesia Comprehensive Industrial Park	484,659,270.64		484,659,270.64	449,638,933.64		449,638,933.64

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Name of the project	Closing balance			Opening balance		
	Carrying amount	Impairment	Book value	Carrying amount	Impairment	Book value
Project						
Qingyin Expressway Licun Toll Station Congestion Control Project New Exit Toll Station	439,487,173.35		439,487,173.35			
Project						
Fuzhou Road Opening Project	400,656,809.14		400,656,809.14	400,656,809.14		400,656,809.14
Armed Police Detachment	386,580,634.67		386,580,634.67	386,580,634.67		386,580,634.67
Central Hospital Reconstruction and Expansion Project	357,701,060.57		357,701,060.57	358,246,606.83		358,246,606.83
Photovoltaic power station	290,136,500.86		290,136,500.86	614,021,001.95		614,021,001.95
Lighting project	186,027,982.99		186,027,982.99	186,027,982.99		186,027,982.99
Badaguan Community	171,968,527.39		171,968,527.39	171,646,848.14		171,646,848.14
2010Annual Urban Drainage Pipe Network Construction Project	166,451,723.70		166,451,723.70	152,835,478.61		152,835,478.61
Green Safety Forum Intelligent Manufacturing and Testing Informatization Transformation and Phase I Project of High Durability Radial Tire	142,878,614.16		142,878,614.16			
Dongfeng Factory4.0Intelligent environmental protection relocation project	125,987,405.07		125,987,405.07	356,748,079.26		356,748,079.26
Municipal Rehabilitation Center for the Disabled				312,537,238.33		312,537,238.33
Qingdao New Airport Base Project				225,685,305.54		225,685,305.54
Other engineering projects	262,881,230.51	6,218,223.57	256,663,006.94	1,671,270,048.29	5,189,111.34	1,666,080,936.95
total	38,067,415,958.41	6,218,223.57	38,061,197,734.84	38,657,908,310.79	5,189,111.34	38,652,719,199.45

8.22 Biological assets

Items	Opening balance	Additions	Deductions	Closing balance
Plantation	3,190,401.63		115,740.12	3,074,661.51
Inc: Wine grapes	3,086,401.63		115,740.12	2,970,661.51
Tea seedlings	104,000.00			104,000.00
Total	3,190,401.63		115,740.12	3,074,661.51

8.23 Right of use assets

Items	Opening balance	Additions	Deductions	Closing balance
1.Total Original value	9,505,277,509.53	1,544,699,783.97	78,021,713.30	10,971,955,580.20
Including: Land	2,096,014,772.60	294,063,418.69	21,630,744.43	2,368,447,446.86
Buildings and constructions	799,502,680.47	254,665,051.55	48,659,317.69	1,005,508,414.33
Machinery equipment, transportation equipment and office	73,592,696.14		7,731,651.18	65,861,044.96
Others	6,536,167,360.32	995,971,313.73		7,532,138,674.05
2.Total accumulated depreciation	724,853,536.53	877,511,324.38	19,700,665.66	1,582,664,195.25
Including: Land	258,249,507.45	124,235,358.35	988,449.08	381,496,416.72
Buildings and constructions	168,588,787.23	123,553,496.33	15,599,461.89	276,542,821.67
Machinery equipment, transportation equipment and office	29,628,342.62	10,844,478.18	3,112,754.69	37,360,066.11
Others	268,386,899.23	618,877,991.52		887,264,890.75
3. Total book value	8,780,423,973.00			9,389,291,384.95
Including: Land	1,837,765,265.15			1,986,951,030.14
Buildings and constructions	630,913,893.24			728,965,592.66
Machinery equipment, transportation equipment and office	43,964,353.52			28,500,978.85
Others	6,267,780,461.09			6,644,873,783.30
4.Total provision for impairment				
Including: Land				
Buildings and constructions				
Machinery equipment, transportation equipment and office				
Others				

Items	Opening balance	Additions	Deductions	Closing balance
5. Total net book value	8,780,423,973.00			9,389,291,384.95
Including: Land	1,837,765,265.15			1,986,951,030.14
Buildings and constructions	630,913,893.24			728,965,592.66
Machinery equipment, transportation equipment and office	43,964,353.52			28,500,978.85
Others	6,267,780,461.09			6,644,873,783.30

8.24 Intangible assets

Items	Opening balance	Additions	Deductions	Closing balance
1. Original value	4,470,334,082.57	18,743,409,330.09	471,203,162.73	22,742,540,249.93
Including: Software	172,169,784.78	70,519,675.41	102,827,315.55	139,862,144.64
Land use rights	1,543,765,067.02	869,130,028.57	346,614,528.07	2,066,280,567.52
Patent	74,592,771.70			74,592,771.70
Proprietary technology	338,290,034.55	36,204,627.74	5,220,995.66	369,273,666.63
Trademark	40,650,693.58	884,557.30	2,237,004.64	39,298,246.24
Copyright	4,000.00			4,000.00
Membership fee	40,393,298.33		3,264,751.40	37,128,546.93
Right to use parking space	24,000,000.00	14,280,000.00		38,280,000.00
Property rights	23,906,300.00			23,906,300.00
Management software	2,312,247.08	18,955.45		2,331,202.53
Mine franchise right	2,105,180,745.88	9,469,212.00		2,114,649,957.88
Maritime right of use		33,821,351.01		33,821,351.01
Franchise rights		17,706,195,931.72		17,706,195,931.72
Others	105,069,139.65	2,884,990.89	11,038,567.41	96,915,563.13
2. Total accumulated amortization	402,630,790.72	1,437,920,538.02	38,825,731.66	1,801,725,597.08
Including: Software	70,800,644.55	31,173,812.80	15,480,877.61	86,493,579.74
Land use rights	92,586,928.22	54,306,838.28	7,070,887.95	139,822,878.55
Patent	6,987,611.95	6,010,774.08		12,998,386.03
Proprietary technology	89,416,333.91	36,756,324.26	3,676,693.60	122,495,964.57
Trademark	39,080,598.29	884,923.99	3,121,945.41	36,843,576.87
Copyright	333.34	2,000.04		2,333.38
Membership fee				

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Items	Opening balance	Additions	Deductions	Closing balance
Right to use parking space		7,434,618.63		7,434,618.63
Property rights	4,542,196.80	1,135,549.20		5,677,746.00
Management software	1,749,722.04	193,624.96		1,943,347.00
Mine franchise right	7,276,777.66			7,276,777.66
Maritime right of use		3,213,028.44		3,213,028.44
Franchise rights		1,295,094,172.40		1,295,094,172.40
Others	90,189,643.96	1,714,870.94	9,475,327.09	82,429,187.81
3. Total provision for impairment	40,070,401.59		7,260,002.96	32,810,398.63
Including: Software				
Land use rights	3,948,491.58		3,948,491.58	
Patent	4,601,728.27			4,601,728.27
Proprietary technology				
Trademark				
Copyright				
Membership fee	27,906,401.60		2,931,847.51	24,974,554.09
Right to use parking space				
Property rights				
Management software				
Mine franchise right				
Maritime right of use				
Franchise rights				
Others	3,613,780.14		379,663.87	3,234,116.27
4. Total net book value	4,027,632,890.26			20,908,004,254.22
Including: Software	101,369,140.23			53,368,564.90
Land use rights	1,447,229,647.22			1,926,457,688.97
Patent	63,003,431.48			56,992,657.40
Proprietary technology	248,873,700.64			246,777,702.06
Trademark	1,570,095.29			2,454,669.37
Copyright	3,666.66			1,666.62
Membership fee	12,486,896.73			12,153,992.84
Right to use parking space	24,000,000.00			30,845,381.37
Property rights	19,364,103.20			18,228,554.00

Items	Opening balance	Additions	Deductions	Closing balance
Management software	562,525.04			387,855.53
Mine franchise right	2,097,903,968.22			2,107,373,180.22
Maritime right of use				30,608,322.57
Franchise rights				16,411,101,759.32
Others	11,265,715.55			11,252,259.05

8.25 Development expenses

Items	Opening balance	Additions		Deductions			Closing balance
		Internal development spending	Others	Recognized as intangible assets	Transfer to current profit and loss	Others	
Vertical Double Heating Continuous Cracking Reactor and Cracking System		54,527.74					54,527.74
Total		54,527.74					54,527.74

8.26 Goodwill

8.26.1 Cost of goodwill

Name of the investee	Opening book value	Additions	Deductions	Closing book value
Qingdao Shengtong Coast Real Estate Development Co., Ltd.	267,119,142.74			267,119,142.74
Qingdao (holding) International Co., Ltd.	260,281,804.77			260,281,804.77
PT Kutai Nyala Resources	24,580,800.00			24,580,800.00
Qingdao Zhongzi Zhongcheng Group Co., Ltd.	2,233,991,003.20			2,233,991,003.20
Qingdao Airlines Co., Ltd.	2,273,074,431.09			2,273,074,431.09
Nanshan Business Jet Co., Ltd.	83,524,031.00			83,524,031.00
Kumho Tire Co., Ltd.	252,460,367.93			252,460,367.93
Qingdao Chengtuo Agriculture and Forestry Development Co., Ltd.	19,830,402.87			19,830,402.87
Total	5,414,861,983.60			5,414,861,983.60

8.26.2 Provision for impairment of goodwill

Name of the investee	Opening book value	Additions	Deductions	Closing book value
Qingdao Shengtong Coast Real Estate Development Co., Ltd.	178,764,602.13			178,764,602.13
PT Kutai Nyala Resources		24,580,800.00		24,580,800.00
Qingdao Airlines Co., Ltd.	180,000,000.00			180,000,000.00
Qingdao Chengtou Agriculture and Forestry Development Co., Ltd.	19,830,402.87			19,830,402.87
Total	378,595,005.00	24,580,800.00		403,175,805.00

8.27 Long-term deferred expenses

Items	Opening balance	Additions	Amortization	Other deductions	Closing balance
Renovation cost	68,793,442.69	16,109,451.88	13,136,593.59	98,213.03	71,668,087.95
Design fees, etc.	5,294,532.36	508,518.61		4,500.16	5,798,550.81
Engineering construction, etc.	22,986,339.44	291,374,234.09	24,670,755.41	242,167,440.93	47,522,377.19
Interest	831,411,421.21	84,123,685.22	124,724,818.28		790,810,288.15
Expenses for the introduction and development of pilots	162,221,591.71	72,696,638.53	59,795,432.13		175,122,798.11
Rental fees	287,697,228.55	126,673,229.95	25,597,918.16		388,772,540.34
Other	28,912,061.23	14,575,752.87	4,701,415.66	492,932.71	38,293,465.73
Total	1,407,316,617.19	606,061,511.15	252,626,933.23	242,763,086.83	1,517,988,108.28

8.28 Deferred tax assets and deferred tax liabilities

8.28.1 Deferred tax assets and deferred tax liabilities are not listed as the net amount after the offset

Items	Closing balance		Opening balance	
	Deferred tax assets/liabilities	Deductible/taxable temporary difference	Deferred tax assets/liabilities	Deductible/taxable temporary difference
1、Deferred tax assets	1,296,750,704.25	5,593,243,712.11	1,463,532,493.62	6,286,946,355.83
Provision for assets impairment	676,549,398.68	2,761,184,754.49	560,059,933.18	2,287,034,427.22
Deductible loss	299,126,111.47	1,339,556,410.76	610,519,015.99	2,584,525,362.46
Deferred income	68,645,169.25	440,483,832.43	69,788,909.26	457,278,811.35
Offset unrealized internal transaction deferred tax	17,545,276.02	112,479,719.16	26,879,684.38	170,756,831.58
Gains and losses on changes in fair value	38,532,023.68	154,128,094.72	5,353,039.12	23,623,276.49
Estimated liabilities	371,743.26	1,486,973.04	2,047,218.51	8,188,874.03
Employee benefits payable	14,563.81	58,255.24	5,230.06	20,920.24
Amortization of intangible assets	3,643,950.11	14,575,800.44	3,643,950.11	14,575,800.44
Accrued expenses	11,810,506.85	47,242,027.40	11,315,079.64	45,260,318.54
Investment Real Estate (Difference between Fair Value and Tax Basis)	73,313,213.67	293,252,854.63	41,316,673.70	165,266,694.80
Pre-collected housing payment is determined according to the tax law	10,835,912.12	43,343,648.48	1,961,921.77	7,847,687.09
Proposed disposal of long-term equity investment book			375,000.00	1,500,000.00

Items	Closing balance		Opening balance	
	Deferred tax assets/liabilities	Deductible/taxable temporary difference	Deferred tax assets/liabilities	Deductible/taxable temporary difference
value and tax base difference				
Provision on loss of loan payment	82,200,975.99	328,803,903.97	63,311,599.94	253,246,399.75
Non-monetary asset transactions confirm the difference between the book value of long-term equity investments and the tax base	13,391,047.59	53,564,190.36	66,955,237.96	267,820,951.84
Changes in fair value of other equity instrument investments	2,622.25	10,489.00		
Amortization of right-of-use assets	768,189.50	3,072,757.99		
2、Deferred tax liabilities	2,679,272,614.15	10,736,722,919.80	3,161,570,113.80	12,673,077,580.57
Valuation of trading financial instruments and derivative financial instruments	699.69	2,798.76	2,460.64	9,842.55
Accelerated depreciation of fixed assets	8,464,071.59	48,222,353.13	11,639,644.08	68,697,008.75
Difference between FV and carrying amount of investment property	543,906,803.19	2,178,232,778.74	537,768,263.02	2,153,171,266.97
Depreciation of investment property	22,939,965.49	91,759,861.89	16,719,949.76	66,879,799.08
Changes in fair value gains and losses	81,749,849.78	329,660,229.64	398,548,643.90	1,596,755,053.69
Deferred income	253,175,653.75	1,012,702,615.00	177,117,102.50	708,468,410.00

Items	Closing balance		Opening balance	
	Deferred tax assets/liabilities	Deductible/taxable temporary difference	Deferred tax assets/liabilities	Deductible/taxable temporary difference
Asset revaluation gains	419,714,456.19	1,678,857,824.76	428,585,308.64	1,714,341,234.54
Revenue recognized under accrual accounting	35,176,755.10	140,707,020.41	33,242,631.09	132,970,524.33
Changes in fair value of other equity instrument investments	1,312,344,912.42	5,249,379,649.66	1,557,632,805.26	6,230,531,221.04
Others	1,799,446.95	7,197,787.81	313,304.91	1,253,219.62

8.28.2 Deferred tax assets are listed in the net amount after offset

Item	Closing balance	Opening balance
Deferred tax assets	1,487,380,815.87	1,560,471,789.10
Total	1,487,380,815.87	1,560,471,789.10

The details of deferred tax assets are as follows:

Item	Closing balance	Opening balance
Deferred tax assets:		
Retirement salary liabilities	243,184,053.38	251,372,137.48
Immediate depreciation	23,385,365.90	24,728,567.42
Fixed asset impairment loss	11,375,970.26	12,503,399.57
Carry forward loss	467,032,604.68	490,027,551.51
Long-term payable expenses	41,340,335.74	43,598,511.72
Bad debt reserve	1,295,033.98	1,049,914.65
Respondent debt	192,780,251.66	209,528,263.37
Payable expenses	16,852,882.20	17,975,527.49
Inventory assets assessment loss	2,985,634.65	1,659,080.02
Fixed asset appraisal loss	194,681,653.43	253,441,906.49
Others	111,050,244.64	156,510,024.10
Sub-total	1,305,964,030.52	1,462,394,883.82
Deferred tax liabilities:		
Sales margin	-9,997,209.16	-9,312,695.98
Land reassessment balance	-126,014,924.75	-141,927,922.80
Debt adjusted income	-12,940,796.57	-20,073,425.59
Right-of-use asset	-15,657,381.75	-19,137,841.67
Finance lease receivables	-553,403.70	-815,076.18
Others	-318,808,113.38	-333,258,623.68
Sub-total	-483,971,829.31	-524,525,585.90
Tax credit	46,142,543.64	48,530,727.50
Turn loss	619,246,071.02	574,071,763.68
Confirmed deferred corporate income tax assets	1,305,964,030.52	1,462,394,883.82
Confirmed deferred corporate income tax	-483,971,829.31	-524,525,585.90

Item	Closing balance	Opening balance
liabilities		
Total	1,487,380,815.87	1,560,471,789.10

8.29 Other non-current assets

Item	Closing balance	Opening balance
Advance payment for construction project	260,604,779.99	227,489,440.12
Advance payment for share rights	481,621,418.13	317,444,454.54
Prepaid for purchasing long-term asset	484,072,465.28	385,719,859.21
Prepaid land fees	5,027,208.00	5,027,208.00
Jiaozhou bank Dagu River bank property rights	376,091,285.76	376,091,285.76
Purchase bad debts	10,131,834,657.88	8,450,442,697.58
Entrusted loan		184,000,000.00
Investment funds	817,585,827.57	166,530,566.30
Port utility assets	4,482,178,028.09	
Contract acquisition cost	10,915,455.46	8,269,267.16
Trust funds	2,972,730,000.00	2,972,730,000.00
government loan repayment highway	2,926,728,665.40	
Others	2,081,750,605.72	429,281.86
Total	25,031,140,397.28	13,094,174,060.53

8.30 Short-term borrowings

Conditions of the loan	Closing balance	Opening balance
Pledge loan	1,517,659,275.24	2,665,517,144.50
Mortgage loan	1,630,002,898.45	1,620,721,344.91
Guarantee loan	10,346,609,965.39	7,694,745,222.69
Credit loan	6,959,711,096.06	6,736,193,539.30
Others	53,185,567.01	183,185,567.01
Interest payable	17,792,978.09	8,671,524.31
Total	20,524,961,780.24	18,909,034,342.72

8.31 Financial liabilities held for trading

Items	Closing balance	Opening balance
Financial liabilities held for trading		22,603,263.57
Total		22,603,263.57

8.32 Notes payable

Items	Closing balance	Opening balance
Bank acceptance bills	4,372,805,231.06	1,485,968,683.48
Commercial acceptance bills	31,529,910.17	63,058,796.54
Total	4,404,335,141.23	1,549,027,480.02

8.33 Accounts payable

Account-age	Closing balance	Opening balance
Within 1 year (inclusive)	4,507,336,118.48	4,411,514,375.48
1-2 years (inclusive)	5,932,884,924.69	1,923,794,884.58
2-3 years (inclusive)	1,121,708,534.30	376,675,760.37
Above 3 years	826,448,636.80	643,904,298.94
Total	12,388,378,214.27	7,355,889,319.37

Key Account payables which aged over 1 year:

Name of the creditors	Closing balance	Reason for unpaid
Sichuan Dongxu Electric Power Engineering Co., Ltd.	436,456,553.97	Not yet settled
Shanghai Electric Group Co., Ltd.	242,643,160.00	Not yet settled
SUMEC ENERGY Development Co., Ltd.	108,029,594.00	Not yet settled
Qirui Commercial Vehicle Co., Ltd.	99,950,187.27	Not yet settled
Inner Mongolia Nengjian International Engineering Construction Investment Co., Ltd.	72,700,000.00	Not yet settled
China State Construction Engineering Corporation Limited	55,609,967.00	Not yet settled
Qingdao Helijia Environmental Protection Building Materials Group Co., Ltd.	52,225,874.09	Not yet settled
Shandong Yabaite Technology Co., Ltd.	32,752,122.00	Payment during the settlement period
Xinjiang Talimu Construction & Installation Engineering (Group) Liability Co., Ltd.	21,326,624.62	Not yet settled

Name of the creditors	Closing balance	Reason for unpaid
Sichuan Xidian Electric Power Design Co., Ltd.	21,195,426.93	Payment during the settlement period
Total	1,142,889,509.88	

8.34 Advances from customers

Account age	Closing balance	Opening balance
Within 1 year (inclusive)	107,288,867.53	335,324,784.19
Above 1 year	26,340,622.86	12,723,494.81
Total	133,629,490.39	348,048,279.00

8.35 Contract liability

Items	Closing balance	Opening balance
Advance sales payment	500,775,648.10	236,492,077.93
Ticket settlement	191,773,227.50	143,204,006.05
Trade payment and others	182,042,171.53	260,788,067.19
Advance payment of housing	651,024,320.25	862,824,341.56
Advance guarantee fee	41,049,718.16	56,642,204.72
Total	1,566,665,085.54	1,559,950,697.45

8.36 Employee benefits payable

8.36.1 Classification

Items	Opening balance	Additions	Deductions	Closing balance
Short-term benefits	423,906,342.16	3,863,671,266.19	3,875,546,225.53	412,031,382.82
Termination benefits-severance payment plan	47,762,162.25	371,580,785.86	332,039,981.47	87,302,966.64
Redundancy benefit	10,500.00	4,856,308.67	4,856,308.67	10,500.00
Other benefit expected to be settled within 1 year	11,619,563.06	434,576,253.84	274,061,913.32	172,133,903.58
Others		27,119.00	25,279.00	1,840.00
Total	483,298,567.47	4,674,711,733.56	4,486,529,707.99	671,480,593.04

8.36.2 Short-term benefits

Items	Opening balance	Additions	Deductions	Closing balance
(1) Salaries, bonuses, allowances and subsidies	181,735,589.16	3,092,249,653.60	3,093,201,396.78	180,783,845.98
(2) Employee welfare	592,624.11	98,193,425.32	95,662,394.97	3,123,654.46
(3) Social insurance	10,107,071.75	246,481,704.06	246,136,071.46	10,452,704.35
Including: Medical insurance and maternity insurance	8,460,945.93	214,538,323.08	214,490,643.24	8,508,625.77
Injury insurance	1,549,340.24	23,278,644.00	23,350,411.25	1,477,572.99
Others	96,785.58	8,664,736.98	8,295,016.97	466,505.59
(4) Housing fund	1,575,146.78	97,898,657.99	97,904,924.89	1,568,879.88
(5) Labor union funds and employee education funds	61,641,178.48	33,656,880.34	31,761,971.99	63,536,086.83
(6) Paid absence	141,112,512.84	290,610,669.90	306,300,633.62	125,422,549.12
(7) Employee benefits under short-term profit-sharing plan				
(8) other short-term employee benefits	27,142,219.04	4,580,274.98	4,578,831.82	27,143,662.20
Total	423,906,342.16	3,863,671,266.19	3,875,546,225.53	412,031,382.82

8.36.3 Termination benefits - severance payment plan

Items	Opening balance	Additions	Deductions	Closing balance
(1) Basic pension fund	10,923,969.66	304,280,529.11	278,491,882.61	36,712,616.16
(2) Unemployment insurance	2,793,890.57	46,212,022.28	28,443,695.69	20,562,217.16
(3) Enterprise annuity	677,712.71	21,088,234.47	21,598,908.16	167,039.02
(4) Others	33,366,589.31		3,505,495.01	29,861,094.30
Total	47,762,162.25	371,580,785.86	332,039,981.47	87,302,966.64

8.37 Taxes and surcharges payable

Items	Opening balance	Payable during the period	Paid during the period	Closing balance
VAT	87,273,611.71	752,957,575.87	696,921,124.14	143,310,063.44
Business tax	10,500,200.39			10,500,200.39

Items	Opening balance	Payable during the period	Paid during the period	Closing balance
Land VAT	56,397,737.96	16,220,293.60	46,393,406.05	26,224,625.51
Resource tax	271,459.80	2,708,354.26	2,978,105.86	1,708.20
Corporate income tax	827,394,088.31	893,166,431.58	1,010,119,657.43	710,440,862.46
Urban maintenance and construction tax	6,072,719.04	34,261,609.38	32,484,314.82	7,850,013.60
Property tax	13,489,588.88	56,492,012.98	55,466,406.70	14,515,195.16
Land use tax	9,287,188.47	51,847,069.45	49,567,188.44	11,567,069.48
Individual income tax	15,144,232.08	110,759,515.39	101,758,073.92	24,145,673.55
Educational surcharge	4,259,776.12	24,353,285.87	23,092,738.75	5,520,323.24
Other taxes	6,675,109.14	425,922,664.11	420,180,709.51	12,417,063.74
Total	1,036,765,711.90	2,368,688,812.49	2,438,961,725.62	966,492,798.77

8.38 Other payables

Items	Closing balance	Opening balance
Interest payable	25,188,999.86	155,708,698.91
Dividend payable	42,747,358.12	181,285,468.94
Other payables	9,911,990,876.82	12,041,184,411.41
Total	9,979,927,234.80	12,378,178,579.26

8.38.1 Interest payable

Items	Closing balance	Opening balance
Interest payable for long-term borrowing (installment payment maturity repayment)	343,088.82	32,351,795.20
Interest payable for corporate bond		100,688,722.61
Interest payable for short-term borrowing	24,845,911.04	22,668,181.10
Total	25,188,999.86	155,708,698.91

8.38.2 Dividend Payable

Items	Closing balance	Opening balance
Common stock dividend	42,747,358.12	181,285,468.94
Total	42,747,358.12	181,285,468.94

8.38.3 Other payable

(1) Other payable listed according to the nature

Items	Closing balance	Opening balance
Deposit, warranty, margin	751,698,244.08	793,971,113.43
Land-transferring fees and deed tax	1,165,970,306.64	1,153,688,935.35
Land compensation	29,553.19	41,558,162.00
Deducted payment	4,660,303.66	13,184,620.53
Engineering funds	198,529,892.38	76,522,553.39
Government funds	166,129,069.26	200,469,308.41
Related party	820,353,242.27	771,723,856.58
Company exchange	2,295,497,114.05	4,969,885,693.00
Loan	2,253,017,211.16	2,327,517,963.84
Deposit	1,930,493.00	10,230,000.00
Payment on behalf of others	9,006,980.46	131,993,683.80
Collection of investment funds from employees	39,610,390.29	29,068,967.00
Others	724,283,473.53	271,782,736.80
Restricted stock repurchase obligations		15,862,045.06
Kumho others	1,481,274,602.85	1,233,724,772.22
Total	9,911,990,876.82	12,041,184,411.41

(2) Other payable account aged over 1 year

Creditors	Closing balance	Reasons
Zhongdao Area land transfer charge and deed tax	1,153,688,935.35	Unsettled
Beijing Dingcheng Huitong Investment Management Co., Ltd.	210,000,000.00	Unsettled
Qingdao Highway Engineering Office	140,000,000.00	Unsettled
Office of the Leading Group for Poverty Alleviation and Development in Laixi City	94,000,000.00	Unsettled
Jiangsu Trina Solar Power Development Co., Ltd.	89,650,964.46	Unsettled
Qingdao Chengtou Tourism Economic Development Co., Ltd.	38,676,000.00	Unsettled
Total	1,726,015,899.81	

8.39 Non-current liabilities due within one year

Items	Closing balance	Opening balance
Long-term borrowing due within one year	18,690,737,146.13	14,212,552,830.71
Bonds payable due within one year	10,676,126,084.87	7,041,647,359.92
Long-term payable due within one year	699,786,597.30	785,616,609.46
Other long-term liabilities due within one year	142,125,000.00	
Lease liabilities due within one year	973,939,606.78	832,648,241.53
Total	31,182,714,435.08	22,872,465,041.62

8.40 Other current liabilities

Items	Closing balance	Opening balance
Short-term financing bills	8,293,970,677.22	6,028,762,465.76
Accrued expenses	6,543,508.06	449,260.09
VAT that should be recognized as substituted money on VAT in next accounting period	395,582,729.70	77,416,666.44
Short-term financial lease	102,116,000.00	425,000,000.00
Total	8,798,212,914.98	6,531,628,392.29

8.41 Long-term borrowings

Items	Closing balance	Opening balance
Pledge loan	16,736,015,125.02	7,354,344,918.44
Mortgage loan	2,654,710,692.39	697,268,090.90
Guaranteed loan	27,111,995,551.26	23,713,592,556.17
Credit loan	30,037,566,194.80	27,492,985,514.64
Other loan	3,476,020,187.80	614,384,185.77
Total	80,016,307,751.27	59,872,575,265.92

8.42 Bonds payable

Items	Closing balance	Opening balance
3 billion nonpublic funding	1,665,000,000.00	3,000,000,000.00
Private equity debt - CCB 2 billion	2,000,000,000.00	2,000,000,000.00
Private equity debt - CCB 1 billion		1,000,000,000.00
Private equity debt(3+2years)	950,000,000.00	950,000,000.00
Private equity debt(5years)	250,000,000.00	250,000,000.00
Private equity debt(3+2years)	1,750,000,000.00	1,750,000,000.00

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Items	Closing balance	Opening balance
Small public offering 2018 (5+5 years)	1,500,000,000.00	1,500,000,000.00
2019 Phase 1 medium-term notes	1,500,000,000.00	1,500,000,000.00
2019 Phase 2 medium-term notes	1,500,000,000.00	1,500,000,000.00
The Phase 1 of PPN of 2019 (1 billion CCB)	1,000,000,000.00	1,000,000,000.00
The Phase 2 of PPN in 2019 (1 billion CCB)	1,000,000,000.00	1,000,000,000.00
The Third phase of targeted debt financing tools in 2019 (1 billion CCB)	1,000,000,000.00	1,000,000,000.00
Non-public issuance of corporate bonds in 2019 (Phase 1)	2,000,000,000.00	2,000,000,000.00
2019 Public Offering of Corporate Bonds (Phase 1)-Small Public Offering	800,000,000.00	800,000,000.00
Public offering of corporate bonds in 2019 (Phase 2)	1,500,000,000.00	1,500,000,000.00
Public offering of corporate bonds in 2020 (Phase 1)	1,500,000,000.00	1,500,000,000.00
Public offering of corporate bonds in 2020 (Phase 2)	1,300,000,000.00	1,300,000,000.00
Public offering of corporate bonds in 2020 (Phase 3) (Variety 1)	400,000,000.00	400,000,000.00
Public offering of corporate bonds in 2020 (Phase 3) (Variety2)	500,000,000.00	500,000,000.00
2020 Phase 3medium-term notes	2,500,000,000.00	2,500,000,000.00
Public offering of corporate bonds in 2020 (Phase 1) (Variety 1) Small public offering	500,000,000.00	500,000,000.00
Public offering of corporate bonds in 2020 (Phase 1) (Variety 2) Small public offering	1,000,000,000.00	1,000,000,000.00
Public offering of corporate bonds in 2020 (Phase 2) (For professional investors) (Variety 1) -Small public offering	500,000,000.00	500,000,000.00
Public offering of corporate bonds in 2020 (Phase 2) (For professional investors) (Variety 2) -Small public offering	2,000,000,000.00	2,000,000,000.00
20 Qingdao City Investment PPN001	2,000,000,000.00	2,000,000,000.00
Public offering of corporate bonds in 2020 (Phase 1) (Variety 2) -Shenzhen Stock Exchange Small-scale Public Offering	700,000,000.00	700,000,000.00
Public offering of corporate bonds in 2020 (Phase 1) (Variety 1) -Shenzhen Stock Exchange Small Public Offering	1,000,000,000.00	1,000,000,000.00
2020 Phase 4medium-term notes	1,900,000,000.00	1,900,000,000.00
21 Qingdao City Investment MTN001	1,000,000,000.00	
21 Qingdao City Investment MTN002	1,000,000,000.00	
21 Qingdao City Investment MTN003	1,100,000,000.00	
21 Qingdao City Investment MTN004	2,000,000,000.00	
Public offering of corporate bonds in 2021 (Phase 1) (Variety 1)	2,000,000,000.00	

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Items	Closing balance	Opening balance
Public offering of corporate bonds in 2021 (Phase 2) (Variety 1)	1,400,000,000.00	
Public offering of corporate bonds in 2020 (Phase 2) (Variety 2)	600,000,000.00	
21 Qingdao City Investment PPN001	1,000,000,000.00	
21 Qingdao City Investment PPN002	1,650,000,000.00	
Public offering of corporate bonds in 2021(Phase 1)(For professional investors)(Variety 1)	300,000,000.00	
Public offering of corporate bonds in 2021(Phase 1)(For professional investors)(Variety 2)	1,000,000,000.00	
Public offering of corporate bonds in 2021(Phase 2)(For professional investors)(Variety 2)	590,000,000.00	
Public offering of corporate bonds in 2021(Phase3) (For professional investors)(Variety 1)	600,000,000.00	
Public offering of corporate bonds in 2021(Phase 3)(For professional investors)(Variety 2)	900,000,000.00	
Public offering of corporate bonds in 2021(Phase 4)(For professional investors) (Variety 1)	2,000,000,000.00	
Public offering of corporate bonds in 2021(Phase 4)(For professional investors) (Variety 2)	800,000,000.00	
Public offering of corporate bonds in 2021(Phase 5)(For professional investors)	2,000,000,000.00	
Qingdao city investment lease phase one asset support special plan		1,600.00
Qingdao city investment lease phase five asset support special plan		13,692,822.58
Qingdao city investment lease phase six asset support special plan		249,365,821.15
Qingdao city investment lease phase seven asset support special plan		239,518,740.37
2019 Non-public Issuance of Bonds (Phase 1)		1,500,000,000.00
2019 Public Offering of Bonds (Phase 1)	500,000,000.00	500,000,000.00
2020 Non-public Issuance of Bonds	500,000,000.00	500,000,000.00
The first phase of targeted debt financing tools in 2020	1,000,000,000.00	1,000,000,000.00
2020 Non-public Issuance of Bonds (Phase 2)		1,000,000,000.00
Qingdao city and countryside investment lease phase eight asset support special plan	38,074,787.07	427,041,522.38
Qingdao city and countryside investment lease phase nine asset support special plan	138,886,719.16	546,303,619.90
Qingdao city and countryside investment lease phase ten asset support special plan	279,420,029.84	
Qingdao city and countryside investment lease phase eleven asset support special plan	549,893,986.18	

Items	Closing balance	Opening balance
Qingdao city and countryside investment lease phase twelve asset support special plan	631,226,493.80	
Qingdao city and countryside investment lease phase thirteen asset support special plan	933,303,681.25	
2021Qingdao city and countryside investment lease phase one medium-term notes	460,000,000.00	
Qingdao City Investment Financial Holdings Group Co., Ltd. Non-public issuance of corporate bonds in 2019 (Phase 1)		2,500,000,000.00
Qingdao City Investment Financial Holdings Group Co., Ltd. publicly issued corporate bonds in 2019 (Phase 1)	1,000,000,000.00	1,000,000,000.00
Qingdao City Investment Financial Holding Group Co., Ltd. Non-public issuance of corporate bonds in 2019 (Phase 2)		500,000,000.00
Qingdao City Investment Financial Holding Group Co., Ltd. Non-public issuance of corporate bonds in 2021 (Phase 1)	2,000,000,000.00	
Qingdao City Investment Financial Holding Group Co., Ltd. Non-public issuance of corporate bonds in 2021 (Phase 2)	2,000,000,000.00	
Project Beyond \$300 million over 3 years debt	1,929,246,882.23	1,973,898,137.81
Project Beyond \$300 million over 5 years debt	1,932,140,226.23	1,977,247,495.85
Project Green Island \$300 million debt	1,943,433,371.16	1,985,456,242.09
Project Ping An \$300 million over 3 years debt	1,929,239,407.23	1,973,968,822.88
Project Happiness \$500 million debt	3,206,975,460.30	3,282,680,300.80
21Qingcheng New Energy MTN001 (carbon neutral debt)	503,915,616.44	
Total	75,630,756,660.89	57,719,175,125.81

8.43 Lease liability

Items	Closing balance	Opening balance
Lease payment	9,946,279,773.96	9,682,323,280.74
Less: Unrecognized financing costs	1,804,687,973.49	1,799,798,946.02
Reclassified to non-current liabilities due within one year	973,939,606.78	832,648,241.53
Net lease liabilities	7,167,652,193.69	7,049,876,093.19

8.44 Long-term payables

Items	Opening balance	Additions	Deductions	Closing balance
Long-term payable	2,864,000,721.46	4,076,595,088.32	1,518,389,438.71	5,422,206,371.07
Special payable	17,539,810,729.55	890,975,500.00	1,705,590,168.14	16,725,196,061.41
Total	20,403,811,451.01	4,967,570,588.32	3,223,979,606.85	22,147,402,432.48

8.44.1 Long-term payable

Items	Closing balance	Opening balance
Fixed assets accessed from financial lease	2,236,532,582.85	1,687,490,909.10
Borrowing from non-financial organizations, financing lease	167,930,292.59	264,912,933.57
Guarantee received financing lease	1,152,796,124.11	911,349,489.46
Government Repayment Road Special Debt	1,864,700,000.00	
Other	247,371.52	247,389.33
Total	5,422,206,371.07	2,864,000,721.46

8.44.2 Special payable

Top 5 of closing balance:

Items	Opening balance	Additions	Deductions	Closing balance
Second phase of Jiaodong Airport relocation	5,956,000,000.00		744,500,000.00	5,211,500,000.00
Jiaodong Airport Recruitment Project	4,710,000,000.00			4,710,000,000.00
Expressway Phase III	1,744,984,914.74			1,744,984,914.74
Cross-bay Bridge Connection	1,695,490,045.78		136,635,694.28	1,558,854,351.50
Submarine Tunnel Connection Project	1,093,250,380.26			1,093,250,380.26
Total	15,199,725,340.78		881,135,694.28	14,318,589,646.50

8.45 Long-term employee benefits

Items	Opening balance	Additions	Deductions	Closing balance
1. Post-employment benefits-defined benefit plan net liabilities	1,072,406,729.82	364,483,493.72	416,394,825.42	1,020,495,398.12
2. Dismissal benefits				
3. Other long-term benefits	358,950,506.97	63,018,489.65	173,363,015.86	248,605,980.76
Total	1,431,357,236.79	427,501,983.37	589,757,841.28	1,269,101,378.88

8.46 Estimated liabilities

Items	Closing balance	Opening balance
Provision on guarantee compensation	500,483,343.24	412,436,882.42
Unearned premium reserve	82,421,536.16	81,373,009.39
Pending litigation	820,255,948.87	894,766,476.34
Loss contract	31,568,588.88	5,725,723.64
Product quality assurance	47,202,533.23	57,089,147.60
Others	27,130,379.07	10,363,994.22
Total	1,509,062,329.45	1,461,755,233.61

8.47 Deferred income

Items	Opening balance	Additions	Deductions	Closing balance
Government grants	1,262,866,686.38	92,339,594.83	397,210,575.05	957,995,706.16
Total	1,262,866,686.38	92,339,594.83	397,210,575.05	957,995,706.16

Government grants related project:

Projects	Opening balance	Addition granted during the period	Accounted in the current period profit and loss	Refunded during the period	Other movement	Asset/income related
Crop straw cultivation mushroom project	5,750,000.00				5,750,000.00	Asset related
Jiangshan New Energy Project	42,887,475.00			21,415,100.00	21,472,375.00	Asset related
Demolition compensation	1,024,830,139.71	56,177,028.77	353,783,578.37		727,223,590.11	Asset related
Technology transformation funds	41,487,695.08	5,105,966.06	16,485,442.78		30,108,218.36	Asset related
R&D building subsidy	123,420,907.59		3,354,650.52		120,066,257.07	Asset related
Financial special funds	24,490,469.00	13,036,600.00	1,879,688.76		35,647,380.24	Asset related
Special subsidy for the Chamber of Commerce and Industry of the Science and Technology Bureau		5,000,000.00	3,228.62		4,996,771.38	Asset related
Cancellation of provincial toll station project subsidy funds		13,020,000.00	288,886.00		12,731,114.00	Asset related
Total	1,262,866,686.38	92,339,594.83	375,795,475.05	21,415,100.00	957,995,706.16	

8.48 Other non-current liabilities

Items	Closing balance	Opening balance
Project investment	710,625,000.00	
Unrealized sale and leaseback gains and losses	41,661,527.30	20,889,793.74
Amount of output tax to be transferred	42,618,262.03	57,199,375.33
Long-term advance deposit	23,211,084.90	28,641,688.55
Repair reserve liability	2,915,106.42	3,107,240.90
Others	20,576,717.43	2,003,621.79
Total	841,607,698.08	111,841,720.31

8.49 Paid-in capital

Name of the investor	Opening balance		Additions	Deductions	Closing balance	
	Invested amount	(%)			Invested amount	(%)
Total	6,900,000,000.00	100.00			6,900,000,000.00	100.00
the State-Owned Assets Supervision & Administration Commission of Qingdao Municipal Government	6,900,000,000.00	100.00			6,900,000,000.00	100.00

8.50 Other equity instrument

Financial instruments issued	Closing balance	Opening balance
Perpetual debenture	16,821,000,000.00	24,810,000,000.00
Total	16,821,000,000.00	24,810,000,000.00

8.51 Capital reserves

Items	Opening balance	Additions	Deductions	Closing balance
Capital premium				
Other capital reserves	60,625,413,300.51	47,588,254,825.81	673,292,306.30	107,540,375,820.02
Total:	60,625,413,300.51	47,588,254,825.81	673,292,306.30	107,540,375,820.02

8.52 Special reserves

Item	Opening balance	Additions	Deductions	Closing balance
Safety production costs	2,395,084.68	5,133,780.55	2,618,600.15	4,910,265.08
Total	2,395,084.68	5,133,780.55	2,618,600.15	4,910,265.08

8.53 General risk reserve

Item	Opening balance	Additions	Deductions	Closing balance
General risk reserves	57,733,821.45	23,054,194.71		80,788,016.16
Total	57,733,821.45	23,054,194.71		80,788,016.16

8.54 Undistributed profits

Items	Current period	Prior period
Closing balance of prior period	436,095,631.96	1,589,235,199.08
Adjustment amount of opening balance	-1,145,846,560.24	
Opening balance of current period	-709,750,928.28	1,589,235,199.08
Additions	546,682,958.53	-190,422,837.32
Including: net profit transferred from current period	545,389,097.03	1,854,296,249.80
Other adjustment factors	1,293,861.50	-2,044,719,087.12
Deductions during the current period	1,459,864,540.09	962,716,729.80
Including: surplus reserve accrued during the current period		
Provision accrued on average risk during the period	23,054,194.71	29,518,727.08
Cash dividend distributed during the current period	1,436,810,345.38	931,587,820.69
Capital increase		
Other deductions		1,610,182.03
Closing balance	-1,622,932,509.84	436,095,631.96

8.55 Operating income and operating cost

Items	Current period		Prior period	
	Income	Costs	Income	Costs
main operating income	39,937,066,688.99	34,328,944,033.71	32,792,990,454.83	26,076,202,142.90

Items	Current period		Prior period	
	Income	Costs	Income	Costs
other operating income	309,424,817.70	121,316,037.61	123,757,622.43	42,490,913.83
Total	40,246,491,506.69	34,450,260,071.32	32,916,748,077.26	26,118,693,056.73

8.56 Selling expenses, general administrative expenses, research & development expenses and financial expenses

8.56.1 Selling expenses

Items	Current period	Prior period
Employee salary	156,449,105.28	68,144,940.27
Depreciation expense	2,991,732.18	1,009,329.15
Ads expense	303,049,360.12	177,426,480.63
Repair	7,844,171.07	15,994,579.46
Travel expenses	18,718,033.09	8,475,184.44
Transportation, loading and unloading expenses	920,007.13	251,929,609.08
Sales commission expenses	70,917,466.82	8,510,846.20
Sales system usage expenses	51,035,562.75	8,995,285.30
Exchange compensation expenses		17,343,187.86
Domestic sales rebate		22,853,749.26
Commodity inspection port miscellaneous expenses	1,992,616.83	5,830,565.42
Packaging expenses	1,402,253.67	15,036,162.22
Sales service expenses	6,138,065.70	4,259,471.32
Others	34,875,892.30	30,586,657.76
Total	656,334,266.94	636,396,048.37

8.56.2 General administrative expenses

Items	Current period	Prior period
Employee salaries	1,554,610,315.02	846,149,700.61
Depreciation expenses	379,083,252.83	224,692,966.78
Repair expenses	32,265,855.59	9,733,545.39
Amortization of intangible assets	59,719,440.26	23,962,460.64

Items	Current period	Prior period
Entertainment expenses	23,214,566.49	13,445,271.86
Travel expenses	42,465,336.32	10,679,910.95
Office expenses	25,720,644.18	13,670,188.45
Lawsuit charges	13,969,345.87	9,612,786.46
Agency fee expenses	195,360,083.68	82,484,669.30
Equity-maintenance expenses	27,079,451.37	27,153,641.65
Risk reserves	89,094,987.59	91,110,641.02
Electricity and water fee expenses	68,002,787.94	12,836,938.63
Rental expenses	69,889,395.21	58,489,385.37
Publicity expenses	8,109,738.01	3,500,918.30
Vehicle operating expenses	19,975,394.71	10,280,134.45
Insurance expenses	50,683,759.41	25,013,744.70
Communication expenses	24,272,955.87	15,023,313.67
Amortization of long-term deferred expenses	24,798,093.18	1,876,867.08
Other expenses	318,953,804.50	264,954,913.40
Total	3,027,269,208.03	1,744,671,998.71

8.56.3 Research & development expenses

Items	Current period	Prior period
Material expenses	271,316,299.68	57,728,825.57
Labor costs	268,772,906.95	153,656,996.37
Depreciation and amortization expenses	57,674,613.79	27,481,246.91
Fuel and power expenses	129,569.18	3,415,172.59
Outsourced research and development expenses	2,592,452.77	9,582,340.76
Other expenses	150,698,218.83	152,454,197.78
Total	751,184,061.20	404,318,779.98

8.56.4 Financial expenses

Items	Current period	Prior period
Interest expense	8,001,882,505.04	5,096,830,417.63
Minus: interest revenue	638,712,517.04	434,736,486.92
Loss on foreign currency exchange (Net income is listed with "-")	-189,184,022.15	-81,936,543.32
Gain on foreign currency exchange	233,234,466.21	482,597,957.14
Loss on foreign currency exchange	44,050,444.06	400,661,413.82
Others	207,513,226.53	143,088,422.76
Total	7,381,499,192.38	4,723,245,810.15

8.57 Gains from other income

Items	Current period	Prior period
Asset-related	792,465,747.64	406,774,316.85
Income-related	375,795,475.05	175,030,801.01
Total	1,168,261,222.69	581,805,117.86

8.58 Gain on investment

Source	Current period	Prior period
Gain on long-term equity investment under equity method	512,491,057.87	260,689,191.02
Gain on disposal of long-term equity investment	826,765,048.91	192,112,149.75
Gain during the holding period of held-for-trading financial assets	172,275,921.08	192,326.45
Gain on disposal of held-for-trading financial assets	-30,063,354.45	
Dividend income obtained during the holding of other equity instruments	3,528,349,897.12	-5,645,038.83
Gain on financial assets at fair value through profit or loss during the holding period		46,748,749.10
Gain on disposal of financial assets at fair value through profit or loss		234,412,884.65
Gain on held-to-maturity investments during the holding period		169,809,954.22
Gain during holding period of available for sale financial		990,618,033.24

Source	Current period	Prior period
assets		
Gain on disposal of available for sale financial assets		1,082,215,827.12
Gain during the holding period of debt investment	1,317,269,129.95	695,997,817.86
Gain on disposal of debt investments		5,527,207.00
Interests gain during holding period of other debt investments	91,151.66	61,948.33
Gains from re-measurement of equity at fair value when control is obtained		4,255,260.00
Gains arising from remeasurement of remaining equity at fair value after loss of control	6,962,517.42	
Financial product income	3,819,983.41	19,461,232.64
Entrusted loan income		344,653,196.29
Debt transfer income	17,176,530.25	92,833.33
Gain on debt restructuring	3,545,786.44	931,341.92
Others	10,740,845.95	-91,602,110.75
Total	6,369,424,515.61	3,950,532,803.34

8.59 Gains from changes in fair value

Items	Current period	Prior period
Financial assets held for trading	250,932,640.16	-12,115,966.43
Financial assets measured at fair value through profit or loss		1,069,744,771.58
Financial liabilities held for trading	-6,665,501.79	222,912,132.98
Financial liabilities measured at fair value through profit or loss		-65,048,437.80
Derivative financial liabilities		-932,997.74
Investment property measured at fair value	-147,723,025.92	-86,188,753.20
Derivative financial assets	-4,807,383.03	
Total	91,736,729.42	1,128,370,749.39

8.60 Credit impairment losses

Items	Current period	Prior period
Impairment of bad debts	123,806,916.24	54,350,693.36
Debt investment credit impairment loss	195,281,443.99	
Loan reserve	80,779,072.00	
Impairment loss of other non-current assets	175,162,738.56	
Others	-219,345.42	
Total	574,810,825.37	54,350,693.36

8.61 Loss from asset impairment

Items	Current period	Prior period
Impairment of bad debts		322,626,733.23
Inventory Falling Price Loss	178,989,199.22	62,770,430.99
Contract assets impairment loss	-35,316,261.86	-21,122,482.48
Available-for-sale financial assets impairment loss		150,150,738.00
Held-to-maturity investments impairment loss		250,000,000.00
Long-term equity investments impairment loss	16,750.00	135,850,240.96
Fixed assets impairment loss	2,648,569.34	3,291,182.06
Construction in progress impairment loss	6,273,743.41	5,189,111.34
Intangible assets impairment loss	-1,028,836.58	9,240,762.92
Goodwill impairment loss	24,580,800.00	199,830,402.87
Loan reserve		32,163,512.42
Other non-current assets impairment loss		206,538,320.84
Total	176,163,963.53	1,356,528,953.15

8.62 Gain or loss on disposal asset

Items	Current period	Prior period	Amount included in non-recurring profit and loss in the current period
Non-current asset disposal gains and losses	289,934,037.96	504,795,076.39	289,934,037.96
Total	289,934,037.96	504,795,076.39	289,934,037.96

8.63 Non-operating income

Items	Current period	Prior period	Amount included in non-recurring profit and loss in the current period
Gain on scrap of non-current assets	2,483,132.74	2,211,031.35	2,483,132.74
Gain on debt reorganization		11,852.69	
Government grants unrelated to the daily activities of business	14,575,473.91	8,412,602.63	14,575,473.91
Compensation of breach and fine income	24,242,084.44	1,281,560.85	24,242,084.44
Insurance refund	328,007.11	1,199,177.84	328,007.11
Non-payment other receivables	4,986,522.99	9,820,870.65	4,986,522.99
The consideration paid is less than the value of the acquired equity	66,917,598.35	50,824,542.98	66,917,598.35
Tax exemption	14,185.62	10,730.54	14,185.62
Income from expropriation and compensation of No.5 Changle Road	30,720,849.26		30,720,849.26
Fine income	4,488,558.12	19,000.00	4,488,558.12
Others	67,889,011.23	36,736,693.56	67,889,011.23
Total	216,645,423.77	110,528,063.09	216,645,423.77

8.64 Non-operating expenses

Items	Current period	Prior period	Amount included in non-recurring profit and loss in the current period
Loss on scrap of non-current asset	3,254,826.96	727,599.98	3,254,826.96
Donation	9,736,589.29	17,558,685.35	9,736,589.29
Liquidated damages and penalty	13,989,051.85	3,952,228.09	13,989,051.85
Shareholders' compensation	26,809,803.05	11,810,901.82	26,809,803.05
uncollectible receivables	2,873,786.41		2,873,786.41
Losses from debt restructuring	209,964.07		209,964.07
Others	74,859,665.63	14,902,117.25	74,859,665.63
Total	131,733,687.26	48,951,532.49	131,733,687.26

8.65 Income tax expense

Items	Current period	Prior period
Current income tax	911,817,209.38	1,112,826,291.62
Deferred income tax	-173,202,989.08	7,399,562.66
Recognition of income tax expense in other comprehensive profit or loss (gain)	17,240,308.08	
Total	755,854,528.38	1,120,225,854.28

8.66 Other comprehensive income attributable to owners of the parent company

Items	Current period			Prior period		
	Amount before tax	Income tax	Net amount after tax	Amount before tax	Income tax	Net amount after tax
一、 Other comprehensive income items which will not be reclassified subsequently to profit or loss	-1,382,040,559.92	-245,425,982.61	-1,136,614,577.31	6,053,529.30		6,053,529.30
1、 Remeasurement gains or losses of a defined benefit plan	-11,038,537.06		-11,038,537.06	6,053,529.30		6,053,529.30
2、 Share in other comprehensive income of the investee that cannot be reclassified to profit or loss under the equity method						
3、 Changes in fair value of other equity instrument investments	-1,371,002,022.86	-245,425,982.61	-1,125,576,040.25			
4、 Changes in the fair value of the company's own credit risk						
5、 Others						
二、 Other comprehensive income items which will be reclassified subsequently to profit or loss when specific conditions are met	136,677,802.03		136,677,802.03	715,658,628.63		715,658,628.63
1、 Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss	-129,274.63		-129,274.63	-26,137,157.06		-26,137,157.06
Minus: Previously recognized as OCI while reversed into P&L in the current period						
Sub-total	-129,274.63		-129,274.63	-26,137,157.06		-26,137,157.06

Items	Current period			Prior period		
	Amount before tax	Income tax	Net amount after tax	Amount before tax	Income tax	Net amount after tax
2、Gains or losses arising from changes in fair value of available-for-sale financial assets				508,008,639.36		508,008,639.36
Minus: Previously recognized as OCI while reversed into P&L in the current period						
Sub-total				508,008,639.36		508,008,639.36
3、Exchange differences arising on translation of foreign currency financial statements	136,807,504.52		136,807,504.52	233,791,735.06		233,791,735.06
Minus: Previously recognized as OCI while reversed into P&L in the current period						
Sub-total	136,807,504.52		136,807,504.52	233,791,735.06		233,791,735.06
4、Others	-427.86		-427.86	-4,588.73		-4,588.73
Minus: Previously recognized as OCI while reversed into P&L in the current period						
Sub-total	-427.86		-427.86	-4,588.73		-4,588.73
III. Total other comprehensive income	-1,245,362,757.89	-245,425,982.61	-999,936,775.28	721,712,157.93		721,712,157.93

8.67 Cash flow statement

8.67.1 Information on translating the net profit into the cash flow of operational activities

Items	Current period	Prior period
1、Net profit adjusted to cash flows from operating activities		
Net profit	223,464,081.47	2,335,881,968.76
Plus: Provision for assets impairment	176,163,963.53	1,356,528,953.15
Credit impairment loss	574,810,825.37	54,350,693.36
Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of productive biological assets	4,578,532,672.25	1,773,637,727.04
Depreciation of right-of-use assets	872,457,333.70	
Amortization of intangible assets	450,938,939.89	68,009,203.92
Amortization of long-term deferred expenses	247,239,833.23	152,542,242.33
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-288,964,091.55	-504,830,329.68
Losses from write-off of fixed assets ("-" for gains)	703,021.70	-1,940,700.63
Losses from changes in fair value ("-" for gains)	-91,736,729.42	-1,128,370,749.39
Financial expenses ("-" for gains)	8,174,359,049.13	5,240,813,823.53
Investment losses ("-" for gains)	-6,369,424,515.61	-3,950,532,803.34
Decreases in deferred income tax assets ("-" for increases)	265,435,214.25	-403,629,965.38
Increases in deferred income tax liabilities ("-" for decreases)	-230,448,312.66	413,068,031.91
Decreases in inventories ("-" for increases)	-3,108,324,757.73	-1,045,157,577.53
Decreases in operating receivables ("-" for increases)	-4,797,010,054.59	-8,687,696,977.61
Increases in operating payables ("-" for decreases)	-175,400,713.56	6,134,892,631.25
Others	-64,408,349.75	151,123,392.11
Net cash flows from operating activities	438,387,409.65	1,958,689,563.80
2. Significant investing and financing activities involving no cash receipts and payments		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets under financial lease		
3. Net change in cash and cash equivalents		
Closing balance of cash	19,244,435,049.28	20,834,998,475.07
Less: opening balance of cash	20,834,998,475.07	14,640,225,014.15
Add: closing balance of cash equivalents		

Items	Current period	Prior period
Minus: opening balance of cash equivalents		
Net increase in cash and cash equivalents	-1,590,563,425.79	6,194,773,460.92

8.67.2 Information about cash and cash equivalents

Items	Closing balance	Opening balance
1、Cash	19,244,435,049.28	20,834,998,475.07
Including: Cash in hand	791,700.90	947,754.40
Unrestricted bank deposit	17,818,875,969.81	19,508,761,373.00
Other unrestricted currencies	1,424,767,378.57	1,325,289,347.67
Deposits with central bank funds		
Deposit of interbank money		
Disbursement of interbank funds		
2、Cash equivalents		
Including: Bond investments maturing within three months		
3、Balance of cash and cash equivalents at the end of the period	19,244,435,049.28	20,834,998,475.07
Including: The restricted use of cash and cash equivalents by the parent company or subsidiary within the group		

8.68 Assets with restriction on ownership or using right

Items	Closing CV	Reasons for restriction
Monetary funds	1,608,522,922.98	Bank acceptance bill deposit
Monetary funds	34,952,266.89	Credit margin
Monetary funds	86,265,928.38	Loan security
Monetary funds	182,878,235.44	Regulated pre-sale payments
Monetary funds	64,720,225.00	Refundable deposits
Monetary funds	16,605,168.91	Project bond
Monetary funds	1,409,818.94	Housing Mortgage Deposit
Monetary funds	4,295,766.57	Home Repair Fund
Monetary funds	91,084,737.05	Freeze funds
Monetary funds	1,111,777,029.07	Loan pledge
Monetary funds	106,846,629.57	Performance bond
Monetary funds	33,000,000.00	Financial lease factoring deposit

Items	Closing CV	Reasons for restriction
Monetary funds	23,353,892.66	Guarantee bond
Monetary funds	5,806,338.23	Peasant workers salary guarantee
Monetary funds	242,612,462.34	Other margin
Monetary funds	8,435,966.85	Other
Accounts receivable	854,649,403.78	China Development Bank, ICBC loan pledge
Receivables financing	33,282,710.64	Notes receivable that has been discounted but not derecognized
Notes receivable	403,439,287.98	Pledge
Inventories	1,217,641,852.48	Mortgage subject matter of mortgage loan
Long-term receivables	10,361,922,400.83	Lease receivable factoring, asset securitization
Long-term equity investment	5,000,000,000.00	Pledge
Investment in other equity instruments	799,856,896.80	Pledge
Investment property	2,052,831,341.06	Mortgage
Fixed assets	4,255,072,510.38	Mortgage
Construction in progress	92,976,799.88	Mortgage
Intangible assets	260,576,090.75	Mortgage
Total	28,954,816,683.46	

9 Contingencies

9.1 Pending litigation and contingent liabilities

9.1.1 According to the approval of the Qingdao State-owned Enterprise Reform Leading Group Office (Qing Guoqi Gai Ban [2007] No.12) on May 25, 2007, 16.59% equity of Qingdao Doublestar Celebrity Industrial Co., Ltd. (hereinafter referred to as "Doublestar Celebrity") owned by the Company's subsidiary, Doublestar Group Co., Ltd. (hereinafter referred to as "Doublestar Group"), has been approved for transfer through "bidding, auctioning, and listing". At the same time, according to the requirements of the approval document on properly handling intangible assets such as trademarks, Doublestar Group signed a trademark license contract with Doublestar Celebrity on January 29, 2008. The contract stipulates those 23 trademarks owned by Doublestar Group are allowed to be used by Doublestar Celebrity for compensation. From January 11, 2008 to January 11, 2013, the trademark

license fee was charged at 0.9% of the sales revenue of the other party. On July 12, 2016, in order to safeguard its legitimate rights and interests, Doublestar Group filed a civil lawsuit with the Qingdao Intermediate People's Court, requesting an order to terminate the trademark license contract signed with Doublestar Celebrity on January 12, 2013, requesting an order for Doublestar Celebrity to pay the trademark license fee and corresponding penalty from 2013 to 2017.

On December 19, 2017, Qingdao Intermediate People's Court made a judgment (2016) Lu 02 Min Chu No. 1103. The judgment is as follows: (1) Terminate the "Trademark License Contract" and "Supplementary Contract" signed by Doublestar Group and Doublestar Celebrity in 2013; (2) Order Doublestar Celebrity to pay Doublestar Group's trademark license fee of CNY 11,828,975.00 from 2013 to 2016 within 10 days from December 19, 2017; (3) Dismiss other claims of Doublestar Group.

On February 6, 2018, Doublestar Celebrity appealed to the Higher People's Court of Shandong Province, requesting the court to amend for a retrial or revise the judgment to dismiss the lawsuit of Doublestar Group. On November 22, 2018, the Higher People's Court of Shandong Province made a judgment (2018) Lu Minzhong No. 1199. The judgment is as follows: (1) Uphold the first sentence (2016) Lu 02 Min Chu No. 1103 of the Qingdao Intermediate People's Court; (2) Revoke the third sentence of Qingdao Intermediate People's Court (2016) Lu 02 Min Chu No. 1103; (3) Change the second sentence of Qingdao Intermediate People's Court (2016) Lu 02 Min Chu No. 1103 to: Doublestar Celebrity shall pay Double star Group's trademark license fee of CNY 10,981,506.12 within 10 days from the date when this judgment takes effect. (4) Dismiss other claims of Doublestar Group.

According to the information provided by Doublestar Group, as of March 22, 2019, Doublestar Group has received trademark license fee of CNY 10,981,506.12 from Doublestar Celebrity. From 2017 to the termination of trademark license contract, the trademark license fee between Doublestar Group and Doublestar Celebrity shall be claimed according to the contract and based on the actual usage. After the trademark license contract is terminated, there is no written agreement between the two parties on the licensing and using of the trademark, and there is no fulfillment of the agreed responsibilities (including paying the trademark license fee, etc.) between the two parties. If Doublestar Celebrity continues to use the trademark of Doublestar Group (the use remains to be verified), Doublestar Group shall continue to assert its rights after discovering relevant evidence later. As of December 31, 2021, according to the existing information provided by Doublestar Group, there is no proof material on whether Doublestar Celebrity continued to use Double Star Group's trademark in 2017 and later, and the claim of Double Star Group accordingly.

9.1.2The subsidiary Kumho Tire Co., Ltd. is currently engaged in several lawsuits. As of the end of the current period, the subject matter of the pending cases was 60.022 billion won for domestic cases and

2.510 billion won for overseas cases.

In domestic litigation, litigation reserves of 150.378 billion won have been set aside for ordinary wage litigation and labor status confirmation litigation; in overseas litigation, litigation reserves of 545 million won have been set aside for product liability litigation.

On January 28, 2021, the 8th and 9th laborer status confirmation lawsuits lost the first instance; on March 11, 2021, the 8th ordinary wage litigation lost the third instance (remanded for retrial); on September 30, 2021, the 3rd, 5th, and 6th ordinary wage litigation lost the third trial.

On October 26, 2021, the labor and management parties reached a settlement agreement on the usual wage allowance lawsuit, on the condition that the labor party withdraws the lawsuit, and agreed that Kumho Tire Co., Ltd. will pay 28.361 billion won in consolation in January 2022.

On December 31, 2021, both the labor and management filed a lawsuit regarding the status confirmation of the laborer, and reached a settlement agreement on the condition that the labor side withdraws the lawsuit. It is agreed that Kumho Tire will pay the first settlement in March 2022 and the second settlement in February 2023. In addition, Kumho Tire has paid a deposit of 2.096 billion won to the court for the labor status confirmation lawsuit.

Regarding the above-mentioned lawsuits, there is the possibility of additional lawsuits being filed and results changes in the lawsuit reserve. The subject matter of the product liability lawsuit in the overseas lawsuit is 2.490 billion won, and the product liability insurance has been insured. As of the end of the current period, the prospect of the above-mentioned lawsuits could not be predicted.

9.1.3 (1) In April 2016, Shenzhen Dading Fund Management Co., Ltd. (hereinafter referred to as "Dading Company") and Qingdao Haisi City Investment and Development Fund Enterprise (Limited Partnership) (hereinafter referred to as "Haisi City Fund") signed the "Huitianfu Capital Pingan Jincheng Fortune No. 4 Special Asset Management Plan Welfare Rights Transfer Agreement, according to the equity adjustment mechanism in the agreement, Haisi City Fund should pay the principal of CNY 26,360,823.87 to Dading Company. In January 2020, Dading Company and Shanghai Zhijin Industrial Development Co., Ltd. (hereinafter referred to as "Shanghai Zhijin") signed the "Debt Transfer Agreement", and received the creditor's rights of Dading Company under the Huitianfu Capital Pingan Jincheng Fortune No. 4 Special Asset Management Plan Welfare Rights Transfer Agreement.

Shanghai Zhijin filed a lawsuit with the People's Court of Chongming District, Shanghai (the subject matter of the lawsuit was CNY 26,366,314.00) for the above-mentioned claims, requesting that Haisi City Fund be ordered to pay the above-mentioned amount. The Company's subsidiary Qingdao Chengtou Private Equity Fund Management Co., Ltd. (hereinafter referred to as "Private Fund"), as the general partner of Haisi City Fund, assumes unlimited joint liabilities for the above-mentioned debts.

The People's Court of Chongming District, Shanghai held an online hearing on this case on December 15, 2021, and no judgment has been made as of the date of the audit report.

(2) In April 2016, Guilin Bo Li Te Co., Ltd. (hereinafter referred to as "Bo Li Te Company") and Haisi City Fund signed the "Share Transfer Agreement of Huitianfu Zibenhuitou No. 1 Special Asset Management Plan". According to the equity adjustment mechanism in the agreement, Haisi City Fund shall pay the principal of CNY 6,559,271.13 to Bo Li Te Company. In January 2020, Bo Li Te Company and Shanghai Zhijin Industrial Development Co., Ltd. (hereinafter referred to as "Shanghai Zhijin") signed the "Debt Transfer Agreement", and received the creditor's rights of Bo Li Te Company under the Share Transfer Agreement of Huitianfu Zibenhuitou No. 1 Special Asset Management Plan.

Shanghai Zhijin filed a lawsuit with the People's Court of Chongming District, Shanghai (the subject matter of the lawsuit was CNY 6,559,271.13) for the above-mentioned claims, requesting that Haisi City Fund be ordered to pay the above-mentioned amount. The Company's subsidiary Private Fund, as the general partner of Haisi City Fund, assumes unlimited joint liabilities for the above-mentioned debts. Haisi City Fund is the first defendant, and the Private Fund is the second defendant. The People's Court of Chongming District, Shanghai held an online hearing on this case on January 18, 2022, and no judgment has been made as of the date of the audit report.

As of December 31, 2021, due to the above matters, the bank account of Haisi City Fund was frozen for CNY 43,276,763.36, and the bank account of Private Fund was frozen for CNY 708,020.56.

9.1.4 In July 2021, China Energy Construction Group Jiangsu Electric Power Construction Third Engineering Co., Ltd. (hereinafter referred to as "Jiangsu Electric Power Construction Third Company") filed a lawsuit with Qingdao Intermediate People's Court of Shandong Province due to a dispute over the right of subrogation. The Company's subsidiary, Qingdao Chengtou Industrial Investment (Group) Co., Ltd. (hereinafter referred to as "Industrial Investment"), is requested to pay CNY 125,155,320.70 and interests calculated from July 6, 2021 to the actual repayment date according to the loan market quoted interest rate published by the national inter-bank lending in the same period. The Company assumes joint liability to the above debt. The Qingdao Intermediate People's Court of Shandong Province issued (2021) Lu 02 Min Chu No. 1594 Civil Judgment on December 30, 2021. The judgment is as follows: dismiss the claim of Jiangsu Electric Power Construction Third Company. Jiangsu Power Construction Third Company has filed an appeal on January 26, 2022, and the case is under trial as of the audit report date.

As of December 31, 2021, the Company has frozen funds of CNY 79,525,749.54 due to the above matters.

9.2 Guarantees

As of December 31, 2021, the unexpired guarantee amount is CNY 17,800,830,700.00, of which the unexpired guarantee amount for the guarantee business is CNY 6,334,539,700.00, which will all expire before November 20, 2025, and the unexpired guarantee amount for the re-guarantee business is CNY 2,954,992,500.00, which will all expire before July 22, 2036.

9.3 Guarantee provided to group members and non-group members (Unit: CNY in ten thousand)

Serial number	Guarantor	Guaranteed parties			Guarantee method	Type of guarantee	Counter-guarantee method	Guaranteed amount
		Name	Nature of the entity	Whether listing				
	total							7,939,771.92
	1. Within the group							7,639,373.62
1	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Airlines Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	314,522.87
2	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Airlines Holdings Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	328,200.00
3	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Transportation Development Group Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	275,499.83
4	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Chengtong Financial Holding Group Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	1,695,206.00
5	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Urban and Rural Construction Financial Leasing Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	Shareholders provide counter-guarantee	380,000.00
6	Qingdao City Construction Investment (Group) Co., Ltd.	Shanghai Qingtong Financial Leasing Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	Shareholders provide counter-guarantee	7,517.00
7	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Zhongzizhongcheng Group Co., Ltd.	state-owned enterprise	Yes	joint liability guarantee	loan guarantee	Qingdao Zhongzizhongcheng Group Co., Ltd. provides counter-guarantee	41,702.31
8	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Zhongzizhongcheng Group Co., Ltd.	state-owned enterprise	Yes	joint liability guarantee	loan guarantee	none	16,594.00
9	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Zhongzizhongcheng Group Co., Ltd.	state-owned enterprise	Yes	joint liability guarantee	bank acceptance	Qingdao Zhongzizhongcheng Group Co., Ltd. provides counter-guarantee	1,092.61

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Serial number	Guarantor	Guaranteed parties			Guarantee method	Type of guarantee	Counter-guarantee method	Guaranteed amount
		Name	Nature of the entity	Whether listing				
10	Qingdao City Construction Investment (Group) Co., Ltd.	Shiguai Mengsheng Solar Technology Co., Ltd., Qingdao Chengtuo New Energy Investment Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	19,300.00
11	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Chengsheng Solar Energy Town Agricultural Development Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	36,950.00
12	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Chengsheng Solar Energy Town Agricultural Technology Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	18,350.00
13	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Chengtuo Industrial Investment (Group) Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	263,140.00
14	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Chengtuo Industrial Investment (Group) Co., Ltd., Shijiazhuang Haosheng Solar Technology Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	29,000.00
15	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Chengtuo Industrial Investment (Group) Co., Ltd., Tianjin Changsheng Ridian Solar Technology Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	12,000.00
16	Qingdao City Construction Investment (Group) Co., Ltd.	Mulei County Jianri Guangsheng Power Generation Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	20,440.00
17	Qingdao City Construction Investment (Group) Co., Ltd.	Xinjiang Hengdong Wind Energy Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	32,750.00
18	Qingdao City Construction Investment (Group) Co., Ltd.	Ningxia Yanchi County Guangfu Electric Power Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	42,000.00
19	Qingdao City Construction Investment (Group) Co., Ltd.	Alxa League Dahong New Energy Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	19,500.00
20	Qingdao City Construction Investment (Group) Co., Ltd.	Baotou Mousheng Solar Technology Co., Ltd., Qingdao Chengtuo New Energy Investment Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	9,400.00

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Serial number	Guarantor	Guaranteed parties			Guarantee method	Type of guarantee	Counter-guarantee method	Guaranteed amount
		Name	Nature of the entity	Whether listing				
21	Qingdao City Construction Investment (Group) Co., Ltd.	Bayanqiao Xinsheng Solar Technology Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	18,482.52
22	Qingdao City Construction Investment (Group) Co., Ltd.	Binzhou Changsheng Ridian Solar Technology Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	14,000.00
23	Qingdao City Construction Investment (Group) Co., Ltd.	Chengcheng Changsheng Solar Technology Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	11,221.63
24	Qingdao City Construction Investment (Group) Co., Ltd.	Dechang County Changsheng Solar Technology Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	13,588.28
25	Qingdao City Construction Investment (Group) Co., Ltd.	Dongfeng Fengsheng Solar Technology Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	13,588.28
26	Qingdao City Construction Investment (Group) Co., Ltd.	Fuxin Changsheng Ridian Solar Technology Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	14,223.18
27	Qingdao City Construction Investment (Group) Co., Ltd.	Huaxian Changsheng Ridian Solar Technology Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	29,442.60
28	Qingdao City Construction Investment (Group) Co., Ltd.	Jiaozuo Changsheng Ridian Solar Technology Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	13,585.70
29	Qingdao City Construction Investment (Group) Co., Ltd.	Lanping Changsheng Solar Technology Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	13,588.28
30	Qingdao City Construction Investment (Group) Co., Ltd.	Linyou County Changsheng Solar Technology Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	12,955.02
31	Qingdao City Construction Investment (Group) Co., Ltd.	Mengcheng Changsheng Ridian Solar Technology Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	27,004.37
32	Qingdao City Construction Investment (Group) Co., Ltd.	Inner Mongolia Xinsheng Solar Technology Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	20,255.33
33	Qingdao City Construction Investment (Group) Co., Ltd.	Xin County Zhongsheng Photovoltaic Agricultural Technology Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	10,162.19
34	Qingdao City Construction Investment (Group) Co., Ltd.	Tai'an Taisheng Photovoltaic Agricultural Technology Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	12,955.02
35	Qingdao City Construction Investment (Group) Co., Ltd.	Wuhai Xinsheng Solar Technology Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	19,956.24
36	Qingdao City Construction Investment (Group) Co., Ltd.	Ulanqub Xinsheng Solar Technology Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	13,476.00

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Serial number	Guarantor	Guaranteed parties			Guarantee method	Type of guarantee	Counter-guarantee method	Guaranteed amount
		Name	Nature of the entity	Whether listing				
37	Qingdao City Construction Investment (Group) Co., Ltd.	Xiantao Hansheng Solar Technology Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	3,561.55
38	Qingdao City Construction Investment (Group) Co., Ltd.	Yanjin Changsheng Ridian Solar Technology Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	22,821.36
39	Qingdao City Construction Investment (Group) Co., Ltd.	Yangquan Changsheng Ridian Solar Technology Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	14,032.00
40	Qingdao City Construction Investment (Group) Co., Ltd.	Yiyong Changsheng Solar Technology Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	11,943.14
41	Qingdao City Construction Investment (Group) Co., Ltd.	Yixi Jiangchuan District Yuansheng Solar Technology Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	13,040.14
42	Qingdao City Construction Investment (Group) Co., Ltd.	Zhengde Donghui Power Generation Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	46,908.52
43	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Chengtuo Road and Bridge Investment Development Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	25,000.00
44	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Chengtuo International Trade Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	51,149.13
45	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Chengtuo International Trade Co., Ltd.	state-owned enterprise	no	joint liability guarantee	bank acceptance	none	31,000.00
46	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Chengtuo International Trade Co., Ltd.	state-owned enterprise	no	joint liability guarantee	Letter of credit guarantee	none	27,257.51
47	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Chengtuo International Trade Co., Ltd.	state-owned enterprise	no	joint liability guarantee	Guarantee	none	3,251.38
48	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Urban and Rural Community Construction Investment Group Co., Ltd., Qingdao Development Investment Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	130,000.00
49	Qingdao City Construction Investment (Group) Co., Ltd.	Chery (Qingdao) Operation Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	6.00
50	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Chengxin Trading Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	1,000.00

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Serial number	Guarantor	Guaranteed parties			Guarantee method	Type of guarantee	Counter-guarantee method	Guaranteed amount
		Name	Nature of the entity	Whether listing				
51	Qingdao City Construction Investment (Group) Co., Ltd.	Chery (Qingdao) International Trade Co., Ltd.	state-owned enterprise	no	joint liability guarantee	Letter of credit guarantee	none	57,000.00
52	Qingdao City Construction Investment (Group) Co., Ltd.	Huajing Development (Holdings) Group Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	3,771.00
53	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Chengtong Qianwan International Trade Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	2,000.00
54	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Chengtai International Trade Co., Ltd.	state-owned enterprise	no	joint liability guarantee	bank acceptance	none	5,197.38
55	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Chengtai International Trade Co., Ltd.	state-owned enterprise	no	joint liability guarantee	Letter of credit guarantee	none	17,624.30
56	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Construction Materials Trading Co., Ltd.	state-owned enterprise	no	joint liability guarantee	Letter of credit guarantee	none	43,743.15
57	Qingdao City Construction Investment (Group) Co., Ltd., Liguan Investment Co., Ltd.	Huajing Development (Holdings) Group Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	38,376.00
58	Qingdao City Construction Investment (Group) Co., Ltd., Qingdao Urban Investment Clean Energy Co., Ltd.	Shaowu Chenghui Power Generation Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	22,114.20
59	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Chengtong Industrial Investment (Group) Co., Ltd., Dongying Chengwei New Energy Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	5,600.00
60	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Chengtong Industrial Investment (Group) Co., Ltd., Dongying Chengshao New Energy Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	5,500.00
61	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Chengtong Industrial Investment (Group) Co., Ltd., Dongying Chengshao New Energy Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	1,500.00
62	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Chengtong Industrial Investment (Group) Co., Ltd., Dongying Chengshao New Energy Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	2,500.00

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Serial number	Guarantor	Guaranteed parties			Guarantee method	Type of guarantee	Counter-guarantee method	Guaranteed amount
		Name	Nature of the entity	Whether listing				
63	Qingdao City Construction Investment (Group) Co., Ltd., Qingdao Urban Investment Industrial Investment (Group) Co., Ltd.	Qingdao Chengtuo Clean Energy Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	note	9,340.00
64	Qingdao Chengtuo Venture Development Group Co., Ltd.	Qingdao Chengtuo Chunhui First Rehabilitation Hospital Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	note	80.00
65	Qingdao Chengtuo Venture Development Group Co., Ltd.	Qingdao City Construction Investment (Group) Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	note	390,684.00
66	Qingdao Chengtuo Real Estate Investment Holding (Group) Co., Ltd.	Qingdao Shaocheng Real Estate Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	note	9,690.00
67	Qingdao Chengtuo Overseas Development Co., Ltd.	Qingdao Chengtuo Qianwan International Trade Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	note	1,000.00
68	Qingdao Chengtuo Financial Holding Group Co., Ltd.	Qingdao Urban and Rural Construction Financial Leasing Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	Shareholders provide counter-guarantee	38,678.69
69	Qingdao Chengtuo Financial Holding Group Co., Ltd.	Qingdao Chinese-funded Zhongcheng International Trade Co., Ltd.	state-owned enterprise	Yes	joint liability guarantee	loan guarantee	Qingdao Zhongzizhongcheng Group Co., Ltd. provides counter-guarantee	1,000.00
70	Qingdao Chengtuo Financial Holding Group Co., Ltd.	Qingdao Zhongzizhongcheng Group Co., Ltd.	state-owned enterprise	Yes	joint liability guarantee	loan guarantee	Qingdao Zhongzizhongcheng Group Co., Ltd. provides counter-guarantee	5,875.86
71	Qingdao Chengtuo Financial Holding Group Co., Ltd.	Qingdao Zhongzizhongcheng Group Co., Ltd.	state-owned enterprise	Yes	joint liability guarantee	bank acceptance	Qingdao Zhongzizhongcheng	12,340.68

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Serial number	Guarantor	Guaranteed parties			Guarantee method	Type of guarantee	Counter-guarantee method	Guaranteed amount
		Name	Nature of the entity	Whether listing				
72	Qingdao Chengtuo Financial Holding Group Co., Ltd.	Qingdao Zhongzhongcheng Group Co., Ltd.	state-owned enterprise	Yes	Deposit certificate pledge	loan guarantee	Group Co., Ltd. provides counter-guarantee	38,200.00
73	Qingdao Chengtuo Financial Holding Group Co., Ltd.	Qingdao Chengtuo Financial Holding Commercial Factoring Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	10,920.00
74	Qingdao Urban Investment Financial Holding Group Co., Ltd., Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Chengyuan Investment Management Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	47,960.00
75	Qingdao Urban Investment Enterprise Development Co., Ltd.	Qingdao City Construction Investment (Group) Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	176,840.00
76	Qingdao Urban Investment Enterprise Development Co., Ltd., Qingdao Development and Investment Co., Ltd.	Qingdao City Construction Investment (Group) Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	64,380.84
77	Qingdao Chengtuo Industrial Investment (Group) Co., Ltd.	Qingdao City Construction Investment (Group) Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	328,490.00
78	Qingdao Chengtuo New City Development and Construction Co., Ltd.	Huajing Development (Holdings) Group Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	9,170.00
79	Qingdao Urban and Rural Construction Financial Leasing Co., Ltd.	Shanghai Qingtuo Financial Leasing Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	23,510.71
80	Qingdao Urban and Rural Community Construction	Qingdao Construction Materials Trading Co., Ltd.	state-owned enterprise	no	joint liability guarantee	Letter of credit guarantee	none	13,740.06

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Serial number	Guarantor	Guaranteed parties			Guarantee method	Type of guarantee	Counter-guarantee method	Guaranteed amount
		Name	Nature of the entity	Whether listing				
	Investment Group Co., Ltd.							
81	Qingdao Chengxin Holding Group Co., Ltd.	Qingdao Chengxin Trading Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	9,000.00
82	Qingdao Chengxin Holding Group Co., Ltd.	Chery (Qingdao) International Trade Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	27,500.00
83	Qingdao Chengxin Holding Group Co., Ltd., Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Chengxin Industrial Park Investment and Construction Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	24,491.00
84	Qingdao Transportation Development Group Co., Ltd.	Qingdao Traffic Engineering Supervision Consulting Co., Ltd.	state-owned enterprise	no	joint liability guarantee	Guarantee	none	1,194.18
85	Qingdao Transportation Development Group Co., Ltd.	Qingdao Road and Bridge Construction Group Co., Ltd.	state-owned enterprise	no	joint liability guarantee	Guarantee	none	7,586.90
86	Qingdao Transportation Development Group Co., Ltd.	Qingdao Traffic Airport Expressway Construction Management Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	576,200.00
87	Qingdao Transportation Development Group Co., Ltd.	Qingdao Jiaoh Expressway Development Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	454,600.00
88	Qingdao Transportation Development Group Co., Ltd.	Qingdao Traffic Qinglan Expressway Construction Management Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	6,300.00
89	Qingdao Transportation Development Group Co., Ltd.	Qingdao Road Huifeng Industrial Co., Ltd.	state-owned enterprise	no	joint liability guarantee	Guarantee	none	37.83
90	Qingdao Development Investment Co., Ltd., Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Chengtuo Road and Bridge Investment Development Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	53,443.02
91	Qingdao Road and Bridge Construction Group Co., Ltd.	Qingdao Transportation Development Group Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	120,400.00
92	Qingdao Road and Bridge Construction Group Co., Ltd.	Qingdao Transportation Development Group Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	123,500.00

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Serial number	Guarantor	Guaranteed parties			Guarantee method	Type of guarantee	Counter-guarantee method	Guaranteed amount
		Name	Nature of the entity	Whether listing				
	Qingdao Road Huitong Industrial Co., Ltd.							
93	Qingdao Double Star Material Purchasing Co., Ltd.	Double Star Group Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	note	60,000.00
94	Shanghai Qingou Financial Leasing Co., Ltd.	Qingdao Urban and Rural Construction Financial Leasing Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	note	19,400.00
95	Double Star Group Co., Ltd.	Qingdao Double Star Co., Ltd.	state-owned enterprise	Yes	joint liability guarantee	loan guarantee	note	295,597.85
96	Double Star Group Co., Ltd.	Qingdao Double Star Tire Industry Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	note	38,891.77
97	Double Star Group Co., Ltd.	Double Star Dongfang Tire Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	note	43,875.00
98	Double Star Group Co., Ltd.	Qingdao Double Star Material Purchasing Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	note	1,000.00
99	Double Star Group Co., Ltd.	Qingdao Double Star Equipment Manufacturing Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	note	1,000.00
100	Double Star Group Co., Ltd.	Shiyun Xda Renewable Resources Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	note	10,000.00
101	Double Star Group Co., Ltd.	Qingdao Double Star Environmental Protection Equipment Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	note	1,000.00
102	Double Star Group Co., Ltd.	Qingdao Jinke Mould Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	note	1,500.00
103	Double Star Group Co., Ltd.	Qingdao Xinghua Intelligent Equipment Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	note	1,000.00
104	Double Star Group Co., Ltd.	Qingdao Star Micro International Investment Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	note	62,600.00
105	Double Star Group Co., Ltd.	Qingdao Xda Intelligent Equipment Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	note	1,000.00
106	Double Star Group Co., Ltd.	Kunhuo Tire (Tianjin) Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	note	17,851.21
107	Double Star Group Co., Ltd.	Nanjing Kunhuo Tire Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	note	79,958.00

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Serial number	Guarantor	Guaranteed parties			Guarantee method	Type of guarantee	Counter-guarantee method	Guaranteed amount
		Name	Nature of the entity	Whether listing				
108	Double Star Group Co., Ltd.	Kunbo Tire (Changchun) Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	11,000.00
	2. Outside the group							300,398.30
1	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Tourism Group Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	44,700.00
2	Qingdao City Construction Investment (Group) Co., Ltd.	Qingdao Haichuang Development and Construction Investment Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	11,050.45
3	Qingdao City Construction Investment (Group) Co., Ltd.	Yangyuan Hengbo New Energy Technology Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	28,554.98
4	Qingdao Urban and Rural Community Construction Investment Group Co., Ltd.	Qingdao Taihe Jinqiu Medical Care Co., Ltd.	non-state-owned enterprise	no	joint liability guarantee	loan guarantee	none	20,503.35
5	Qingdao Jinhengli Real Estate Co., Ltd.	Qingdao Haoji Asset Management Co., Ltd.	non-state-owned enterprise	no	joint liability guarantee	Mortgage stage guarantee	none	60,983.56
6	Qingdao Jinhengli Real Estate Co., Ltd.	Personal Commodity Room	non-state-owned enterprise	no	joint liability guarantee	Mortgage stage guarantee	none	306.76
7	Qingdao Doublestar Co., Ltd.	Guangrao Cuijin Equity Investment Fund Management Center (Limited Partnership)	non-state-owned enterprise	no	joint liability guarantee	loan guarantee	none	10,000.00
8	Hong Kong International (Qingdao) Co., Ltd.	Global Nonferrous Metals Industry Investment Co., Ltd.	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	30,139.20
9	Qingdao Transportation Development Group Co., Ltd.	Qingdao Municipal Bureau of Transportation	state-owned enterprise	no	joint liability guarantee	loan guarantee	none	94,160.00

9.4 Guaranteed situation

As of December 31, 2021, the details of the payment guarantee provided by the minority shareholders of the subsidiary Kumho Tire Co., Ltd. are as follows:

Provider	Currency unit	Foreign currency (USD)	Foreign currency unit: thousand won; Korean won unit: million won	
			Original currency (KRW)	Guaranteed content
Korea Development Bank, etc.	USD (thousand)	194,289.00	230,330.00	Issuing import letters of credit, etc.
Total		194,289.00	230,330.00	

In addition to the above details, payment guarantees related to contract performance are also obtained from Seoul Guarantee Insurance, etc.

9.5 Other contingencies that need to be explained

Significant Commitments Existing at the Balance Sheet Date

9.5.1 Line of Credit Agreement of financial Institution

As of December 31, 2021, the line of credit agreements signed between the subsidiary Kumho Tire Co., Ltd. and financial institutions are as follows:

Unit: million won	
Item	Closing balance
Overdraft limit	606,771.00
Discount limit	24,214.00
Foreign exchange sales bond discount limit	462,113.00
Total	1,093,098.00

9.5.2 In August 2018, with the approval of the board of directors of the Company's subsidiary Kumho Tire Co., Ltd., an agreement was signed to provide a total of KRW 49.53 billion in loans to the Employee Stock Ownership Association. In view of the retirement of some Employee Stock Ownership Association members, etc., a total of KRW 45.12 billion has been paid, the first payment was 25 billion won on September 14, 2018, and the second payment was 20.12 billion won on August 30, 2019.

After the negotiation of the labor-management group in August 2021 and the approval of the board of directors in September 2021, Kumho Tire Co., Ltd. completed the donation of KRW 25.000 billion in company stock to the Employee Stock Ownership Association on September 27, 2021 and has recovered the same amount of the loan. In addition, as of the end of the current period, for the current loan balance, the Employee Stock Ownership Association provided a guarantee to the subsidiary Kumho Tire Co., Ltd. with the company stock it has acquired.

9.5.3 As of December 31, 2021, the subsidiary Qingdao Doublestar Tire Industry Co., Ltd. opened a domestic letter of credit with an amount of CNY 187.5 million on September 24, 2021, which will expire on September 24, 2022.

10 Events after the balance sheet date

The Company's subsidiary Qingdao Zhongzizhongcheng Group Co., Ltd. and the Philippines Energy Logistics Philippines, Inc signed an EPC contract supplementary agreement for the wind and solar integration project of Pasukin (132 MW) wind power + (100 MW) solar power generation in the Philippines in January 2021(hereinafter referred to as the "Supplementary Agreement"). Both parties agreed to terminate the wind power project, and reached an agreement on the contract settlement currency, wind power project settlement and other matters. The final settlement price for the wind power project was determined to be CNY 814,062,300.00. The Company's subsidiary Qingdao

Zhongzizhongcheng Group Co., Ltd. has confirmed a total of CNY 1,016,979,100.00 in total revenue from wind power projects.

According to the Accounting Standards for Business Enterprises, the signing of the Supplementary Agreement constitutes an adjustment after the balance sheet date. According to the relevant content of the Supplementary Agreement, the net offset of income from wind power projects in 2020 is CNY 273.8196 million. The accrued impairment of CNY 76,080,800.00 in 2019 was reversed, and the discounted contract assets were re-accrued for impairment of CNY 38,599,300.00. As of the date of the audit report, Qingdao Zhongzizhongcheng Group Co., Ltd. has received a payment of CNY 200 million from the domestic subsidiary of ELPI, and will urge the ELPI party to make timely payment according to the agreement.

11 Related party relationships and transactions

11.1 The ultimate controlling owner of the company

Parent company name	Registration place	Business nature	Share-holding (%)	Voting rights (%)
Qingdao municipal people government state owned assets supervision and administration Commission	Qingdao	Government ad hoc Department	100.00	100.00

11.2 The subsidiaries of the Company

The subsidiaries of the Company are in notes 7.1 Information of subsidiaries.

11.3 The details of joint ventures and associates of the Company

The details of joint ventures and associates of the Company are in notes 8.16 long-term equity investment.

11.4 Other related parties of the Company

Name of other related parties	Relationship with the Company
Chery Automobile Co., Ltd.	Minority Shareholders of Subsidiaries
Qingdao Changsheng Ridian New Energy Power Co., Ltd.	Subsidiary Shareholder Holding Company
Qingdao Urban and Rural Aviation Equity Investment Fund Enterprise (Limited Partnership)	Subsidiaries and shareholding companies of the parent company's holding company
Shandong Xincheng Hengye Group Co., Ltd.	Minority Shareholders of Subsidiaries
Shenzhen Qianhai Chuangying Asset Management Co., Ltd.	Minority Shareholders of Subsidiaries

Name of other related parties	Relationship with the Company
Qingdao Iron and Steel Holding Group Co., Ltd.	The company's hosting company
Qirui Automobile Henan Co., Ltd.	Subsidiaries of joint venture companies
Shandong Taishan Iron and Steel Group Co., Ltd.	Minority Shareholders of Subsidiaries
PT.Metal Smeltindo Selaras	Subsidiary Shareholder Holding Company
Qingdao Milestone International Trading Co., Ltd.	Subsidiary of a subsidiary company
Qingdao Haisi Innovation Energy Equity Investment Enterprise (Limited Partnership)	Subsidiary shareholding companies
Huasheng Green Energy (Dengkou) Agricultural Technology Co., Ltd.	Subsidiary of a subsidiary company
Huasheng Green Energy (Wuhai) Agricultural Technology Co., Ltd.	Subsidiary of a subsidiary company
Zhenghe Huaxu Modern Agricultural Development Co., Ltd.	Subsidiary of a subsidiary company
Jiaozuo Huasheng Green Energy Agricultural Technology Co., Ltd.	Subsidiary of a subsidiary company
Shouguang Shuangsheng Agricultural Technology Co., Ltd.	Subsidiary of a subsidiary company
Inner Mongolia Green Energy Agricultural Technology Co., Ltd.	Subsidiary of a subsidiary company
Huasheng Green Energy (Wucheng) Agricultural Technology Co., Ltd.	Subsidiary of a subsidiary company
Huasheng Plain Shijiazhuang Agricultural Technology Co., Ltd.	Subsidiary of a subsidiary company
Huasheng Green Energy (Dechang) Agricultural Technology Co., Ltd.	Subsidiary of a subsidiary company
Dongfeng Huasheng Green Energy Agricultural Technology Co., Ltd.	Subsidiary of a subsidiary company
Huasheng Green Energy (Yuanjiang) Agricultural Technology Co., Ltd.	Subsidiary of a subsidiary company
Huasheng Green Energy (Binzhou) Agricultural Technology Co., Ltd.	Subsidiary of a subsidiary company
Huasheng Green Energy (Linyou) Agricultural Technology Co., Ltd.	Subsidiary of a subsidiary company
Yangquan Huasheng Green Energy Agricultural Technology Co., Ltd.	Subsidiary of a subsidiary company
Yanjin Huasheng Green Energy Agricultural Technology Co., Ltd.	Subsidiary of a subsidiary company
Huaxian Huasheng Green Energy Agricultural Technology Co., Ltd.	Subsidiary of a subsidiary company
Huasheng Green Energy (Jimo) Agricultural Technology Co., Ltd.	Subsidiary of a subsidiary company
Huasheng Green Energy (Tianjin) Agricultural Technology Co., Ltd.	Subsidiary of a subsidiary company
Huasheng Green Energy (Yitong) Agricultural Technology Co., Ltd.	Subsidiary of a subsidiary company
Fugu County Huasheng Green Energy Agricultural Technology Co., Ltd.	Subsidiary of a subsidiary company
Beijing Hurricane Partner Network Technology Co., Ltd. Shanghai Branch	Subsidiary branch of a joint stock company
Qingdao Xingzheng Automobile Technology Co., Ltd.	Subsidiary shareholding company
Qingdao Xiyuan Holdings Co., Ltd.	Minority Shareholders of Subsidiaries
Qingdao Olympic Sailing Center Performing Arts Co., Ltd.	Subsidiaries of the Company's shareholding

Name of other related parties	Relationship with the Company
	companies
Qingdao Yingxinhuitong Education Technology Co., Ltd.	Minority Shareholders of Subsidiaries
Shandong Shengli Co., Ltd.	Minority Shareholders of Subsidiaries
Qingdao Sifang Urban Development Co., Ltd.	Minority Shareholders of Subsidiaries
Qingdao Shengxin Binhai Real Estate Development Co., Ltd.	Minority Shareholders of Subsidiaries
CCCG Real Estate Co., Ltd.	Minority Shareholders of Subsidiaries
Shandong Handing Investment Co., Ltd.	Minority Shareholders of Subsidiaries
Qingdao Qingcheng Yuhui New Energy Co., Ltd.	Subsidiaries of fund project companies invested by subsidiaries
Qingdao Jianyuan Mechanized Construction Co., Ltd.	Minority Shareholders of Subsidiaries
Chongqing Honghan Enterprise Management Consulting Co., Ltd.	Minority Shareholders of Subsidiaries
Qingdao Nanxin Investment Co., Ltd.	Controlled by the same company as the minority shareholders of the subsidiary
Qingdao Runbin Business Management Co., Ltd.	Subsidiary Minority Shareholder Holding Company
Longkou Nanxin Yuanheng Real Estate Co., Ltd.	Subsidiary Minority Shareholding Company
Nanshan Group Co., Ltd.	Minority Shareholders of Subsidiaries
Qingdao Nanxin Urban Investment Real Estate Co., Ltd.	Subsidiary company's shareholding company
Yantai Runde Real Estate Co., Ltd.	Subsidiary Minority Shareholding Company Holding Company
Qingdao Xiecheng Shihe Investment Management Center (Limited Partnership)	Subsidiary Partnership
Qingdao Xiexin Yuanhai Real Estate Co., Ltd.	Controlled by the same company as the minority shareholders of the subsidiary
Anhui Chery Commercial Vehicle Sales Co., Ltd.	Subsidiaries of joint venture companies
Chery Automobile Co., Ltd. Qingdao Branch	Subsidiary Shareholder Branch
Pingdu City Construction Investment Development Co., Ltd.	Minority Shareholders of Subsidiaries
Hong Kong Anyu Trading Co., Ltd.	Minority Shareholders of Subsidiaries
Hong Kong Anyu Trading Co., Ltd.	Subsidiaries of the Company's shareholding companies
China Nuclear Industry Zhongyuan Construction Co., Ltd.	Minority Shareholders of Subsidiaries
Qingdao Tourism Culture Media Co., Ltd.	Subsidiaries of the Company's shareholding companies
Qingdao Yandao Hotel Co., Ltd.	Subsidiaries of the Company's shareholding

Name of other related parties	Relationship with the Company
	companies
Qingdao International Yacht Club Co., Ltd.	Subsidiaries of the Company's shareholding companies
Qingdao Xindong Property Co., Ltd.	Subsidiaries of the Company's shareholding companies
Qingdao Tourism Group Hotel Management Co., Ltd.	Subsidiaries of the Company's shareholding companies
Olympic Sailing Museum	Subsidiaries of the Company's shareholding companies
Qingdao Ferry Co., Ltd.	Subsidiaries of the Company's shareholding companies
Qingdao Donghai New Energy Co., Ltd.	Subsidiaries of the Company's shareholding companies
Qingdao Tourism Group Automobile Co., Ltd.	Subsidiaries of the Company's shareholding companies
Qingdao Chengtou Tourism Economic Development Co., Ltd.	Subsidiaries of the Company's shareholding companies
Mengcheng Huasheng Green Energy Agricultural Technology Co., Ltd.	Subsidiary of a subsidiary company
Huasheng Green Energy (Xiantao) Agricultural Technology Co., Ltd.	Subsidiary of a subsidiary company
Huasheng Green Energy (Shangdu County) Park Service Co., Ltd.	Subsidiary of a subsidiary company
Chengcheng County Huasheng Green Energy Seedlings and Flowers Technology Co., Ltd.	Subsidiary of a subsidiary company
Xinxian Dingsheng Agricultural Technology Co., Ltd.	Subsidiary of a subsidiary company
Huasheng Green Energy Agricultural Technology Co., Ltd.	Subsidiary of a subsidiary company
Tuquan County Mengdong Urban Development Investment Management Co., Ltd.	Minority Shareholders of Subsidiaries
Qingdao Chenghui New Energy Co., Ltd.	Subsidiaries of fund project companies invested by subsidiaries
Taipusi Banner Borui Urban and Rural Construction and Asset Management Co., Ltd.	Minority Shareholders of Subsidiaries
Prosperity East (Tuquan) Agricultural Technology Co., Ltd.	Subsidiary of a subsidiary company
Qingdao University Information Industry Co., Ltd.	Minority Shareholders of Subsidiaries
Qingdao Xinghua Resources Holdings Co., Ltd.	Subsidiary shareholding company

Name of other related parties	Relationship with the Company
Shanghai Tianci International Pharmaceutical Co., Ltd.	Subsidiary shareholding company
Qingdao Yicheng Culture Media Co., Ltd.	Subsidiary Minority Controlled Company
Li Xingmin	Subsidiary shareholders
Li Zhensheng	Subsidiary shareholders
Qingdao Sports Industry Development Co., Ltd.	Subsidiaries of the Company's shareholding companies
Qingdao Xiechuang Investment Management Consulting Center (Limited Partnership)	Subsidiary Partnership
Qingdao Yingao Real Estate Co., Ltd.	Shareholding company of the company's shareholding company
Qingdao Renxingkang Industrial Co., Ltd.	Minority Shareholders of Subsidiaries
Chery Holding Group Co., Ltd.	Joint stock company
Chery Commercial Vehicle (Anhui) Co., Ltd.	Subsidiaries of joint-stock companies of joint ventures
Chery Commercial Vehicle (Anhui) Co., Ltd. Special Vehicle Branch	A branch of a subsidiary company of a joint-stock company
Lin Jie	Subsidiary shareholders
Qingdao Shengxin Hengchang Trading Co., Ltd.	Subsidiary Minority Shareholder Holding Company
Qingsoft Innovation Technology Group Co., Ltd.	The company's shareholding company
Qingdao Chengtou Haisi Circular Equity Investment Fund Enterprise (Limited Partnership)	The company's shareholding company
Qingdao Haisi Minhe Equity Investment Fund Enterprise (Limited Partnership)	The company's shareholding company
Qingdao Minhe Zhiwei Investment Center (Limited Partnership)	The company's shareholding company
Qingdao Haisi Energy Equity Investment Fund Enterprise (Limited Partnership)	The company's shareholding company
Qingdao Tourism Group Co., Ltd.	The company's shareholding company
Qingdao Guoxin Haitian Basketball Club Co., Ltd.	The company's shareholding company
Qingdao Zhuocheng Real Estate Co., Ltd.	The company's shareholding company
Qingdao Yicheng Real Estate Co., Ltd.	The company's shareholding company
Qingdao Haisi Innovation Equity Investment Fund Enterprise (Limited Partnership)	The company's shareholding company
Qingdao Minxin Qiyuan Investment Center (Limited Partnership)	The company's shareholding company

11.5 Related party transactions

11.5.1 Related party transactions for purchase/receiving labor services

Name of the related parties	Types of transaction	Current period	Prior period
Qingdao Hailang Special Equipment Technology Co., Ltd.	Labor fee		1,320,619.00
Qingdao Hailang Special Equipment Technology Co., Ltd.	Purchase equipment		107,882.29
Beijing Hurricane Partners Network Technology Co., Ltd.	Purchase tires		7,501,277.36
Chery Automobile Co., Ltd.	Purchase vehicle	1,926,257,249.43	
Qingdao Changsheng Ridian New Energy Power Co., Ltd.	Operation and maintenance fee	73,005,198.85	
Qingdao Renxingkang Industrial Co., Ltd.	Interest expense	46,213.58	
Suxing Automotive Technology (Qingdao) Co., Ltd.	Purchase tires	2,093,049.76	

11.5.2 Related party transactions for sale/providing services

Name of the related parties	Types of transaction	Current period	Prior period
Shanghai Tianci International Pharmaceutical Co., Ltd.	Entrusted loan management fee income		298,113.20
Qingdao Urban and Rural Aviation Equity Investment Fund Enterprise (Limited Partnership)	Fund management fee income	158,645.28	
Qingsoft Innovation Technology Group Co., Ltd.	interest income		53,490.57
Shanghai Tianci International Pharmaceutical Co., Ltd.	interest income	32,149,528.37	31,045,545.10
Shandong Xincheng Hengye Group Co., Ltd.	interest income	142,469,501.29	75,471,698.39
Shenzhen Qianhai Chuangying Asset Management Co., Ltd.	interest income	7,601,415.12	1,063,679.21
Qingdao Haisi Innovation Equity Investment Fund Enterprise (Limited Partnership)	interest income	24,823,463.23	26,838,667.81
Qingdao Chengtou Haisi Circular Equity Investment Fund Enterprise (Limited Partnership)	Fund management fee income		124,705.66
Qingdao Haisi Minhe Equity Investment Fund Enterprise (Limited Partnership)	Fund management fee income	19,250.44	1,005,614.83
Qingdao Minhe Zhiwei Investment Center (Limited Partnership)	Fund management fee income		716,226.42
Shanghai Tianci International Pharmaceutical Co., Ltd.	Guaranteed income	4,540,880.20	17,295.28
PT. Metal Smeltindo Selaras	RKEF Complete set of	412,772,123.78	-170,125,058.18

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Name of the related parties	Types of transaction	Current period	Prior period
	special smelting equipment		
PT. Metal Smeltindo Selaras	RKEFProject construction	338,303,559.19	57,118,025.94
PT. Metal Smeltindo Selaras	2*65MWComplete sets of coal-fired power plant equipment	115,723,893.37	55,096,470.46
PT. Metal Smeltindo Selaras	2*65MWCoal-fired power plant construction	253,020,961.60	52,529,726.77
PT. Metal Smeltindo Selaras	land lease	39,656,243.80	41,054,579.97
PT. Metal Smeltindo Selaras	commercial service	2,238,189.55	1,512,344.85
PT. Metal Smeltindo Selaras	Proxy service	946,271.04	62,832.00
Yangzhou Yuanbinjiang Zhongcheng Supply Chain Co., Ltd.	consultation service	2,037,735.84	1,698,113.20
Qingdao Shilu Ocean Big Data Investment and Development Co., Ltd.	Management Consulting		5,234,276.75
Qingdao Iron and Steel Holding Group Co., Ltd.	interest income	13,260,409.31	3,081,718.16
Qingdao CCCC Urban Investment Real Estate Co., Ltd.	interest income	6,293,930.22	
Chery Automobile Henan Co., Ltd.	tire trade revenue	5,001,611.60	
Shandong Taishan Iron and Steel Group Co., Ltd.	sell goods	466,176,877.56	
PT.Metal Smeltindo Selaras	sell goods	218,618,842.88	
Qingdao Milestone International Trading Co., Ltd.	sell goods	495,426.07	
Qingdao Haisi Innovation Energy Equity Investment Enterprise (Limited Partnership)	interest income	56,335,856.92	56,672,266.35
Qingdao Haisiquanzong Private Equity Fund Management Co., Ltd.	interest income	101,962.79	102,242.14
Qingdao Minxin Qiyuan Investment Center (Limited Partnership)	interest income	801,886.79	
Huasheng Green Energy (Dengkou) Agricultural Technology Co., Ltd.	rental income		442,477.88
Huasheng Green Energy (Wuhai) Agricultural Technology Co., Ltd.	rental income		884,955.75
Zhenghe Huaxu Modern Agricultural Development Co., Ltd.	rental income		884,955.75
Jiaozuo Huasheng Green Energy Agricultural Technology Co., Ltd.	rental income		530,973.45

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Name of the related parties	Types of transaction	Current period	Prior period
Shouguang Shuangsheng Agricultural Technology Co., Ltd.	rental income		530,973.45
Inner Mongolia Green Energy Agricultural Technology Co., Ltd.	rental income		176,991.15
Huasheng Green Energy (Wucheng) Agricultural Technology Co., Ltd.	rental income		176,991.15
Huasheng Plain Shijiazhuang Agricultural Technology Co., Ltd.	rental income		176,991.15
Huasheng Green Energy (Dechang) Agricultural Technology Co., Ltd.	rental income		442,477.88
Dongfeng Huasheng Green Energy Agricultural Technology Co., Ltd.	rental income		88,495.58
Huasheng Green Energy (Yuanjiang) Agricultural Technology Co., Ltd.	rental income		88,495.58
Huasheng Green Energy (Binzhou) Agricultural Technology Co., Ltd.	rental income		442,477.88
Huasheng Green Energy (Linyou) Agricultural Technology Co., Ltd.	rental income		88,495.58
Yangquan Huasheng Green Energy Agricultural Technology Co., Ltd.	rental income		1,415,929.20
Yanjin Huasheng Green Energy Agricultural Technology Co., Ltd.	rental income		884,955.75
Huaxian Huasheng Green Energy Agricultural Technology Co., Ltd.	rental income		88,495.58
Huasheng Green Energy (Jimo) Agricultural Technology Co., Ltd.	rental income		1,504,424.78
Xingda Network Technology (Qingdao) Co., Ltd.	Sale of tires	18,413,024.17	11,815,376.50
Beijing Hurricane Partner Network Technology Co., Ltd. Shanghai Branch	Rental tire income		2,540,342.58
Suxing Automotive Technology (Qingdao) Co., Ltd.	Sale of tires	22,946,235.35	2,179,962.51
Qingdao Xingzheng Automobile Technology Co., Ltd.	Sale of tires		795,734.51
Qingdao Hailang Special Equipment Technology Co., Ltd.	mechanical equipment		746,098.23
Qingdao Hailang Special Equipment Technology Co., Ltd.	Welfare Products		7,297.03
Qingdao Wudaokou New Energy Automobile Industry Fund Enterprise (Limited Partnership)	interest income	475,613,395.28	

11.5.3 Related party transactions for lease

Company lease situation

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Lessor	Lessee	Type of Lease	Price of rent	Fee
Qingdao Shengxin Hengchang Trading Co., Ltd.	Qingdao Shengtong Coast Real Estate Development Co., Ltd.	Property	Lease Contract	242,631.00
Qingdao Dongao Development and Construction Group Corporation	Qingdao Chengtuo Nandong Tianshan Kindergarten	Property	Lease Contract	750,000.01

11.6 Trade Receivable and payable with related parties

11.6.1 Accounts receivable from related parties

Items	Related parties	Closing balance		Opening balance	
		Carrying amount	Provision	Carrying amount	Provision
Accounts receivable					
	Qingdao Shiao Investment Development Co., Ltd.	24,570,000.00		24,570,000.00	
	Shandong Shengli Co., Ltd.	14,800,000.00		14,800,000.00	
	Qingdao Sifang Urban Development Co., Ltd.	28,900,000.00		28,900,000.00	
	Qingdao Shengxin Binhai Real Estate Development Co., Ltd.	14,900,000.00		14,900,000.00	
	Qingdao Haisi Energy Equity Investment Fund Enterprise (Limited Partnership)			2,960,000.00	
	Anhui Chery Commercial Vehicle Sales Co., Ltd.	102,203,539.37		102,203,539.37	
	PT. Metal Smelting Selaras	244,956,313.11	4,980,809.66	278,366,250.57	3,573,361.90
	Qingdao Qingcheng Yuhui New Energy Co., Ltd.	403,000,000.00		403,000,000.00	
	Qingdao Tourism Group Co., Ltd.	9,590.00		9,590.00	
	Qingdao Tourism Culture Media Co., Ltd.	4,000,000.00		4,000,000.00	
	Huasheng Green Energy (Dengkou) Agricultural Technology Co., Ltd.			600,000.00	10,000.00
	Huasheng Green Energy (Wuhai) Agricultural Technology Co., Ltd.			3,093,023.26	209,302.33
	Inner Mongolia Green Energy Agricultural Technology Co., Ltd.	2,293,023.26	438,604.65	2,293,023.26	209,302.33
	Huasheng Green Energy (Dechang) Agricultural Technology Co., Ltd.	2,593,023.26	468,604.65	2,593,023.26	209,302.33

Items	Related parties	Closing balance		Opening balance	
		Carrying amount	Provision	Carrying amount	Provision
	Huasheng Green Energy (Xiantao) Agricultural Technology Co., Ltd.	2,093,023.26	418,604.64	2,093,023.26	209,302.33
	Dongfeng Huasheng Green Energy Agricultural Technology Co., Ltd.	2,193,023.26	428,604.65	2,193,023.26	209,302.33
	Huasheng Green Energy (Binzhou) Agricultural Technology Co., Ltd.	550,000.00	60,000.00	550,000.00	5,000.00
	Huasheng Green Energy (Linyou) Agricultural Technology Co., Ltd.			2,193,023.26	209,302.33
	Mengcheng Huasheng Green Energy Agricultural Technology Co., Ltd.			4,186,046.51	209,302.31
	Yanjin Huasheng Green Energy Agricultural Technology Co., Ltd.	1,859,041.86	271,808.37	1,859,041.86	85,904.18
	Huasheng Green Energy (Jimo) Agricultural Technology Co., Ltd.	10,272,093.02	1,884,418.60	10,272,093.02	857,209.30
	Huasheng Plain Shijiazhuang Agricultural Technology Co., Ltd.	5,432,558.14	1,066,511.63	5,432,558.14	523,255.80
	Huaxian Huasheng Green Energy Agricultural Technology Co., Ltd.	4,186,046.51	847,209.30	4,186,046.51	209,302.30
	Shouguang Shuangsheng Agricultural Technology Co., Ltd.	2,693,023.26	478,604.65	2,693,023.26	209,302.33
	Huasheng Green Energy (Yuanjiang) Agricultural Technology Co., Ltd.	2,193,023.22	428,604.64	2,193,023.22	209,302.32
	Huasheng Green Energy (Shangdu County) Park Service Co., Ltd.	2,093,023.26	418,604.65	2,093,023.26	209,302.33
	Chengcheng County Huasheng Green Energy Seedlings and Flowers Technology Co., Ltd.	2,093,023.26	418,604.65	2,093,023.26	209,302.33
	Yangquan Huasheng Green Energy Agricultural Technology Co., Ltd.	1,800,000.00	200,000.00	1,800,000.00	20,000.00
	Jiaozuo Huasheng Green Energy Agricultural Technology Co., Ltd.	1,429,437.50	225,887.50	1,429,437.50	82,943.75
	Huasheng Green Energy (Wucheng) Agricultural Technology Co., Ltd.	211,520.64	22,304.07	211,520.64	1,152.06
	Xinxian Dingsheng Agricultural Technology Co., Ltd.	2,093,023.26	418,604.65	2,093,023.26	209,302.33

Items	Related parties	Closing balance		Opening balance	
		Carrying amount	Provision	Carrying amount	Provision
	Suxing Automotive Technology (Qingdao) Co., Ltd.	3,585,236.28	179,261.81	1,730,100.85	8,650.50
	Qingdao CCCC Urban Investment Real Estate Co., Ltd.	884,669.72			
	Qingdao Wudaokou New Energy Automobile Industry Fund Enterprise (Limited Partnership)	513,750,199.03			
	Pingdu City Construction Investment Development Co., Ltd.	24,794,738.80			
	Shandong Taishan Iron and Steel Group Co., Ltd.	99,991,576.67			
	Qingdao Milestone International Trading Co., Ltd.	559,831.50			
	China Nuclear Industry Zhongyuan Construction Co., Ltd.	18,222,363.75			
	Chery Automobile Henan Co., Ltd.	5,651,821.12			
	CAMCE Jihua Heavy Industry (Qingdao) Co., Ltd.	80,749.00	4,037.45		
	Beijing Hurricane Partner Network Technology Co., Ltd. Shanghai Branch	2,400,913.10	240,091.31		
Prepayments					
	Chery Automobile Co., Ltd.	1,909,444.74			
	Chery Automobile Co., Ltd. Qingdao Branch	505,400.00			
	PT. Metal Smelting Selaras	184,798,081.60			
Interest receivable					
	Qingdao Xiyuan Holdings Co., Ltd.			89,902,591.59	

Items	Related parties	Closing balance		Opening balance	
		Carrying amount	Provision	Carrying amount	Provision
Other receivables					
	Shandong Shengli Co., Ltd.	60,671,328.89		60,671,328.89	
	Qingdao Lanhai Xingang City Real Estate Co., Ltd.	1,255,000,000.00		1,255,000,000.00	
	Qingdao Huibo Real Estate Co., Ltd.	41,606,716.17		41,606,716.17	
	Qingdao Huijie Real Estate Co., Ltd.	32,342,099.93		32,342,099.93	
	Qingdao Huitai Real Estate Co., Ltd.	21,880,452.83		21,820,452.83	
	Qingdao Huilian Real Estate Co., Ltd.	54,040,250.04		54,040,250.04	
	Qingdao Huiding Real Estate Co., Ltd.	13,870,846.35		13,870,846.35	
	Qingdao Zhonghe Freya Ecological Animal Husbandry Co., Ltd.	12,876,525.78		12,876,525.78	
	Huasheng Green Energy Agricultural Technology Co., Ltd.	9,256,403.01		33,593,334.92	
	Qingdao Xindong Hotel Co., Ltd.	30,065,824.95		30,065,824.95	
	Olympic Sailing Museum	3,508,000.00		3,508,000.00	
	Qingdao Chenghui New Energy Co., Ltd.	8,750,000.00		8,750,000.00	
	Hong Kong Anyu Trading Co., Ltd.	358,000.00		358,000.00	
	Qingdao Xindong Property Co., Ltd.	150,000.00		150,000.00	
	Qingdao Donghai New Energy Co., Ltd.	479,666.64		479,666.64	
	Qingdao Ferry Co., Ltd.	184,041,102.55		184,041,102.55	
	Qingdao Tourism Group Automobile Co., Ltd.	16,255,727.02		16,255,727.02	

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Items	Related parties	Closing balance		Opening balance	
		Carrying amount	Provision	Carrying amount	Provision
	Qingdao Tourism Group Co., Ltd.	541,990,190.54		541,990,190.54	
	CCCC Real Estate Co., Ltd.	784,000,000.00		784,000,000.00	
	Qingdao Nanxin Urban Investment Management Consulting Co., Ltd.	69,000,000.00		69,000,000.00	
	Qingdao Nanxin Investment Co., Ltd.	57,028,564.03		57,028,564.03	
	Qingdao Tourism Culture Media Co., Ltd.	19,717,795.52		19,717,795.52	
	Qingdao International Yacht Club Co., Ltd.	35,051,261.16		35,051,261.16	
	Qingdao Iron and Steel Holding Group Co., Ltd.	478,293,239.38		723,893,239.38	
	Qingdao Olympic Sailing Center Performing Arts Co., Ltd.	108,578,932.45		108,578,932.45	
	Qingdao Chengtuo Tourism Economic Development Co., Ltd.	399,161,684.71		399,161,684.71	
	Qingdao Tourism Group Hotel Management Co., Ltd.	186,273,754.49		186,273,754.49	
	Qingdao Yandao Hotel Co., Ltd.	13,340,442.07	13,340,442.07	13,340,442.07	13,340,442.07
	Qingdao Shiao Investment Development Co., Ltd.	2,000,000.00		2,000,000.00	
	PT. Metal Smelting Selaras	329,406,623.38			
	Prosperity East (Tuquan) Agricultural Technology Co., Ltd.	1,100,000.00		1,100,000.00	
	Qingdao Xiyuan Holdings Co., Ltd.	515,138.05		438,365.80	
	Taipusi Banner Borui Urban and Rural Construction and Asset Management Co., Ltd.	2,847,000.00		2,847,000.00	
	Qingdao Boao Yihe Urban Investment Health Technology	213,539.00		213,539.00	

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Items	Related parties	Closing balance		Opening balance	
		Carrying amount	Provision	Carrying amount	Provision
	Development Co., Ltd. Health Checkup Center				
	Tuquan County Mengdong Urban Development Investment Management Co., Ltd.	9,420,000.00		9,420,000.00	
	Qingdao Chengxiu Real Estate Investment Co., Ltd.	1,643,312.99		162,559,312.99	
	Vanlink Company Limited	255,840,000.00		262,080,000.00	
	Chongqing Honghan Enterprise Management Consulting Co., Ltd.	177,955,448.03		177,955,448.03	
	Qingdao Runbin Business Management Co., Ltd.	13,896,764.68		21,590,300.00	
	Longkou Nanxin Yuanheng Real Estate Co., Ltd.	31,680,000.00		30,000,000.00	
	Nanshan Group Co., Ltd.	323,531,062.51		323,531,062.51	
	Qingdao Jianyuan Mechanized Construction Co., Ltd.	177,000,000.00	69,945,180.64	177,342,081.99	69,945,180.64
	Qingdao Nanxin Urban Investment Real Estate Co., Ltd.	2,249,543.48		2,249,543.48	
	Yantai Runde Real Estate Co., Ltd.	4,649,324.00		4,649,324.00	
	Qingdao Xiexin Yuanhai Real Estate Co., Ltd.	1,240,241.78		498,960.00	
	Qingdao Dongao Development and Construction Group Corporation	89,537,107.48		83,909,306.76	
	Qingdao Urban Construction Investment Center	48,799,454.42		44,129,564.75	
	Huaqing Development Co., Ltd.	89,719,265.88		91,032,308.31	
	Beijing Hurricane Partner Network Technology Co., Ltd.			2,400,913.10	12,004.57
	Qingdao Hailang Special Equipment Technology Co., Ltd.			7,357,798.50	36,788.99

Notes to the Financial Statements Page 170

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Items	Related parties	Closing balance		Opening balance	
		Carrying amount	Provision	Carrying amount	Provision
	Qingdao Guoxin Haitian Basketball Club Co., Ltd.			5,890,686.24	1,178,137.25
	Qingdao International Airport Group Co., Ltd.	450,000,000.00			
	Qingdao Xiecheng Shilhe Investment Management Center (Limited Partnership)	2,375,093.19			
	Qingdao Zhuocheng Real Estate Co., Ltd.	200,000.00			
	Qingdao Yicheng Real Estate Co., Ltd.	200,000.00			
	Pingdu City Construction Investment Development Co., Ltd.	2,175,681.10			
	Qingdao Milestone International Trading Co., Ltd.	5,000,000.00			
	Qingdao University Information Industry Co., Ltd.	384,000.00			
	Shandong Xincheng Hengye Group Co., Ltd.	100,777,671.24			
	Qingdao Yingxinhuitong Education Technology Co., Ltd.	5,196,672.43	2,387,352.08	5,020,589.10	2,387,352.08
	Shandong Handing Investment Co., Ltd.	990,000.00	990,000.00	990,000.00	495,000.00
contract assets					
	PT. Metal Smeltindo Selaras	584,817,374.25	5,848,173.74	320,203,430.59	3,183,596.76
Other current assets					
	Qingdao Xiyuan Holdings Co., Ltd.	514,300,000.00		514,300,000.00	
	Shanghai Tianci International Pharmaceutical Co., Ltd.	240,000,000.00		325,000,000.00	
	Shandong Xincheng Hengye Group Co., Ltd.	500,000,000.00		2,500,000,000.00	

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Items	Related parties	Closing balance		Opening balance	
		Carrying amount	Provision	Carrying amount	Provision
△ Issuing loans and advances	Qingdao Yingxinhuitong Education Technology Co., Ltd.	40,800,000.00	40,800,000.00	40,800,000.00	40,800,000.00
	Shenzhen Qianhai Chuangying Asset Management Co., Ltd.			90,000,000.00	
Debt investment	Qingdao Haisi Innovation Equity Investment Fund Enterprise (Limited Partnership)	296,380,000.00		329,380,000.00	
	Qingdao Yingxinhuitong Education Technology Co., Ltd.	4,600,000.00	4,600,000.00		
	Qingdao Xiyuan Holdings Co., Ltd.	277,578,717.08		264,634,200.59	
	Shandong Xincheng Hengye Group Co., Ltd.	2,000,000,000.00		4,000,000,000.00	
	Qingdao Iron and Steel Holding Group Co., Ltd.	541,279,354.04		99,269,904.92	
	Qingdao Haisiquanzong Private Equity Fund Management Co., Ltd.	2,108,080.56		2,000,000.00	
Other non-current assets	Qingdao Haisi Innovation Energy Investment Enterprise (Limited Partnership)	1,149,200,514.76		1,129,748,343.24	
	Qingdao Minxin Qiyuan Investment Center (Limited Partnership)			100,000,000.00	
	Shandong Xincheng Hengye Group Co., Ltd.	200,000,000.00			

11.6.2 Accounts payable to related parties

Items	Name of the related parties	Closing balance	Opening balance
Accounts payable			
	Qingdao University Information Industry Co., Ltd.		2,768,690.00
	Beijing Hurricane Partner Network Technology Co., Ltd.	2,593,111.01	2,593,111.01
	Chery Commercial Vehicle (Anhui) Co., Ltd.	99,950,187.27	
	Chery Commercial Vehicle (Anhui) Co., Ltd. Special Vehicle Branch	35,900.00	
	Qingdao Tourism Culture Media Co., Ltd.	7,002,000.00	7,002,000.00
Advances from customers			
	Xingda Network Technology (Qingdao) Co., Ltd.		896,154.64
Contract liabilities			
	Shandong Taishan Iron and Steel Group Co., Ltd.	70,796,500.00	
	Shandong Xincheng Hengye Group Co., Ltd.		25,000,000.00
	Shanghai Tianci International Pharmaceutical Co., Ltd.		13,333.00
Dividend payable			
	Qingdao Shengxin Binhai Real Estate Development Co., Ltd.		54,200,000.00
	Qingdao Sifang Urban Development Co., Ltd.		32,520,000.00
	Shandong Shengli Co., Ltd.		46,070,000.00
Other payable			
	Huasheng Green Energy Agricultural Technology Co., Ltd.		25,101,068.85

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Items	Name of the related parties	Closing balance	Opening balance
	Huasheng Green Energy (Tianjin) Agricultural Technology Co., Ltd.		2,644,890.00
	Huasheng Green Energy (Yitong) Agricultural Technology Co., Ltd.		75,088.51
	Fugu County Huasheng Green Energy Agricultural Technology Co., Ltd.		7,181.00
	Qingdao Urban Construction Investment Center	206,843.00	375,888.80
	Huaqing Development Co., Ltd.	86,443,482.22	89,191,442.20
	Qingdao Yicheng Culture Media Co., Ltd.		42,973,540.38
	Li Xingmin	460,830.00	460,830.00
	Li Zhensheng	230,415.00	230,415.00
	Shandong Xincheng Hengye Group Co., Ltd.	195,531,156.39	8,216,500.01
	Shandong Handing Investment Co., Ltd.	555,570.00	555,570.00
	Qingdao Donghai New Energy Co., Ltd.	250,000.00	250,000.00
	Qingdao Nanxin Investment Co., Ltd.		333,228,564.03
	Qingdao Yandao Hotel Co., Ltd.	2,012,253.40	2,012,253.40
	Qingdao Tourism Culture Media Co., Ltd.	14,000,000.00	14,000,000.00
	Qingdao Sports Industry Development Co., Ltd.		1,744,735.00
	Qingdao Xiechuang Investment Management Consulting Center (Limited Partnership)	10,102,710.00	10,202,710.00
	Qingdao Yingao Real Estate Co., Ltd.	2,118,708.63	2,118,708.63
	Qingdao Chengtuo Tourism Economic Development Co., Ltd.	93,676,000.00	93,676,000.00

Notes to the Financial Statements Page 174

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2021 to December 31st, 2021

Items	Name of the related parties	Closing balance	Opening balance
	Shandong Taishan Iron and Steel Group Co., Ltd.	84,887,289.00	121,887,289.00
	Qingdao Dongao Development and Construction Group Corporation	20,631,524.04	20,512,548.93
	Qingdao Hailang Special Equipment Technology Co., Ltd.		763,115.46
	Qingdao Xinghua Resources Holdings Co., Ltd.		16,277.38
	Qingdao Yingxinhuitong Education Technology Co., Ltd.	19,240.00	19,240.00
	Qingdao CCCC Urban Investment Real Estate Co., Ltd.	881,000.00	
	Qingdao Wudaokou New Energy Automobile Industry Fund Enterprise (Limited Partnership)	302,300,000.00	
	Qingdao Xiyuan Holdings Co., Ltd.	1,000,000.00	1,000,000.00
	Qingdao Renxingkang Industrial Co., Ltd.	4,729,931.75	460,000.00
	Chery Holding Group Co., Ltd.	316,288.84	
Other current liabilities			
	PT. Metal Smelindo Selaras	4,605,497.64	
	Shandong Taishan Iron and Steel Group Co., Ltd.	9,203,500.00	
Other non-current liabilities			
	Xingda Network Technology (Qingdao) Co., Ltd.		103,097.44

12 Notes to the financial statements of Parent company

12.1 Accounts receivable

12.1.1.1 Accounts receivable disclosure based on accrued bad debt reserve method

Categories	Closing balance				Opening balance			
	Carrying amount		Bad debts reserves		Carrying amount		Bad debts reserves	
	Amount	Percentage (%)	Amount	Accrual ratio (%)	Amount	Percentage (%)	Amount	Accrual ratio (%)
Individual assessment								
Credit risk collective assessment	12,564,506.52	100.00			19,470,946.51	100.00		19,470,946.51
Including: account receivable age analysis portfolio								
Credit risk characteristics portfolio								
Non-bad-debts-reserve portfolio	12,564,506.52	100.00			19,470,946.51	100.00		19,470,946.51
Total	12,564,506.52	100.00			19,470,946.51	100.00		19,470,946.51

12.1.2 Accounts receivable with provision for bad debts based on the combination of credit risk characteristics

Accounts receivable without provision for bad debts		
Name of the debtors	Closing balance	Opening balance
Qingdao Urban Investment Enterprise Development Co., Ltd.	8,483,994.94	8,070,710.43
Qingdao Tourism Culture Media Co., Ltd.	4,000,000.00	4,000,000.00
Qingdao Urban Investment Engineering Construction Development (Group) Co., Ltd.	80,511.58	3,285,569.41
Qingdao First International School, Shandong Province		3,666,666.67
Other related parties		448,000.00
Total	12,564,506.52	19,470,946.51

12.2 Revenue and cost

Items	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
Other operating income	12,511,907.83	9,876,698.32	21,951,568.12	11,659,428.20
Total	12,511,907.83	9,876,698.32	21,951,568.12	11,659,428.20

12.3 Gain on investment

Sources	Current period	Prior period
Gain on long-term equity investment under equity method	294,495,746.27	194,156,290.16
Gain on disposal of long-term equity investment	3,769.91	96,111,567.11
Gain on long-term equity investments under cost method	930,002,400.00	138,210,000.00
Gain during the holding period of held-for-trading financial assets		1,999,800.00
Gain on disposal of held-for-trading financial assets		713,484,354.06
Financial income	40,118,835.61	170,899,410.19
Gain during the holding period of other equity instrument investments	2,205,165,558.39	
Others		11,632,198.10
Total	3,469,786,310.18	1,326,493,619.62

12.4 Cash flows

12.4.1 Supplementary information to the cash flow statement

Items	Current period	Prior period
1、Reconciliation of net profit to cash flow from operating activities:		
Net profit	1,249,319,560.40	-567,040,359.63
Plus: Provision for impairment losses of assets		7,346,564.33
Credit impairment loss	20,381,533.15	
Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of productive biological assets	31,137,363.21	29,821,906.31
Depreciation of right-of-use assets		
Amortization of intangible assets	1,269,532.48	1,029,645.69
Amortization of long-term prepaid expenses	14,364,559.76	108,123.84
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-57,226.49	-26,460,584.63
Losses on retirement of fixed assets ("-" for gains)	935.00	3,255.40
Losses from changes in fair value ("-" for gains)	-1,286,115.00	
Financial expenses ("-" for gains)	2,379,208,280.11	1,970,151,765.13
Investment losses ("-" for gains)	-3,469,786,310.18	-1,326,493,619.62
Decreases in deferred income tax assets ("-" for increases)		
Increases in deferred income tax liabilities ("-" for decreases)	660,395.38	338,866.63
Decreases in inventories ("-" for increases)		
Decrease in receivables from operating activities ("-" for increases)	-5,370,084.99	-39,716,920.86
Increase in payables from operating activities ("-" for decreases)	-2,473,800.94	18,381,185.03
Others		
Net cash flow from operating activities	217,368,621.89	67,469,827.62
2. Significant investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets under financial lease		
3. Net change in cash and cash equivalents		
Closing balance of cash	7,680,552,742.99	11,301,577,604.98

Items	Current period	Prior period
Less: opening balance of cash	11,301,577,604.98	6,620,278,628.14
Add: closing balance of cash equivalents		
Minus: opening balance of cash equivalents		
Net increase in cash and cash equivalents	-3,621,024,861.99	4,681,298,976.84

12.4.2 Information about cash and cash equivalents

Items	Closing balance	Opening balance
1、Cash	7,680,552,742.99	11,301,577,604.98
Including: Cash on hand	6,667.59	5,247.09
Bank deposits	6,700,049,373.84	10,119,485,107.02
Other monetary funds	980,496,701.56	1,182,087,250.87
Deposits with the central bank		
Deposits with other banks		
Placements with banks		
2、Cash equivalents		
Including: Investments in debt securities due within three months		
3、Closing balance of cash and cash equivalents	7,680,552,742.99	11,301,577,604.98

13 Other disclosures in accordance with the regulations of CFRS

None.

Qingdao City Construction Investment (Group) Co., Ltd.

April 28th, 2022



营业执照

(副本)

1-1

统一社会信用代码 9137020206109213X5

名称 立信会计师事务所（特殊普通合伙）青岛分所

类型 特殊普通合伙企业分支机构

营业场所 山东省青岛市市南区泰州五路一号西楼

负责人 董洪军

成立日期 2013年02月25日

营业期限 2013年02月25日至 年 月 日

经营范围 审查企业会计报表，出具审计报告；验证企业资本，出具验资报告；办理企业合并、分立、清算事宜中的审计业务，出具有关报告；基本建设年度财务决算审计；代理记账；会计咨询、税务咨询、管理咨询、会计培训；法律、法规规定的其他业务。【企业经营涉及行政许可的，凭许可证件经营】（山东省财政厅批复，有效期限以许可证为准）。（依法须经批准的项目，经相关部门批准后方可开展经营活动）。



登记机关



2016

年

11

月

18

日

<http://mp.weixin.qq.com>

企业信用信息公示系统网址

中华人民共和国国家工商行政管理总局监制



会计师事务所分所
执业证书

名称: 立信会计师事务所
(特殊普通合伙)青岛分所

负责人: 潘江军
办公场所: 山东青岛市市南区莱州路

马明楼 7层 402室

分所编号: 31010000000002
批准设立文号: 鲁财会〔2013〕4号
批准设立日期: 2013年01月

说明

1. 《会计师事务所分所执业证书》是证明会计师事务所经财政部门依法审批,准予设立分所执行业务的凭证。
2. 《会计师事务所分所执业证书》记载事项发生变动的,应当向财政部门申请换发。
3. 《会计师事务所分所执业证书》不得伪造、涂改、出租、出借、转让。
4. 会计师事务所分所终止,应当向财政部门交回《会计师事务所分所执业证书》。



发证机关: 山东省财政厅
2013 年 月 日

中华人民共和国财政部制



姓 名	高洪军
Full name	
性 别	男
Sex	
出生日期	1973-01-18
Birth date	
工作单位	立信会计师事务所(特殊普通
Workplace	合伙人)青岛分所
身份证号	330728197301187637
Identity card No.	

年度检验登记

Annual Renewal Registration

本证书有效期限一年

This certificate is valid for another year after

this renewal.

日期公司专用章

证书编号: 110001021-001

发证机构: 山东省注册会计师协会

有效期至: 2007 年 11 月 26 日

年度检验登记

Annual Renewal Registration

年检合格专用章

本证书有效期限一年

This certificate is valid for another year after

this renewal.



2016年02月27日

年 月 日

年度检验登记

Annual Renewal Registration

本证书有效期限一年

This certificate is valid for another year after

this renewal.



2017年02月16日



年 月 日



姓 名	陈 磊
性 别	女
身 高	
出生日期	1984-11-14
执业证书编号	立信会计师事务所（特殊普通合伙）青岛分所
身份证号	370785198411140027
手机号码	

注册编号: 200000000006
Serial Number:

发证机构名称: 山东蓝信司法鉴定中心
Issuing Institution:

发证日期: 2018 年 02 月 27 日
Date of issue:



司法鉴定意见
Judicial Forensic Opinion
This certificate is valid for forensic use only.
This certificate is valid for forensic use only.



20180227 1 版

司法鉴定意见
Judicial Forensic Opinion

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**Qingdao City Construction Investment
(Group) Ltd.
Audit Report and
Financial Statements
For the Year Ended
December 31st 2020**

Qingdao City Construction Investment (Group) Ltd.
Audit Report and Consolidated Financial Statements
(January 1st, 2020 to December 31st, 2020)

Table of Contents	Page
I. Audit Report	1-3
II. Financial Statements	
Consolidated and Parent Balance Sheets	1-4
Consolidated and Parent Income Statements	5-6
Consolidated and Parent Statements of Cash Flows	7-8
Consolidated and Parent Statements of Changes in Owners' Equity	9-12
III. Notes to the Financial Statements	1-164

Audit Report

PCPAR [2021] No ZA22129.

Qingdao City Construction Investment (Group) Ltd.**I. Opinion**

We have audited financial statements of Qingdao City Construction Investment (Group) Ltd. (hereinafter referred to as "the Company"), which comprise the consolidated and parent balance sheet as at December 31st, 2020, the consolidated and parent income statement, the consolidated and parent statement of cash flows and the consolidated and parent statement of changes in owners' equity for the year then ended, and notes to the financial statements.

In our opinion, the attached financial statements are prepared, in all material respects, in accordance with Accounting Standards for Business Enterprises and present fairly the financial position of the consolidated and parent company as at December 31st, 2020 and its operating results and cash flows for the year then ended.

II. Basis for Opinion

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

III. Management and Governance's Responsibility for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises, and for designing, implementing and maintaining internal control that is necessary to ensure that the financial statements are free from material misstatements, whether due to frauds or errors.

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

The governance is responsible for overseeing company's financial reporting process.

IV. 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 the audit standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management of the Company.
- (4) Conclude on the appropriateness of using the going concern assumption by the management of the Company, and conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future

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

- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements and bear all responsibility for the opinion.

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

BDO China SHU LUN PAN

Certified Public Accountant of China:

Certified Public Accountants LLP

Certified Public Accountant of China:

Shanghai, China

April 20th 2021

This audit report and the accompanying notes to the financial statements are the English translation of the Chinese audit report. In case of doubt as to the presentation of these documents, the Chinese version shall prevail.

Qingdao City Construction Investment (Group) Ltd.
Consolidated Balance Sheet
December 31st, 2020

Currency unit: RMB			
Items	Note	Closing balance	Opening balance
Current assets:			
Cash and cash equivalents	8.1	24,230,244,807.94	18,235,114,916.45
△Settlement provisions			
△Lending funds			
☆ Trading financial assets	8.2	123,582,774.11	
Financial assets measured at fair value through profit or loss	8.3	5,053,407,981.19	3,241,974,102.37
Financial asset derivatives			
Notes receivable	8.4	61,915,756.97	257,244,038.00
Accounts receivable	8.5	11,374,263,073.79	5,286,614,479.09
☆ Receivables financing	8.6	862,704,476.69	
Advance to suppliers	8.7	1,291,692,734.63	1,859,753,423.31
△Premiums receivable			
△Reinsurance accounts receivable			
△Reinsurance contract reserves receivable			
Other receivables	8.8	35,972,473,966.88	33,624,120,756.77
Dividend receivable			
△Financial assets purchased under resale agreements			
Inventories	8.9	17,191,969,400.40	11,652,594,798.56
Including: Raw material		1,041,905,640.70	221,515,874.21
Finishing goods		2,669,140,646.79	22,291,453.95
☆ Contract assets	8.10	2,225,132,853.56	
Assets classified as held for sale	8.11	92,289,422.77	
Non-current assets due within one year	8.12	5,090,378,238.79	4,692,241,382.67
Other current assets	8.13	12,006,401,771.03	19,077,427,921.35
Total current assets		115,576,457,258.75	97,927,085,818.57
Non-current assets:			
△Loans and advances to customers	8.14	7,823,109,430.14	6,553,054,954.51
☆ Debt investment			
Available-for-sale financial assets	8.15	72,692,363,198.51	30,539,613,410.52
☆ Other debt investment			
Held-to-maturity investments	8.16	18,175,991,250.35	11,270,419,148.00
Long-term receivables	8.17	21,466,704,947.17	21,259,113,091.70
Long-term equity investment	8.18	6,609,000,385.70	4,128,216,666.86
☆ Investment in other equity instruments	8.19	33,978,000.00	
☆Other non-current financial assets	8.20	17,725,019.81	4,010,000.00
Investment property	8.21	6,317,756,000.17	6,309,268,629.40
Fixed assets	8.22	34,349,993,560.51	12,738,010,399.50
Construction in progress	8.23	38,652,719,199.45	38,167,852,910.57
Biological assets	8.24	3,190,401.63	3,306,141.75
Oil and gas assets			
☆Right of use assets	8.25	555,121,155.55	
Intangible assets	8.26	4,027,632,890.26	2,700,174,269.44
Development expenses			
Goodwill	8.27	5,036,266,978.60	2,607,208,148.58
Long-term deferred expenses	8.28	1,407,316,617.19	137,135,036.40
Deferred income tax assets	8.29	2,668,324,456.68	474,301,041.59
Other non-current assets	8.30	15,123,656,250.87	7,638,124,382.59
Including: authorized reserve materials			
Total non-current assets		234,960,849,742.59	144,529,808,231.41
Total assets		350,537,307,001.34	242,456,894,049.98

Note: Items marked with △ in the table are exclusively for financial companies; items marked with # are exclusively for foreign-invested companies; items marked with ☆ are applicable to companies that implement the new income/new lease/new financial instrument standards.

The attached notes to the financial statements are an integral part of the financial statements.

Legal representative of the enterprise: Person in charge of accounting work: Person in charge of accounting institution:.

Qingdao City Construction Investment (Group) Ltd.
Consolidated Balance Sheet (Cont'd)
December 31st, 2020

Currency unit: RMB

Items	Note	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings	8.31	18,909,034,342.72	8,371,732,044.52
△ Borrowings from the central bank			
△ Loans from banks and other financial institutions			
☆ Transactional financial liabilities	8.32	22,603,263.57	
Financial liabilities measured at fair value through profit or loss for the current period			
Financial liability derivatives			
Notes payable	8.33	1,549,027,480.02	887,238,486.24
Accounts payable	8.34	7,356,416,948.53	3,906,556,991.97
Advances from customers	8.35	1,751,731,386.71	982,482,743.99
☆ Contract liability	8.36	245,026,585.27	
△ Financial assets sold under repurchase agreements			
△ Account deposits and interbank deposits			
△ Funds from acting for securities trading			
Agency underwriting securities			
Employee benefits	8.37	483,298,567.47	36,490,151.33
Including: Payable wages		181,735,589.16	31,525,750.26
Payable welfare		592,624.11	33,948.66
# Including: Staff Awards and Welfare Fund			
Taxes and surcharges payable	8.38	1,036,765,711.90	664,890,325.52
Tax payable		1,031,731,429.50	659,956,128.84
Other payables	8.39	12,448,936,579.26	8,473,972,184.24
Including: Dividend payables		181,285,468.94	84,218,545.06
△ Fees and commissions payable			
△ Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year	8.40	22,253,708,400.12	16,639,662,338.77
Other current liabilities	8.41	6,490,563,224.11	3,325,359,139.21
Total current liabilities		72,547,112,489.68	43,288,384,405.79
Non-current liabilities:			
△ Insurance contract reserve			
Long-term borrowings	8.42	59,872,575,265.92	43,522,879,290.30
Bonds payable	8.43	57,719,175,125.81	48,782,679,266.25
Including: Preference Share			
Perpetual Debenture			
☆ Lease liability	8.44	280,407,102.16	
Long-term payables	8.45	22,747,196,954.67	22,965,870,888.72
Long-term employee benefits	8.46	1,431,357,236.79	
Provision	8.47	1,431,788,502.61	387,299,721.48
Deferred income	8.48	1,293,262,028.10	5,750,000.00
Deferred income tax liabilities	8.49	1,580,714,724.10	1,011,820,439.79
Other non-current liabilities	8.49	33,752,551.24	
Including: Special Reserve Fund			
Total non-current liabilities		146,390,229,491.40	116,676,299,606.54
Total liabilities		218,937,341,981.08	159,964,684,012.33
Owners' equity:			
Paid-in capital	8.50	6,900,000,000.00	6,900,000,000.00
State capital		6,900,000,000.00	6,900,000,000.00
State-owned legal person capital			
Collective capital			
Private capital			
Foreign Capital			
# Less: Investment returned			
Net paid-in capital (or equity)		6,900,000,000.00	6,900,000,000.00
Other equity instrument	8.51	24,810,000,000.00	17,800,000,000.00
Including: Preference Share			
Perpetual Debenture			
Capital reserves	8.52	24,810,000,000.00	17,800,000,000.00
Less: treasury stock		60,672,590,212.73	24,004,268,468.26
Other comprehensive income	8.67	42,294,824.59	-679,417,333.34
Including: Foreign currency translation differences		167,327,851.28	-66,463,883.78
Special reserves	8.53	2,395,084.68	38,626.51
Surplus reserve			
Including: Statutory Surplus Reserve			
Arbitrary Surplus Reserve			
# Reserve Fund			
# Business Development Fund			
# Profit Return For Investment			
△ General risk reserve	8.54	57,733,821.45	28,215,094.37
Undistributed profits	8.55	436,095,631.96	1,589,235,199.08
Total equity attributable to owners of the parent company		92,920,909,575.41	59,642,340,054.88
Non-controlling interest		38,679,055,444.85	22,849,869,982.77
Total owners' equity		131,599,965,020.26	82,492,210,037.65
Total liabilities and owners' equity		350,537,307,001.34	242,456,894,049.98

Note: Items marked with △ in the table are exclusively for financial companies; items marked with # are exclusively for foreign-invested companies; items marked with ☆ are applicable to companies that implement the new income/new lease/new financial instrument standards.

The attached notes to the financial statements are an integral part of the financial statements.

Legal representative of the enterprise: Person in charge of accounting work: Person in charge of accounting institution:

Qingdao City Construction Investment (Group) Ltd.
Balance Sheet
December 31st, 2020

Currency unit: RMB

Items	Note	Closing balance	Opening balance
Current assets:			
Cash and cash equivalents		13,379,869,043.92	8,893,771,217.63
△Settlement provisions			
△Lending funds			
☆ Trading financial assets			
Financial assets measured at fair value through profit or loss			
Financial asset derivatives			
Notes receivable			
Accounts receivable	12.1	19,470,946.51	15,173,645.16
☆ Receivables financing			
Advance to suppliers		2,136,646.56	1,500,666,327.47
△Premiums receivable			
△Reinsurance accounts receivable			
△Reinsurance contract reserves receivable			
Other receivables		68,033,003,042.15	60,139,038,274.45
Dividend receivable		138,210,000.00	
△Financial assets purchased under resale agreements			
Inventories			
Including: Raw material			
Finishing goods			
☆ Contract assets			
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets		956,390,850.98	2,190,653,170.80
Total current assets		82,390,870,530.12	72,739,302,635.51
Non-current assets:			
△Loans and advances to customers			
☆ Debt investment			
Available-for-sale financial assets		29,243,554,028.66	2,454,764,042.42
☆ Other debt investment			
Held-to-maturity investments			
Long-term receivables		10,657,136,588.51	10,718,973,360.53
Long-term equity investment		51,329,221,519.76	30,319,645,703.51
☆ Investment in other equity instruments			
☆Other non-current financial assets			
Investment property		66,877,980.00	66,877,980.00
Fixed assets		1,938,557,267.35	2,003,539,987.87
Construction in progress		11,906,859,376.47	11,802,825,548.66
Biological assets			
Oil and gas assets			
☆Right of use assets			
Intangible assets		3,048,056.88	3,004,953.52
Development expenses			
Goodwill			
Long-term deferred expenses		7,438,589.65	7,130,309.28
Deferred income tax assets		357,048.70	357,048.70
Other non-current assets		14,000,000.00	
Including: authorized reserve materials			
Total non-current assets		105,167,050,455.98	57,377,118,934.49
Total assets		187,557,920,986.10	130,116,421,570.00

Note: Items marked with △ in the table are exclusively for financial companies; items marked with # are exclusively for foreign-invested companies; items marked with ☆ are applicable to companies that implement the new income/new lease/new financial instrument standards.

The attached notes to the financial statements are an integral part of the financial statements.

Legal representative of the enterprise: Person in charge of accounting work: Person in charge of accounting institution:;

Qingdao City Construction Investment (Group) Ltd.
Balance Sheet (Cont'd)
December 31st, 2020

Currency unit: RMB

Items	Note	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings		4,160,000,000.00	2,585,000,000.00
△ Borrowings from the central bank			
△ Loans from banks and other financial institutions			
☆ Transactional financial liabilities			
Financial liabilities measured at fair value through profit or loss for the current period			
Financial liability derivatives			
Notes payable		22,900,000.00	19,550,000.00
Accounts payable		59,470,037.72	59,590,541.66
Advances from customers			69,982,194.00
☆ Contract liability			
△ Financial assets sold under repurchase agreements			
△ Account deposits and interbank deposits			
△ Funds from acting for securities trading			
Agency underwriting securities			
Employee benefits		661,483.31	1,274,702.97
Including: Payable wages			
Payable welfare			
# Including: Staff Awards and Welfare Fund			
Taxes and surcharges payable		17,744,446.87	15,685,020.82
Tax payable		17,089,762.23	15,030,336.18
Other payables		14,590,741,800.12	13,788,778,075.99
Including: Dividend payables			
△ Fees and commissions payable			
△ Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities due within one year		14,700,183,860.73	9,979,255,734.91
Other current liabilities		6,028,762,465.76	3,244,400,000.00
Total current liabilities		39,580,464,094.51	29,763,516,270.35
Non-current liabilities:			
△ Insurance contract reserve			
Long-term borrowings		32,036,761,928.05	26,083,489,932.62
Bonds payable		36,550,000,000.00	25,750,000,000.00
Including: Preference Share			
Perpetual Debenture			
☆ Lease liability			
Long-term payables		5,356,471,025.78	6,129,553,668.46
Long-term employee benefits			
Provision			
Deferred income			
Deferred income tax liabilities		3,157,398.60	2,818,531.97
Other non-current liabilities			
Including: Special Reserve Fund			
Total non-current liabilities		73,945,990,352.43	57,965,862,133.05
Total liabilities		113,526,454,446.94	87,729,378,403.40
Owners' equity:			
Paid-in capital		6,900,000,000.00	6,900,000,000.00
State capital		6,900,000,000.00	6,900,000,000.00
State-owned legal person capital			
Collective capital			
Private capital			
Foreign Capital			
# Less: Investment returned			
Net paid-in capital (or equity)		6,900,000,000.00	6,900,000,000.00
Other equity instrument		23,310,000,000.00	16,800,000,000.00
Including: Preference Share			
Perpetual Debenture		23,310,000,000.00	16,800,000,000.00
Capital reserves		47,013,703,658.33	20,815,576,569.08
Less: treasury stock			
Other comprehensive income		-28,911,069.70	-2,773,912.64
Including: Foreign currency translation differences			
Special reserves			
Surplus reserve			
Including: Statutory Surplus Reserve			
Arbitrary Surplus Reserve			
# Reserve Fund			
# Business Development Fund			
# Profit Return for Investment			
△ General risk reserve			
Undistributed profits		-2,963,326,049.47	-2,125,759,489.54
Total owners' equity		74,231,466,539.16	42,387,043,166.60
Total liabilities and owners' equity		187,557,920,986.10	130,116,421,570.00

Note: Items marked with △ in the table are exclusively for financial companies; items marked with # are exclusively for foreign-invested companies; items marked with ☆ are applicable to companies that implement the new income/new lease/new financial instrument standards.

The attached notes to the financial statements are an integral part of the financial statements.

Legal representative of the enterprise: Person in charge of accounting work: Person in charge of accounting institution: :

Qingdao City Construction Investment (Group) Ltd.
Consolidated Income Statement
from Jan 1st, 2020 to Dec 31st, 2020

Currency unit: RMB

Items	Note	Closing balance	Opening balance
I. Total operating income		32,916,748,077.26	13,260,131,420.05
Including: operating income	8.56	32,916,748,077.26	13,260,131,420.05
△ Interest income			
△ Premiums earned			
△ Fees and commissions income			
II. Total operating costs		34,276,840,885.29	14,347,509,114.64
Including: operating costs	8.56	26,118,693,056.73	9,775,174,982.98
△ Interest expenses			
△ Expenses on fees and commissions			
△ Surrender value			
△ Net amount of compensation payout			
△ Net amount withdrawn for insurance contract reserves			
△ Policy dividend payment			
△ Reinsurance expenses			
Taxes and surcharges		649,515,191.35	69,976,023.24
Selling expenses	8.57	636,396,048.37	31,272,000.22
General administrative expenses	8.57	1,744,671,998.71	684,143,573.32
Research and development expenses	8.57	404,318,779.98	5,138,098.06
Financial expenses	8.57	4,723,245,810.15	3,781,784,436.82
Including: Interest expenditure		5,096,830,417.63	4,061,779,720.78
Interest income		434,736,486.92	306,672,356.83
Foreign exchange net loss (net income is listed with "-")		-81,936,543.32	-34,902,579.72
Others			
Plus: gains from other income ("+" for losses)	8.58	581,805,117.86	126,441,954.07
Gain on investment ("+" for losses)	8.59	3,950,532,803.34	2,362,433,665.40
Including: investment income from associates and joint ventures		260,689,117.74	-228,918,007.66
☆ Finance of derecognition of financial assets measured at amortized cost			
△ Exchange gains (losses are listed with "-")			
☆ Net exposure hedging gains (losses are listed with "-")			
Gain from changes in fair value ("+" for losses)	8.60	1,128,370,749.39	657,133,317.80
☆ Credit impairment losses (losses are listed with "-")	8.61	-54,350,693.36	-91,582,443.46
Loss from asset impairment	8.62	-1,356,528,953.15	-208,191,172.00
Gain or loss on disposal asset ("+" for losses)	8.63	504,795,076.39	3,064,039.53
III. Operating profit ("+" for losses)		3,394,531,292.44	1,761,921,646.75
Plus: non-operating income	8.64	110,328,063.09	140,199,906.73
Government grants		8,181,943.04	1,140,152.05
Less: non-operating expenses	8.65	48,951,532.49	18,518,651.54
IV. Total profits ("+" for total losses)		3,456,107,823.04	1,882,602,901.94
Less: income tax expense	8.66	1,120,225,854.28	612,678,169.81
V. Net profits ("+" for net losses)		2,335,881,968.76	1,270,924,732.13
(1) Classified by ownership:			
Net profit attributable to owners of the parent company		1,854,296,249.80	1,181,232,460.79
Minority interest income		481,585,718.96	89,692,271.34
2) Classified by business continuity:			
Net profit from operation on going concern basis ("+" for net loss)		2,335,881,968.76	1,270,924,732.13
Net profit from cease of operation ("+" for net loss)			
VI. Each component of other comprehensive income, net off income tax effect		414,027,544.97	1,058,441,270.02
Other comprehensive income after tax attributable to owners of parent company	8.67	721,712,157.93	1,049,852,213.54
1. Other comprehensive income which will not be reclassified subsequently to profit or loss		6,053,529.30	
(1) Changes as a result of remeasurement of net defined benefit plan liability or asset		6,053,529.30	
(2) Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss			
☆ (3) Changes in fair value of other equity instrument investments			
☆ (4) Changes in fair value of the company's own credit risk			
(5) other			
2. Other comprehensive income items which will be reclassified subsequently to profit or loss		715,658,628.63	1,049,852,213.54
(1) Other comprehensive income convertible to profit or loss under the equity method		-26,137,157.06	-26,036,079.53
☆ (2) Changes in fair value of other debt investments			
(3) Profit and loss from changes in fair value of available-for-sale financial assets		508,008,639.36	1,152,297,463.25
☆ (4) The amount of financial assets reclassified into other comprehensive income			
(5) Held-to-maturity investments are reclassified as available-for-sale financial assets			
☆ (6) Provision for credit impairment of other debt investments			
(7) Cash flow hedge reserve (effective part of cash flow hedge gains and losses)			
(8) Foreign currency financial statement translation difference		233,791,735.06	-77,509,351.96
(9) other		-4,588.73	100,181.78
Non-controlling interest in other comprehensive income		-307,684,612.96	8,589,056.48
VII. Total comprehensive income		2,749,909,513.73	2,329,366,002.15
Total comprehensive income attributable to owners of parent company		2,576,008,407.73	2,231,084,674.33
Total comprehensive incomes of Non-controlling interest		173,901,106.00	98,281,327.82
VIII. Earnings per share			
1. Basic earnings per share			
2. Diluted earnings per share			

Note: Items marked with △ in the table are exclusively for financial companies; items marked with ☆ are applicable to companies that implement the new income/new lease/new financial instrument standards.

The attached notes to the financial statements are an integral part of the financial statements.

Legal representative of the enterprise: Person in charge of accounting work: Person in charge of accounting institution:

Qingdao City Construction Investment (Group) Ltd.
Income Statement
from Jan 1st, 2020 to Dec 31st, 2020

Currency unit: RMB

Items	Note	Closing balance	Opening balance
I. Total operating income		21,951,568.12	20,340,800.12
Including: operating income	12.2	21,951,568.12	20,340,800.12
△ Interest income			
△ Premiums earned			
△ Fees and commissions income			
II. Total operating costs		1,990,364,655.67	1,425,138,769.00
Including: operating costs	12.2	11,659,428.20	15,054,067.24
△ Interest expenses			
△ Expenses on fees and commissions			
△ Surrender value			
△ Net amount of compensation payout			
△ Net amount withdrawn for insurance contract reserves			
△ Policy dividend payment			
△ Reinsurance expenses			
Taxes and surcharges		12,667,220.77	15,452,816.50
Selling expenses			
General administrative expenses		138,715,096.41	87,866,922.72
Research and development expenses			
Financial expenses		1,827,322,910.29	1,306,764,962.54
Including: interest expenditure		1,901,943,506.37	1,424,466,845.18
Interest income		166,005,185.65	157,386,856.47
Foreign exchange net loss (net income is listed with "-")			
Others			
Plus: gains from other income ("-" for losses)		56,102,000.00	44,342,700.00
Gain on investment ("-" for losses)	12.3	1,326,493,619.62	895,083,512.99
Including: investment income from associates and joint ventures		194,156,290.16	21,111,002.35
☆ Finance of derecognition of financial assets measured at amortized cost			
△ Exchange gains (losses are listed with "-")			
☆ Net exposure hedging gains (losses are listed with "-")			
Gains from changes in fair value ("-" for losses)			5,144,460.00
☆ Credit impairment losses (losses are listed with "-")			
Loss from asset impairment		-7,346,564.33	-2,426,483.52
Gain or loss on disposal asset ("-" for losses)		26,460,584.63	
III. Operating profit ("-" for losses)		-566,703,447.63	-462,653,779.41
Plus: non-operating income		5,562.53	20,000.00
Including: Government grants			
Less: non-operating expenses		3,607.90	203,086.20
IV. Total profits ("-" for total losses)		-566,701,493.00	-462,836,865.61
Less: income tax expense		338,866.63	1,624,981.63
V. Net profits ("-" for net losses)		-567,040,359.63	-464,461,847.24
Net profit from operation on going concern basis ("-" for net loss)		-567,040,359.63	-464,461,847.24
Net profit from cease of operation ("-" for net loss)			
VI. Each component of other comprehensive income, net off income tax effect		-26,137,157.06	1,127,810.18
1. Other comprehensive income which will not be reclassified subsequently to profit or loss			
(1) Changes as a result of remeasurement of net defined benefit plan liability or asset			
(2) Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss			
☆ (3) Changes in fair value of other equity instrument investments			
☆ (4) Changes in fair value of the company's own credit risk			
(5) other			
2. Other comprehensive income items which will be reclassified subsequently to profit or loss		-26,137,157.06	1,127,810.18
(1) Other comprehensive income convertible to profit or loss under the equity method		-26,137,157.06	1,127,810.18
☆ (2) Changes in fair value of other debt investments			
(3) Profit and loss from changes in fair value of available-for-sale financial assets			
☆ (4) The amount of financial assets reclassified into other comprehensive income			
(5) Held-to-maturity investments are reclassified as available-for-sale financial assets			
☆ (6) Provision for credit impairment of other debt investments			
(7) Cash flow hedge reserve (effective part of cash flow hedge gains and losses)			
(8) Foreign currency financial statement translation difference			
(9) other			
VII. Total comprehensive income		-593,177,516.69	-463,334,037.06
VIII. Earnings per share			
1. Basic earnings per share			
2. Diluted earnings per share			

Note: Items marked with △ in the table are exclusively for financial companies; items marked with ☆ are applicable to companies that implement the new income/new lease/new financial instrument standards.

The attached notes to the financial statements are an integral part of the financial statements.

Legal representative of the enterprise: Person in charge of accounting work: Person in charge of accounting institution:

Qingdao City Construction Investment (Group) Ltd.
Consolidated Cash Flow Statement
from Jan 1st, 2020 to Dec 31st, 2020

Currency unit: RMB

Items	Note	Closing balance	Opening balance
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		28,554,231,030.35	10,266,082,448.61
△Net increase in customer bank deposits and placement from banks and other financial institutions			
△Net increase in the borrowings from the central bank			
△Net increase in loans from other financial institutions			
△Premiums received from original insurance contracts			
△Net cash received from reinsurance business			
△Net increase in policyholders' deposits and investments			
△Net increase in disposal of financial assets held for trading			
△Cash received from interest, handling charges and commissions		825,202,329.17	697,519,208.93
△Net increase in loans from banks and other financial institutions			
△Net capital increase in repurchase business			
△Net cash received from agency sales of securities			
Refunds of taxes and surcharges		378,187,569.45	62,030,625.01
Cash received from other operating activities		3,283,707,712.78	5,890,179,487.29
Sub-total of cash inflows from operating activities		33,041,328,641.75	16,915,811,769.84
Cash paid for goods purchased and services received		21,069,507,124.34	8,189,250,159.25
△Net increase in lease payment and advances to customers		-240,513,254.10	534,205,412.11
△Net increase in deposits in central bank and other banks and financial institutions			
△Cash paid for original insurance contract claims			
△Net increase in lending funds			
△Cash paid for interests, handling charges and commissions			
△Cash dividends paid for policyholders			
Cash paid to and on behalf of employees		2,687,633,588.84	427,482,930.16
Cash paid for taxes and surcharges		2,177,645,631.95	1,033,142,933.74
Cash paid for other operating activities		5,388,365,986.92	5,482,327,116.13
Sub-total of cash outflows from operating activities		31,082,639,077.95	15,666,408,551.39
Net cash flows from operating activities	8.68	1,958,689,563.80	1,249,403,218.45
II. Cash flows from investing activities:			
Cash received from disposal of investments		59,705,723,299.84	8,453,134,845.68
Cash received from returns on investments		4,261,169,841.11	2,798,777,440.54
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		86,389,400.95	83,967,936.30
Net cash received from disposal of subsidiaries and other business units		1,066,820,958.72	
Cash received from other investing activities		4,265,079,349.41	416,096,136.94
Sub-total of cash inflows from investing activities		69,385,182,850.03	11,751,976,359.46
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		2,054,347,354.43	1,507,049,382.16
Cash paid for investments		90,068,088,444.11	29,595,532,394.66
△Net increase in pledge loans			
Net cash paid to acquire subsidiaries and other business units		107,262,589.14	
Cash paid for other investing activities		2,257,240,955.10	1,725,162,597.08
Sub-total of cash outflows from investing activities		94,486,939,342.78	32,827,744,373.90
Net cash flows from investing activities		-25,101,756,492.75	-21,075,768,014.44
III. Cash flows from financing activities:			
Cash received from absorption of investments		11,802,678,253.03	4,126,680,000.00
Including: cash received by subsidiaries from investments by minority shareholders		11,643,328,253.03	4,013,680,000.00
Cash received from borrowings		98,664,619,213.15	66,653,127,842.16
△Cash received from issuance of bonds		7,810,000,000.00	9,300,000,000.00
Cash received from other financing activities		10,571,055,889.35	2,224,725,135.26
Sub-total of cash inflows from financing activities		128,848,353,355.53	82,304,532,977.42
Cash paid for debt repayments		76,460,330,645.08	46,171,653,145.84
Cash paid for distribution of dividends and profits or payment of interest		8,307,244,934.93	6,462,871,265.18
Including: dividends and profits paid to minority shareholders by subsidiaries		640,378,342.75	663,816,051.10
Cash paid for other financing activities		14,628,797,895.46	9,190,606,193.91
Sub-total of cash outflows from financing activities		99,396,373,475.47	61,825,130,604.93
Net cash flows from financing activities		29,451,979,880.06	20,479,402,372.49
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		-114,139,490.19	73,485,604.35
V. Net increase in cash and cash equivalents		6,194,773,460.92	726,523,180.85
Plus: balance of cash and cash equivalents at the beginning of the period		14,640,225,014.15	13,913,701,833.30
VI. Balance of cash and cash equivalents at the end of the period		20,834,998,475.07	14,640,225,014.15

Note: Items marked with △ in the table are exclusively for financial companies.

The attached notes to the financial statements are an integral part of the financial statements.

Legal representative of the enterprise: Person in charge of accounting work: Person in charge of accounting institution:

Qingdao City Construction Investment (Group) Ltd.
Cash Flow Statement
from Jan 1st, 2020 to Dec 31st, 2020

Currency unit: RMB

Items	Note	Closing balance	Opening balance
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services			
△Net increase in customer bank deposits and placement from banks and other financial institutions			
△Net increase in the borrowings from the central bank			
△Net increase in loans from other financial institutions			
△Premiums received from original insurance contracts			
△Net cash received from reinsurance business			
△Net increase in policyholders' deposits and investments			
△Net increase in disposal of financial assets held for trading			
△Cash received from interest, handling charges and commissions			
△Net increase in loans from banks and other financial institutions			
△Net capital increase in repurchase business			
△Net cash received from agency sales of securities			
Refunds of taxes and surcharges		56,100,000.00	48,769,182.49
Cash received from other operating activities		454,104,818.13	145,370,203.28
Sub-total of cash inflows from operating activities		510,204,818.13	194,139,385.77
Cash paid for goods purchased and services received			
△Net increase in lease payment and advances to customers			
△Net increase in deposits in central bank and other banks and financial institutions			
△Cash paid for original insurance contract claims			
△Net increase in lending funds			
△Cash paid for interests, handling charges and commissions			
△Cash dividends paid for policyholders			
Cash paid to and on behalf of employees		68,400,040.73	50,059,398.60
Cash paid for taxes and surcharges		14,413,400.91	15,346,221.39
Cash paid for other operating activities		359,921,548.87	28,816,331.44
Sub-total of cash outflows from operating activities		442,734,990.51	94,221,951.43
Net cash flows from operating activities	12.4	67,469,827.62	99,917,434.34
II. Cash flows from investing activities:			
Cash received from disposal of investments		1,997,729,697.83	239,601,063.83
Cash received from returns on investments		1,074,806,259.99	968,172,510.64
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		76,808.15	69,982,194.00
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities		2,000,000,000.00	
Sub-total of cash inflows from investing activities		5,072,612,765.97	1,277,755,768.47
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		59,797,870.95	96,654,802.73
Cash paid for investments		15,967,447,261.39	9,649,159,403.75
△Net increase in pledge loans			
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities			
Sub-total of cash outflows from investing activities		16,027,245,132.34	9,745,814,206.48
Net cash flows from investing activities		-10,954,632,366.37	-8,468,058,438.01
III. Cash flows from financing activities:			
Cash received from absorption of investments		159,350,000.00	113,000,000.00
Cash received from borrowings		69,085,290,000.00	41,041,000,000.00
△Cash received from issuance of bonds		7,510,000,000.00	8,300,000,000.00
Cash received from other financing activities		10,776,403,792.93	10,977,394,001.27
Sub-total of cash inflows from financing activities		87,531,043,792.93	60,431,394,001.27
Cash paid for debt repayments		44,459,897,714.36	32,137,214,901.51
Cash paid for distribution of dividends and profits or payment of interest		4,938,460,543.25	3,831,962,525.06
Cash paid for other financing activities		22,564,224,019.73	16,755,393,074.57
Sub-total of cash outflows from financing activities		71,962,582,277.34	52,724,570,501.14
Net cash flows from financing activities		15,568,461,515.59	7,706,823,500.13
IV. Effect of fluctuation in exchange rate on cash and cash equivalents			
V. Net increase in cash and cash equivalents		4,681,298,976.84	-661,317,503.54
Plus: balance of cash and cash equivalents at the beginning of the period		6,620,278,628.14	7,281,596,131.68
VI. Balance of cash and cash equivalents at the end of the period		11,301,577,604.98	6,620,278,628.14

Note: Items marked with △ in the table are exclusively for financial companies.

The attached notes to the financial statements are an integral part of the financial statements.

Legal representative of the enterprise: Person in charge of accounting work: Person in charge of accounting institution:

Qingdao City Construction Investment (Group) Ltd.
Consolidated Statement of Changes in Owners' Equity
from Jan 1st, 2020 to Dec 31st, 2020

Items	Current period										Currency unit: RMB	
	Equity attributable to owners of the parent company										Non-controlling interest	Total owners' equity
	Paid-in capital	Preferred shares	Perpetual Debenture	Other equity instrument	Capital reserve	Less Treasury stock	Other comprehensive income	Special reserve	Surplus	Undistributed profit	Sub-total	
I. Closing balance of last year	6,900,000,000.00		17,800,000,000.00		34,004,288,468.26		-679,417,333.34	35,626.51		28,215,094.37	59,942,340,054.88	82,492,210,037.65
Plus: adjustments for changes in accounting policies												
Adjustments for correction of accounting errors in prior year												
Others												
II. Opening balance of the current year	6,900,000,000.00		17,800,000,000.00		34,004,288,468.26		-679,417,333.34	35,626.51		28,215,094.37	59,942,340,054.88	82,492,210,037.65
III. Increases/decreases in the current year ("+" for increases)					26,668,121,744.47		721,712,157.93	2,356,458.17		29,518,727.08	33,278,569,520.53	49,107,754,982.61
1. Total comprehensive income					26,668,121,744.47		721,712,157.93	2,356,458.17		29,518,727.08	33,278,569,520.53	49,107,754,982.61
2. Capital contributed or reduced by owners												
(1) Ordinary share contributed by the owner					26,668,121,744.47						26,668,121,744.47	26,668,121,744.47
(2) Capital contribution by other equity instrument holders												
(3) Amount of share-based payment recognised in owner's equity					27,255,117,460.16						27,255,117,460.16	27,255,117,460.16
(4) Other												
3. Withdrawal and use of special reserve					-586,995,715.69					-2,044,719,087.12	-2,631,714,802.81	-2,631,714,802.81
(1) Withdrawal of special reserve												
(2) Use of special reserve												
4. Profit distribution												
(1) Accrued surplus reserves												
Including: Statutory Surplus Reserves												
Arbitrary Surplus Reserves												
Reserve Fund												
Business Development Fund												
Profit Return for Investment												
(2) Δ Accrued general risk reserve												
(3) Profit distributed to owners												
(4) Others												
5. Intra-group transfer of equity												
(1) Capital reserve transfer into capital												
(2) Surplus reserve transfer into capital												
(3) Surplus reserve making up loss												
(4) Carry forward the retained earnings of the changes in the defined benefit plan												
Δ(5) Other comprehensive income caused forward retained earnings												
(6) Other												
IV. Closing balance of the current year	6,900,000,000.00		24,810,000,000.00		60,672,390,212.73		42,294,824.59	2,395,084.68		57,733,821.45	92,920,009,575.41	131,599,865,030.26

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The attached notes to the financial statements are an integral part of the financial statements.

Legal representative of the enterprise: _____ Person in charge of accounting work: _____

Person in charge of accounting institution: _____

Qingdao City Construction Investment (Group) Ltd.
Consolidated Statement of Changes in Owners' Equity
from Jan 1st, 2020 to Dec 31st, 2020

Currency unit: RMB

Items	Prior period											Currency unit: RMB			
	Equity attributable to owners of the parent company														
	Other equity instrument					Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		Sub-total	Non-controlling interests	Total owners' equity
	Paid-in capital	Preference shares	Perpetual Debenture	Others	Less: Treasury stock										
I. Closing balance of last year Plus: adjustments for changes in accounting policies Adjustments for correction of accounting errors in prior year Others	6,900,000,000.00		9,500,000,000.00		34,590,028,962.65	-1,729,269,546.88				18,427,923.85	1,161,034,925.19	50,440,222,264.81	17,590,392,070.37	68,030,614,335.18	
II. Opening balance of the current year	6,900,000,000.00		9,500,000,000.00		34,590,028,962.65	-1,729,269,546.88				18,427,923.85	1,161,034,925.19	50,440,222,264.81	17,590,392,070.37	68,030,614,335.18	
III. Increases/decreases in the current year ("+" for increases)			8,300,000,000.00		-585,760,494.39	1,049,852,213.54	38,626.51			9,787,170.52	428,200,273.89	9,202,117,790.07	5,259,477,912.40	14,461,595,702.47	
1. Total comprehensive income						1,049,852,213.54					1,181,232,460.79	2,231,604,674.33	98,384,327.82	2,329,366,002.15	
2. Capital contributed or reduced by owners															
(1) Ordinary share contributed by the owner			8,300,000,000.00		-585,760,494.39							7,714,239,505.61	5,176,842,872.94	12,891,082,378.55	
(2) Capital contribution by other equity instrument holders													3,585,480,000.00	3,585,480,000.00	
(3) Amount of share-based payment recognised in owner's equity												8,300,000,000.00		8,300,000,000.00	
(4) Other															
3. Withdrawal and use of special reserve															
(1) Withdrawal of special reserve								38,626.51				-585,760,494.39	1,591,362,872.94	1,005,602,378.55	
(2) Use of special reserve								38,626.51				38,626.51	90,128.52	128,755.03	
4. Profit distribution													90,128.52	128,755.03	
(1) Accrued surplus reserves Including: Statutory Surplus Reserves Arbitrary Surplus Reserves #Reserve Fund #Business Development Fund #Profit Return For Investment															
(2) △ Accrued general risk reserve															
(3) Profit distributed to owners															
(4) Others															
5. Intra-group transfer of equity															
(1) Capital reserve transfer into capital															
(2) Surplus reserve transfer into capital															
(3) Surplus reserve making up loss															
(4) Carry forward the retained earnings of the changes in the defined benefit plan															
△(5) Other comprehensive income carried forward retained earnings															
(6) Other															
IV. Closing balance of the current year	6,900,000,000.00		17,800,000,000.00		34,004,268,468.26	-679,417,333.34	38,626.51			28,215,094.37	1,589,235,199.08	59,642,340,054.88	22,849,869,982.77	82,402,210,037.65	

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Legal representative of the enterprise: Person in charge of accounting work: Person in charge of accounting institution:

Qingdao City Construction Investment (Group) Ltd.
Statement of Changes in Owners' Equity
from Jan 1st, 2020 to Dec 31st, 2020

Items	Current period										Currency unit: RMB	
	Paid-in capital	Other equity instrument			Capital reserve	Less: Treasury Stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Total owners' equity
		Preferred share	Perpetual Debenture	Others								
I. Closing balance of last year	6,900,000,000.00		16,800,000,000.00		20,815,576,569.08		-2,773,912.64				-2,125,750,489.84	42,387,043,166.60
Plus: adjustments for changes in accounting policies												
Adjustments for correction of accounting errors in prior year												
Others												
II. Opening balance of the current year	6,900,000,000.00											
III. Increases/decreases in the current year ("+" for increases)												
1. Total comprehensive income			16,800,000,000.00		20,815,576,569.08		-2,773,912.64				-2,125,750,489.84	42,387,043,166.60
2. Capital contributed or reduced by owners			6,510,000,000.00		26,198,127,089.25		-26,137,157.06				-837,566,559.63	31,844,423,372.56
(1) Ordinary share contributed by the owner												
(2) Capital contribution by other equity instrument holders												
(3) Amount of share-based payment recognised in owner's equity			6,510,000,000.00		26,198,127,089.25		-26,137,157.06				-567,040,359.63	-593,177,516.69
(4) Other												
3. Withdrawal and use of special reserve												
(1) Withdrawal of special reserve												
(2) Use of special reserve					-2,346,114,735.21							-2,346,114,735.21
4. Profit distribution												
(1) Actual surplus reserves												
Including: Statutory Surplus Reserves												
Arbitrary Surplus Reserves												
#Reserve Fund												
#Business Development Fund												
#Profit Return for Investment												
(2) △ Accrued general risk reserve												
(3) Profit distributed to owners												
(4) Others												
5. Intra-group transfer of equity												
(1) Capital reserve transfer into capital												
(2) Surplus reserve transfer into capital												
(3) Surplus reserve making up loss												
(4) Carry forward the retained earnings of the changes in the defined benefit plan												
△(3) Other comprehensive income carried forward retained earnings												
(6) Other												
IV. Closing balance of the current year	6,900,000,000.00		23,310,000,000.00		47,013,703,658.33		-28,911,069.70				-2,963,326,049.47	74,231,466,539.16

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The attached notes to the financial statements are an integral part of the financial statements.

Legal representative of the enterprise: _____ Person in charge of accounting work: _____

Person in charge of accounting institution: _____

Qingdao City Construction Investment (Group) Ltd.
Statement of Changes in Owners' Equity
from Jan 1st, 2020 to Dec 31st, 2020

Currency unit: RMB

Items	Paid-in capital	Other equity instrument			Prior period				Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Total owners' equity
		Prefer- ence share	Perpetual Debture	Others	Less: Treasury Stock	Other comprehensive income	Capital reserve						
I. Closing balance of last year	6,900,000,000.00		9,500,000,000.00			-3,901,722.82	21,650,563,726.77					-1,566,717,959.45	36,479,944,044.50
Plus: adjustments for changes in accounting policies													
Adjustments for correction of accounting errors in prior year													
Others													
II. Opening balance of the current year	6,900,000,000.00												
III. Increases/decreases in the current year ("+" for increases)													
1. Total comprehensive income			9,500,000,000.00			-3,901,722.82	21,650,563,726.77					-1,566,717,959.45	36,479,944,044.50
			7,300,000,000.00			1,127,810.18	-834,987,157.69					-559,041,530.39	5,907,069,122.10
2. Capital contributed or reduced by owners													
(1) Ordinary share contributed by the owner			7,300,000,000.00				-834,987,157.69					-464,461,847.24	-463,334,037.06
(2) Capital contribution by other equity instrument holders													
(3) Amount of share-based payment recognised in owner's equity			7,300,000,000.00										7,300,000,000.00
(4) Other													
3. Withdrawal and use of special reserve													
(1) Withdrawal of special reserve							-834,987,157.69						-834,987,157.69
(2) Use of special reserve													
4. Profit distribution													
(1) Accrued surplus reserves													
Including: Statutory Surplus Reserves													
Arbitrary Surplus Reserves													
#Reserve Fund													
#Business Development Fund													
#Profit Return For Investment													
(2) △ Accrued general risk reserve													
(3) Profit distributed to owners													
(4) Others													
5. Intra-group transfer of equity													
(1) Capital reserve transfer into capital													
(2) Surplus reserve transfer into capital													
(3) Surplus reserve making up loss													
(4) Carry forward the retained earnings of the changes in the defined benefit plan													
△(5) Other comprehensive income caused forward retained earnings													
(6) Other													
IV. Closing balance of the current year	6,900,000,000.00		16,800,000,000.00			-2,773,912.64	20,815,576,569.08					-2,125,759,489.84	42,387,043,166.60

Note: Items marked with △ in the table are exclusively for financial companies; items marked with # are exclusively for foreign-invested companies; items marked with * are applicable to companies that implement the new income/new financial instrument standards.

The attached notes to the financial statements are an integral part of the financial statements.

Legal representative of the enterprise: Person in charge of accounting work:

Person in charge of accounting institution: :

QINGDAO CITY CONSTRUCTION INVESTMENT (GROUP) LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31st 2020

(All amounts are presented in CNY unless otherwise stated)

1 Company profile

1.1 Company history, registration place, type of organization

Qingdao City Construction Investment (Group) Ltd. (hereinafter referred to as the "Company") is a wholly state-owned company approved to be incorporated by the Qingdao Municipal People's Government by the Circular of the Qingdao Municipal People's Government on Establishing Government-invested Companies (Qing ZF [2008] No.11) on May 23, 2008, pursuant to which, the Company was contributed by the Qingdao Municipal People's Government State-owned Assets Supervision Commission with the net assets lawfully occupied and used by Qingdao Dong Ao Development & Construction Group, Qingdao Development Investment Co., Ltd. and Qingdao City Construction Investment Center, with the registered address located at A-121 Macao Road, Shinan District, Qingdao City, unified social credit code: No.91370200675264354K; legal representative: Xing Luzheng and registered capital: RMB 6.9 billion. The registered capital and investment percentage are as following:

Investor	Invested capital (in ten thousand)	Percentage (%)
Qingdao Municipal People's Government State-owned Assets Supervision Commission	690,000.00	100.00
Total	690,000.00	100.00

1.2 Business nature and main operating activities

Business license of enterprise legal person stipulates business scope: urban old city reconstruction and traffic construction; land consolidation and development; municipal facilities construction and operation; investment and development of government real estate projects; investment and operation of modern service industry; Other investment and business activities other than those prohibited by national laws and regulations approved by the government. (Projects subject to approval according to the law may be operated after approval by relevant departments)

1.3 Controller of the Company.

The controlling party of the Company is Qingdao Municipal People's Government State-owned Assets Supervision Commission.

1.4 The term of operation

May 23, 2008 to no fixed term.

2 Basis of preparation of financial statements

The financial statements of the Company are prepared on a going concern basis.

According to transactions and events that have actually occurred, the Company recognizes, measures and prepares its financial statements in accordance with the Accounting Standards for Business Enterprises-Basic Standard and detailed standards together with application guidelines and interpretations (hereafter collectively called Accounting Standards for Business Enterprises).

3 Statement on compliance with Accounting Standards for Business Enterprises

The Company prepared the financial statements following the requirements of the Accounting Standards for Business Enterprises, which have truly and completely reflected the consolidated and parent Company's financial position, operating results, cash flows, and other information for the year ended December 31st, 2020.

4 Summary of significant accounting policies and accounting estimates

4.1 Accounting period

The accounting year is from January 1st to December 31st.

The accounting year for newly established company is from the date it was established to December 31st.

4.2 Functional currency

CNY is adopted as the Company's functional currency.

4.3 Accounting basis and measurement principle

The financial statements are prepared on an accrual basis, and primarily follow the historical cost measurement principle except for the specified accounting basis.

4.4 Business combinations

The business combination of the Company includes business combination under common control and business combination not under common control.

4.4.1 Business combinations under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount of the acquirer. The accounting policy adopted by the acquiree is different from that adopted by the acquirer, the acquiree shall, according to accounting policy, adjust the relevant items in the financial statements of the acquirer, and shall, pursuant to the present Standard, recognize them on the basis of such adjustment.

The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings.

The direct cost for the business combination of the combining party shall, including the expenses for audit, assessment and legal services, be recorded into the profits and losses at the current period.

The handling fees, commissions and other expenses for the issuance of equity securities for the business combination shall be credited against the surplus of equity securities; if the surplus is not sufficient, the retained earnings shall be offset.

The Company consolidated balance sheet, income statement, and cash flow statement on the acquisition date. The consolidated income statement shall include the incomes, expenses and profits of the acquiree incurred from the beginning of the current period to the acquisition date. The consolidated cash flow statement shall include the cash flow of the parties to the combination from the beginning of the current period to the acquisition date.

4.4.2 Business combination not under the common control

The assets transferred and liabilities incurred or assumed by the acquirer for consideration should be measured in light of their acquisition-date fair value, and recognize the resulting gains or losses, if any, between them and their carrying amounts into the profits and losses at the current period.

The acquirer shall distribute the combination costs on the acquisition date, and shall recognize the acquisition-date fair value of all identifiable assets, liabilities and contingent liabilities it obtains from the acquiree.

The acquirer shall recognize the positive balance between the consideration and the fair value of the identifiable net assets it obtains from the acquiree as goodwill. If, after the reexamination, the considerations are still less than the fair value of the identifiable net assets it obtains from the acquiree, it shall record the bargain purchase into the profits and losses of the current period.

As for the assets other than intangible assets acquired from the acquiree in a business combination (not limited to the assets which have been recognized by the acquiree), if it is possible that future economic benefits with the item will flow to the entity and their fair values can be measured reliably, they shall be separately recognized and measured in light of their fair values. As for any intangible asset acquired in a combination, if its fair value can be measured reliably, it shall be separately recognized as an intangible asset and shall be measured in light of its fair value. As for the liabilities other than contingent liabilities acquired from the acquiree, if the performance of the relevant obligations is likely to result in any out-flow of economic benefits from the enterprise, and their fair values can be measured reliably, they shall be separately recognized and measured in light of their fair values. As for the contingent liabilities of the acquiree obtained in a combination, if their fair values can be measured reliably, they shall be separately recognized as liabilities and shall be measured in light of their fair values.

The temporary deductible differences obtained from acquiree due to business combination can only be determined temporarily if it cannot fulfill the recognition criteria of deferred tax asset on the acquisition date. Within 12 months after acquisition date, if there is foreseeable evidence that economic benefit from acquiree will flow into the Company, the deferred tax asset shall be recognized and deduct same amount of goodwill. If goodwill is less than the deferred tax asset, it shall record profit and loss into current period; except for above mentioned circumstances, deferred tax asset recognized due to business combination shall be recorded into profit and loss into current period.

The direct cost for the business combination of the combining party shall, including the expenses for audit, assessment and legal services, be recorded into the profits and losses at the current period. The bonds issued for the consideration or the handling fees, commissions and other expenses for assuming other liabilities shall be recorded into the amount of initial measurement of the bonds or other debts.

The Company consolidated balance sheet on acquisition date, it shall be recorded at fair value of the identifiable assets, liabilities and contingent liabilities it obtains from the acquiree.

4.4.3 Determining the acquisition date and the date of disposal

Purchase or sale of shareholding in order to increase or decrease subsidiaries under non-common control, the acquisition date shall be determined as the time when control transferred.

In determining the acquisition date, the control transferred when below are satisfied:

- (1) The purchase contract or agreement has been approved by the shareholders general meeting and by internal authority approval;
- (2) In the case acquisition needs to be approved by the authorities by regulation, the Company obtains the approval;

- (3) The property transfer procedures completed;
- (4) Acquirer has paid the majority amount of the quoted price (more than 50%), and willingly and plan to pay the remaining amount;
- (5) Acquirer has actually controlled the financial and operating policies of the acquiree, enjoy the corresponding profit and risk.

In determining the date of disposal: upon the transaction finished and loss of control.

4.4.4 Determining the fair value on the acquisition date

In the active market, the fair value of assets and liabilities shall be the quoted price in the active market; in the case of no active market, the fair value shall be the appraisal value, taking into consideration of the quoted price agreed by the transaction parties who are familiar with the market and voluntary transactions, or the fair value of the similar assets or liabilities, present value of cash flow, or option pricing model.

4.5 Preparation of consolidated statements

4.5.1 Scope

The scope of consolidated financial statement is based on ‘control’ all of its subsidiaries shall be included into the consolidated financial statements.

Control exists when the investor has all the following: power over the investee; exposure, or rights to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor’s returns. Relevant activities refer to activities of the investee that significantly affect the investee’s returns. Relevant activities of the investee shall be determined depending on the circumstance, which generally include selling and purchasing of goods or services, managing financial assets, acquiring or disposing of assets, researching and developing activities, and financing activities. The Company shall consider all facts and circumstances when assessing whether it controls an investee. The Company shall reassess its control when changes in relevant facts and circumstances lead to changes in the elements of control.

4.5.2 Procedure

The consolidated financial statements shall be prepared by the parent based on the financial statements of the parent and its subsidiaries, and using other related information. When preparing consolidated financial statements, the Company shall, consider the entire group as an accounting entity, adopt uniform accounting policies and apply the requirements of Accounting Standard for Business Enterprises relating to recognition, measurement and presentation. The consolidated financial statements shall reflect the overall financial position, operating results and cash flows of the group.

A parent shall prepare consolidated financial statements using uniform accounting policies for similar transactions and other events in similar circumstances. In preparing the consolidated financial statements, where the accounting policies and the accounting periods of the Company and subsidiaries are inconsistent, the financial statements of the subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company. For subsidiaries acquired from a business combination involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date. After adjusted long-term investment in subsidiaries by using equity method, the parent shall prepare consolidated financial statements based on parent and subsidiaries financial statements and other

information.

All significant intra-group balances, transactions and unrealized profits are eliminated in the consolidated financial statements.

The portion of a subsidiary's equity, net profits or losses and total comprehensive income for the period not attributable to the shareholders of the Company are recognized as non-controlling interests and presented separately in the consolidated financial statements under shareholder's equity, net profits and total comprehensive income respectively. Where the amount of losses for the current period attributed to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess amount is allocated against non-controlling interests.

(a) Acquiring subsidiaries

When preparing the consolidated balance sheet, if the parent has acquired a subsidiary or business during the reporting period through a business combination involving enterprises under common control, the opening balances of the consolidated balance sheet shall be adjusted as if the reporting entity after the combination has been in existence since the date the ultimate controlling party first obtained control. The subsidiary's revenue, expense and profit, from beginning to the end of the reporting period in which the combination takes place, shall be included in the consolidated income statement. The cash flow of the subsidiary or business, from the beginning to the end of the reporting period in which the combination takes place, shall be included in the consolidated cash flow statement. In addition, relevant items in the comparative statement shall be adjusted as if the reporting entity after the combination has been existence since the date the ultimate controlling party first obtained control.

When the Company becomes capable of exercising control over an investee not under common control due to additional investment or other reasons, when preparing the consolidated financial statements, the acquirer shall re-measure its previously held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount shall be recognized as investment income for the period when the acquisition takes place. When the previously-held equity investment is accounted for under the equity method, any other comprehensive income previously recognized in relation to the acquiree's equity changes shall be transferred to profit or loss for the current period when the acquisition takes place.

During the reporting period, a subsidiary or business has been acquired through a business combination not involving enterprises under common control, or by other mean, the opening balance of consolidated financial statement shall not be adjusted, where the revenue, expense and profit of that subsidiary or business from the acquisition date to the end of the reporting period shall be included in the consolidated income statement, and the cash flow of that subsidiary or business, from the acquisition date to the end of reporting period, shall be included in the consolidated cash flow statement. When the Company becomes capable of exercising control over an investee not under common control due to additional investment or other reasons, when preparing the consolidated financial statements, the acquirer shall re-measure its previously held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount shall be recognized as investment income for the period when the acquisition takes place. When the previously-held equity investment is accounted for under the equity method, any other comprehensive income previously recognized in relation to the acquiree's equity changes shall be transferred to profit or loss for the current period when the acquisition takes place.

(b) Disposal of subsidiaries

During the reporting period, where the Company disposes its subsidiary, the revenue, expense and profit of that subsidiary or business from the beginning of the reporting period to the disposal date shall be included in the consolidated income statement. If the Company loses control of an investee due to the disposal of a portion of an equity investment or other reasons, the remaining equity investment shall be re-measured at the fair value in the consolidated financial statements at the date when control is lost. The difference between the total amount of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and the share of net assets of the former subsidiary calculated continuously from the acquisition date or the combination date based on the previous shareholding proportion, shall be recognized as investment income for the current period when control is lost, except for other comprehensive income arising from the remeasurement of the net benefit or net assets of the defined benefit plan by the investee. If the shareholding ratio of the Company decreases due to the increase of subsidiary capital by other investors, thus losing control, accounting treatment shall be carried out in accordance with the above-mentioned principles.

When the parent loses control of a subsidiary in multiple transactions in which it disposes of its subsidiary in stages, in determining whether to account for the multiple transactions as a single transaction, a parent shall consider all of the terms and conditions of the transactions and their economic effects. One or more of the following may indicate that the parent should account for the multiple arrangements as a single transaction:

- *arrangements are entered into at the same time or in contemplation of each other;
- *arrangements work together to achieve an overall commercial effect;
- *the occurrence of one arrangement is dependent on the occurrence of at least one other arrangement;
- *one arrangement considered on its own is not economically justified when considered together with other arrangements.

If each of the multiple transactions forms part of a bundled transaction which eventually results in loss of control of the subsidiary, these multiple transactions should be accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets in each transaction prior to the loss of control shall be recognized in other comprehensive income and transferred to the profit or loss when the parent eventually loses control of the subsidiary.

(c) Where the parent has acquired a subsidiary's equity interest held by non-controlling interests, the difference between the increase in the cost of long-term equity investments as a result of acquisition of non-controlling interests and share of net assets of the subsidiary calculated continuously from the acquisition date or the combination date based on the new shareholding proportion shall be adjusted to the capital reserve as capital premium in the consolidated financial statements. If the balance of the capital reserve is not sufficient, any excess shall be adjusted against retained earnings.

(d) Where the parent disposes of a portion of the long-term equity investments in a subsidiary without loss of control, the difference between the amount of the consideration received and the corresponding portion of net assets of the subsidiary calculated continuously from the acquisition date or the combination date related to the disposal of long-term equity investments shall be adjusted to the capital reserve as capital premium in the consolidated financial statements. If the balance of the capital reserve

is not sufficient, any excess shall be adjusted against retained earnings.

4.6 Classification of joint venture arrangements and accounting treatment methods for joint operations

Joint venture arrangements are divided into joint operations and joint ventures. When the Company is a joint venture party of a joint venture arrangement, and enjoys the relevant assets of the arrangement and bears the liabilities related to the arrangement, it is a joint operation.

The Company recognizes the following items related to the share of interest in the joint operation and conducts accounting treatment in accordance with the relevant accounting standards:

- (1) Recognize the assets held by the Company separately and recognize the assets held jointly by the Company's share;
- (2) Recognize the liabilities of the Company alone and recognize the liabilities held jointly by the Company's share;
- (3) Recognize the income generated from the sale of the share of the common operating output enjoyed by the company;
- (4) Recognize the income generated by the joint operation due to the sale of the output according to the Company's share;
- (5) Recognize the expenses incurred separately and the expenses incurred in the joint operation according to the Company's share.

4.7 Recognition criteria of cash and cash equivalents

Cash refers to the cash in hand and deposits that are readily available for payment.

Cash equivalents refer to short-term and highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value. Equity investment does not belong to cash equivalents.

4.8 Methods of accounting and translation for foreign currency transactions

4.8.1 Translation method

Foreign currency transactions of the Company are translated into RMB at the spot exchange rates on the date when the transactions occur. For ending balances of the various foreign currency accounts, foreign currency monetary items are translated at the spot exchange rates on the balance sheet date, with any differences arising therefrom included in the current profit and loss; foreign currency non-monetary items measured at historical cost should still be translated at the spot exchange rates when the transactions occur; foreign currency non-monetary items measured at fair value should be translated at the spot exchange rates on the date when the fair value is determined, with any differences arising therefrom recorded as profit and loss from changes in fair value.

4.8.2 Principles for the translation of foreign currency financial statements

- (1) Items of assets and liabilities in the balance sheet should be translated at the spot exchange rates on the balance sheet date. Owners' equity items, except for the item of "undistributed profits", are translated at the spot exchange rates on the date when the transactions occur;
- (2) The income and expense items in the income statement are translated at the spot exchange rates or approximate exchange rates prevailing on the date when transactions occur;

(3) Exchange differences arising on translation of foreign currency financial statements contribute by the above translation should be separately presented under the owners' equity in the balance sheet;

(4) Items in the statement of cash flows are translated at the spot exchange rates or approximate exchange rates on the date when translations occur. The effect of fluctuation in exchange rate on cash should, as an adjustment item, be separately presented in the statement of cash flows.

4.9 Financial instruments

Companies that have not yet implemented the new financial instrument standard

4.9.1 Recognition and derecognition of financial instruments

A financial instrument of the Company is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

When the Company becomes a party to a financial instrument, it should recognize a financial asset or financial liability.

Any financial asset of the Company should be derecognized when it meets either of the following conditions: when the contractual right to collect the cash flow from a financial asset is expired; or the financial asset is transferred and conforms to the derecognition conditions under the Accounting Standards for Business Enterprise No.23 — Transfer of Financial Assets.

Only when all or part of the current obligations under a financial liability is extinguished should the financial liability or part of it be derecognized.

4.9.2 Classification of financial assets

The Company's financial assets are measured at fair value upon initial recognition and divided into the following four categories:

(1) Financial assets measured at fair value through profit and loss

The Company's financial assets measured at fair value through profit and loss include financial assets held for trading and financial assets designated as those measured at fair value through profit and loss. Financial assets held for trading comprise financial assets that are obtained for sales in a short term and derivative financial instruments. Financial assets measured at fair value through profit and loss should be measured subsequently at fair value with any realized and unrealized profit and loss included in the current profit and loss.

(2) Held-to-maturity investments

The Company's held-to-maturity investments refer to the non-derivative financial assets with fixed maturity and fixed or determinable recoverable amounts, for which the Company has the positive intent and ability to hold to maturity, except for the non-derivative financial assets that have been reclassified as financial assets of other categories. Financial assets of this category should be measured subsequently at amortized cost by using the effective interest method and the gain or loss arising from derecognition, impairment or amortization should be included in the current profit and loss.

(3) Loans and receivables

The Company's loans and receivables refer to the non-derivative financial assets with fixed or determinable recoverable amounts that are not quoted on an active market. Financial assets of this category should be measured subsequently at amortized cost by using the effective interest method and any gains and losses arising from derecognition, impairment or amortization should be included in the current profit and loss.

(4) Available-for-sale financial assets

The Company's available-for-sale financial assets refer to the non-derivative financial assets designated as available for sale at initial recognition and the non- derivative financial assets not classified into the three categories as mentioned above. Financial assets of this category should be measured subsequently at fair value. Their premiums/discounts should be amortized by using the effective interest method and recognized as interest income. Their fair value changes should be included in the other comprehensive income. For those derecognized or with identified impairment, the corresponding part originally directly included in owners' equity should be transferred out and included in the current profit and loss.

4.9.3 Classification of financial liabilities

The Company's financial liabilities are classified the financial liability in accordance with the business model and divided into the following two categories:

(1) Financial liabilities measured at fair value through profit and loss (FVTPL)

The Company's financial liabilities measured at FVTPL include financial liabilities held for trading and financial liabilities designated as those measured at fair value through current profit and loss upon initial recognition.

(2) Other financial liabilities

Neither financial liabilities measured at FVTPL are allowed reclassified into other financial liabilities, nor the other financial liabilities allowed to reclassify into the category measured at FVTPL.

4.9.4 Transaction costs

Transaction costs related to financial assets or financial liabilities measured at fair value through current profit and loss are directly included in the current profit and loss while transaction costs related to financial assets or financial liabilities of other categories should be included in their initially recognized amounts.

4.9.5 Fair values of financial instruments

As for the financial assets or financial liabilities for which there is an active market, the quoted prices on the active market should be used to determine the fair values thereof. Where there is no active market for a financial instrument, the Company should adopt reasonable value appraisal techniques to determine its fair value. The value appraisal techniques mainly include the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value obtained by reference to other financial instruments of the same essential nature, the discounted cash flow method and the option pricing model.

4.9.6 Determining the discount rate

When determining the discount rate, the Company estimates the future cash flows by taking into account all the contractual terms of a financial asset or financial liability (including prepayment option, call option and similar options), but should take into no account the future credit loss.

In addition, the Company should take into account all fees paid or received between parties to the contract for a financial asset or financial liability that are an integral part of the discount rate, transaction costs, premiums or discounts, etc. When the future cash flows or the duration of a financial asset or financial liability cannot be reliably estimated, the cash flows of such financial asset or financial liability throughout the whole term of the contract should apply.

4.9.7 Impairment of financial assets

The Company checks on the balance date the book values of financial assets other than those measured at fair value through current profit and loss. If there is any objective evidence that a financial asset is impaired, provision for impairment should be made. The objective evidence of impairment of a financial asset refers to any event actually occurred after the initial recognition of the financial asset which has adverse effect, the amount of which can be measured reliably by the Company, on the expected future cash flows of the financial asset.

An impairment test should be made on the financial assets with significant single amounts. If there is any objective evidence that the financial assets are impaired, impairment loss should be recognized and included in the current profit and loss.

(1) Financial assets measured at amortized cost

If there is objective evidence indicating that a financial asset is impaired, the book value of the financial asset should be written down to the present value of the expected future cash flows (excluding the credit loss that has not incurred). The write-downs should be included in the current profit and loss. The present value of the expected future cash flows is discounted at the original effective interest rate of the financial asset with the value of relevant security considered.

If, after the Company recognizes the impairment loss of a financial asset, there is objective evidence indicating that the value of the impaired financial asset is recovered and it is objectively related to the event happened after the recognition of the loss, then the previously recognized impairment loss should be reversed and included in the current profit and loss. However, the book value after reversion should not exceed the amount of amortized cost of the financial asset on the date of reversion had the impairment provision not been made.

(2) Financial assets measured at cost

If there is objective evidence indicating that a financial asset has been impaired, the difference between the book value of the financial asset and the present value of the future cash flows discounted at prevailing market rate of return for similar financial assets should be recognized as the impairment loss and included in the current profit and loss. Once recognized, no impairment loss should be reversed.

(3) Available-for-sale financial assets

If there is objective evidence that an available-for-sale financial asset has been impaired, the cumulative loss from decline in fair value previously directly included in owners' equity should be transferred out and included in the current profit and loss.

The cumulative loss transferred out is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit and loss.

If, in subsequent accounting periods, there is a recovery in the fair value of the available-for-sale debt instruments for which an impairment loss has been recognized, which can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss may be reversed. The impairment loss on the available-for-sale equity instrument investments may not be reversed through the profit and loss.

4.9.8 Transfer of financial assets

Transfer of the Company's financial assets means that the Company assigns or delivers the financial assets to a party other than the issuer of the financial assets.

The Company derecognizes a financial asset when substantially all the risks and rewards related to the

ownership of the financial asset have been transferred to the transferee; if substantially all the risks and rewards related to the ownership of a financial asset are retained, the financial asset will not be derecognized.

If the Company neither transfers nor retains substantially all the risks and rewards related to the ownership of a financial asset, it should deal with the financial asset depending on the following circumstances, respectively, as follows: if it gives up the control over the financial asset, it should derecognize the financial asset and recognize assets and liabilities arising therefrom; if it does not give up the control over the financial asset, it should recognize the financial asset to the extent of its continuous involvement in the transferred financial asset and recognize the relevant liability accordingly.

4.9.9 Impairment on financial assets

(1) Provision for bad debts of loans include general provision, special provision, and specific provision. The general provision shall be accrued at 1% of the closing balance.

The risk control department of the Company based on related regulations and 5-grade classification of loans, makes below provision:

5-grade classification of loans	Provision (%)
Normal loans	0-1
Watched loans	2
Substandard loans	25
Doubtful loans	50
Loss loans	100

Among them, provisions for losses of substandard and specific provision shall be made case by case.

The provision coverage is higher than 150%.

The risk categories are as following:

Normal: The debtor to fulfill the contract, there is no reason to doubt the debtor is unable to repay the debt in full and on time.

Watched: Although the debtor currently has the ability to repay the debt, but some factors may adversely affect the repayment.

Substandard: The debtor's ability to repay the obviously in difficulty, rely entirely on their normal business revenues to repay the debt, even if the collateral, may also cause some loss.

Doubtful: The debtor cannot repay the debt, even if the collateral, it will be a significant loss.

Loss: After taking all possible methods and all necessary legal procedures, creditor's rights cannot be recovered, or only a small portion can be recovered.

(2) The Company written-off of losses in line with the related regulation set by the authority. The creditor's rights shall be written-off while get the approval of board of directors. And any written-off documents shall be archived.

Companies that have implemented new financial instrument standards

The Company's listed subordinate companies and part of the subsidiaries have implemented the new financial instruments standards. The accounting policies implemented by the Company are as follows:

A financial asset or financial liability is recognized when the Company becomes a party to a financial instrument contract.

4.9.10 Classification of financial instruments

The Company classifies the financial assets when initially recognized into the following three categories based on the business model for financial assets management and characteristics of contractual cash flow of financial assets: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (debt instruments) and financial assets measured at fair value through profit or loss.

The Company classifies financial assets that meet the following conditions and are not designated as fair value through profit or loss as financial assets measured at amortized cost:

- (1) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- (2) The contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

The Company classifies financial assets that meet the following conditions and are not designated as fair value through profit or loss as financial assets measured at fair value through other comprehensive income (debt instruments):

- (1) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- (2) The contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

For the non-tradable equity instrument investment, the Company may irrevocably choose to designate it as financial assets measured at fair value through other comprehensive income (Equity Instrument). The designation is made on a single investment basis and the related investments meet the definition of an equity instrument from an issuer's perspective. In addition to the above financial assets measured at amortized cost and at fair value through other comprehensive income, the Company classifies all other financial assets as fair value through profit or loss.

The financial liabilities of the Company are classified at the initial recognition as follows: financial liabilities measured at amortized cost and financial liabilities measured at fair value through profit or loss.

Financial liabilities that meet one of the following conditions can be designated as financial liabilities measured at fair value through profit or loss at the time of initial measurement:

- (1) Such designation can eliminate or significantly reduce accounting mismatch;
- (2) According to the Company risk management or investment strategy stated in formal written documents, the management and performance evaluation for the financial liabilities portfolio or portfolio of financial assets and financial liabilities is conducted on the basis of fair value, which is reported to key management personnel within the Company on this basis;
- (3) The financial liabilities include embedded derivatives that need to be split separately.

4.9.11 Recognition basis and measurement method for financial instruments

- (1) Financial assets measured at amortized cost

Financial assets at amortized cost include notes receivable, accounts receivable, other receivables, long-term receivables, and investment in debt obligations which are initially measured at fair value and related transaction cost shall be recorded into the initial recognized amount. For accounts receivable excluding significant financing and accounts receivable that the Company decides not to consider financing components less than one year, the initial measurement shall be made at the contract

transaction price. The interest calculated with actual rates for the holding period shall be recorded into the current profit or loss. When recovered or disposed, the difference between the price obtained and the carrying value of the financial assets shall be recorded into the current profit or loss.

(2) Financial assets measured at fair value through other comprehensive income (debt instruments)

Financial assets measured at fair value through other comprehensive income (debt instruments) include accounts receivable financing and investment in other debt obligations which are initially measured at fair value and related transaction cost shall be recorded into the initial recognized amount. The subsequent measurement of the financial assets shall be at fair value and changes of fair value except for interest calculated with actual rates, impairment losses or gains and exchange gains or losses shall be recorded into other comprehensive income. When derecognized, the accumulated gains or losses originally recorded into other comprehensive income shall be transferred into the current profit or loss.

(3) Financial assets measured at fair value through other comprehensive income (equity instruments)

Financial assets at fair value through other comprehensive income (equity instruments) include investment in other equity instruments, etc. which are initially measured at fair value and related transaction cost shall be recorded into the initial recognized amount. The subsequent measurement of the financial assets shall be at fair value and changes of fair value shall be recorded into other comprehensive income. The dividends obtained shall be recorded into the current profit or loss. When derecognized, the accumulated gains or losses originally recorded into other comprehensive income shall be transferred into retained earnings.

(4) Financial assets measured at fair value through profit or loss

Financial assets at fair value through profit or loss include held-for-trading financial assets, derivative financial assets and other non-current financial assets which are initially measured at fair value and the related transaction cost shall be recorded into the current profit or loss. The subsequent measurement of the financial assets shall be at fair value and the changes of fair value shall be recorded into the current profit or loss.

(5) Financial liabilities measured at fair value through profit or loss

Financial liabilities at fair value through profit or loss include held-for-trading financial liabilities and derivative financial liabilities which are initially measured at fair value and the related transaction cost shall be recorded into the current profit or loss. The subsequent measurement of the financial liabilities shall be at fair value and the changes of fair value shall be recorded into the current profit or loss. When derecognized, the difference between the carrying value and the paid consideration shall be recorded into the current profit or loss.

(6) Financial liabilities measured at amortized cost

Financial liabilities at amortized cost include short-term borrowings, notes payable, accounts payable, other payables, long-term borrowings, bonds payable and long-term payables, etc., which are initially measured at fair value and the related transaction cost shall be recorded into the initial recognized amount. The interest calculated with actual rates for the holding period shall be recorded into the current profit or loss. When derecognized, the difference between the paid consideration and the carrying value of the financial liabilities shall be recorded into the current profit or loss.

4.9.12 Recognition basis and measurement of transfer of financial assets

The Company shall terminate the recognition of the financial asset when one of the following conditions are met:

- (1) The right of collecting contractual cash flows of the financial assets has been terminated;

(2) The financial assets have been transferred and the Company has transferred almost all risks and rewards in the ownership of financial assets to the transferee;

(3) The financial assets have been transferred, and although the Company has neither transferred nor retained almost all the risks and rewards in the ownership of the financial assets, it has not retained its control over the financial assets.

If the Company retained nearly all of the risks and rewards related to the ownership of the financial asset, it shall continue to recognize the transferred financial asset.

When judging whether the transfer of financial assets meets the above-mentioned conditions for derecognition of financial assets, the principle of substance over form shall be adopted.

The Company divides the transfer of financial assets into integral transfer and partial transfer. If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the amounts of the following two items shall be recorded in the current profit and loss:

(1) The carrying amount of the transferred financial asset;

(2) The sum of the consideration received for the transfer of financial assets and the amount of the corresponding portion of the accumulated changes in fair value originally included in shareholder's equity directly (the financial assets involved in the transfer are financial assets measured at fair value through other comprehensive income).

If the transfer of partial financial asset satisfies the conditions for derecognition, the entire carrying value of the transferred financial asset shall, between the portion whose recognition has been stopped and the portion whose recognition has not been stopped, be apportioned according to their respective relative fair value on the transfer date, and the difference between the amounts of the following two items shall be included into the current profit and loss:

(1) The carrying value of the portion whose recognition has been terminated;

(2) The sum of consideration of the portion whose recognition has been terminated, and derecognition amount among the accumulative amount of the changes of the fair value originally recorded in the shareholder's equity (the financial assets involved in the transfer are financial assets measured at fair value through other comprehensive income)

Where the transfer of the financial asset does not meet the conditions for the termination of recognition, the financial asset shall continue to be recognized and the consideration received shall be recognized as a financial liability.

4.9.13 Derecognition basis of financial liabilities

Financial liabilities are derecognized in full or in part only when the present obligation is discharged in full or in part. An agreement entered into force between the Company (debtor) and a creditor to replace the original financial liabilities with new financial liabilities with substantially different terms, the Company shall derecognize the original financial liabilities as well as recognize the new financial liabilities.

If all or part of the contract terms of the existing financial liabilities are substantially modified, the recognition of the existing financial liabilities shall be terminated, and the financial liabilities after the modification shall be recognized as a new financial liability.

When financial liabilities are derecognized in full or in part, the difference between the carrying amount of the derecognized financial liabilities and the consideration paid (including transferred non-cash assets or new financial liability) is recognized in the current profit and loss.

If the Company repurchases part of the financial liability, it shall distribute the overall book value of

the financial liability on the repurchase date according to the relative fair value of the continuing recognition part and the terminated recognition part. The difference between the book value allocated to the terminated recognition portion and the consideration paid (including non-cash assets transferred out or new financial liabilities assumed) is recorded in the current profit and loss.

4.9.14 Determination method of fair value of financial instrument

The fair value of a financial instrument with an active market shall be determined based on the quoted price in the active market. For financial instruments with no active market, valuation techniques are used to determine their fair value. At the time of valuation, the Company adopts valuation techniques that are applicable under the current circumstances and have sufficient data and other information to support, and chooses to be consistent with the characteristics of the assets or liabilities considered by market participants in the transactions of related assets or liabilities. The relevant observable input value shall be used first. Only when the relevant observable input value cannot be obtained or it is not feasible to obtain, the unobservable input value shall be used.

4.9.15 Impairment method and accounting treatment of financial instrument

The Company takes into account all reasonable and well-founded information, including forward-looking information, and estimates the expected credit losses of financial assets measured at amortized cost. The measurement of expected credit loss depends on whether the credit risk of financial assets increases significantly after the initial recognition.

If the credit risk of the financial instrument has increased significantly since the initial recognition, the Company measures its loss provision according to the amount equivalent to the expected credit loss of the financial instrument in the whole duration. If the credit risk of the financial instrument has not increased significantly since the initial recognition, the Company measures its loss provision according to the amount equivalent to the expected credit loss of the financial instrument in the next twelve months. The increased or reversed amount of the loss reserves formed thereby shall be included in the current profit and loss as impairment losses or gains.

If the credit risk of a financial instrument is low on the balance sheet date, the Company considers that the credit risk of the financial instrument has not increased significantly since the initial recognition.

If there is objective evidence that a certain financial asset has been impaired, the Company shall make provision for the impairment of the financial asset on an individual basis.

4.10 Provision for bad debts

4.10.1 Recognition criteria of bad debts

Irrecoverable receivables arising from bankruptcy of the debtor after taking legal clearance procedures, irrecoverable receivables arising from the death of the debtor leaving no assets to pay off and nobody to assume the obligations, the receivables that the debtor fails to repay within three years and are recorded as bad debts upon approval of the general meeting or the board of directors, and other claims that have been impaired and assessed as irrecoverable should be recognized.

4.10.2 Accounting methods of loss on bad debts

The Company adopts the allowance method for the accounting of bad debt losses.

The Company shall, on the day of balance sheet, make a judgment on whether there is any indication that assets may be impaired. If there are indications that receivable may be impaired, the carrying

amount shall be written down to the recoverable amount. The deduction shall be recorded under impairment loss account. To predict the present value of the future cash flow, the Company shall take into consideration the discount rate of actual interest when receivable initially recognized, and also considered the value of mortgages. There is insignificant difference between the present value and estimate future cash flow for short-term receivable, therefore, the discounted rate shall not be considered when calculate impairment loss.

If there is any objective evidence proving that the value of the said financial asset has been restored, and it is objectively related to the events that occur after such loss is recognized, the impairment-related losses as originally recognized shall be reversed and be recorded under losses from impairment of assets account into the profits and losses of the current period. However, the reversed carrying amount shall not be any more than the post-amortization costs of the said financial asset on the day of reverse under the assumption that no provision is made for the impairment.

When impairment loss actual happens, the provision shall be reversed, and if it is short of loss, the difference shall be recorded into current period losses from impairment of assets directly.

4.10.3 Method and proportion of provision for bad debts

For individual receivables with amounts above RMB1 million (inclusive), if there is objective evidence that the receivables have been impaired, provision for bad debts should be made based on the difference of the present value of their future cash flows in short of their book values. For individual receivables with insignificant amounts and individual receivables with significant amounts that have not been impaired as shown in a separate test, the proportion of provision for bad debts of each group for the reporting period should be determined based on the actual loss rate of the receivables group with identical aging and in combination with the current situation. For receivables with solid evidence indicating that there is significant difference as to the recoverability, provision for bad debts should be made by using the specific identification method.

Proportions of the provision for bad debts are as follows:

Aging of receivables	Proportion of provision
Within 1 (inclusive) year	0%
1 - 2 (inclusive) years	10%
2 - 3 (inclusive) years	20%
3 - 4 (inclusive) years	30%
4 - 5 (inclusive) years	40%
Over 5 years	50%

Factoring receivables use the risk type method to accrue bad debt provisions, which are divided into:

Normal: The debtor can perform the contract without sufficient reason to suspect that the debtor cannot repay the debt on time and in full.

Concern: Although the debtor is currently capable of repaying the debt, there are some factors that may adversely affect the repayment.

Sub-category: The debtor's repayment ability is obviously in trouble, and it cannot rely on its normal operating income to fully repay the debt. Even if the guarantee is executed, it may cause some losses.

Doubtful: The debtor cannot repay the debt in full, and even if the guarantee is executed, it will certainly cause greater losses.

Loss: After taking all possible measures or all necessary legal procedures, the creditor's right cannot be

recovered, or only a small part can be recovered.

The specific risk classification accrual ratio is as follows:

Types of risk	Accrual proportion
Normal	0%
Concern	2%
Sub-category	25%
Doubtful	50%
Loss	100%

The provision for bad debts shall not be less than 1% of the closing balance of factoring business.

4.10.4 Accounting treatment methods for the sale, pledge and discounting of receivables

The accounting treatment should be subject to the Interim Provisions on the Accounting Treatment of the Debt Financing Business and Other Related Business Between Enterprises and Banks and Other Financial Institutions (CK [2003] No.14) issued by the Ministry of Finance.

4.10.5 The groups without provision for bad debts

No provision for bad debts is made for receivables due from related companies;

No provision for bad debts is made for receivables due from government administrative departments;

No provision for bad debts is made for receivables due from employees' margin;

4.11 Inventories

4.11.1 Measurement

The Company's inventories are divided into raw materials, self-made semi-finished products and products in progress, low-value consumables, inventory goods, development costs, development products, turnover materials, etc. Inventories are measured at actual cost when obtained and use the weighted average method when sent out.

The Company adopts the one-off write off method to amortize low value consumables and packaging materials, which are included in the cost of relevant assets or current profit and loss.

4.11.2 Inventory system

The Company adopted the perpetual inventory system.

4.11.3 Measurement at each balance sheet date

(1) Closing balance of inventories should be measured at the lower of their costs or net realizable values.

(2) The Company 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.

(3) The materials held for production shall be measured at cost if the net realizable value of the finished products is higher than the cost. If a decline of the value of materials shows that the net realizable value of the finished products is lower than the cost, the materials shall be measured at the net realizable value.

(4) The net realizable value of inventories held for the execution of sales contracts or labor contracts shall be calculated on the ground of the contract price. If the Company holds more inventories than the quantities subscribed in the sales contract, the net realizable value of the excessive part of the inventories shall be calculated on the ground of the general sales price.

(5) The Company shall make provision on impairment loss of inventories on the ground of individual item. For raw materials with large quantity and relatively low unit prices, the provision on impairment loss shall be made on the ground of the categories of inventories. For the inventories related to the series of products manufactured and sold in the same area, and of which the final use or purpose is identical or similar thereto, and if it is difficult to measure them by separating them from other items, the provision on impairment loss shall be made on a combination basis.

(6) The Company shall confirm the net realizable value of inventories on each balance sheet date. If the factors causing any write-down of the inventories have disappeared, the amount of write-down shall be reversed from the provision on impairment loss that has been made. The reversed amount shall be included in the current profits or losses.

(7) Sell of inventories which is already made provision on impairment loss, the cost of inventories shall be deducted by the provision on impairment loss.

4.12 Contract asset and contract liability

4.12.1 Recognition method and criteria

The Company lists contract asset or contract liability on the balance sheet based on the relationship between performance obligation and customer payment. The Company lists the right to receive consideration for transferring goods or providing service to customers (and the right depends on other factors other than the passage of time) as contract asset, and lists the obligation to transfer goods or provide service to customers for the consideration received or to be received as contract liability. The contract asset and liability under the same contract are presented in net amount. The Company's unconditional (only depending on the passage of time) right to collect consideration from customers is listed separately as receivables.

4.12.2 Determination method and accounting treatment method of expected credit loss of contract asset

For details on the determination method and accounting treatment method of expected credit losses of contract asset, please refer to "Financial Asset Impairment Testing Method and Accounting Treatment Method" in 4.9 Financial Instruments-Companies that have implemented the new financial instrument standards" in this note.

4.13 Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, the Group's long-term equity investments in its joint ventures and associates, as well as the long-term equity investments where the Group does not have control, joint control or significant influence over the investees and which are not quoted in an active market and whose fair value cannot be reliably measured.

4.13.1 Initial measurement

(1) Initial measurement for the business combination under common control

For a business combination involving enterprises under common control, if the consideration of the combination is satisfied by paying cash, transfer of non-cash assets or assumption of liabilities, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings.

If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the owners' equity of the party being absorbed in the consolidation financial statements of the ultimate controlling party at combination date. The aggregate face value of the share issued shall be accounted for as share capital. The difference between the initial investment cost and the aggregate face value of the shares issued shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings.

The audit, legal, valuation and consulting fees, other intermediary fees, and related administrative fees paid by the absorbing party or acquirer for the business combination, shall be recognized in profit or loss as incurred.

Where the accounting policies and accounting period adopted by the investee are not consistent with those used by the investor, the investor shall, using its own accounting policies and accounting period, adjust the relevant items of the investee.

(2) Initial measurement for the business combination not under common control

For a business combination involving enterprises not under common control, the initial investment cost of the long-term equity investment on the acquisition date shall be:

For a business combination realized by a transaction of exchange, the combination costs shall be the fair values, on the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control on the acquiree.

- ① For a business combination realized by two or more transactions of exchange, the combination costs shall be the summation of the costs of all separate transactions.
- ② The direct cost for the business combination of the combining party shall, including the expenses for audit, assessment and legal services, be recorded into the profits and losses at the current period.
- ③ Where any future event that is likely to affect the combination costs is stipulated in the combination contract or agreement, if it is likely to occur and its effects on the combination costs can be measured reliably, the acquirer shall record the said amount into the combination costs.

(3) Long-term equity investment acquired otherwise than through a business combination shall be determined as follows:

- ① For a long-term equity investment acquired by paying cash, the initial investment cost shall be the actual purchase price has been paid. Initial investment cost also includes those costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment.
- ② For a long-term equity investment acquired by the issue of equity securities, the initial investment cost shall be the fair value of the equity.

In existence of open market, the fair value of the long-term equity investment is subject to market price, taking into account the effects of trading volume, and the impact of restrictive conditions of fair value. If there is no open market, the fair value is based on and determined by the invested Company.

③ The initial investment cost of long-term equity investment from investor shall be the contract price, except the contract price is not fair value.

④ For a long-term equity investment acquired through an exchange of non-monetary assets, it is essentially that the exchange has commercial in nature and fair value of exchanged assets can be measured reliably. For the long-term equity investment acquired with commercial in nature, and the fair value of exchanged assets can be measured reliably, the initial investment cost shall be the fair value of the assets surrendered and related tax, unless there is conclusive evidence that the fair value of assets received more reliable. For the long-term equity investment acquired without commercial innature, or the fair value of exchanged assets cannot be measured reliably, the initial investment cost shall be the carrying amount of the assets surrendered and related tax.

⑤ For a long-term equity investment acquired through a debt restructuring transaction, the initial investment cost shall be the proportion of fair value of the net realizable assets in invested Company the investor entitled to.

No matter how the investor acquired a long-term equity investment, the dividend receivable and retained profit that had been announced but not yet paid which included in the acquisition price shall be recorded into dividend receivable account, and shall not be contributed as part of initial investment cost.

4.13.2 Subsequent measurement and measurement criteria of gain on investment

(1) Subsequent measurement under cost method

Where an investor is able to exercise control over an investee, the long-term equity investment shall be accounted for using the cost method. Under the cost method, a long-term equity investment shall be measured at its initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment shall be adjusted accordingly. Cash dividends or profit distributions declared by the investee shall be recognized as investment income in the current period.

(2) Subsequent measurement under equity method

A long-term equity investment in an associate or a joint venture shall be accounted for using the equity method.

Where the initial investment cost of a long-term equity investment exceeds an investor's interest in the fair values of an investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost. Where the initial investment cost is less than the investors' interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference shall be credited to profit or loss for the current period, and the cost of the long-term equity investment shall be adjusted accordingly.

After the Company has acquired a long-term equity investment, it shall recognize its share of the investee's net profit or loss, as well as its share of the investee's other comprehensive income, as investment income or losses and other comprehensive income, and adjust the carrying amount of the investment accordingly.

Where the accounting policies and accounting period adopted by the investee are not consistent with those used by the investor, the investor shall, using its own accounting policies and accounting period, adjust the relevant items of the financial statements of the investee, and the recognize investment income or loss, other comprehensive income, and other related items, based on the adjusted financial statements of the investee.

The investor shall recognize its share of the investee's net profits or losses after making appropriated adjustments based on the fair values of the investee's identifiable net assets at the acquisition date. The investor shall recalculate the depreciation and amortization in accordance with fair values if there is a difference between fair values and carrying amount of identifiable net assets.

Under the following conditions, the Company recognized its gain on investment based on net profit of the invested Company:

- ① The Company cannot obtain the fair value of identifiable net assets at the acquisition date;
- ② There is insignificant difference between the fair value of identifiable net assets and the carrying amount of identifiable net assets at the acquisition date; and
- ③ The Company could not adjust the net profit or loss of the invested Company due to related information missing.

Intra group transaction between the investor and investee shall be eliminated by the portion of unrealized gain or loss that attributable to the investor, and the investor shall recognize any profit or loss by the portion that is attributable from the investee.

The actual cash dividends and profits shall be handled in accordance with the following conditions:

- ① If the cash dividends and profits obtained from the invested entity do not exceed the share of the book net profits realized by the invested entity after the investment, the book value of the long-term equity investment (adjustment for profit and loss) shall be deducted.
- ② The book value of long-term equity investments should be deducted as per the Company's share of the profits or cash dividends declared by the investee.

In recognizing the Company's share of net loss of the investee, the book value of the long-term equity investments and other long-term interests substantively forming part of its net investments in the investee are written down until zero, except that the Company has the obligation to undertake extra loss. Subsequent to the acquisition date, the Company should recognize the investment income or loss and adjust the book value of the long-term equity investments accordingly as per its share of the net profit or loss of the investee.

Changes in owners' equity other than the net profit or loss from the investee are adjusted to the book value of the long-term equity investments, and included in the owners' equity, and are carried over to the current profit and loss at appropriate proportion upon disposal of the said investments.

4.13.3 Provision on impairment

On the balance sheet date, the Company shall examine on whether the impairment does exist based on following signs:

- (1) The current market price of assets falls, and its decrease is obviously higher than the expected drop over time or due to the normal use;
- (2) The economic, technological or legal environment in which the enterprise operates, or the market where the assets is situated will have any significant change in the current period or in the near future, which will cause adverse impact on the enterprise;
- (3) The market interest rate or any other market investment return rate has risen in the current period, and thus the discount rate of the enterprise for calculating the expected future cash flow of the assets will be affected, which will result in great decline of the recoverable amount of the assets;
- (4) Other evidence indicates that the impairment of assets has probably occurred.

Where any evidence shows that there is possible assets impairment, the recoverable amount of the assets shall be estimated. The recoverable amount shall be determined in light of the higher one of the

net amount of the fair value of the assets minus the disposal expenses and the current value of the expected future cash flow of the assets. Where the measurement result of the recoverable amount indicates that an asset's recoverable amount is lower than its carrying value, the carrying value of the asset shall be written down to the recoverable amount, and the written-down amount shall be recognized as the losses from impairment of assets and be recorded as the profit or loss for the current period. Simultaneously, a provision for the impairment of assets shall be made accordingly. If the recoverable amount cannot be measured individually, the recoverable amount of related long-term investment shall be grouping and make provision under the group in accordance with "accounting standard for business enterprises No. 8- Impairment of assets" Once any losses from impairment of assets is recognized, it shall not be reversed in the future accounting periods.

4.14 Investment properties

4.14.1 Definition and classification

Investment properties are properties held to earn rentals or for capital appreciation or both, which can be measured and sold on an individual basis. Investment properties include:

(1) land use right leased out

Refers land use right obtained by sell or transferred, leased out under operating lease. Operating leased land use right sublet to third party shall not be considered as investment property.

(2) land use right held and to be transferred upon appreciation

Refers to land use right obtained by the Company, held and to be transferred upon appreciation. In accordance with government requirement, idle land and land held but not transferred upon appreciation shall not be classified as investment property.

(3) buildings leased out

Refers to buildings owned by the Company and leased by operating leases, including buildings built by the Company itself or used for lease after completion of development activities.

For the vacant building held by the Company for operating lease, if the board of directors or similar authority make a written resolution, clearly stated that it is merely for the operating lease and the intention of holding will not change in the short term, even if the lease agreement has not been signed yet, it shall be regarded as investment property.

4.14.2 Recognition

No investment properties shall be recognized unless it meets the following requirements simultaneously:

- (1) The economic benefits pertinent to this investment properties are likely to flow into the Company;
- (2) The cost of the investment properties can be reliably measured.

4.14.3 Initial measurement

- (1) The cost of the investment properties by acquisition consists of the acquisition price, relevant taxes, and other expenses directly relegated to the asset.
- (2) The cost of self-built investment properties composes of the necessary expenses for building the asset to the intended condition for use.
- (3) The cost of an investment properties obtained by other means shall be recognized in accordance with the relevant accounting standards.

4.14.4 Subsequent measurement

Fair value model

The Company does not accrue depreciation or amortization for investment properties measured using the fair value model. The carrying amount shall be adjusted based on fair value adjustment at each year end, the difference between the carrying amount and adjusted fair value shall be recorded into current profit and loss (gain/ (loss) on the changes in fair value).

Neither depreciation nor amortization shall be made during the period when the investment properties are subjected to re-development if the Company is not going to transfer the property into owner-occupied properties.

4.14.5 Transfers

(1) Owner-occupied properties transferred into investment properties

Where the Company which has conclusive evidence to indicate that the purpose of the property has changed, and the owner-occupied property transferred into investment properties, the properties shall be measured on fair value on the transferring date. If the fair value of transferring date is less than the carrying amount of the property, the difference shall be recorded into gain or loss on changes in fair value account, and if the fair value is more than the carrying amount, the difference shall be recorded into capital reserve account.

(2) Investment properties transferred into Owner-occupied properties

Where the Company transferred investment properties into owner-occupied properties, the carrying amount of owner-occupied properties shall be the fair value on the transferring date, the difference between the fair value and carrying amount shall be recorded into current period profit or loss.

4.14.6 Change of measurement model

The investment properties which adopt the fair value model shall not be changed into the cost model.

When the Company has adopted the fair value model, if there is evidence that when the Company acquires an investment property for the first time (or when an existing property first becomes investment property following the completion of construction or development, or after a change in use) and that the fair value of the investment property cannot be measured reliably on a continuing basis. In such cases, the Company shall measure that investment property using the cost model until the disposal, assuming the residual value of the investment property to be zero.

4.15 Fixed assets

4.15.1 Recognition criteria

Fixed assets are tangible assets that are held for production of goods or supply of services, for rental to others, or for administrative purposes and have useful life of more than one accounting year. A fixed asset will not be recognized until the economic benefits relating thereto flow into the Company, and its cost can be measured reliably.

4.15.2 Initial measurement of fixed assets

The initial measurement of a fixed asset shall be made at its cost.

(1) The cost of a purchased fixed asset consists of the purchase price, the relevant taxes, freights, loading and unloading fees, professional service fees and other expenses that bring the fixed asset to the expected conditions for use and that may be relegated to the fixed asset.

If the payment for a fixed asset is delayed beyond the normal credit conditions and it is of financing nature in effect, the cost of the fixed asset shall be ascertained based on the current value of the purchase price. The difference between the actual payment and the current value of the purchase price shall be included under 'unrealized financing expenses' in the current profits and losses within the credit period, unless it shall be capitalized in accordance with the Accounting Standards No. 17–Borrowing Costs.

(2) The cost of a self-constructed fixed asset shall be formed by the necessary expenses incurred for bringing the asset to the expected conditions for use. It shall include material cost, labor cost, tax, capitalized borrowing cost and overhead.

(3) The cost invested to a fixed asset by the investor shall be ascertained in accordance with the value as stipulated in the investment contract or agreement, other than those of unfair value as stipulated in the contract or agreement.

(4) The costs of fixed assets acquired through the exchange of non-monetary assets, recombination of liabilities, merger of enterprises, and financial leasing shall be respectively ascertained in accordance with the Accounting

Standards No. 7 – Exchange of Non-monetary Assets, Accounting Standards for Enterprises No. 12 – Debt Restructuring, Accounting Standards for Enterprises No. 20 – Merger of Enterprises and Accounting Standards for Enterprises No. 21–Leases.

4.15.3 Classification

The fixed assets are classified as follow categories: building and constructions, structure-photovoltaic, wind power station, machinery equipment, transportation equipment (vehicles, airframe, engine and core parts), electronic equipment and other equipments, etc.

4.15.4 Depreciation methods of fixed assets

(1) The Company shall make depreciation for all its fixed assets. However, the fixed assets that have been fully depreciated but are still in use shall be excluded, and depreciation expenses for idle asset shall be recorded under General Administrative Expenses account.

(2) The depreciation method, estimated useful lives, estimated net residual value and annual depreciation rate are determined as follows: the straight-line method, and annual depreciation rate is based on the calculation by the category of asset, useful lives, and estimated net residual value. In details are:

Category	Estimated residual value (%)	Estimated useful lives (year)	Annual depreciation rate (%)
Buildings and constructions	3—5	8—50	1.90—12.13
Structure-photovoltaic, wind power station	5	25	3.80
Machinery equipment	0—5	5—30	3.17—20.00
Transportation equipment - vehicles	0—5	3—10	6.33—33.33

Category	Estimated residual value (%)	Estimated useful lives (year)	Annual depreciation rate (%)
Transportation equipment - airframe, engine and core parts	5	15—20	4.75—6.33
Electronic equipment	0—5	3—10	9.50—33.33
Other equipments	0—5	3—15	6.33—33.33

(3) When making provision for depreciation of a fixed asset with an impairment provision, the depreciation rate and amount are recomputed based on the book value of the fixed asset (i.e., original cost less accumulated depreciation and impairment provision made), and the remaining useful lives.

(4) For the fixed assets which have been reached intended use but not yet made final settlement, the estimated cost shall be made and depreciated accordingly. It shall be adjusted into actual cost after the official settlement finalized, but the depreciated amount shall not be adjusted.

4.15.5 Subsequent expenditure of fixed assets

The subsequent expenditure includes repair, maintenance, renovation, upgrading, etc. It occurs while use of fixed assets. The accounting treatment is: it shall be capitalized into the cost of fixed assets after deducted the cost of replaced part if it can satisfy recognition criteria, or shall be expensed in current period if it cannot satisfy the recognition criteria.

When the renovation expenditure satisfied recognition criteria, it shall be recorded individually under a subline of fixed asset, and depreciated on straight-line basis at the lower of remaining useful lives and the period spent before the next renovation.

Renovation for leased asset under operating lease shall be recorded under Long-term deferred expenses, and shall be amortized at lower of estimated lease terms and the period spent before the next renovation.

Structuring repair during the regular intervals is a kind of upgrading in nature (the useful lives extended significantly, the quality of the products increased, and the cost of unit product decreased), it shall be capitalized into the cost of fixed assets, amongst non-upgrading expenditure shall be expensed into current profit or loss. During the period of structuring repair, the depreciation continues.

(1) Accounting treatment for subsequent expenditure shall be capitalized

Reversed the original cost, accumulated depreciation, and provision on impairment of the fixed asset into construction in progress account, and cease the depreciation. Any subsequent expenditure shall be recorded under construction in progress account. The asset transferred from construction in progress account to fixed asset account when the subsequent repair finished and reached its intended use, and start depreciation by using the re-estimated useful lives and net residual value

(2) Accounting treatment for subsequent expenditure shall be expensed

It shall be recorded under general administrative expenses account. It shall be recorded under selling expenses account if the expenditure related with sales department.

4.15.6 Provision for impairment of fixed assets

At the balance sheet date, the Company shall decide if there is any indication that the fixed asset has been impaired.

Impairment indications mainly include:

- (1) The current market price of assets falls, and its decrease is obviously higher than the expected drop over time or due to the normal use;
- (2) The economic, technological or legal environment in which the Company operates, or the market where the assets is situated will have any significant change in the current period or in the near future, which will cause adverse impact on the Company;
- (3) The market interest rate or any other market investment return rate has risen in the current period, and thus the discount rate of the Company for calculating the expected future cash flow of the assets will be affected, which will result in great decline of the recoverable amount of the assets;
- (4) Any evidence shows that the assets have become obsolete or have been damaged substantially;
- (5) The assets have been or will be left unused, or terminated for use, or disposed ahead of schedule;
- (6) Any evidence in the internal report of the Company shows that the economic performance of the assets has been or will be lower than the expected performance, for example, the net cash flow created by assets or the operating profit (or loss) realized is lower (higher) than the expected amount, etc.; and
- (7) Other evidence indicates that the impairment of assets has probably occurred.

Where any evidence shows that there is possible assets impairment, the recoverable amount of the assets shall be estimated. The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the assets minus the disposal expenses and the current value of the expected future cash flow of the individual asset. Where the measurement result of the recoverable amount indicates that an asset's recoverable amount is lower than its carrying value, the carrying value of the asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as the losses from impairment of assets and be recorded as the profit or loss for the current period. Simultaneously, a provision for the impairment of assets shall be made accordingly. Where the recoverable amount for individual asset cannot be determined, the recoverable amount of the group assets which the asset belongs shall be determined. The impairment loss on fixed asset will not be reversed in subsequent accounting periods once recognized.

4.15.7 Disposal

(1) Held-for-sale fixed assets

Non-current asset reclassified as held for sale when it satisfied all the conditions below: (a) the Company has made resolution in regarding disposal of this asset; (b) the Company has signed an irrevocable transfer agreement with the transferee; and (c) the transfer will be completed within a year.

The Company shall adjust its expected net residual value of the fixed assets in order to reflect the balance between fair value and disposal cost, but the adjustment shall not exceed to the original cost of the fixed asset. The positive difference between the original cost of the fixed asset and adjusted estimated net residual value shall be recorded as losses from impairment of assets in current profit or loss. No depreciation shall be made for held-for-sale asset, it shall be measured at the lower of carrying amount and fair value minus disposal cost.

An asset or group of assets classified as held for sale but not satisfied with recognition criteria of fixed asset, it shall be removed from held for sale, and measured at the lower of below:

- ① The carrying amount of the asset before reclassified into held-for-sale, and associated depreciation, amortization, and impairment.
- ② Recoverable amount on the date it is not in sale.

(2) Gain or loss on physical count

Loss on physical count shall be recorded in current profit or loss; and gain on physical count shall be recorded under non-operating revenue in current period.

4.16 Construction in progress

4.16.1 Measurement of construction in progress

The Company accounts for all projects at actual cost. The borrowing expenses that are incurred before the project is completed and delivered for use and are allowed to be capitalized should be included in the project cost; after delivery for use, its related interest expense should be included in the current profit and loss.

4.16.2 Timing of construction in progress transferred into fixed assets

When the construction reaches its intended use, it shall be transferred into fixed assets account based on actual cost. For the fixed asset which reached intended use but not yet verified the final settlement, it shall be recorded on estimated cost, and adjust when actual cost finalized. The associated accumulated depreciation shall not be adjusted.

4.16.3 Provision for impairment of construction in progress

At the balance sheet date, the Company shall decide if there is any indication that the construction in progress has been impaired.

Impairment indications mainly include:

- (1) The current market price of assets falls, and its decrease is obviously higher than the expected drop over time or due to the normal use;
- (2) The economic, technological or legal environment in which the Company operates, or the market where the assets is situated will have any significant change in the current period or in the near future, which will cause adverse impact on the Company;
- (3) The market interest rate or any other market investment return rate has risen in the current period, and thus the discount rate of the Company for calculating the expected future cash flow of the assets will be affected, which will result in great decline of the recoverable amount of the assets;
- (4) Any evidence shows that the assets have become obsolete or have been damaged substantially;
- (5) Any evidence shows that the assets have been or will be left unused, or terminated for use, or disposed ahead of schedule;
- (6) Any evidence in the internal report of the Company shows that the economic performance of the assets has been or will be lower than the expected performance, for example, the net cash flow created by assets or the operating profit (or loss) realized is lower (higher) than the expected amount, etc.;
- (7) Other evidence indicates that the impairment of assets has probably occurred.

Where any evidence shows that there is possible assets impairment, the recoverable amount of the assets shall be estimated. The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the assets minus the disposal expenses and the current value of the expected future cash flow of the individual asset. Where the measurement result of the recoverable amount indicates that an asset's recoverable amount is lower than its carrying value, the carrying value of the asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as the losses from impairment of assets and be recorded as the profit or loss for the current period. Simultaneously, a provision for the impairment of assets shall be made accordingly. Where the

recoverable amount for individual asset cannot be determined, the recoverable amount of the group assets which the asset belongs shall be determined. The impairment loss on construction in progress will not be reversed in subsequent accounting periods once recognized.

4.17 Borrowing costs

The Company's borrowing costs are interest incurred due to borrowings and other relevant costs, including interest on borrowings, amortization of discounts or premiums on borrowings, auxiliary expenses and exchange translation difference attributable to foreign currency borrowings.

4.17.1 Principles of borrowing costs capitalization and expensing

The borrowing costs directly attributable to the acquisition and construction or production of assets eligible for capitalization should be capitalized and other borrowing costs should be included in the current profit and loss. Assets eligible for capitalization refer to fixed assets, investment properties, inventories and other assets that may reach their intended use or sale status only after long-time acquisition and construction or production activities.

Borrowing costs of the Company may be capitalized only when all the following conditions are met at the same time:

- (1) Asset disbursements have already been incurred;
- (2) Borrowing costs have already been incurred;
- (3) The acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have already been started.

4.17.2 Capitalization period

The capitalization period shall refer to the period from the commencement to the cessation of capitalization of the borrowing costs, excluding the period of suspension of capitalization of the borrowing costs. If the acquisition and construction or production activities of assets of the Company eligible for capitalization are interrupted abnormally and this condition lasts for more than three months, the capitalization of borrowing costs should be suspended. The borrowing costs incurred during interruption are included in the current profit and loss till the construction or production activities restarted. Whereas the interruption is the necessary procedure in order to bring the construction or production activities of assets into intended use or sale condition, the borrowing cost capitalization continues.

Capitalization of borrowing costs should be ceased when the acquired and constructed or produced assets of the Company eligible for capitalization have reached their intended use or sale condition. Any subsequent borrowing costs are included in the current profit and loss.

4.17.3 Recognition of capitalized amounts

During the period of capitalization, the to-be-capitalized amount of interests (including the amortization of discounts or premiums) in each accounting period shall be determined according to the following provisions:

- (1) As for specifically borrowed loans for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests shall be determined in light of the actual cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment.

(2) Where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the enterprise shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

During the period of capitalization, the amount of interest capitalized during each accounting period shall not exceed the amount of interest actually incurred to the relevant borrowings in the current period.

Where there is any discount or premium, the amounts of discounts or premiums that shall be amortized during each accounting period shall be determined by the real interest rate method, and an adjustment shall be made to the amount of interests in each period.

(3) For the ancillary expense incurred to a specifically borrowed loan, those incurred before a qualified asset under acquisition, construction or production is ready for the intended use or sale shall be capitalized at the incurred amount when they are incurred, and shall be recorded into the costs of the asset eligible for capitalization; those incurred after a qualified asset under acquisition and construction or production is ready for the intended use or sale shall be recognized as expenses on the basis of the incurred amount when they are incurred, and shall be recorded into the profits and losses of the current period. The ancillary expenses arising from a general borrowing shall be recognized as expenses at their incurred amount when they are incurred, and shall be recorded into the profits and losses of the current period.

(4) During the period of capitalization, the exchange balance on foreign currency borrowings shall be capitalized, and shall be recorded into the cost of assets eligible for capitalization. But the exchange balance on foreign currency not related with borrowings shall be expensed into current period financial expenses.

4.18 Biological assets

A bearer plant is defined as a living plant that is used in the production or supply of agricultural products, rendering of services, or lease. It includes economic forest, firewood, livestock and work animals. A bearer plant shall be measured initially at cost. The cost of self-breed bearer plant incurred necessarily in order to bring the asset achieves its economic conditions before its mature shall be capitalized, and the associated borrowing cost shall also be capitalized.

4.19 Intangible assets

4.19.1 Recognition

Intangible assets refer to identifiable non-monetary assets that are owned or controlled by an enterprise and have no physical form. Intangible assets can only be confirmed when the following conditions are met at the same time:

- (1) Meet the definition of intangible assets.
- (2) The expected future economic benefits related to the asset are likely to flow into the Company.
- (3) The cost of the asset can be measured reliably.

4.19.2 Measurement of intangible assets

The intangible assets are initially measured at cost. The actual cost shall be measured as follows:

(1) The cost of outsourcing intangible assets shall include the purchase price, relevant taxes and other necessary expenditures directly attributable to intangible assets for the expected purpose. Where the payment of purchase price for intangible assets is delayed beyond the normal credit conditions, which is of financing intention, the cost of intangible assets shall be determined on the basis of the current value of the purchase price.

(2) The cost invested into intangible assets by investors shall be determined according to the conventional value in the investment contract or agreement, except for those of unfair value in the contract or agreement.

(3) The cost of intangible assets obtained from debt recombination shall be determined in accordance with fair value, non-operating expenses shall be recognized when there is balance between the fair value and carrying amount of debt recombination.

(4) Intangible asset obtained through transaction which is commercial in nature and the fair value of the assets received and surrendered can be measured reliably, the fair value of the assets surrendered shall be the basis for the determination of the cost of the assets received, unless there is any exact evidence showing that the fair value of the assets received is more reliable. Whereas the transaction is not commercial in nature, or the fair value of the assets received and surrendered cannot be measured reliably, the carrying value of the assets surrendered shall be the basis or the determination of the cost of the assets received.

(5) Intangible assets obtained through business combination under common control, the initial cost shall be the carrying amount of acquire; whereas intangible assets obtained through business combination not under common control, if the fair value can be reliable measured, the initial cost shall be the fair value.

4.19.3 Subsequent measurement

The Company shall analyze and judge the service life of intangible assets, when it obtains intangible assets. As for the intangible assets with finite useful life, the Company shall estimate the years of its service life, or the amount of the output or any other similar measurement unit, which constitutes its service life. If it is unable to forecast the period when the intangible asset can bring economic benefits to the Company, it shall be regarded as an intangible asset with infinite useful life.

(1) Subsequent measurement for intangible assets with finite useful lives

It should be amortized over the useful lives in a systematic and reasonable manner and included in the current profit and loss.

Categories of intangible assets	Amortization period
Trademark	Benefit period
Patent	Date of recognition to the expiration date law enforced
Non-patented technology	Estimated period of time which can bring economic benefit inflow (normally 10 years)
Land use right	In accordance with land registration certificate
Property using right	In accordance with the contract signed
Naming rights	Confirmation date to the end date of title validity

Software	2-10 years
Mine franchise right	Yield method
Proprietary technology	Contract period
Industrial property right	Statutory right of use
Copyright	2 years
Others	Benefit period

The amortization amount of intangible assets shall be its cost minus the expected residual value. For intangible assets with an impairment provision, the accumulative amount of impairment provision shall be deducted from the cost as well. The amortization expenses shall be recorded into current period profit or loss.

Amortization expenses normally recorded under General Administrative Expenses account, however, if certain intangible asset merely for specific products, and its economic benefits realized through this type of products, the amortization shall be recorded under Manufacturing Cost account, and becomes part of the cost component in this type of products. If certain intangible asset merely uses for R&D another intangible asset, during the period when fulfilled the requirement of capitalization, the amortization expenses shall be capitalized as part of its cost.

(2) Subsequent measurement for intangible assets with infinite useful lives

The Company does not amortize the intangible assets with indefinite useful lives, but it will review their useful lives each year and perform an impairment test.

For those intangible assets which no clear legal contracts or lack of lawful supporting documents, the Company shall take all possible considerations, such as hiring experts, comparing the experience within the same industry or studying the historical experience, to determine the period such intangible asset can bring economic benefits to the Company. If the Company still unable to determine, the intangible asset shall be recognized as infinite useful life.

4.19.4 Provision for impairment of intangible assets

At the balance sheet date, the Company shall decide if there is any indication that an intangible asset has been impaired.

Impairment indications mainly include:

- (1) The current market price of assets falls, and its decrease is obviously higher than the expected drop over time or due to the normal use;
- (2) The economic, technological or legal environment in which the Company operates, or the market where the assets is situated will have any significant change in the current period or in the near future, which will cause adverse impact on the Company;
- (3) The market interest rate or any other market investment return rate has risen in the current period, and thus the discount rate of the Company for calculating the expected future cash flow of the assets will be affected, which will result in great decline of the recoverable amount of the assets;
- (4) Any evidence shows that the assets have become obsolete or have been damaged substantially or the assets have been or will be left unused, or terminated for use, or disposed ahead of schedule;
- (5) Any evidence in the internal report of the Company shows that the economic performance of the assets has been or will be lower than the expected performance, for example, the net cash flow created

by assets or the operating profit (or loss) realized is lower (higher) than the excepted amount, etc.; and
(6) Other evidence indicates that the impairment of assets has probably occurred.

Where any evidence shows that there is possible assets impairment, the recoverable amount of the assets shall be estimated. The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the assets minus the disposal expenses and the current value of the expected future cash flow of the individual asset. Where the measurement result of the recoverable amount indicates that an asset's recoverable amount is lower than its carrying value, the carrying value of the asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as the losses from impairment of assets and be recorded as the profit or loss for the current period. Simultaneously, a provision for the impairment of assets shall be made accordingly. Where the recoverable amount for individual asset cannot be determined, the recoverable amount of the group assets which the asset belongs shall be determined. The impairment loss on intangible assets will not be reversed in subsequent accounting periods once recognized.

4.19.5 Specific criteria for dividing research phase and development phase of the Company's internal research and development projects

The Company's internal research and development project expenditures are divided into research stage expenditures and development stage expenditures.

Research Stage: the stage of original planned investigation and research activities undertaken for the acquisition and understanding of new scientific or technical knowledge.

Development Stage: the stage of applying research results or other knowledge to a plan or design to produce new or substantially improved materials, devices, products and other activities prior to commercial production or use.

4.19.6 Specific conditions of capitalization for the expenditures in the development stage

Expenditures incurred during the research stage shall be recorded into current profit and loss. Expenditures in the development stage that simultaneously meet the following conditions shall be recognized as intangible asset. Expenditures in the development stage that fail to meet the following conditions shall be recorded into the current profit and loss:

- (1) Technically feasible to complete the intangible asset so that it can be used or sold;
- (2) Having the intention to complete the intangible asset and use or sell it;
- (3) The ways in which the intangible asset generates economic benefits, including the ability to prove that the product produced by the intangible asset exists market or the intangible asset itself exists market, and intangible assets used internally can prove its usefulness;
- (4) Having sufficient technical, financial and other resources to support the completion of the development of the intangible asset, and having the ability to use or sell the intangible asset;
- (5) The expenditures attributable to the development stage of the intangible asset can be reliably measured.

Expenditures in the development stage that do not meet the above conditions shall be recorded into current profit and loss at the time of occurrence. Expenditures in the research stage shall be recorded into current profit and loss when it occurs.

4.20 Goodwill

The goodwill formed by merger of companies and the initial cost of goodwill in business combination

not under common control is the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquire.

Goodwill shall be derecognized and recorded into current period profit or loss when the Company disposes its asset or group of assets.

Goodwill shall not be amortized and it shall be subject to an impairment test at least at the end of each year. The goodwill shall, together with the related asset group or combination of asset group, be subject to the impairment test. When apportioning the carrying value of the goodwill to the relevant asset groups or combinations of asset groups, it shall be apportioned on the basis of the proportion of the fair value of each asset group or combination of asset groups to the total fair value of the relevant asset groups or combinations of asset groups. Where it is difficult to measure the fair value reliably, it shall be apportioned on the basis of the proportion of the carrying value of each asset group or combination of asset groups to the total carrying value of the relevant asset groups or combinations of asset groups.

When making an impairment test on the relevant asset groups or combination of asset groups containing goodwill, if any evidence shows that the impairment of asset groups or combinations of asset groups is possible, the Company shall first make an impairment test on the asset groups or combinations of asset groups not containing goodwill, calculate the recoverable amount, compare it with the relevant carrying value and recognize the corresponding impairment loss. Then the Company shall make an impairment test of the asset groups or combinations of asset groups containing goodwill, and compare the carrying value of these asset groups or combinations of asset groups (including the carrying value of the goodwill apportioned thereto) with the recoverable amount. Where the recoverable amount of the relevant assets or combinations of the asset groups is lower than the carrying value thereof, it shall recognize the impairment loss of the goodwill.

Impairment loss of goodwill shall be recorded in the period when it occurred, and it shall not be reversed in the subsequent period.

4.21 Long-term deferred expenses

The long-term deferred expenses of the Company refer to expenses that have occurred but have a beneficial period of over one year (exclusive). Long-term deferred expenses shall be recorded when actual occurred, expenses occurred during the formation period, except for purchasing fixed assets, shall be expensed in full amount on the month when operating activity started. Other long-term deferred expenses are amortized over the beneficial period at the straight line method.

4.22 Employee benefits

4.22.1 Contents of the employee benefits

(1) Scope of employee

All personnel who have entered into an employment contract with the Company, including full time, part-time and temporary employees; employees also included those personnel who, although no employment no employment contracts have been entered into with the Company, are formally appointed by the Company; personnel who provided services to the Company that are similar to those provided by its employee, also fall within the scope of employees, although such personnel have neither signed an employment contract with, nor have they been formally appointed by, the Company. They include personnel who render services to the Company under an employment contract signed between the Company and the labor service intermediary agent Company.

(2) Scope of employee benefits

The Company's employee benefits are various rewards and other related expenses provided by the Company for obtaining employee's services, mainly including:

- ① Short-term employee benefits: are employee benefits (other than compensation for termination of employment relationship) that are expected to be settled wholly before twelve months after end of the annual reporting period in which the employees rendered the related service. Short-term employee benefits include: employee wages or salaries, bonus, allowances and subsidies, staff welfare, social security contributions such as premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences, short-term profit-sharing plan, non-monetary benefits and other short-term benefits.
- ② Post-employment benefits are any remuneration and benefits (other than short-term employee benefits and termination benefits) in exchange for service rendered by employees that are payable after the retirement of the employees or termination of employment relationship.
- ③ Termination benefits are compensation provided when the Company decides to terminate the employment relationship with employees before the end of the employment contracts, or compensation provided as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts.
- ④ Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.

4.22.2 Recognition principles and standards as well as measurement methods and accounting treatment of employee benefits

During accounting periods wherein an employee renders services to the Company, the Company should recognize the employee benefits payable as a liability and based on the actually incurred amount, charge the corresponding employee benefits to the profit or loss for the current period except for the compensation of terminating the labor relationship with the employees.

(1) Monetary benefits

The actual amount paid to beneficiaries shall be recorded in the relevant asset costs or expenses of the current period. The welfare should be recorded when paid.

(2) Non-monetary benefits

For the self-produced products or purchased goods distributed to employees as welfare, the fair value and related tax of the product shall be recorded as the relevant asset costs or expenses of the current period.

For the Company provides the houses free of charge to employees, the depreciation in each period shall be recorded into asset cost or current profit or loss in accordance with each beneficiary. At the same time recognized as welfare payable. If the beneficiary is not identifiable, the related depreciation shall be recorded into profit or loss in current period, and recognized welfare payable.

4.22.3 Termination benefits

Termination benefits are compensation provided when the Company decides to terminate the employment relationship with employees before the end of the employment contracts, or compensation provided as an offer to encourage employees to accept voluntary redundancy before the end of the employment contracts. The Company which provides termination benefits to employees shall recognize

an employee benefits liability for termination benefits, with a corresponding charge to the administrative expense in profit or loss for the current period at both of the following conditions: (a) The Company makes the termination of employment plan officially or voluntary curtailment proposal, and it is about to process in the near future; and (b) when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal. For staging or phased termination of labor relations plan or voluntary curtailment proposal, the Company should consider the whole plan as each individual termination the labor relationship plan or voluntary curtailment proposal. On each stage or phase recognized as provision when it could be measured reliably. For the termination plan which the employee has no right to choose for, welfare payable shall be accrued in accordance with number of the employees and the compensation for each employee. For the termination plan which the employee accepted voluntarily, the welfare payable shall be accrued based on the number of the employee and the compensation for each employee in accordance with "accounting standard for business enterprises No 13-contingency".

If the employee layoff within one year but the termination benefits are not expected to be settled within one year, the Company shall measure termination benefits into administrative expense account after discounted by applying same period bond interest rate. The difference between this amount and actual payable amount shall be recognized as unrecognized finance charge, and be recorded under finance expense account in subsequent period upon the benefit actual paid. No discount shall be granted when the amount of benefits payable for dismissal is not much different from the amount after discount.

4.23 Share-based payments

The term "share-based payment" refers to a transaction in which the Company grants equity instruments or undertakes equity-instrument-based liabilities in return for services from employee or other parties.

4.23.1 The equity-settled share-based payments

The equity-settled share-based payment in return for employee services shall be measured at the fair value of the equity instruments granted to the employees.

(1) The equity-settled share-based payment in return for services of employees

As to an equity-settled share-based payment in return for services of employees, if the right may be exercised immediately after the grant, the fair value of the equity instruments shall, on the date of the grant, be included in the relevant cost or expense and the capital reserves shall be increased accordingly.

As to an equity-settled share-based payment in return for employee services, if the right cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses and the capital reserves at the fair value of the equities instruments on the date of the grant.

(2) The equity-settled share-based payment in return for the service of any other party

An equity-settled share-based payment in return for the service of any other party shall be conducted in accordance with the following circumstances, respectively: (a) If the fair value of the service of any other party can be measured in a reliable way, the fair value of the service on the acquisition date by

any other service party shall be included in the relevant costs or expenses, and the owner's equities shall be increased accordingly. (b) If the fair value of the service of any other party cannot be measured in a reliable way, but the fair value of the equity instruments can be measured in a reliable way, the fair value of the equity instruments on date of the service acquisition shall be included in the relevant costs or expenses, and the owner's equities shall be increased accordingly.

4.23.2 The cash-settled share-based payments

The term "cash-settled share-based payment" refers to a transaction of payment of cash or any other asset obligation calculated and determined on the basis of shares or other equity instruments undertaken by the Company in return for services.

On each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant costs or expenses and the corresponding liabilities (employee benefits) at the fair value of the liability undertaken by the Company.

As to a cash-settled share-based payment instruments, if the right may be exercised immediately after the grant, the fair value of the liability undertaken by the Company shall, on the date of the grant, be included in the relevant costs or expenses, and the employee benefits shall be increased accordingly. If, on the balance sheet date, the subsequent information indicates that fair value of the current liability undertaken by the enterprise is different from the previous estimates, an adjustment shall be made. The Company shall, on each balance sheet date and on each account date prior to the settlement of the relevant liabilities, re-measure the fair values of the liabilities and include the changes in the current profits and losses.

4.23.3 Determination basis for the best estimate of exercisable equity instruments

On each balance sheet date, the Company, based on the changes in number of employees that can exercise options, the completion of performance indicators and other follow-up information obtained most recently, amends the expected number of exercisable stock options, and recognizes the costs that should be amortized over each period on such basis. The option expenses across multiple accounting periods may generally be amortized at the proportion of the length of the waiting for such options during an accounting period in the total length of the waiting.

4.24 Bonds payable

Non-convertible bonds issued by the Company are treated as liabilities based on the actual total issue price; the difference between the total issue price of bonds and the total par values of bonds, as premiums or discounts of bonds, are amortized over the duration of the bonds at the effective interest method.

Convertible bonds issued by the Company are split into liability and equity on initial recognition, and measured separately. The fair value of the liability part shall be initially recognized, the equity part shall be the remaining amount after deducted fair value of the liability part initially recognition amount from total issuing price.

Bond interest shall be accrued periodically, each period, the interest shall be recorded into financial expenses after deducted amortization premium or plus amortization discount. If the bond issued for construction project, the associated interests shall be capitalized into construction cost after deducted amortization premium or plus amortization discount before the construction project reaches its working

condition, and expensed after the construction project reaches its working condition.

4.25 Provision

4.25.1 Recognition criteria of provision

The Company recognizes the provision when an obligation related to contingencies such as the foreign guarantee, pending litigation or arbitration, product quality assurance, layoffs, onerous contract, restructuring obligations, fixed assets disposal righteousness, satisfy all the following conditions:

- (1) this obligation is a present obligation of the Company;
- (2) the performance of such obligation is probable to result in outflow of economic benefits from the Company;
- (3) the amount of the obligation can be measured reliably.

4.25.2 Measurement method of provision

The provision is measured based on the best estimate of expenses required for the performance of the relevant obligation. If there is a continuous range for the necessary expenses, the best estimate should be determined at the average amount of upper and lower limits within the range. If there is no continuous range for the necessary expenses, in case that the provision involves only a single item, the best estimate should be determined at the most likely outcome; if the provision involves two or more items, the best estimate should be determined based on all the possible outcomes and their relevant probabilities.

When all or part of the expenses necessary for the settlement of a recognized provision is expected to be compensated by a third party or another party, the compensation should be separately recognized as an asset only when it is virtually certain that the compensation will be received. The amount recognized for the compensation should not exceed the book value of the recognized provision.

4.26 Recognition principles of revenues

Companies that have not yet implemented the new revenue standard

4.26.1 Sales of goods

Revenue from sales of goods of the Company is recognized based on the amount of contract or agreement price received or receivable from the buyer when all the following conditions are satisfied at the same time:

- (1) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (2) the Company retains neither continuous management rights generally associated with ownership nor effective control over the goods sold;
- (3) the amount of the revenue can be measured reliably;
- (4) it is probable that the relevant economic benefits will flow into the Company;
- (5) the relevant cost incurred or to be incurred can be measured reliably.

4.26.2 Rendering of services

When the outcome of a service transaction can be reliably estimated on the balance sheet date, service revenue is recognized by using the percentage-of-completion method. The Company determines the progress of completion according to the measurement of completed work.

When the outcome of a service transaction cannot be reliably estimated on the balance sheet date,

revenues should be treated as follows:

(1) if the service costs incurred are expected to be fully compensated, revenues from rendering of services are recognized at the service costs incurred, and the service costs should be carried forward by the same amount;

(2) if the service costs incurred are not expected to be fully compensated, revenues from rendering of services are not recognized and the service costs incurred are included in the current profit and loss.

4.26.3 Transfer of right to use assets

(1) Recognition criteria

The revenue from transfer of right to use assets consists of interest revenue and royalty revenue. The Company recognizes the revenue from transfer of right to use assets when the economic benefits associated with such transfer is likely to flow into the Company and the amount of revenues can be reliably measured.

(2) Detailed accounting treatment

The amount of interest revenue should be measured and confirmed in accordance with the length of time for which the enterprise's cash is used by others and the actual interest rate;

The amount of royalty revenue should be measured and confirmed in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

4.26.4 Guarantee fee income

In accordance with guaranteed contract, upon the guarantee obligation was fulfilled and the economic benefit related with the guaranteed loan flow into the Company and can be reliable measured.

4.26.5 Consultancy fee income

The consulting fee income is recognized when the relevant labor service is provided and the income can be reasonably estimated.

4.26.6 Timing of revenue recognition

(1) Sale of commercial goods: the revenue is recognized when the goods were transported from the seller's warehouse (risks associated with transportation either carried by buyer or carrier) or the buyer accepted the goods and invoice. For mechanical products that need to be installed and inspected, revenue is recognized when the installation and inspection are completed.

(2) Sale of land or commodity house: the revenue is recognized when the contract is signed; the construction is finished and examined by the authorities, obtained payment evidence from buyer in accordance with contract and passed the key to the buyer.

(3) Internet sales: (a) payment prior to delivery, the revenue is recognized when the goods is transported and invoice is issued; (b) payment after receiving, the revenue is recognized when the buyer is received the goods and invoice, and signed delivery notes.

(4) Rendering of services and interest, royalties and dividends income: the revenue is recognized in accordance with the term in the contract.

(5) Interest revenue: the revenue shall be recognized based on final interest settlement date in the contract or agreement. Any uncollected interest receivable overdue within 90 days from final interest settlement date of a loan shall be recognized as revenue in current period. Any uncollected interest receivable overdue over 90 days from final interest settlement date of a loan, no matter the principal

paid or overdue, the uncollected interest shall not be recognized as revenue in current period, and it shall be recognized in the period when collected. For the uncollected interest which already recorded into profit or loss in current period, if the principal or interest overdue over 90 days, it shall be deducted from profit or loss. In the case of principal in mature but not yet collected over 90 days, the associated interest shall not be recognized into current period. For the loan subject to lawsuit or arbitration, the interest shall not be recognized from the date filing court or arbitration.

(6) Transportation service revenue: ticket revenue from passenger transportation, freight transportation, postal transportation and baggage service is recognized when transportation service is provided.

Companies that have implemented the new revenue standard

Part of the Company's listed subordinate companies have implemented the new lease standard.

Accounting policies adopted for revenue recognition and measurement

The Company fulfills its contractual obligation to recognize revenue when a customer acquires control of the relevant goods or service. Obtaining control over related goods or service means being able to dominate the use of the goods or service and derive almost all of the economic benefits from it. If the contract contains two or more performance obligations, the Company shall, at the beginning date of the contract, allocate the transaction price to each individual performance obligation in proportion to the relative proportion of the individual selling prices of the goods or services promised by each individual performance obligation. The Company measures revenue at the transaction price allocated to each individual performance obligation.

The transaction price refers to the amount of consideration that the Company expects to be entitled to receive due to the transfer of goods or services to the customer, excluding payments collected on behalf of third parties and payments expected to be returned to the customer. The Company determines the transaction price in accordance with the terms of the contract and combined with its past practices. When determining the transaction price, it takes into account the impact of variable consideration, significant financing components in the contract, non-cash consideration, consideration payable to customers and other factors. The Company determines the transaction price including the variable consideration not to exceed the amount of accumulated recognized revenue which is highly unlikely to be materially reversed when the relevant uncertainty is eliminated. Where there is a significant financing component in the contract, the Company shall determine the transaction price in accordance with the amount payable in cash upon the customer taking control of the goods or services, and shall amortize the difference between the transaction price and the contract consideration by the actual interest rate method during the contract period.

If one of the following conditions is satisfied, it shall be deemed to have fulfilled its performance obligation within a certain period of time; otherwise, it shall be deemed to have fulfilled its performance obligation at a certain point:

- (1) The Customer acquires and consumes the economic benefits arising from the fulfillment of the Contract by the Company at the same time as the Company performs the Contract.
- (2) The Customer is able to control the goods under construction during the Company's performance process.
- (3) The goods produced by the Company during the performance of the contract have irreplaceable uses, and the Company is entitled to collect payment for the cumulative performance part that has been completed so far during the entire contract period.

For the performance obligations performed within a certain period of time, the Company shall

recognize the revenue in accordance with the performance progress during that period, except where the performance progress cannot be reasonably determined.

For performance obligations performed at a certain point, the Company recognizes the revenue at the point when the Customer obtains control of the relevant goods or services.

4.27 Construction contracts

The Company's revenue under a construction contract is recognized at the total amount or total cost under the construction contract received or receivable; contract expenses recognized should include expenses directly or indirectly related to the implementation of the contract incurred from the conclusion of the contract until the completion of the contract.

When the outcome of a construction contract can be estimated reliably on the balance sheet date, revenue and expenses under the construction contract should be recognized at the percentage-of-completion method. The term "percentage-of-completion method" means a method by which the contractor recognizes its revenues and costs in the light of the schedule of the contracted project. The Company recognizes the completion progress of a contract based on the proportion of the accumulated contract costs actually incurred in the total expected contract costs.

The outcome of a fixed price contract can be estimated in a reliable way when all of the conditions as follows are met simultaneously:

- (1) The total contract revenue can be measured in a reliable way;
- (2) The economic benefits pertinent to the contract will flow into the Company;
- (3) The actual contract costs incurred can be clearly distinguished and can be measured in a reliable way; and
- (4) Both the schedule of the contracted project and the contract costs to complete the contract can be measured in a reliable way.

4.27.1 The outcome of a cost-plus contract can be estimated in a reliable way when the conditions as follows are met simultaneously:

- (1) The economic benefits pertinent to the contract will flow into the Company; and
- (2) The actual contract costs incurred can be clearly distinguished and measured in a reliable way.

4.27.2 Where the outcome of a construction contract cannot be estimated reliably, the Company shall:

- (1) If the contract cost can be recovered, the contract revenue is recognized based on the actual contract cost that can be recovered, and the contract cost is recognized as a contract expense in the current period in which it is incurred;
- (2) If the contract costs are irrecoverable, they are recognized as the contract expenses immediately when incurred and no revenue under the contract will be recognized.

4.28 Contract Costs

Contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer.

If the costs to fulfil a contract with a customer are not within the scope of inventories or other accounting standards, the Company recognizes an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- (1) the costs relate directly to an existing contract or to a specifically identifiable anticipated contract;

(2) the costs generate or enhance resources of the Company that will be used in satisfying performance obligations in the future;

(3) the costs are expected to be recovered.

If the incremental cost resulting from the Company's acquiring of contract is predicted to be retrieved, it shall be recognized as an asset, amortized by adopting the same basis with the recognition of commodities or service revenues related to the assets and included into the current profit and loss. If the assets' amortization period does not exceed one year, it shall be immediately included into the current profit and loss.

If the book value of contract costs is higher than the difference of the following two items, corresponding depreciation reserves shall be counted and withdrawn and it shall be recognized as the assets depreciation loss:

(1) the residual consideration predicted to be acquired by transferring commodities related to the assets;

(2) the costs predicted to occur due to the transfer of related commodities.

If the difference between (1) and (2) is higher than the book value of contract costs due to any change in various factors causing depreciation in previous periods, it shall be restituted to the withdrawn assets depreciation reserves and included in the current profit and loss. However, the book value of restituted contract costs shall not exceed the book value of the assets on the day of restitution based on the hypothesis that depreciation reserves are not counted and withdrawn.

4.29 Government subsidies

4.29.1 Classification

Government subsidies are monetary assets and non-monetary assets that the Company obtains from the government free of charge. It is divided into government subsidies related to assets and government subsidies related to income.

Government grants related to assets refer to government grants acquired by the Company for the purpose of purchasing or constructing or otherwise forming long-term assets. Government grants related to income refer to government grants other than government grants related to assets.

The Company's specific criteria for classifying government subsidies as related to assets are: government subsidies obtained by the Company for the purpose of purchasing or constructing or otherwise forming long-term assets.

The Company divides government subsidies into specific criteria related to income: it refers to government subsidies other than government subsidies related to assets.

For the government documents that do not clearly stipulate the subsidy object, the Company's judgment on the government subsidy is related to the assets or related to the income: whether it is used for purchase or construction or other forms of long-term assets.

4.29.2 Recognition time of government subsidy

Government grants can only be recognized if they meet the following conditions:

(1) The enterprise can meet the conditions attached to the government subsidy;

(2) The Company can receive government subsidies.

4.29.3 Detailed accounting treatment

Government subsidies related to assets are written off against the book value of the underlying assets or recognized as deferred income. If it is recognized as deferred income, it shall be included in the current

profit and loss in a reasonable and systematic manner within the useful life of the relevant assets. (if it is related to the daily activities of the Company, it is included in other income; if it is not related to the daily activities of the Company, it is included in the non-operating income);

The government subsidies related to the income, which are used to compensate the related costs or losses of the Company in the future period, are recognized as deferred income and are included in the current profit and loss in the period in which the relevant costs or losses are recognized (if it is related to the daily activities of the Company, it is included in other income; if it is not related to the daily activities of the Company, it is included in the non-operating income) or the relevant cost or loss is offset; if it is used to compensate the related costs or losses incurred by the Company, it is directly included in the current profit and loss. (if it is related to the daily activities of the Company, it is included in other income; if it is not related to the daily activities of the Company, it is included in the non-operating income) or offset related costs or losses.

The policy preferential loan interest discounts obtained by the Company are divided into the following two cases and are separately accounted for:

- (1) The finance allocates the interest subsidy funds to the loan bank. If the loan bank provides loans to the Company at a policy preferential interest rate, the Company will use the actual amount of the borrowed money as the book value of the loan, according to the loan principal and the policy. The preferential interest rate calculates the relevant borrowing costs.
- (2) If the government directly allocates the discounted funds to the Company, the Company will offset the relevant borrowing costs.

4.30 Deferred income tax assets and deferred income tax liabilities

4.30.1 Recognition of deferred income tax assets and deferred income tax liabilities of the Company:

Deferred income tax assets or deferred income tax liabilities are calculated and recognized based on differences between book value and tax base of the assets and liabilities (where the items that are not recognized as assets or liabilities but the tax base of which can be determined, such tax base is recognized as the difference) and according to the applicable tax rate in the expected period when such assets are taken back or liabilities are repaid.

4.30.2 Deferred tax assets

The deferred income tax assets are recognized to the extent of taxable income that is probable to offset the deductible temporary differences. On the balance sheet date, where unambiguous evidence shows that it is probable to derive sufficient taxable income in subsequent periods to offset the deductible temporary differences, the deferred income tax assets that have not been recognized in prior accounting periods are recognized.

4.30.3 Deferred tax liabilities

The Company shall recognize the deferred income tax liabilities arising from a deductible temporary difference to the extent of the amount of the taxable income which it is most likely to obtain and which can be deducted from the deductible temporary difference. Taxable income and associated income tax increases due to temporary differences reverse, and lead to the economic benefit outflow of the Company, in the same period it occurred, deferred tax liabilities shall be recognized.

4.31 Lease

Companies that have not yet implemented the new lease standard

The term "lease" refers to an agreement under which the lessor conveys to the lessee in return for rent the right to use an asset for an agreed period of time. The main features of lease is only the use right of related asset has been transferred but ownership during the lease term, and the transferred is shall be paid for rental.

4.31.1 Classification

The Company shall classify a lease as a financing lease or an operating lease on the lease beginning date.

4.31.2 Recognition criteria

A financial lease is identified when one or more of the conditions below are met: (1) the ownership of the leased asset is transferred to the lessee when the term of lease expires; (2) the lessee has the option to purchase the leased asset and the purchase price is far lower than the asset's fair value at the time of exercise of the option; and (3) even if the ownership of the asset is not transferred, the lease term covers most of the remaining useful life (75% or above) of the leased asset; (4) In the case of the lessee, the present value of the minimum lease payments on the lease beginning date amounts to substantially all of the fair value (90% or above) of the leased asset on the lease beginning date; in the case of the lessor, the present value of the minimum lease receipts on the lease beginning date amounts to substantially all of the fair value of the leased asset on the lease beginning date; and (5) The leased assets are of a specialized nature that only the lessee can use them without making major modifications. A lease failing to meet the above conditions is identified as an operating lease.

4.31.3 Accounting treatment of finance lease

(1) Accounting treatments of lessees in finance leases

On the lease beginning date, a lessee shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges. The initial direct costs such as commissions, attorney's fees and traveling expenses, stamp duties directly attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded in the asset value of the current period. When a lessee calculates the present value of the minimum lease payments, if it can obtain the lessor's interest rate implicit in the lease, it shall adopt the interest rate implicit in the lease as the discount rate. Otherwise, it shall adopt the interest rate provided in the lease agreement as the discount rate. In case the lessee cannot obtain the lessor's interest rate implicit in the lease and no interest rate is provided in the lease agreement, the lessee shall adopt the borrowing interest rate of the bank for the same period as the discount rate.

The lessee shall adopt the effective interest rate method to calculate and recognize the financing charge in the current period.

In calculating the depreciation of a leased asset, the lessee should adopt a depreciation policy for leased assets consistent with that for depreciable assets which are owned by the lessee.

If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the

lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

Contingent rents shall be recognized as an expense in the period in which they are actually incurred.

(2) Accounting treatment of lessor in finance leases

On the beginning date of the lease term, a lessor shall recognize the sum of the minimum lease receipts on the lease beginning date and the initial direct costs as the entering value in an account of the financing lease values receivable, and record the unguaranteed residual value at the same time. The balance between the sums of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the sum of their present values shall be recognized as unrealized financing income. The unrealized financing income shall be allocated to each period during the lease term.

The lessor shall calculate the financing income at the current period by adopting the effective interest rate method.

Contingent rents shall be recorded into the profits and losses of the period in which they arise.

(3) Rental receivable for finance lease

Provision on bad debts of rental receivable shall be accrued in accordance with recoverability. The Company adopts asset quality guidelines promulgated by China Banking Regulatory Commission and defines 5-grade classification of leased assets. The 5 risk categories are: normal, attention, secondary, suspicious, and loss, and the provision for bad debts shall be made accordingly, in details are:

① Group accruals method

The assets classified into the normal category and the attention category in the corresponding finance and lease receivable are evaluated in a combined manner, and the loss rate is predicted by the model and provision for impairment is provided.

By analyzing the changes in the risk classification at a specific time in the financial lease receivables with similar credit risk characteristics, the probability of loss of the financial lease receivables is estimated, and multiply the financing receivables of the normal and concerned types on the current balance sheet date and the loss rate, which is the provision for impairment.

At the end of each quarter, the Company will evaluate the impairment of the portfolio of financed lease receivables to reflect the expected future cash flow of the portfolio of finance lease receivables, and the observable data for which the reduction can be reliably measured is an objective basis. Make a judgement and estimation of receivables about whether there is any sign of impairment of the finance lease receivables and its extent, and determine whether it is necessary to make provision for impairment.

Estimation of portfolio valuations requires a high degree of reliance on judgments. Critical factors affecting estimation include model assumptions (such as loss identification period or default loss rate), and the degree of correlation between qualitative indicators and defaults. When assessing the methods and assumptions used to make impairment estimates, changes in the macroeconomic environment and uncertainties in the region of operation, as well as the effects of changes in the level of portfolio management of finance lease payments, need to be considered and appropriate adjustments made.

② Single Accrued methods

The finance lease receivable is classified as non-performing assets (substandard, suspicious, and loss) that is required to be tested the impairment by individually, and the present value of future cash flows at the end of each quarter is calculated using the discounted cash flow model. The impairment shall be recognised when the present value is lower than the carrying value.

The substantive judgement is needed when the financial lease receivable is significant by individually. The impairment indicator should be included the specific lease (or a specific similar lessee) that a

deteriorating financial position that affects its ability to repay loans, where its industry is backward or overcapacity, and where economic conditions in its area have deteriorated. The Company will make the judgments when assessing the quality of regular financial lease receivables and other indications that there may have impairment indicator.

If the financial lease receivables are not tested for impairment individually and it is insignificant impairment of individual amounts, financial lease payments should be aggressive that the Company shall use the portfolio evaluation method to measure.

4.31.4 Accounting Treatments in Operating Leases

The rents from operating leases shall be recorded by the lessor and lessee in profits and losses of the current period by using the straight-line method over each period of the lease term. The initial direct costs incurred by a lessor or lessee shall be recognized as the profits and losses of the current period. The contingent rents shall be recorded into the profits and losses of the current period in which they actually arise.

Companies that have implemented the new lease standard

Part of the Company's listed subordinate companies have implemented the new lease standard.

Lease refers to a contract whereby the lessor transfers the right to use the assets to the lessee for consideration within a certain period of time. On the contract commencement date, the Company shall evaluate whether the contract is a lease or includes a lease. If one party in the contract transfers the right to control the use of one or more identified assets within a certain period in exchange for consideration, the contract is a lease or includes a lease.

If the contract contains multiple separate leases at the same time, the Company shall split the contract and conduct accounting treatments for each of the separate leases.

4.31.5 The Company as the lessee

(1) The right-of-use assets

On the lease inception date, the Company shall recognize the right-of-use assets for the lease, except for the short-term lease and low-value asset lease. The right-of-use assets shall be initially measured at cost, which includes:

- A. The amount of the initial measurement of the lease liability;
- B. Any lease payments made at or before the commencement date, less any lease incentives received;
- C. Any initial direct costs incurred by the Company;
- D. An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The Company depreciates the right-of-use assets with reference to the relevant depreciation policies of "4.15 Fixed Assets" in this Note. If the ownership of the leased assets can be reasonably determined upon the expiration of the lease term, the Company shall deduct depreciation over the remaining useful life of the leased assets. Otherwise, depreciation of the leased asset shall be accrued in the shorter period between the lease period and the remaining useful life of the leased asset.

The Company determines whether the right-of-use assets have been impaired in accordance with the long-term asset impairment principle, and performs accounting treatment for the identified impairment loss.

(2) Lease liabilities

At the commencement date, the Company shall recognize the lease liabilities except for the short-term lease and low-value asset lease. Lease liabilities are initially measured at the present value of the outstanding lease payments. Lease payments includes:

- A. Fixed payments (including in-substance fixed payments), less any incentives receivable;
- B. Variable lease payments that depend on an index or a rate;
- C. Amounts expected to be payable by the Company under residual value guarantees;
- D. The exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- E. Payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

The Company uses the interest rate implicit in the lease as the discount rate, but if the interest rate implicit in the lease cannot be reasonably determined, the Company's incremental borrowing interest rate shall be used as the discount rate.

The Company calculates the interest expense of the lease liability during each period of the lease term according to a fixed periodic interest rate, and includes it in the current profit and loss or the cost of related assets.

Variable lease payments that are not included in the measurement of lease liabilities are included in the current profit and loss or the cost of related assets when they actually occur.

After the commencement date, if the following circumstances occur, the Company shall remeasure the lease liability and adjust the corresponding right-of-use asset. 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 difference shall be included in the current profit and loss:

- A. When the evaluation result or actual exercise situation of the purchase option, renewal option or termination option changes, the Company shall remeasure the lease liability according to the present value calculated by the changed lease payment amount and the revised discount rate.

When the actual fixed payment changes, the expected payable amount of the residual value guarantee changes, or the index or ratio used to determine the lease payment changes, the Company shall remeasure the lease liability at the present value calculated from the changed lease payment amount and the original discount rate. However, if changes in lease payments originate from changes in floating interest rates, the present value is calculated using the revised discount rate.

(3) Short-term lease and low-value asset lease

The Company chooses not to recognize the right-of-use assets and lease liabilities for short-term lease and low-value asset lease, and will record the relevant lease payments into the current profit and loss or the cost of the relevant assets in accordance with the straight-line method during the lease period. Short-term lease refers to a lease for a period of no more than 12 months since the lease inception date and does not include a purchase option. Low-value asset lease refers to the lease of a single leased asset with a low value when it is a brand-new asset. Where the Company subleases or expects to sublease a leased asset, the original lease is not a low-value asset lease.

(4) Lease modifications

The Company shall account for a lease modification as a separate lease if both:

- A. The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- B. The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for a separate lease, at the effective date of the lease modification, the Company shall allocate the consideration in the modified contract, determine the lease term of the modified lease and remeasure the lease liability by discounting the revised lease payments using a revised discount rate.

For lease modifications that decrease the scope of the lease, the Company shall decrease the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease. The Company shall recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

If other lease modifications cause the lease liability to be remeasured, the Company shall adjust the carrying amount of the right-of-use asset accordingly.

4.31.6 The Company as the lessor

At the commencement date, the Company shall classify each of its leases as either a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

When the Company acts as a sublease lessor, the sublease shall be classified based on the right-of-use asset generated from the original lease.

(1) Accounting treatment of operating lease

Lease income under an operating lease is recognized as revenue on a straight-line basis over the period of the lease. The Company capitalizes the initial direct expenses incurred related to the operating lease, and allocates them to the current profit and loss on the same basis as the confirmation of rental income during the lease term. The amount of variable lease payment not included in the lease income is included in the current profit and loss when it actually occurs.

(2) Accounting treatment of financial lease

On the lease inception date, the Company recognizes the financial lease receivables for the financial lease and terminates the recognition of the financial lease assets. In the initial measurement of the financial lease receivable, the Company shall take the net lease investment amount as the entry value of the financial lease receivable. The net lease investment amount is the sum of the unsecured residual value and the present value of the lease income that has not been received at the lease inception date discounted at the embedded interest rate on the lease.

The Company calculates and recognizes interest income for each period of the lease term based on a fixed periodic interest rate. The termination recognition and impairment of the financial lease receivables shall be accounted for in accordance with "4.9 Financial Instruments" in this Note. The variable lease payment not included in the net lease investment measurement shall be recorded into the current profit and loss when actually incurred.

If a financial lease is changed and the following conditions are met at the same time, the Company shall treat the change as a separate lease for accounting treatment:

- A. The change expands the scope of the lease by adding the right-of-use to one or more leased assets;
- B. The increased consideration is equivalent to the amount of the individual price of the expanded part of the lease scope adjusted according to the contract conditions.

If the change of the financial lease is not accounted for as a separate lease, the Company shall deal with the changed lease in the following situations:

- A. If the change takes effect on the lease inception date, and the lease is classified as an operating lease, the Company shall treat it as a new lease from the effective date of the lease change, and take the net

lease investment amount before the effective date of the lease change as the book value of the leased assets;

B. If the change takes effect on the lease inception date, and the lease is classified as a financial lease, the Company shall conduct accounting treatment in accordance with the policy of "4.9 Financial instruments" of this note on the modification or renegotiation of the contract.

4.31.7 Sale and lease-back transaction

The Company evaluates and determines whether the transfer of assets in the sale and lease-back transaction is a sale in accordance with the principles stated in "4.26 Revenue" in this Note.

(1) As the lessee

If the transfer of assets in the sale and lease-back transaction belongs to sales, the Company, as the lessee, shall measure the right-of-use asset formed by the sale and lease-back transaction according to the part of the book value of the original assets related to the right-of-use obtained by the lease-back, and only recognize the relevant gain or loss with respect to the rights transferred to the lessor. If the transfer of assets in the sale and lease-back transaction does not belong to sales, the Company as the lessee shall continue to confirm the transferred assets and at the same time confirm a financial liability equal to the transfer income. For the accounting treatment of financial liabilities, please refer to "4.9 Financial Instruments" in this note.

(2) As the lessor

If the transfer of assets in the sale and lease-back transaction belongs to sales, the Company, as the lessor, shall carry out accounting treatment for the purchase of assets, and shall carry out accounting treatment for the lease of assets according to the aforementioned policy of "2. The Company as the lessor". Where the transfer of assets in the sale and lease-back transaction does not belong to sales, the Company, as the lessor, does not recognize the transferred asset, but recognizes a financial asset equal to the transfer income. For the accounting treatment of financial assets, please refer to "4.9 Financial instruments" in this note.

5 Changes in accounting policies and accounting estimates and correction of errors

5.1 Changes in accounting policies

The Company implemented the following corporate accounting standards promulgated or revised by the Ministry of Finance in 2020:

"Accounting Standards for Business Enterprises Interpretation No. 13"

"Regulations on Accounting Treatment of Rental Concessions Related to the New Coronary Pneumonia Epidemic"

Part of the Company's listed subordinate companies implemented "Accounting Standard for Business Enterprises No. 14-Revenue" (revised in 2017) (hereinafter referred to as the "New Revenue Standard") in 2020.

5.1.1 Implementation of "Accounting Standards for Business Enterprises No. 14-Revenue" (revised in 2017)

The Ministry of Finance revised the "Accounting Standards for Business Enterprises No. 14-Revenue" in 2017. The revised standard stipulates that the initial implementation of the standard should adjust the amount of retained earnings and other related items in the financial statements at the beginning of the year based on the cumulative impact, and no adjustments should be made to comparable period information.

The scope of the Group's consolidation involves companies that have implemented the new revenue standard on January 1, 2020, including:

Company name	Reason for execution	Approval procedure
Qingdao Zhongzizhongcheng Group Co., Ltd.	Domestic listed company	The 24th meeting of the 3rd board of directors and the 14th meeting of the 3rd board of supervisors

According to the standard, the implementation of the new revenue standard only adjusts the amount of retained earnings at the beginning of 2020 and the amount of other related items in the financial statements for the cumulative impact of contracts that have not been completed on the date of first implementation. The comparative financial statements are not adjusted.

The main impacts of Qingdao Zhongzizhongcheng Group Co., Ltd.'s implementation of the new revenue standard on its financial statements are as follows:

Item	2019/12/31	2020/1/1	Adjust amount
Inventory	2,635,367,730.55	213,147,698.72	-2,422,220,031.83
Contract assets		2,280,320,186.54	2,280,320,186.54
Advance receipt	146,494,276.78		-146,494,276.78
Contract liabilities		4,065,868.58	4,065,868.58
Other current liabilities	72,833,997.78	73,362,560.69	528,562.91

Description of adjustments: (1) Qingdao Zhongzizhongcheng Group Co., Ltd. began to implement the new revenue standard on January 1, 2020. The amount of revenue confirmed according to the progress of the project performance exceeds the amount of the settlement price that has been processed and the inventory is reclassified as contract asset, contract asset and contract liability under the same contract should be presented in net amount.

(2) Qingdao Zhongzizhongcheng Group Co., Ltd. reclassified the amount of advance receipts applicable to the new revenue standard on December 31, 2019, excluding the value-added tax amount to contract liabilities on January 1, 2020, and the value-added tax amount was reclassified as other current liabilities based on liquidity.

5.1.2 Implementation of "Accounting Standards for Business Enterprises No. 13"

The Ministry of Finance issued the "Accounting Standards for Business Enterprises Interpretation No. 13" ([2019] No. 21, hereinafter referred to as "Interpretation No. 13") on December 10, 2019, which will come into force on January 1, 2020. No retrospective adjustment is required.

① Identification of related parties

Interpretation No. 13 clarifies that the following circumstances constitute a related party: a joint venture or joint venture between an enterprise and other member units (including parent companies and subsidiaries) of the enterprise group to which it belongs; a joint venture of the enterprise and other joint ventures or joint ventures of the enterprise. In addition, Interpretation No. 13 also clarifies that only two or more companies that are significantly affected by one party do not constitute related parties. It also adds that joint ventures include joint ventures and their subsidiaries, and joint ventures include joint ventures and their subsidiaries.

② The definition of business

Interpretation No. 13 completes the three elements of business composition, refines the judgment conditions of the business composition, and introduces the "concentration test" option to simplify to a certain extent the judgment of whether a combination obtained under the same control constitutes a

business, etc.

The Company will implement Interpretation No. 13 from January 1, 2020, and the comparative financial statements will not be adjusted. Implementation Interpretation No. 13 has not had a significant impact on the Company's financial status and operating results.

5.1.3 Implement the "Regulations on Accounting Treatment of Rental Concessions Related to the Novel coronavirus pneumonia"

On June 19, 2020, the Ministry of Finance issued the "Regulations on Accounting Treatment of Rental Concessions Related to the Novel coronavirus pneumonia" (2020) No. 10), which came into effect on June 19, 2020, allowing companies to the relevant rent concessions that occurred between the date of implementation and the implementation date of this regulation shall be adjusted. According to the regulations, companies can choose to adopt simplified methods for accounting treatments for rent reductions and deferred payment of rents directly caused by the Novel coronavirus pneumonia that meet the conditions.

The implementation of the "Regulations on Accounting Treatment of Rental Concessions Related to the Novel coronavirus pneumonia" did not have a significant impact on the Company's financial status and operating results.

5.2 Changes in accounting estimates

None.

5.3 Correction of significant accounting errors in the previous period

None.

5.4 Other adjustments

None.

6 Taxation

6.1 Major taxes and tax rates

Taxes type	Tax base	Applicable tax rate (%)
VAT	In accordance with the tax law, output shall be based on sale of the goods or rendering of the services, the difference shall be VAT payable after minus allowable input deduction in current period	3、5、6、9、10、12、13、14.5、15
Urban maintenance and construction tax	Actually paid turnover	5、7
Enterprise income tax	Taxable income	15、16.5、17、20、22、24、25、28、30

The details of subsidiaries which are subjected to different income tax rate:

Name of the subsidiaries	Applicable Tax Rate (%)
Qingdao Doublestar Tire Industry Co., Ltd., Qingdao Doublestar Equipment Manufacturing Co., Ltd., Qingdao Xinghua Intelligent Equipment Co., Ltd., Qingdao Jinke Mould Co., Ltd., Doublestar Dongfeng Tire Co., Ltd. and other high-tech enterprises	15
Qingdao Zhongzi Zhongcheng Group Co., Ltd. Hong Kong company, Hongkong International (Qingdao) Co., Ltd., Huaqing Development (Holding) Co., Ltd.	16.5
Qingdao Zhongzi Zhongcheng Group Co., Ltd. Singapore company	17
Qingdao City Construction Circular Equity Investment Management Co., Ltd., Qingdao Yulinyuan Enterprise Management Consulting Co., Ltd., Qingdao Rongsheng New Energy Co., Ltd.	20
Qingdao Zhongzi Zhongcheng Group Co., Ltd. Indonesia company	22、25
Qingdao Zhongzi Zhongcheng Group Co., Ltd. Zimbabwe company	24
Qingdao Zhongzi Zhongcheng Group Co., Ltd. South African company	28
Qingdao Zhongzi Zhongcheng Group Co., Ltd. Philippine company	30

6.2 Tax preference

6.2.1. VAT

(1) According to the “Notice of the State Administration of Taxation of the Ministry of Finance on the Comprehensive Promotion of the Pilot Change of Sales Tax to VAT” ([2016] No. 36), among the taxpayers who are approved by the People’s Bank of China, the CBRC or the Ministry of Commerce to engage in financial leasing, general taxpayers providing tangible movable property financing leasing services and tangible movable property financing after-sales leaseback services shall implement the VAT immediate collection and refund policy for the portion of the actual VAT tax liability exceeding 3%. The company’s subsidiary Qingdao Urban and Rural Construction Finance Leasing Co., Ltd. and Shanghai Qingtou Financial Leasing Co., Ltd. comply with the above-mentioned VAT immediate collection and refund policy.

(2) According to the “Notice of the Ministry of Finance and the State Administration of Taxation on Continued Implementation of the VAT Policy on PV Power Generation” ([2016] No. 81), the Company's subordinate project companies engaged in PV power generation comply with 50% immediate collection and refund policy of the VAT.

(3) According to the “Announcement of Relevant Policies on Deepening the Reform of VAT” jointly issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs (Announcement of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, No. 39, 2019), from April 1, 2019 to December 31, 2021, taxpayers of production and living services are allowed to add 10% of the current deductible input tax

to offset the tax payable (abbreviated as the policy of additional deduction). The Company's subsidiary Qingdao City Construction Enterprise Development Co., Ltd., Qingdao Taishijirun Enterprise Management Consulting Co., Ltd. and Qingdao Hongfushuo Enterprise Management Consulting Co., Ltd conform to the requirements of the policy, the additional deduction policy shall apply.

(4) According to the "Notice of the State Administration of Taxation of the Ministry of Finance on the Comprehensive Promotion of the Pilot Change of Sales Tax to VAT" ([2016] No. 36), the VAT on the income from academic education is exempted for the period from May 1, 2016 to March 31, 2020. The subsidiary of the Company, Qingdao First International School of Shandong Province, enjoys the preferential tax policy. Annex 3 "Regulations on the Transition Policy for the Pilot Change of Sales Tax to VAT", childcare and education services provided by nurseries and kindergartens are exempt from VAT. The company's subsidiary, Qingdao City Construction Shinandongtianshan Kindergarten, complies with the above-mentioned policies and regulations, and the income from childcare and education is exempt from VAT.

(5) According to Regulation 560 of the Zimbabwean Government's 2020 fiscal budget, since January 1, 2020, the VAT rate for enterprises and permanent establishments in Zimbabwe will be reduced to 14.5%. Zhongzizhongcheng Zimbabwe (Private) Limited and China Africa Cigarette Company (Private) Limited meet the requirements of the policy, starting from January 1, 2020, the companies' VAT will be calculated at 14.5%.

6.2.2 Corporate income tax

(1) According to tax law provisions, the income from the investment and operation of public infrastructure projects supported by the state is regularly deducted and exempted from the corporate income tax. The income of the company's subordinate project companies engaging in the investment and operation of power projects specified in the "Public Infrastructure Projects Corporate Income Tax Preference Catalog", starting from the tax year in which the project obtains the first production and operation income, are exempted of the corporate income tax from the first to the third year, and halved from the fourth to the sixth year.

(2) According to the "Enterprise Income Tax Law of the People's Republic of China" and the "Implementation Regulations of the Corporate Income Tax Law of the People's Republic of China", the Company's research and development expenses for the development of new technology, new product, and new process which did not form the intangible assets are included in the current profit and loss. Additional deductions will be made at 75% of the research and development expenses on the basis of actual deductions in accordance with regulations.

The Company's subsidiary Qingdao Zhongzizhongcheng Group Co., Ltd. implements the tax policy of "

exempt, credit and refund" for its export products. The Company's subsidiary Qingdao Zhongzizhongcheng Import and Export Co., Ltd., implements the "exempt and refund" tax policy for its export products.

(3) According to the "Announcement on Issues Concerning the Implementation of Inclusive Income Tax Relief Policies for Small and Low-Profit Enterprises" (State Administration of Taxation Announcement No. 2 of 2019), from January 1, 2019 to December 31, 2021, the part of the annual taxable income of small and low-profit enterprises that does not exceed 1 million yuan shall be included in the taxable income at a reduced rate of 25%, and the corporate income tax shall be paid at the tax rate of 20%. For the part of annual taxable income exceeding 1 million yuan but not exceeding 3 million yuan, a reduction of 50% shall be included into the taxable income amount, and the enterprise income tax shall be paid at the tax rate of 20%.

The Company's subsidiaries Qingdao Yulinyuan Investment Co., Ltd., Qingdao Rongsheng New Energy Co., Ltd., Qingdao Caibao Resort Co., Ltd., Qingdao Zhongchuang Real Estate Co., Ltd., Qingdao Zhongyi Investment Management Co., Ltd., Qingdao City Investment Revolving Equity Investment Management Co., Ltd, etc. all meet the criteria for the identification of small and low-profit enterprises. The corporate income tax is calculated and paid at 20% for the above companies.

(4) According to Regulation No. 1 of 2020 of the Indonesian Government, from March 31, 2020, the income tax rate of taxpayers of Indonesian domestic enterprises and permanent establishments will be reduced to: A. 22%, which applies to the 2020 and 2021 tax years; B. 20%, applicable to the 2022 tax year. PT. Transon Energy Kapitalindo (Qingdao ZhongZiZhongCheng Indonesia AnNeng Co., Ltd.), PT. Transon Bumindo Resources (Qingdao ZhongZiZhongCheng Indonesia Resources Co., Ltd.), PT. Transon Daya Indomining (Qingdao ZhongZiZhongCheng Indonesia Mining Service Co., Ltd.), PT. Transon Mining Development (Qingdao ZhongZiZhongCheng Indonesia AnNing Co., Ltd.), PT. Transon Global Resources (Qingdao ZhongZiZhongCheng Indonesia Huanyu Resources Co., Ltd.), PT. Transon Ocean Industry Park (Qingdao ZhongZiZhongCheng Indonesia Haiyuan Co., Ltd.), PT. W & H Brothers Mining (Qingdao ZhongZiZhongCheng Indonesia Brothers Mining Co., Ltd.), PT. Kutal Nyala Resources (Qingdao ZhongZiZhongCheng Indonesia Dongjia Terminal Co., Ltd.), PT. CIS Resources (Qingdao ZhongZiZhongCheng Indonesia China ZhongJia Coal Mine Co., Ltd.), PT. Madani Sejahtera (Qingdao ZhongZiZhongCheng Indonesia Sudao Nickel Mine Co., Ltd.), PT. Bumi Morowali Utama (Qingdao ZhongZiZhongCheng Indonesia Zhongsu Nickel Mine Co., Ltd.), PT. Integra Prima Coal (Qingdao ZhongZiZhongCheng Cheng Indonesia DongJia Coal Mine Co., Ltd.), PT. Aset Sulawesi Mineralindo (Qingdao ZhongZiZhongCheng Indonesia Sulawesi Limestone Mine Co., Ltd.) meet the policy requirements, starting from April 1, 2020, the corporate income tax will be calculated at 22%.

(5) According to Regulation 553 of the Zimbabwe Government's 2020 fiscal budget, starting from January 1, 2020, the income tax rate for taxpayers of enterprises and permanent establishments in Zimbabwe will be reduced to 24%. ZhongZiZhongCheng Zimbabwe (Private) Limited and China Africa Cigarette Company (Private) Limited meet the policy requirements and will calculate corporate income tax at 24% from January 1, 2020.

(6) Subsidiaries such as Qingdao Doublestar Tire Industry Co., Ltd., Qingdao Doublestar Equipment Manufacturing Co., Ltd., Qingdao Xinghua Intelligent Equipment Co., Ltd., Qingdao Jinke Mould Co., Ltd., Doublestar Dongfeng Tire Co., Ltd. are recognized as high-tech companies and enjoy 15% preferential income tax rate.

6.3.3 Other taxes

(1) According to the "Notice on implementing preferential policies for small-scale VAT taxpayers " (Lu CS[2019] No. 6) of the Shandong Provincial Department of Finance and the State Administration of Taxation, Shandong Provincial Taxation Bureau, a 50% reduction in resource tax, urban maintenance and construction tax, real estate tax, urban land use tax, stamp tax (excluding securities transaction stamp tax), farmland occupation tax, education surcharge, and local education surcharge shall be imposed on small-scale VAT taxpayers from January 1, 2019 to December 31, 2021. Subsidiaries Qingdao Derui Runfeng Real Estate Co., Ltd., Qingdao City Construction Technology Development Co., Ltd., Qingdao Haisi Stable Equity Investment Fund Enterprises (LLP), Qingdao City Construction Energy Equity Investment Management Co., Ltd., Weihai Chenghai Real Estate Co., Ltd., Qingdao City Construction Hongdao Development and Construction Group Co., Ltd., Qingdao Caibao Resort Co., Ltd., Qingdao Zhonghong Real Estate Co., Ltd., Qingdao Hongying Investment Real Estate Co., Ltd., etc. meet the requirements of the policy and enjoy the preferential tax policy.

(2) According to the "Notice on clarifying the tax reduction and exemption policies for urban land use tax and real estate tax during the epidemic prevention and control period " (Qing CS [2020] No. 5) of Qingdao Municipal Finance Bureau and the State Administration of Taxation Qingdao Taxation Bureau, the subsidiaries Qingdao Zhongzizhongcheng Group Co., Ltd., Qingdao Taishi Jirun Enterprise Management Consulting Co., Ltd., Qingdao Hongfushuo Enterprise Management Consulting Co., Ltd., and Qingdao City Construction Real Estate Investment Holdings (Group) Co., Ltd. can apply for a 70% reduction in the payment for the 2020 Urban land use tax on own land and real estate in the first quarter.

(3) According to the "Notice on Continuing the Implementation of Urban Land Use Tax and Real Estate Tax Reduction and Exemption Policies" (Qing Cai Shui [2020] No. 19) of Qingdao Municipal Finance Bureau and the State Administration of Taxation Qingdao Taxation Bureau, the small and

micro companies under Weihai Chenghai Real Estate Co., Ltd. and Qingdao City Construction Real Estate Investment Holding (Group) Co., Ltd. are exempted from the urban land use tax on own land and real estate in 2020.

(4) According to CS [2004] No. 39, educational land is exempted from urban land use tax, and Qingdao First International School of Shandong Province, a subsidiary of the company, enjoys this preferential tax policy.

7 Business combinations and consolidated financial statements

(The unit of measurement of the monetary amount in following listed tables is 10 thousand if no special consideration is mentioned.)

7.1 Subsidiaries included in the scope of consolidation (in 10 thousand)

No	Company name	Level	Type of enterprise	Registration place	Business nature	Paid in capital	Share-holding (%)	Voting rights (%)	Investment amount	Acquisition mode
1	Qingdao Development and Investment Co., Ltd.	1	Domestic non-financial subsidiary	Qingdao	Comprehensive investment company	100,000.00	100.00	100.00	275,718.16	Entity combination under common control
2	Qingdao Shengtong Coast Real Estate Development Co., Ltd.	1	Domestic non-financial subsidiary	Qingdao	Real estate development	10,000.00	51.00	51.00	88,230.00	Entity combination under non-common control
3	Qingdao Hongying Investment and Real Estate Co., Ltd.	1	Domestic non-financial subsidiary	Qingdao	Real estate development	7,746.93	50.00	50.00	4,744.29	Entity combination under non-common control
4	Qingdao No.1 International School of Shandong province	1	Domestic non-financial subsidiary	Qingdao	Education	10.00	100.00	100.00	1,579.98	Others
5	Qingdao City Investment Road & Bridge Investment and Development Co., Ltd.	1	Domestic non-financial subsidiary	Qingdao	Urban infrastructure investment, construction, operation and management	10,000.00	100.00	100.00	10,000.00	Established by Investment
6	Qingdao City Investment Enterprise Development Co., Ltd.	1	Domestic non-financial subsidiary	Qingdao	Property services	201,000.00	100.00	100.00	201,000.00	Established by Investment
7	Qingdao Hongdao Development and Construction Group Co., Ltd.	1	Domestic non-financial subsidiary	Qingdao	Real estate development	5,000.00	80.00	80.00	4,000.00	Established by Investment

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

No	Company name	Level	Type of enterprise	Registration place	Business nature	Paid in capital	Share-holding (%)	Voting rights (%)	Investment amount	Acquisition mode
8	Qingdao City Investment Property Development Co., Ltd.	1	Domestic non-financial subsidiary	Qingdao	Real estate development	10,000.00	100.00	100.00	10,000.00	Established by Investment
9	Qingdao Oasis Wetland Development Co., Ltd.	1	Domestic non-financial subsidiary	Qingdao	Real estate development	5,000.00	100.00	100.00	5,000.00	Established by Investment
10	Qingdao City Investment Technology Development Co., Ltd.	1	Domestic non-financial subsidiary	Qingdao	Technology development	5,000.00	100.00	100.00	5,000.00	Established by Investment
11	Qingdao Hongdao Culture and Art Center Development	1	Domestic non-financial subsidiary	Qingdao	Art center operating	5,000.00	100.00	100.00	5,000.00	Established by Investment
12	Qingdao City Investment Industrial Investment (Group) Co., Ltd.	1	Domestic non-financial subsidiary	Qingdao	Industrial investment	135,713.00	100.00	100.00	660,500.00	Established by Investment
13	Qingdao Huaqing Development (Holding) Co., Ltd.	1	Overseas subsidiary	Hong Kong	Investment company	79.32	100.00	100.00	0.08	Others
14	Hongkong International (Qingdao) Co., Ltd.	1	Overseas subsidiary	Hong Kong	International trade	8,128.06	100.00	100.00	8,128.06	Others
15	Qingdao City Investment Financial Holding Group Co., Ltd.	1	Domestic non-financial subsidiary	Qingdao	Asset investment and operating	550,000.00	100.00	100.00	1,126,002.52	Established by Investment
16	Qingdao City Investment Real Estate Investment Holding (Group) Co., Ltd.	1	Domestic non-financial subsidiary	Qingdao	Real estate investment and development	50,000.00	100.00	100.00	50,000.00	Established by Investment

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

No	Company name	Level	Type of enterprise	Registration place	Business nature	Paid in capital	Shareholding (%)	Voting rights (%)	Investment amount	Acquisition mode
17	Qingdao City Investment Overseas Development Co., Ltd.	1	Domestic non-financial subsidiary	Qingdao	Foreign investment and investment consulting	5,000.00	100.00	100.00	27,376.08	Established by Investment
18	Qingdao City Investment Engineering Construction Development (Group) Co., Ltd.	1	Domestic non-financial subsidiary	Qingdao	Construction	100,000.00	100.00	100.00	100,000.00	Established by Investment
19	Qingdao City Investment Aoshanwan Real Estate Co., Ltd.	1	Domestic non-financial subsidiary	Qingdao	Land development and consolidation	350,200.00	100.00	100.00	200,200.00	Established by Investment
20	Qingdao City Investment New City Development and Construction Co., Ltd.	1	Domestic non-financial subsidiary	Qingdao	Urban old city reconstruction and traffic construction	30.00	100.00	100.00	30.00	Entity combination under common control
21	Qingdao Zhonghong Real Estate Co., Ltd.	1	Domestic non-financial subsidiary	Qingdao	Real estate development	1,000.00	100.00	100.00	1,263.63	Entity combination under common control
22	Qingdao City Investment Venture Development Group Co., Ltd.	1	Domestic non-financial subsidiary	Qingdao	Capital market services	135,000.00	100.00	100.00	135,000.00	Established by Investment
23	Qingdao (Pingdu) Urban and Rural Community Construction Investment Co., Ltd.	1	Domestic non-financial subsidiary	Qingdao	Business Service Industry	38,800.00	79.38	79.38	31,311.74	Others
24	Qingdao (Jiaozhou) Urban and Rural	1	Domestic non-financial	Qingdao	Building decoration,	18,340.00	80.00	80.00	44,696.54	Others

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

No	Company name	Level	Type of enterprise	Registration place	Business nature	Paid in capital	Shareholding (%)	Voting rights (%)	Investment amount	Acquisition mode
	Community Construction Investment Co., Ltd.		subsidiary		decoration and other construction industry					
25	Qingdao (Laixi) Urban and Rural Community Construction Investment Co., Ltd.	1	Domestic non-financial subsidiary	Qingdao	Real estate	35,000.00	60.00	60.00	77,568.60	Others
26	Qingdao (Chengyang) Urban and Rural Community Construction Investment Co., Ltd.	1	Domestic non-financial subsidiary	Qingdao	Resident services, repairs and other services	9,000.00	100.00	100.00	59,153.25	Others
27	Qingdao Airlines Holdings Co., Ltd.	1	Domestic non-financial subsidiary	Qingdao	Business Service Industry	10,000.00	100.00	100.00	200,000.00	Established by Investment
28	City Investment Zhongjiao (Qingdao) Investment Holdings Co., Ltd.	1	Domestic non-financial subsidiary	Qingdao	Professional technical service industry	160,000.00	51.00	51.00	81,600.00	Established by Investment
29	Qingdao City ZhiRong Investment Holding Group Co., Ltd.	1	Domestic non-financial subsidiary	Qingdao	Capital market services	5,000.00	51.00	51.00	2,550.00	Established by Investment
30	Pingdu West New City Development and Construction Co., Ltd.	1	Domestic non-financial subsidiary	Qingdao	Land management industry	20,000.00	60.00	60.00	12,000.00	Established by Investment
31	Qingdao City Aviation Development Group Co., Ltd.	1	Domestic non-financial subsidiary	Qingdao	Land management industry	26,000.00	51.00	51.00	13,260.00	Established by Investment

No	Company name	Level	Type of enterprise	Registration place	Business nature	Paid in capital	Shareholding (%)	Voting rights (%)	Investment amount	Acquisition mode
32	Qingdao Chengxin Holding Group Co., Ltd.	1	Domestic non-financial subsidiary	Qingdao	Business Service Industry		46.00	46.00		Established by Investment
33	Double Star Group Co., Ltd.	1	Domestic non-financial subsidiary	Qingdao	Capital market services	10,000.00	41.00	41.00	104,968.56	Others

7.2 Explanation on the exclusion of those entities with more than half of the voting rights from the scope of consolidation

Given the Company's wholly-owned subsidiaries Qingdao Dong'ao development Group, Qingdao City Construction Investment Center and their subsidiaries are non-profit organizations; they are excluded from the scope of the consolidated financial statements according to GF (2010) 19, the State Council's notice on strengthening the management of local government financing platform companies.

7.3 Entities newly included in the consolidation scope in the current year

No	Name of the entities	Acquisition mode	Net asset as at period ended	Net profit during the period
1	Qingdao Airlines Holdings Co., Ltd.	Established by Investment	-67,674.12	-71,149.48
2	City Investment ZhongJiao(Qingdao) Investment Holdings Co., Ltd.	Established by Investment	159,979.68	-20.32
3	Qingdao City Zhirong Investment Holding Group Co., Ltd.	Established by Investment	5,022.42	22.42

4	Pingdu West New City Development and Construction Co., Ltd.	Established by Investment	20,009.07	9.07
5	Qingdao City Aviation Development Group Co., Ltd.	Established by Investment	25,959.99	-40.01
6	Qingdao Chengxin Holding Group Co., Ltd.	Established by Investment	1,020,195.58	695.58
7	Double Star Group Co., Ltd.	Others	895,013.86	67,861.52
8	Qingdao City Investment Venture Development Group Co., Ltd.	Established by Investment	289,379.66	-30,691.36

7.4 Business combinations not under the same control that occurred in the current period

Company Name	Combination date	Fair value of identifiable net assets		Transaction consideration	Goodwill		The income of the purchased party from the date of purchase to the end of the period	Net profit of the purchased party from the purchase date to the end of the period
		Amount	Determination Method		Amount	Determination Method		
Qingdao Airlines Co., Ltd.	2020/9/30	854,368,884.00	Evaluation	3,127,443,315.09	2,273,074,431.09	The difference between the purchase price and the fair value	481,770,932.35	-512,175,634.72
Shandong Nanshan International Flight Co., Ltd.	2020/10/31	61,289,010.00	Evaluation	29,000,000.00			20,503,573.48	-6,383,735.81
Nanshan Business Jet Co., Ltd	2020/10/31	-83,523,031.00	Evaluation	1,000.00	83,524,031.00	The difference between the purchase price and the fair value	26,360,667.91	-6,410,490.47

8 Notes to the main items of the Consolidated Financial Statements

8.1 Cash and cash equivalents

Items	Closing balance	Opening balance
Cash in hand	947,754.40	498,372.97
Bank deposit	19,515,143,641.47	11,332,994,379.80
Other monetary funds	4,714,153,412.07	6,901,622,163.68
Total	24,230,244,807.94	18,235,114,916.45

The details of restricted monetary funds are as follows:

Items	Closing balance	Opening balance
Bank Acceptance Margin	484,178,044.12	599,422,282.90
Credit margin	45,689,690.55	
Loan margin	129,191,235.19	92,285,588.62
Supervised pre-sale housing payment	16,185,347.90	101,459,850.18
Refundable deposits	80,772,863.36	74,221,132.00
Project deposit	19,316,100.63	12,548,331.96
Housing Mortgage Deposit	1,498,022.54	
Housing Maintenance Fund	5,270,423.57	
Frozen funds	8,702,761.36	7,480,000.00
Loan pledge	1,651,980,000.00	1,861,980,000.00
Performance bond	626,683,579.85	821,512,589.49
Financing lease factoring deposit	33,000,000.00	23,980,127.15
Guarantee deposit	65,382,201.20	
Migrant workers wage guarantee	4,255,914.30	
Foreign company margin	215,435,136.95	
other	7,705,011.35	
Total	3,395,246,332.87	3,594,889,902.30

8.2 Trading financial assets

Item	FV at the end of the period	FV at the beginning of the period
1. Financial assets at fair value through profit or loss	123,582,774.11	
Including: Financial products	29,160,000.00	
Equity instrument investment	19,935.54	
Others	94,402,838.57	
2. Designated as at fair value through profit or loss		
Total	123,582,774.11	

8.3 Financial assets measured at fair value through profit or loss

Item	FV at the end of the period	FV at the beginning of the period
1. Financial assets held for trading	2,734,155,243.17	1,003,394,171.28
Including: Debt instrument investment	103,623,125.88	144,840,363.20
Equity instrument investment	2,630,532,117.29	858,553,808.08

2. Designated as at fair value through profit or loss	2,319,252,738.02	2,238,579,931.09
Including: Debt instrument investment		
Equity instrument investment	2,319,252,738.02	1,268,517,317.81
Others		970,062,613.28
Total	5,053,407,981.19	3,241,974,102.37

8.4 Notes receivable

Items	Closing balance			Opening balance		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Bank acceptance bill	49,915,756.97		49,915,756.97	158,619,038.00		158,619,038.00
Commercial acceptance bill	12,000,000.00		12,000,000.00	102,550,000.00	3,925,000.00	98,625,000.00
Total	61,915,756.97		61,915,756.97	261,169,038.00	3,925,000.00	257,244,038.00

8.5 Accounts receivable

Accounts receivable classification disclosure

Items	Closing balance			Opening balance		
	Carrying amount	Provision for bad debts	Carrying amount	Carrying amount	Provision for bad debts	Carrying amount
Companies that have not yet implemented the new financial instrument standard	7,234,700,060.53	33,256,162.39	7,201,443,898.14	4,408,396,082.26	26,283,012.41	4,382,113,069.85
Companies that have implemented the new financial instrument standard	4,810,115,567.52	637,296,391.87	4,172,819,175.65	1,157,724,888.38	253,223,479.14	904,501,409.24
Total	12,044,815,628.05	670,552,554.26	11,374,263,073.79	5,566,120,970.64	279,506,491.55	5,286,614,479.09

Companies that have not yet implemented the new financial instrument standard

Categories	Closing balance			
	Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with individually significant amount and individual provision for bad debts	6,226,436.64	0.09	6,226,436.64	100.00
Accounts receivable with provision for bad debts based on the combination of credit risk characteristics	7,228,473,623.89	99.91	27,029,725.75	0.38
Including: 1. Accounts receivable with provisions for bad debts accrued under aging analysis method	1,763,713,020.87	24.38	19,142,626.43	1.09
2. Accounts receivable with provisions for bad debts accrued under risk type method	788,709,932.37	10.90	7,887,099.32	1.00
3. Accounts receivable without provision for bad debts	4,676,050,670.65	64.63		
Accounts receivables with individually insignificant amount and individual provision for bad debts				
Total	7,234,700,060.53	100.00	33,256,162.39	0.46

Continue

Categories	Opening balance			
	Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with individually significant amount and individual provision for bad debts	6,226,436.64	0.14	6,226,436.64	100.00
Accounts receivable with provision for bad debts based on the combination of credit risk characteristics	4,401,873,185.62	99.85	19,760,115.77	0.45
Including: 1. Accounts receivable with provisions for bad debts accrued under aging analysis method	1,692,470,360.48	38.39	16,799,524.70	0.99
2. Accounts receivable without provision for bad debts	296,059,106.97	6.72	2,960,591.07	1.00
3. Accounts receivable without provision for bad debts	2,413,343,718.17	54.74		
Accounts receivables with individually insignificant amount and individual provision for bad debts	296,460.00	0.01	296,460.00	100.00
Total	4,408,396,082.26	100.00	26,283,012.41	0.60

(1) Account receivables with individually significant amount and individual provision for bad debts at the end of the period

Debtor	Closing balance	Bad debts	Percentage (%)	Reason
Transferred from Qingdao International Trust Corporation	3,976,436.64	3,976,436.64	100.00	Irrecoverable
DaShang Group	2,250,000.00	2,250,000.00	100.00	Irrecoverable
Total	6,226,436.64	6,226,436.64	100.00	

(2) Accounts receivable with provision for bad debts based on the combination of credit risk characteristics

1) Accounts receivable with provision for bad debts accrued under aging analysis method

Account age	Closing balance			Opening balance		
	Carrying amount		Provision for bad debts	Carrying amount		Provision for bad debts
	Amount	(%)		Amount	(%)	
Within 1 year (inclusive)	1,679,080,692.91	95.20		1,623,195,340.41	95.90	
1-2 years (inclusive)	50,347,657.57	2.85	5,034,765.73	43,861,157.87	2.59	4,386,115.81
2-3 years (inclusive)	9,839,355.79	0.56	1,967,871.15			
3-4 years (inclusive)				826,677.60	0.05	248,003.28
4-5 years (inclusive)	826,677.60	0.05	330,671.04	1,281,867.00	0.08	512,746.80
Above 5 years	23,618,637.00	1.34	11,809,318.51	23,305,317.60	1.38	11,652,658.81
Total	1,763,713,020.87	100.00	19,142,626.43	1,692,470,360.48	100.00	16,799,524.70

2) Accounts receivable with provision for bad debts accrued under risk type method

Account age	Closing balance		Opening balance	
	Carrying amount	Provision for	Carrying amount	Provision for

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

	Amount	Percentage (%)	bad debt	Amount	Percentage (%)	bad debt
Normal	788,709,932.37	100.00	7,887,099.32	296,059,106.97	100.00	2,960,591.07
Interest						
Secondary						
Doubt						
Loss						
Total	788,709,932.37	100.00	7,887,099.32	296,059,106.97	100.00	2,960,591.07

3) Accounts receivable without provision for bad debts

Name of the debtors	Closing balance	Opening balance	Reason for no provision
Qingdao Municipal Finance Bureau	667,769,038.20		Government department
Qingdao Shinan District Government	3,857,518.75	3,857,518.75	Government department
Qingdao Shibei District Development and Construction Bureau	12,818,716.70	12,935,992.00	Government department
People's Government of Hetoudian Town, Laixi City	37,527,917.63	50,127,917.63	Government department
Pingdu Nancun Town People's Government		1,358,986.00	Government department
Shandong Shengli Co., Ltd.	14,800,000.00	14,800,000.00	Related company
Qingdao Sifang City Development Co., Ltd.	28,900,000.00	28,900,000.00	Related company
Qingdao Shengxin Binhai Real Estate Development Co., Ltd.	14,900,000.00	14,900,000.00	Related company
Qingdao Haisi Energy Equity Investment Fund Enterprise (Limited Partnership)	2,960,000.00	2,960,000.00	Related company
Qingdao Shiao Investment Development Limited Company	24,570,000.00	24,570,000.00	Related company
Electricity receivable	2,710,327,422.58	1,959,994,515.24	State subsidy for electricity
Qingdao Tourism Culture Media Company	4,000,000.00	4,000,000.00	Related company
Qingdao Shilu Ocean Big Data Investment Development Co., Ltd		4,716,981.15	Related company
Qingdao High-tech Industrial Development Zone Management Committee	285,870,000.00	285,870,000.00	Government department
Qingdao Haoji Asset Management Co., Ltd.	289,697,523.00		Related company

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

Name of the debtors	Closing balance	Opening balance	Reason for no provision
Qingdao QingCheng Yuhui New Energy Co., Ltd.	403,000,000.00		Related company
Anhui Chery Commercial Vehicle Sales Co., Ltd.	102,204,333.17		Related company
Qingdao Xiuzheng Blue Valley Pharmaceutical Co., Ltd.	3,290,000.00		Related company
Summary of other sporadic customers	69,558,200.62	4,351,807.40	
Total	4,676,050,670.65	2,413,343,718.17	

Companies that have implemented the new financial instrument standard

Categories	Closing balance				Opening balance			
	Carrying amount		Provision for bad debts		Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
	Amount	Percentage (%)	Amount	Percentage (%)				
Individual provision for bad debts	376,325,154.04	7.82	78,477,795.44	20.85	297,847,358.60	505,459,589.98	43.66	500,404,994.08
Including: Accounts receivable with individual significant amount and individual provision for bad debts	374,190,158.72	7.78	76,342,800.12	20.40	297,847,358.60	505,459,589.98	43.66	500,404,994.08
Accounts receivable with insignificant single amount but with separate provision for bad debts	2,134,995.32	0.04	2,134,995.32	100.00				
Provision for bad debts by combination	4,433,790,413.48	92.18	558,818,596.43	12.60	3,874,971,817.05	652,265,298.40	56.34	404,096,415.16
Including: Age combination	4,432,418,556.81	92.15	558,818,596.43	12.61	3,873,599,960.38	652,265,298.40	56.34	404,096,415.16
Without provision for bad debts	1,371,856.67	0.03			1,371,856.67			
Total	4,810,115,567.52	100.00	637,296,391.87	13.25	4,172,819,175.65	1,157,724,888.38	100.00	904,501,409.24

1) Accounts receivable with individual significant amount and individual provision for bad debts

Debtor	Closing balance			Reason
	Closing balance	Bad debts	Percentage (%)	
PT.Metal Smelindo Selaras	268,739,742.43	2,687,397.42	1.00	Not completed
Gansu Civil Aviation Airport Group Co., Ltd.	17,797,500.00	17,797,500.00	100.00	Difficult to recover
Shanghai Kanglong International Travel Service Co., Ltd.	16,449,507.59	12,949,507.59	78.72	Difficult to recover
Shanghai Everbright International Travel Service Co., Ltd. Hainan Branch	14,904,349.70	6,804,349.70	45.65	Difficult to recover
Beijing Landun Aviation Service Co., Ltd.	14,440,300.33	10,140,300.33	70.22	Difficult to recover
Zhuyuan International Travel Service Co., Ltd.	9,485,673.89	3,685,673.89	38.86	Difficult to recover
Hongcheng (Guangzhou) International Air Transport Co., Ltd.	6,424,519.76	4,404,519.76	68.56	Difficult to recover
Chengdu Chuoyue International Travel Service Co., Ltd.	4,745,619.50	1,570,605.91	33.10	Difficult to recover
Guangdong Tianqu Aviation Service Co., Ltd.	4,168,522.60	2,968,522.60	71.21	Difficult to recover
Horgos Xinglong Aviation Service Co., Ltd.	2,500,603.77	2,500,603.77	100.00	Difficult to recover
Polish Semperit Conveyor Belt	2,349,706.02	2,349,706.02	100.00	Difficult to recover
Western Airport Group Ningxia Airport Co., Ltd.	2,142,000.00	2,142,000.00	100.00	Difficult to recover
Others	10,042,113.13	6,342,113.13	63.16	Difficult to recover
Total	374,190,158.72	76,342,800.12	20.40	

2) Provision for bad debts by portfolio

Age	Closing balance			Opening balance	
	Carrying amount	Provision for bad debts	Provision percentage (%)	Carrying amount	Provision for bad debts
Age portfolio	4,432,418,556.81	558,818,596.43	12.61	652,265,298.40	248,168,883.24
Without provision for bad debts	1,371,856.67				
Total	4,433,790,413.48	558,818,596.43	12.60	652,265,298.40	248,168,883.24
					38.05
					38.05

8.6 Receivables financing

Items	Closing balance	Opening balance
Notes receivable	862,704,476.69	
Total	862,704,476.69	

8.7 Advances to suppliers

8.7.1 Aging analysis

Account Age	Closing balance			Opening balance		
	Carrying amount		Provision for bad debts	Carrying amount		Provision for bad debts
	Amount	(%)		Amount	(%)	
Within 1 year (inclusive)	1,084,520,215.06	83.15	657,820.00	1,713,353,206.68	91.55	
1-2 years (inclusive)	94,504,947.90	7.25		5,417,390.18	0.29	
2-3 years (inclusive)	26,462,339.02	2.03		63,883,173.39	3.41	
Above 3 years	98,667,652.65	7.57	11,804,600.00	88,904,253.06	4.75	11,804,600.00
Total	1,304,155,154.63	100.00	12,462,420.00	1,871,558,023.31	100.00	11,804,600.00

8.7.2 Individual amount with significant value which aged over 1 year

Creditors	Debtors	Closing balance	Account age	Reasons for unsettlement
Qingdao City Investment Assets Management Co., Ltd.	Qingdao Chengyang District Hongdao Road Xiaozhuang Community Residence Community	65,980,000.00	Above 3 years	Final settlement was not made
Qingdao Double Star Group Co., Ltd.	West Coast Branch of Qingdao Electrical Engineering Installation Co., Ltd.	9,000,000.00	1-2 years	Final settlement was not made
Qingdao Hongdao Development and Construction Group Co., Ltd.	Hongdao Sub-district Office	8,500,000.00	Above 3 years	Demolition working capital
Qingdao Double Star Group Co., Ltd.	Shanghai ABB Engineering Co., Ltd.	4,970,852.80	Within 3 years	Final settlement was not made
Qingdao Double Star Group Co., Ltd.	State Grid Shandong Electric Power Company Qingdao Power Supply Company	2,207,553.07	Above 3 years	Final settlement was not made
Qingdao City Investment Industrial Investment (Group) Co., Ltd.	Shaanxi Haifeng Petroleum Machinery Manufacturing Co., Ltd.	1,810,000.00	2-3 years	Final settlement was not made
Qingdao City Investment Industrial Investment (Group) Co., Ltd.	Department of Finance of Inner Mongolia Autonomous Region	1,466,322.00	2-3 years	Final settlement was not made
Qingdao Double Star Group Co., Ltd.	Shandong Xiantong Installation Co., Ltd.	1,381,984.00	2-3 years	Final settlement was not made
Qingdao Double Star Group Co., Ltd.	Jinan Lulian Group Electric Furnace Manufacturing Co., Ltd.	1,006,272.16	Within 2 years	Final settlement was not made
Qingdao Double Star Group Co., Ltd.	Henan Dongtai Technology Co., Ltd.	1,000,000.00	Above 3 years	Final settlement was not made
Total		97,322,984.03		

8.8 Other Receivables

Project	Closing balance	Opening balance
Interest receivable	2,368,526,463.21	2,198,818,534.90
Dividend receivable		
Other receivables	33,603,947,503.67	31,425,302,221.87
Total	35,972,473,966.88	33,624,120,756.77

8.8.1 Interest Receivable

Items	Closing balance	Opening balance
Working capital interest	4,001,766.66	30,229,676.60
Loan Interest	503,397,786.73	16,410,090.13
Finance products		496,742.47
Entrusted loan interest	1,638,455,232.36	1,055,058,874.10
Debt restructuring interest	173,352,123.15	158,657,318.93
Borrowings	31,392,170.03	922,201,636.23
Bond interest	17,897,193.70	15,764,196.44
Others	30,190.58	
Total	2,368,526,463.21	2,198,818,534.90

8.8.2 Other Receivables

Items	Closing balance				Opening balance	
	Carrying amount	Provision for bad debts	Carrying amount	Carrying amount	Provision for bad debts	Carrying amount
Companies that have not yet implemented the new financial instrument standard	32,258,102,910.98	200,583,044.67	32,057,519,866.31	31,508,743,803.24	89,530,897.55	31,419,212,905.69
Companies that have implemented the new financial instrument standard	2,867,733,621.77	1,321,305,984.41	1,546,427,637.36	16,081,695.41	9,992,379.23	6,089,316.18
Total	35,125,836,532.75	1,521,889,029.08	33,603,947,503.67	31,524,825,498.65	99,523,276.78	31,425,302,221.87

Companies that have not yet implemented the new financial instrument guidelines

Categories	Closing balance			
	Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables with individually significant amounts and individual provision for bad debts	345,117,934.21	1.07	109,341,367.00	31.68
Other receivables with provision for bad debts based on the combination of credit risk characteristics	31,912,971,916.77	98.93	91,228,617.67	0.29
Including: 1. Other receivables with provisions for bad debts accrued under aging analysis method	7,770,097,749.02	24.09	91,228,617.67	1.17
2. Other receivables without provision for bad debts	24,142,874,167.75	74.84		
Other receivables with individually insignificant amounts and individual provision for bad debts	13,060.00		13,060.00	100.00
Total	32,258,102,910.98	100.00	200,583,044.67	0.62

Continue

Categories	Opening balance			
	Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
Other receivables with individually significant amounts and individual provision for bad debts	45,445,467.55	0.14	37,453,980.42	82.42
Other receivables with provision for bad debts based on the combination of credit risk characteristics	31,463,285,275.69	99.86	52,063,857.13	0.17
Including: 1. Other receivables with provisions for bad debts accrued under aging analysis method	11,927,304,579.41	37.86	52,063,857.13	0.44
2. Other receivables without provision for bad debts	19,535,980,696.28	62.00		
Other receivables with individually insignificant amounts and individual provision for bad debts	13,060.00	<0.01	13,060.00	100.00
Total	31,508,743,803.24	100.00	89,530,897.55	0.28

(1) Other receivables with individually significant amount and individual provision for bad debts at the end of the period

Debtor	Closing balance	Bad debts	Percentage (%)	Reason
Qingdao Yandao Hotel Co., Ltd.	13,340,442.07	13,340,442.07	100.00	Irrecoverable
Qingdao Dingxin Hongye Development and Construction Co., Ltd.	20,000,000.00	1,000,000.00	5.00	Demolition deposit, part of it has not been recovered after the due date
Qingdao Jianyuan Mechanized Construction Co., Ltd.	177,000,000.00	69,945,180.64	39.52	If the loan is overdue and not recovered, the bad debt provision is made based on the fair value of the pledged equity
Qingdao Bonde Textile Co., Ltd.	12,022,977.17	3,005,744.29	25.00	Expected to be partially recovered
Collection of investment funds from employees	100,704,514.97			
Shandong Haiwei Real Estate Co., Ltd.	22,050,000.00	22,050,000.00	100.00	Irrecoverable
Total	345,117,934.21	109,341,367.00	31.68	

(2) Other receivables with provision for bad debts based on the combination of credit risk characteristics

1) Other receivables with provisions for bad debts accrued under aging analysis method

Account age	Closing balance			Opening balance		
	Carrying amount		Provision for bad debts	Carrying amount		Provision for bad debts
	Amount	(%)		Amount	(%)	
Within 1 year (inclusive)	7,375,530,902.99	94.91		11,561,532,256.32	96.93	

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

Account age	Closing balance			Opening balance		
	Carrying amount		Provision for bad	Carrying amount		Provision for bad
	Amount	(%)	debts	Amount	(%)	debts
1-2 years (inclusive)	41,741,453.33	0.54	4,174,145.33	283,221,512.40	2.38	28,322,151.24
2-3 years (inclusive)	263,394,314.26	3.39	52,678,862.85	34,961,868.92	0.29	6,992,373.78
3-4 years (inclusive)	34,843,861.06	0.45	10,453,158.33	34,093,883.81	0.29	10,228,165.15
4-5 years (inclusive)	33,886,575.55	0.44	13,554,630.23	2,263,670.27	0.02	905,468.11
Above 5 years	20,700,641.83	0.27	10,367,820.93	11,231,387.69	0.09	5,615,698.85
Total	7,770,097,749.02	100.00	91,228,617.67	11,927,304,579.41	100.00	52,063,857.13

2) Other receivables without provision for bad debts

Name of the debtor	Closing balance	Opening balance	Reason for no provision
Finance Bureau of Hongdao	5,778,476,228.33	5,566,833,330.25	Government department
Construction Bureau service center	55,969,666.62	74,180,771.07	Government department
Shinan District Government of Qingdao	627,526,349.06	627,526,349.06	Government department
Bureau of National Treasury Payment Center	1,215,218,889.48	1,161,096,859.73	Government department
War Service Division of North China Sea Fleet	107,766,325.00	107,766,325.00	Government department
SASAC (Dongjiakou Port)	200,000,000.00	200,000,000.00	Government department
Licang Modern Business District Construction Office	909,270,833.33	909,270,833.33	Government department
Qingdao High-tech Zone Investment Development Group Co., Ltd.	120,000,000.00	120,000,000.00	Government department
Hongdao Development Project	8,020,000.00	8,020,000.00	Government department
Pingdu City Finance Bureau		68,109,300.00	Government department
Qingdao Municipal Finance Bureau	1,075,131,176.92	1,050,512,300.00	Government department
Laixi City Financial Treasury Payment Center	10,000,000.00	40,000,000.00	Government department
Qingdao Blue Ocean Newport City Real Estate Co., Ltd.	1,255,000,000.00	1,255,000,000.00	Related party
Shandong ShengliCo., Ltd.	60,671,328.89	60,671,328.89	Related party
Qingdao Zhongnengxin Investment Co., Ltd.		80,000,000.00	Related party
Qingdao Shiao Investment Development Co., Ltd.	2,000,000.00	2,000,000.00	Related party
Huasheng Green Energy Agricultural Technology Co., Ltd.	33,593,334.92	9,256,403.01	Related party
Qingdao Blue Silicon Valley Industrial Zone Wangcun New Town Management Committee	200,000,000.00	500,000,000.00	Government department
Qingdao Haisi Quanzong Investment Management Co., Ltd.	2,000,000.00	2,000,000.00	Related party
Qingdao Huibo Real Estate Co., Ltd.	41,606,716.17	31,162,271.73	Related party
Qingdao Huijie Real Estate Co., Ltd.	32,342,099.93	29,336,541.90	Related party
Qingdao Huitai Real Estate Co., Ltd.	21,820,452.83	21,820,452.83	Related party

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

Name of the debtor	Closing balance	Opening balance	Reason for no provision
Qingdao Huilian Real Estate Co., Ltd.	54,040,250.04	64,484,694.48	Related party
Qingdao Huiding Real Estate Co., Ltd.	13,870,846.35		Related party
Qingdao Zhonghe Freya Ecological Animal Husbandry Co., Ltd.	12,876,525.78	12,876,525.78	Related party
Finance Office of Dazeshan Town, Pingdu City	51,903,381.75	51,903,381.75	Government department
Qingdao Xindong Hotel Co., Ltd.	30,065,824.95	30,065,824.95	Related party
Olympic Sailing Museum	3,508,000.00	3,508,000.00	Related party
Qingdao Land Reserve Consolidation Center	594,600,000.00		Related party
Qingdao City Investment Fenghui Real Estate Co., Ltd.		107,500,000.00	Related party
Qingdao Ferry Co., Ltd.	184,041,102.55	184,041,102.55	Related party
Qingdao Tourism Group Automobile Co., Ltd.	16,255,727.02	16,255,727.02	Related party
Qingdao Tourism Group Co., Ltd.	541,990,190.54	542,001,435.54	Related party
Qingdao Nanxin City Investment Management Consulting Co., Ltd.	69,000,000.00	39,000,000.00	Related party
Qingdao Nanxin Yuanhai Real Estate Co., Ltd.		112,748,571.43	Related party
Qingdao Tourism Culture Media Co., Ltd.	19,717,795.52	19,717,795.52	Related party
Qingdao International Yacht Club Co., Ltd.	35,051,261.16	35,051,261.16	Government department
Qingdao Haisi Innovative Energy Investment Enterprise (Limited Partnership)			
Qingdao Iron and Steel Holding Group Co., Ltd.	1,129,748,343.24	1,106,806,706.42	Related party
Qingdao Olympic Sailing Center Performing Arts Co., Ltd.	823,163,144.30	764,281,018.02	Related party
Qingdao City Investment Tourism Economic Development Co., Ltd.	108,578,932.45	108,578,932.45	Related party
Qingdao Tourism Group Hotel Management Co., Ltd.	399,161,684.71	399,161,684.71	Related party
PT.Metal Smeltingo Selaras	186,273,754.49	186,273,754.49	Related party
Changsheng Dongfang (Tuquan) Agricultural Technology Co., Ltd.		1,042,181.02	Related party
Qingdao Xiyuan Holdings Co., Ltd.	1,100,000.00	1,100,000.00	Related party
	514,738,365.80	515,738,365.80	Related party

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

Name of the debtor	Closing balance	Opening balance	Reason for no provision
Shenxian Dingsheng Agricultural Technology Co., Ltd.		4,186,046.52	Related party
Taipusi Banner Borui Urban and Rural Construction and Asset Management Co., Ltd.	2,847,000.00	3,855,000.00	Related party
Tuquan County Mengdong Urban Development Investment Management Co., Ltd.	9,420,000.00	9,420,000.00	Related party
Vasari Investment Holdings Limited		2,443,124,734.99	Related party
XiongMao Green Energy Group Co., Ltd.		68,933,910.71	Related party
LaiXi City Finance Bureau	112,973,356.19	36,271,537.34	Government department
Chongqing Honghan Enterprise Management Consulting Co., Ltd.	177,955,448.03		Related party
Qingdao Equity Exchange	190,806,400.00		Government department
Management Committee of Qingdao Jimo Tongji New Economic Zone	173,000,000.00		Government department
Shandong Xincheng Hengye Group Co., Ltd.	4,000,000,000.00		Related party
Jiaodong Sub-district Office, Jiaozhou City	127,000,000.00		Government department
Qingdao Minxin Qiyuan Investment Center (Limited Partnership)	100,000,000.00		Related party
ZhongJiao Real Estate Co., Ltd.	784,000,000.00		Related party
Qingdao Chengxiu Real Estate Investment Co., Ltd.	162,559,312.99		Related party
Qingdao Nanxin Investment Co., Ltd.	57,028,564.03		Related party
Qingdao Runbin Commercial Management Co., Ltd.	21,590,300.00		Related party
Longkou Nanxin Yuanheng Real Estate Co., Ltd.	30,000,000.00		Related party
Nanshan Group Co., Ltd.	323,531,062.51		Related party
Qingdao Chenghui New Energy Co., Ltd.	8,750,000.00		Related party
Qingdao Nanxin City Investment Real Estate Co., Ltd.	2,249,543.48		Related party
Yantai Runde Real Estate Co., Ltd.	4,649,324.00		Related party
Qingdao Donggao Development and Construction Group Company	83,909,306.76	54,566,078.57	Related party

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

Name of the debtor	Closing balance	Opening balance	Reason for no provision
Qingdao City Construction Investment Center	44,129,564.75	42,388,722.53	Related party
Huaqing Development Co., Ltd.	91,032,308.31	96,458,722.60	Related party
Other related transactions	2,042,247.63	987,666.64	Related party
Internal employee loans and reserve funds	8,917,058.85	10,518,105.28	Internal employee loans and reserve funds
Other government departments	39,077,564.67	34,709,593.47	Government department
Other payments	1,039,307,273.42	503,860,547.74	Margin etc.
Total	24,142,874,167.75	19,535,980,696.28	

Companies that have implemented the new financial instrument standard

Categories	Closing balance				Opening balance			
	Carrying amount		Provision for bad debts		Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percent tage (%)
Individual provision for bad debts	23,626,391.23	0.82	23,626,391.23	100.00				
Including: accounts receivable with significant single amount and separate provision for bad debts	22,574,050.49	0.79	22,574,050.49	100.00				
Accounts receivable with insignificant single amount but with separate provision for bad debts	1,052,340.74	0.03	1,052,340.74	100.00				
Provision for bad debts by portfolio	2,844,107,230.54	99.18	1,297,679,593.18	45.63	1,546,427,637.36	100.00	9,992,379.23	62.14
Including: aging combination	2,390,184,992.87	83.35	1,297,679,593.18	54.29	1,092,505,399.69	100.00	9,992,379.23	62.14
Without provision for bad debts	453,922,237.67	15.83			453,922,237.67			
Total	2,867,733,621.77	100.00	1,321,305,984.41	46.07	1,546,427,637.36	100.00	9,992,379.23	62.14
					16,081,695.41		16,081,695.41	6,089,316.18
					1,092,505,399.69		9,992,379.23	6,089,316.18

(1) Other receivables with individually significant amount and individual provision for bad debts at the end of the period

Name of the debtor	Closing balance	Opening balance	Percentage	Reasons for no provision
Shanghai Everbright International Travel Service Co., Ltd. Hainan Branch	2,398,177.49	2,398,177.49	100.00	Irrecoverable
Finance Office, Wenquan Sub-district Office, Jimo City	20,175,873.00	20,175,873.00	100.00	Irrecoverable
Total	22,574,050.49	22,574,050.49	100.00	

(2) Other receivables with provision for bad debts by portfolio

Name	Closing balance			Opening balance		
	Carrying amount	Provision for bad debts	Provision percentage (%)	Carrying amount	Provision for bad debts	Provision percentage (%)
Age portfolio	2,390,184,992.87	1,297,679,593.18	54.29	16,081,695.41	9,992,379.23	62.14
Without provision for bad debts	453,922,237.67					
Total	2,844,107,230.54	1,297,679,593.18	45.63	16,081,695.41	9,992,379.23	62.14

8.9 Inventories

Items	Closing balance			Opening balance		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Raw material	1,044,361,495.61	2,455,854.91	1,041,905,640.70	221,924,443.60	408,569.39	221,515,874.21
Semi-goods and WIP	284,821,219.40	3,007,931.33	281,813,288.07	2,868,164.54		2,868,164.54
Finished goods	2,848,148,582.91	179,007,936.12	2,669,140,646.79	22,597,182.01	305,728.06	22,291,453.95
Development product	632,114,107.33		632,114,107.33	449,629,530.71		449,629,530.71
Turnover materials	47,376,187.77		47,376,187.77	43,644.56		43,644.56
Development cost	12,526,636,959.21	7,017,429.47	12,519,619,529.74	8,541,043,528.23	7,017,429.47	8,534,026,098.76
Completed unsettled assets formed by construction contracts				2,498,300,814.26	76,080,782.43	2,422,220,031.83
Total	17,383,458,552.23	191,489,151.83	17,191,969,400.40	11,736,407,307.91	83,812,509.35	11,652,594,798.56

8.10 Contract assets

Items	Closing balance			Opening balance		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
RKEF Special Smelting Equipment Complete Project	136,934,874.37	1,369,348.74	135,565,525.63			
2*65MW coal-fired power plant equipment complete project	110,815,520.36	1,108,155.20	109,707,365.16			
Construction of RKEF Phase I 4*33MVA Nickel-iron Submerged Arc Furnace Project	10,214,860.73	102,148.61	10,112,712.12			
2*65MW coal-fired power plant project construction	62,238,175.13	603,944.21	61,634,230.92			

Items	Closing balance			Opening balance		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
132MW Wind Power Project in the Philippines	771,986,285.10	38,599,314.28	733,386,970.82			
100MW photovoltaic project in the Philippines	1,179,986,041.54	11,799,860.42	1,168,186,181.12			
Summary of other sporadic projects	6,572,731.45	32,863.66	6,539,867.79			
Total	2,278,748,488.68	53,615,635.12	2,225,132,853.56			

8.11 Assets held for sale

Items	Closing balance			Reason for sale	Subsidiary
	Carrying amount	Impairment provision	Book value		
Nanjing TBR production line	78,940,095.99		78,940,095.99	Idle	Nanjing Kumho Tire Co., Ltd.
Vietnam Rubber Factory	13,349,326.78		13,349,326.78	Idle	Kumho Tire Vietnam Co., Ltd.
Total	92,289,422.77		92,289,422.77		

Note 1: The Nanjing TBR production line is an idle asset of Nanjing Kumho Tire Co., Ltd. The equipment sales agreement was signed in October 2020, and the sale is expected to be completed around August 2021.

Note 2: Kumho Tire Vietnam Co., Ltd. has decided to sell its tangible assets rubber plant in the current period to focus on its flagship business (tire business). It has signed a sale agreement with Hyundai Thanh Cong and is expected to complete the sale process in May 2021.

8.12 Non-current assets due within one year

Items	Closing balance	Opening balance
Long-term receivables due within one year	5,088,490,026.78	4,692,241,382.67
Short-term financial lease receivables	1,888,212.01	
Total	5,090,378,238.79	4,692,241,382.67

8.13 Other current assets

Items	Closing balance	Opening balance
Deferred expense	30,315,798.28	9,614,417.97
Prepaid tax	53,635,629.38	56,691,677.67
Finance products	1,000,000.00	287,940,000.00
Purchased distressed debts from the bank	2,768,412,109.89	5,587,977,392.64
Prepay VAT, Input Tax to Be Deducted, Input Tax to Be Certified, Value-Added Tax, Etc.	2,257,266,321.82	1,602,118,983.01
Trust Fund	947,500,000.00	7,474,932,850.48
Other claims	2,916,389,266.59	3,024,000,000.00
Reclamation Lands Use Rights	187,129,165.53	178,070,357.50
Entrusted loan	2,830,000,000.00	855,284,100.00

Items	Closing balance	Opening balance
Others	14,753,479.54	798,142.08
Total	12,006,401,771.03	19,077,427,921.35

8.14 Loans and advances to customers

8.14.1 Loans and advances are distributed according to individuals and enterprises

Item	Closing carrying value	Opening carrying value
Personal loans and advances	144,940,717.00	199,458,185.00
Corporate loans and advances	7,809,400,873.14	6,452,665,417.09
Total loans and advances	7,954,341,590.14	6,652,123,602.09
Less: loan loss provision	131,232,160.00	99,068,647.58
Among them: single item provision	36,797,331.10	
Combination provision	94,434,828.90	99,068,647.58
Book value of loans and advances	7,823,109,430.14	6,553,054,954.51

8.14.2 Loans and advances are distributed according to guarantee method

Item	Closing carrying value	Opening carrying value
Credit Loans		
Guaranteed loan	5,634,041,717.00	502,399,185.00
Collateral loan	2,320,299,873.14	6,149,724,417.09
Of which: Mortgage	1,529,639,873.14	4,993,154,630.99
Pledged loan	790,660,000.00	1,156,569,786.10
Total loans and advances	7,954,341,590.14	6,652,123,602.09
Less: loan loss provision	131,232,160.00	99,068,647.58
Among them: single item provision	36,797,331.10	
Combination provision	94,434,828.90	99,068,647.58
Book value of loans and advances	7,823,109,430.14	6,553,054,954.51

8.14.3 Loan loss provision

Items	Current period		Prior period	
	Individually	Group	Individually	Group
Opening balance		99,068,647.58		89,143,114.33
Accrual during the period	36,797,331.10	20,163,512.42		9,925,533.25
Deduct during the period				
Verification during the period				
Reverse during the period		24,797,331.10		
Reverse due to prior period written off to be collected during the current				
Reverse due to the rise of net present value of Loans and advances				
Reverse due to other factors				

Items	Current period		Prior period	
	Individually	Group	Individually	Group
Closing balance	36,797,331.10	94,434,828.90		99,068,647.58

8.15 Available-for-sale financial assets

8.15.1 The situation of available-for-sale financial assets

Items	Closing balance			Opening balance		
	Carrying amount	Provision	Carrying amount	Carrying amount	Provision	Carrying amount
Available-for-sale bonds	750,000,000.00		750,000,000.00	147,624,913.72		147,624,913.72
Available-for-sale equity instrument	72,092,513,936.51	150,150,738.00	71,942,363,198.51	30,391,988,496.80		30,391,988,496.80
Inc: measured at FV	5,835,809,457.06		5,835,809,457.06	5,631,990,680.34		5,631,990,680.34
measured at cost	66,256,704,479.45	150,150,738.00	66,106,553,741.45	24,759,997,816.46		24,759,997,816.46
Total	72,842,513,936.51	150,150,738.00	72,692,363,198.51	30,539,613,410.52		30,539,613,410.52

8.15.2 Available-for-sale financial asset measured at Fair value at closing balance

Items	Available-for-sale equity instruments	Available-for-sale debt instruments	Total
The cost of equity instruments/Amortized cost of debt instruments	6,079,488,849.12		6,079,488,849.12
Fair value	5,835,809,457.06		5,835,809,457.06
The amount of changes in fair value that are accrued to other comprehensive income	-243,679,392.06		-243,679,392.06
Amount of impairment has been accrued			

8.11.3 Available-for-sale financial asset measured at cost at closing balance

Invested company	Projects	Opening balance	Additions	Deductions	Closing balance	Measurement method
Qingdao City Construction Investment (Group) Ltd.	Qingdao Haichuang Development and Construction Investment Co., Ltd.	200,000,000.00			200,000,000.00	Cost
Qingdao City Construction Investment (Group) Ltd.	Qingdao GaochuangQingkong Share Investment Private Equity	45,000,000.00			45,000,000.00	Cost
Qingdao City Construction Investment (Group) Ltd.	Qingdao International Industrial and Commercial Center Co., Ltd.	80,000.00			80,000.00	Cost
Qingdao City Construction Investment (Group) Ltd.	Qingdao Tourism Group Co., Ltd.	410,682,872.79			410,682,872.79	Cost
Qingdao City Construction Investment (Group) Ltd.	Henan Yuanhai Zhaoangyuan Logistics Industry Development Fund (LLP)	250,000,000.00			250,000,000.00	Cost
Qingdao City Construction Investment (Group) Ltd. Qingdao City Investment Technology Development Co., Ltd.	Qingdao Haisiminhe Semiconductor Fund Company		321,525,598.00	199,220,351.74	1,111,730,708.43	Cost
Qingdao City Construction Investment (Group) Ltd.	Qingdao huaxin chuanyuan venture capital investment center (limited partnership)	989,425,462.17				
Qingdao City Construction Investment (Group) Ltd.	Qingdao Water Group Environmental Energy Co., Ltd.	100,000,000.00			100,000,000.00	Cost
Qingdao City Construction Investment (Group) Ltd.	Qingdao Science and Technology Innovation Fund Partnership (Limited Partnership)	459,575,707.46			459,575,707.46	Cost
Qingdao City Construction Investment (Group) Ltd.	Qingdao Hongjing Zhigu Science and Technology Innovation Fund Management Partnership (Limited Partnership)		120,000,000.00		120,000,000.00	Cost
Qingdao City Construction Investment (Group) Ltd.	Qingdao Transportation Development Group Co., Ltd.		1,100,000,000.00		1,100,000,000.00	Cost
Qingdao City Construction Investment (Group) Ltd.	Qingdao International Airport Group Co., Ltd.		11,730,754,582.35		11,730,754,582.35	Cost
Qingdao City Investment Industrial Investment (Group) Co., Ltd.	Qingdao Beautiful Sunshine Equity Investment Management Enterprises (LLP)		14,037,255,755.63		14,037,255,755.63	Cost
		16,019,638.00			16,019,638.00	Cost

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

Invested company	Projects	Opening balance	Additions	Deductions	Closing balance	Measurement method
Qingdao City Investment Industrial Investment (Group) Co., Ltd.	Qingdao Yonghui New Energy Equity Investment Management Enterprises (LLP)	25,132,795.00			25,132,795.00	Cost
Qingdao City Investment Industrial Investment (Group) Co., Ltd.	Neimenggu Nengjian H share project	43,123,170.30		43,123,170.30		Cost
Qingdao City Investment Industrial Investment (Group) Co., Ltd.	Qingdao Jimo City Investment New Kinetic Energy Industry Development Support Investment Management Center (Limited Partnership)	1,181,680,827.62	386,915,876.86		1,568,596,704.48	Cost
Qingdao City Investment Industrial Investment (Group) Co., Ltd.	Data Center Industry Investment Fund Project		75,000,000.00		75,000,000.00	Cost
Qingdao City Investment Industrial Investment (Group) Co., Ltd.	Qingdao City Investment New Kinetic Energy Industry Development Fund (Limited Partnership)	3,000,000.00			3,000,000.00	Cost
Qingdao City Investment Industrial Investment (Group) Co., Ltd.	Qingdao Baiyang Pharmaceutical Health Investment Management Center (Limited Partnership)	50,000,000.00			50,000,000.00	Cost
Qingdao City Investment Technology Development Co., Ltd.	Qingdao Haisi Qingyun Equity Investment Fund Enterprise (LLP)	30,876,788.54			30,876,788.54	Cost
Qingdao Haisi Stable Equity Investment Fund Enterprises (LLP)	Qingdao Kerui New Environmental Protection Material Co., Ltd.	45,000,000.00			45,000,000.00	Cost
Qingdao Haisi Stable Equity Investment Fund Enterprises (LLP)	Qingdao i xue erminhe investment center (LLP)	123,750,000.00			123,750,000.00	Cost
Qingdao Haisi Stable Equity Investment Fund Enterprises (LLP)	Shanghai Xincun Investment Center (LLP)	200,000,000.00		65,113,587.03	134,886,412.97	Cost
Qingdao City Investment Technology Development Co., Ltd. Qingdao City Investment Circular Equity Investment Management Co. LTD.	Qingdao city investment haisi cycling equity investment fund enterprise (LLP)	55,505,242.00	1,310,862.00		56,816,104.00	Cost
Qingdao City Investment Technology Development Co., Ltd.	Qingdao star investment equity fund center (LLP)	1,000,000,000.00		1,000,000,000.00		Cost
Qingdao Haisi Wenjian Equity Investment Fund Enterprises (LLP)	Yingke innovation asset management co. LTD	300,000,000.00			300,000,000.00	Cost

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

Invested company	Projects	Opening balance	Additions	Deductions	Closing balance	Measurement method
Qingdao Haisi Wenjian Equity Investment Fund Enterprises (LLP)	Qingdao Haiying Wuhao Equity Investment Partnership (Limited Partnership)	415,018,029.73	8,137,608.43		423,155,638.16	Cost
Qingdao Haisi Wenjian Equity Investment Fund Enterprises (LLP)	Xian ZhiHeXin Equity Investment Partnership (Limited Partnership)	175,000,000.00			175,000,000.00	Cost
Qingdao Haisi Wenjian Equity Investment Fund Enterprises (LLP)	Xingheng Power Co., Ltd.	169,999,994.14			169,999,994.14	Cost
Qingdao City Investment Technology Development Co., Ltd., Qingdao City Investment Financial Holding Group Co., Ltd.	Qingdao Qingtou Runwu Equity Investment Partnership (Limited Partnership)		225,000,000.00		225,000,000.00	Cost
Qingdao City Investment Technology Development Co., Ltd.	Shandong Letong KeChanRong New Kinetic Energy Industry Development Fund Center (Limited Partnership)		94,500,000.00		94,500,000.00	Cost
Qingdao City Investment Technology Development Co., Ltd.	Qingdao Huaxin Siyuan Equity Investment Center (Limited Partnership)		30,946,000.00		30,946,000.00	Cost
Qingdao City Investment Technology Development Co., Ltd.	Qingdao Minxin Qiyuan Investment Center (Limited Partnership)		830,687,986.00		830,687,986.00	Cost
Qingdao City Investment Technology Development Co., Ltd., Qingdao Huiquan Private Capital Management Co., Ltd., Qingdao (Jiaozhou) Urban and Rural Community Construction Investment Co., Ltd., Yantai Chuangji Real Estate Co., Ltd.	Qingdao Yingke Value Venture Capital Partnership (Limited Partnership)		1,179,394,700.00		1,179,394,700.00	Cost
Qingdao City Investment Technology Development Co., Ltd.	Qingdao Minxin Investment Center (Limited Partnership)		60,000,000.00		60,000,000.00	Cost
Qingdao City Investment Technology Development Co., Ltd.	Qingdao Deze Liuhe Investment Center (Limited Partnership)		144,640,033.25		144,640,033.25	Cost
Qingdao Haisi Steady Equity Investment Fund Enterprise (Limited Partnership)	Shenzhen Qingsong City Investment Partnership (Limited Partnership)		288,093,518.55		288,093,518.55	Cost
Qingdao Haisi Steady Equity Investment Fund Enterprise (Limited Partnership)	Nanjing Qingsong Medical and Health Industry Investment Partnership (Limited Partnership)		108,000,000.00		108,000,000.00	Cost

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

Invested company	Projects	Opening balance	Additions	Deductions	Closing balance	Measurement method
Qingdao Haisi Steady Equity Investment Fund Enterprise (Limited Partnership)	Hefei Huaxin Zhibang Integrated Circuit Investment Partnership (Limited Partnership)		30,284,091.00		30,284,091.00	Cost
Qingdao Haisi Steady Equity Investment Fund Enterprise (Limited Partnership)	Shanghai Gaozhong Information Technology Co., Ltd.		100,000,000.00		100,000,000.00	Cost
Qingdao Haisi Steady Equity Investment Fund Enterprise (Limited Partnership)	Hangzhou Taiyu Phase III Venture Capital Partnership (Limited Partnership)		18,000,000.00		18,000,000.00	Cost
Qingdao Haisi Steady Equity Investment Fund Enterprise (Limited Partnership)	Shenzhen Shensai Co., Ltd.		39,999,986.30		39,999,986.30	Cost
Qingdao Haisi Steady Equity Investment Fund Enterprise (Limited Partnership)	Qingdao Jingqing Capital Investment Center (Limited Partnership)		33,000,000.00		33,000,000.00	Cost
Qingdao City Investment Deep Space Equity Investment Fund Center (Limited Partnership)	Beijing Zhongwei Huitong Network Technology Co., Ltd.		801,052,000.00		801,052,000.00	Cost
Qingdao Semiconductor Industry Development Fund Partnership (Limited Partnership)	Hefei Huadeng Phase II Integrated Circuit Industry Investment Partnership (Limited Partnership)		100,674,200.00		100,674,200.00	Cost
Qingdao Semiconductor Industry Development Fund Partnership (Limited Partnership)	Hefei Tongshuo Equity Investment Partnership (Limited Partnership)		100,323,529.41		100,323,529.41	Cost
Qingdao Semiconductor Industry Development Fund Partnership (Limited Partnership)	Hefei Huaxin Runbo Integrated Circuit Investment Partnership (Limited Partnership)		25,634,433.00		25,634,433.00	Cost
Qingdao Semiconductor Industry Development Fund Partnership (Limited Partnership)	Hefei Huaxin Chuangyao Integrated Circuit Investment Partnership (Limited Partnership)		59,118,000.00		59,118,000.00	Cost
Qingdao Semiconductor Industry Development Fund Partnership (Limited Partnership)	Yiwu Huaxin Vision Venture Capital Center (Limited Partnership)		37,500,000.00		37,500,000.00	Cost
Qingdao Semiconductor Industry Development Fund Partnership (Limited Partnership)	Qingdao Zhixin Yuanqi Equity Investment Center (Limited Partnership)		33,369,128.00		33,369,128.00	Cost
Qingdao City Investment Technology Development Co., Ltd., Qingdao City Investment Equity Investment Management Co., Ltd.	Qingdao Haisi Minhe Equity Investment Fund Enterprise (Limited Partnership)	611,620,606.87	5,331,091.39	111,682,270.10	505,269,428.16	Cost

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

Invested company	Projects	Opening balance	Additions	Deductions	Closing balance	Measurement method
Qingdao Haisi Stable Equity Investment Fund Enterprise (Limited Partnership), Qingdao City Investment Equity Investment Management Co., Ltd.	Qingdao Minhe Zhiwei Investment Center (Limited Partnership)	258,326,560.00	3,796,000.00	261,867,060.00	255,500.00	Cost
Qingdao Huiquan Private Capital Management Co., Ltd., Qingdao Haisi Steady Equity Investment Fund Enterprise (Limited Partnership)	Chunhua Jingxi (Tianjin) Investment Center (Limited Partnership)	288,909,746.57	1,250,000.00		290,159,746.57	Cost
Qingdao City Investment Financial Holding Group Co., Ltd., Qingdao City Investment Energy Equity Investment Management Co., Ltd.	Qingdao Haisi Energy Equity Investment Fund Enterprise (Limited Partnership)	51,100,000.00			51,100,000.00	Cost
Qingdao City Investment Financial Holding Group Co., Ltd.	Qingdao Deze Investment Center (Limited Partnership)	179,000,000.00	382,780,000.00	487,608,334.30	74,171,665.70	Cost
Qingdao City Investment Financial Holding Group Co., Ltd.	Yantai Minhe Detong Investment Center (Limited Partnership)	55,000,000.00		27,024,747.68	27,975,252.32	Cost
Qingdao City Investment Financial Holding Group Co., Ltd.	Hangzhou Jinwei Investment Management Partnership (Limited Partnership)	91,770,000.00		91,770,000.00		Cost
Qingdao City Investment Financial Holding Group Co., Ltd.	Teda Manulife Value Growth Targeted Additional Issue No. 766	190,000,000.00		190,000,000.00		Cost
Qingdao City Investment Financial Holding Group Co., Ltd.	Qingdao Hongwei Value Growth Investment Center (Limited Partnership)	605,519,479.26			605,519,479.26	Cost
Qingdao City Investment Financial Holding Group Co., Ltd.	Qingdao Hongwei Dingrun Investment Center (Limited Partnership)					
Qingdao Urban Investment Financial Holding Group Co., Ltd.	Qingdao Chengjin Duoli Equity Investment Partnership (Limited Partnership)		490,400,000.00	87,362,416.00	403,037,584.00	Cost
Qingdao City Investment Financial Holding Group Co., Ltd.	Zhongyi Assets-Excellence Xingchen No.11 Asset Management Product		80,000,000.00	80,000,000.00		Cost
Qingdao City Investment Financial Holding Group Co., Ltd.	Qingdao Zhongke Dingliang Fund Management Center (Limited Partnership)		28,198,333.00		28,198,333.00	Cost
Qingdao City Investment Financial Holding Group Co., Ltd.			53,154,230.50		53,154,230.50	Cost

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

Invested company	Projects	Opening balance	Additions	Deductions	Closing balance	Measurement method
Qingdao City Investment Financial Holding Group Co., Ltd.	Qingdao Ziming Hexing Equity Investment Partnership (Limited Partnership)		194,880,000.00		194,880,000.00	Cost
Qingdao City Investment Financial Holding Group Co., Ltd.	Qingdao Changsheng NEC New Energy Holdings Co., Ltd.	99,722,922.00			99,722,922.00	Cost
Qingdao City Investment Financial Holding Group Co., Ltd.	Qingdao Chengyu Investment Center (Limited Partnership)	10,000,000.00		10,000,000.00		Cost
Qingdao City Investment Financial Holding Group Co., Ltd.	Qingdao Runchang Equity Investment Management Co., Ltd.		680,000.00		680,000.00	Cost
Qingdao City Investment Technology Development Co., Ltd., Qingdao Urban and Rural Community Construction Financing Guarantee Co., Ltd., Qingdao Huiquan Private Capital Management Co., Ltd.	Qingdao Haisi Innovation Equity Investment Fund Enterprise (Limited Partnership)					
Qingdao Urban and Rural Community Construction Financing Guarantee Co., Ltd.	Shanghai Tianci International Pharmaceutical Co., Ltd.	300,045,000.00			300,045,000.00	Cost
Qingdao Urban and Rural Community Construction Financing Guarantee Co., Ltd.	Qingdao Innovation Technology Group Co., Ltd.	45,000,000.00			45,000,000.00	Cost
Qingdao Urban and Rural Community Construction Financing Guarantee Co., Ltd.	Qingdao Meier High-Tech Development Co., Ltd.	30,000,000.00			30,000,000.00	Cost
Qingdao Urban and Rural Community Construction Financing Guarantee Co., Ltd.	Qingdao Jiaichenghai Small and Micro Enterprise Investment Center (Limited Partnership)	2,000,000.00			2,000,000.00	Cost
Qingdao Urban and Rural Community Construction Financing Guarantee Co., Ltd.	Qingdao Science and Technology Innovation Fund Management Co., Ltd.	3,360,000.00	6,720,000.00		10,080,000.00	Cost
Qingdao City Investment Equity Investment Management Co., Ltd.	Qingdao Qixincheng Equity Investment Fund Management Center (Limited Partnership)	600,000.00			600,000.00	Cost
Qingdao City Investment Equity Investment Management Co., Ltd.	Qingdao Haisi Old Town Enterprise Relocation Development Fund Enterprise (Limited Partnership), Qingdao Qinggang New Kinetic Energy Industry Development Partnership Enterprise (Limited Partnership)	2,500,000.00			2,500,000.00	Cost
Qingdao Urban and Rural Community Construction Financing Guarantee Co., Ltd.	Qinggang Relocation Project					
Qingdao Urban and Rural Community Construction Financing Guarantee Co., Ltd.	Qingdao Songling Venture Capital Partnership (Limited Partnership)	10,559,447,685.25			10,559,447,685.25	Cost
Qingdao Urban and Rural Community Construction Financing Guarantee Co., Ltd.			42,800,000.00		42,800,000.00	Cost

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

Invested company	Projects	Opening balance	Additions	Deductions	Closing balance	Measurement method
Qingdao Huiquan Private Capital Management Co., Ltd.	Qingdao Huizhi Huiquan Equity Investment Fund Partnership (Limited Partnership)		51,000,000.00		51,000,000.00	Cost
Golden harbour Investment Industry Limited	Global Nonferrous Metals Industry Fund LP (Cayman)		876,294,070.00		876,294,070.00	Cost
Qingdao Chengrong Real Estate Investment Development Co., Ltd.	Qingdao Blue City Shihe Investment Management Center (Limited Partnership)	180,000,000.00		6,066,000.00	173,934,000.00	Cost
Qingdao City Investment High-tech Investment Holdings Co., Ltd., Qingdao Chengshi Fund Management Co., Ltd.	Qingdao Chenggao Century Fund Investment Management Center (Limited Partnership)	62,500,000.00			62,500,000.00	Cost
Qingdao City Investment High-tech Investment Holdings Co., Ltd., Qingdao Chengshi Fund Management Co., Ltd.	Qingdao Wantai Real Estate Co., Ltd.	42,972,720.38			42,972,720.38	Cost
Qingdao City Investment High-tech Investment Holdings Co., Ltd., Qingdao Chengshi Fund Management Co., Ltd.	Shaohai Project	616,814,432.99		616,814,432.99		Cost
Qingdao City Investment Education Investment Co., Ltd.	Chinese Traditional Culture and Education No. 1 Private Equity Investment Fund	5,000,000.00			5,000,000.00	Cost
Qingdao City Investment Cultural Industry Co., Ltd.	Zhejiang Ant Small and Micro Financial Services Group Co., Ltd.	299,000,000.00			299,000,000.00	Cost
Qingdao City Investment Cultural Education Development Fund Center (Limited Partnership), Qingdao Urban Investment Cultural Equity Investment Management Co., Ltd.	Qingdao Qinghong Investment Management Partnership (Limited Partnership)	150,150,738.00			150,150,738.00	Cost
Qingdao City Investment Venture Development Group Co., Ltd.	Qingdao Jinghehui Industry Operation Co., Ltd.		26,460,000.00		26,460,000.00	Cost
Qingdao City Investment Education Investment Co., Ltd.	Qingdao City Investment Yicun Tongwei Equity Investment Fund-of-Fund Partnership (Limited Partnership)		8,575,000.00		8,575,000.00	Cost
Qingdao City Investment Health Industry Management Co., Ltd.	Yueyin Deyu Equity Investment Partnership (Limited Partnership) in Ningbo Meishan Free Trade Port Zone					
			100,000,000.00		100,000,000.00	Cost

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

Invested company	Projects	Opening balance	Additions	Deductions	Closing balance	Measurement method
Qingdao City Investment Land Development Co., Ltd.	Shandong Yuchai Huilu Real Estate Development Co., Ltd.	126,763,650.00			126,763,650.00	Cost
Qingdao City Investment Land Development Co., Ltd.	Shandong CDH Baifu Equity Investment Partnership (Limited Partnership)		48,400,000.00		48,400,000.00	Cost
Qingdao Development Investment Co., Ltd.	Bank of Qingdao	5,659,593.39			5,659,593.39	Cost
Qingdao Zhongyi Investment Management Co., Ltd.	Qingdao Tyler Environmental Building Materials Co., Ltd.	16,750.00			16,750.00	Cost
Qingdao Urban and Rural Community Construction Investment Group Co., Ltd.	Qingdao Urban and Rural General Aviation Equity Investment Fund Enterprise (Limited Partnership)	35,327,404.00	5,402,737.00	40,500,000.00	230,141.00	Cost
Qingdao City Investment Industrial Construction Development (Group) Co., Ltd.	China Construction Sharing No. 33 Infrastructure Investment Private Equity Fund (Qingdao Agricultural University PPP project)	63,000,000.00			63,000,000.00	Cost
Qingdao City Investment Aoshanwan Real Estate Co., Ltd.	Qingdao Qingfeng Investment Co., Ltd.	3,500,000,000.00			3,500,000,000.00	Cost
Qingdao Chengxin Holding Group Co., Ltd.	Qingdao Wudaokou New Energy Automobile Industry Fund Enterprise (Limited Partnership)		10,137,619,682.46		10,137,619,682.46	Cost
Qingdao Chengxin Holding Group Co., Ltd.	Qingdao Qingpu Equity Investment Fund (Limited Partnership)		150,000,000.00		150,000,000.00	Cost
Total		24,759,997,816.46	44,814,859,033.13	3,318,152,370.14	66,256,704,479.45	

8.16 Held-to-maturity investments

Items	Closing balance			Opening balance		
	Carrying amount	Provision	Carrying amount	Carrying amount	Provision	Carrying amount
Entrusted loan	15,593,830,618.77	250,000,000.00	15,343,830,618.77	10,456,081,519.51		10,456,081,519.51
WangQin Mezzanine debt	305,160,631.58		305,160,631.58	287,337,628.49		287,337,628.49
ZhongYuan Asset Management Co., Ltd. 2019 Corporate Bonds (First Tranche) 19 Chinese 01	80,000,000.00		80,000,000.00	80,000,000.00		80,000,000.00
Shandong Iron and Steel Co., Ltd. 2019 Green Corporate Bond (First Tranche) G19 Lugang 1	99,000,000.00		99,000,000.00	99,000,000.00		99,000,000.00
Shandong Iron and Steel Co., Ltd. 2019 Green Corporate Bond (Second Tranche) G19 Lugang 2	99,000,000.00		99,000,000.00	99,000,000.00		99,000,000.00
Cinda Investment Co., Ltd. 2019 Corporate Bonds (First Tranche) 19 Xintou 01	90,000,000.00		90,000,000.00	90,000,000.00		90,000,000.00
Linghua Group Co., Ltd. 2019 Green Corporate Bonds (First Tranche) G19 Linghua 1	60,000,000.00		60,000,000.00	60,000,000.00		60,000,000.00
Shandong Iron and Steel Group Co., Ltd. 2019 Renewable Corporate Bonds (Second Tranche) 19 Shandong Iron and Steel Y2	99,000,000.00		99,000,000.00	99,000,000.00		99,000,000.00
Shandong Xincheng Hengye Group Co., Ltd. 2020 corporate bonds	2,000,000,000.00		2,000,000,000.00			
Total	18,425,991,250.35	250,000,000.00	18,175,991,250.35	11,270,419,148.00		11,270,419,148.00

8.17 Long-term receivables

Items	Closing balance			Opening balance		
	Carrying amount	Provision	Carrying amount	Carrying amount	Provision	Carrying amount
Finance lease	10,573,974,847.34	72,392,614.06	10,501,582,233.28	10,343,795,424.46	59,442,357.72	10,284,353,066.74
Installment sales of goods	246,933,975.64	30,216,666.62	216,717,309.02	201,261,346.36	18,591,666.66	182,669,679.70
Jiaodong Airport Project	10,657,136,588.51		10,657,136,588.51	10,718,973,360.53		10,718,973,360.53
Financial lease deposit	9,000,000.00		9,000,000.00	18,600,000.00		18,600,000.00
Loan margin	54,500,000.00		54,500,000.00	39,300,000.00		39,300,000.00
Agricultural Park Investment Fund	24,585,410.93		24,585,410.93	13,611,654.73		13,611,654.73
Other margin	3,183,405.43		3,183,405.43	1,605,330.00		1,605,330.00
Total	21,569,314,227.85	102,609,280.68	21,466,704,947.17	21,337,147,116.08	78,034,024.38	21,259,113,091.70

8.18 Long-term equity investment

8.18.1 Classification

Items	Opening balance	Additions	Deductions	Closing balance
Investments in subsidiaries	11,661,358.18			11,661,358.18
Investment in joint ventures	997,983,112.33	259,434,235.95		1,257,417,348.28
Investment in associates	3,138,459,645.09	2,793,173,775.38	435,870,331.36	5,495,763,089.11
Sub-total	4,148,104,115.60	3,052,608,011.33	435,870,331.36	6,764,841,795.57
Less: Provision for impairment of long-term equity investments	19,887,448.74	139,163,581.99	3,209,620.86	155,841,409.87
Total	4,128,216,666.86	2,913,444,429.34	432,660,710.50	6,609,000,385.70

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

8.18.2 Details

Invested parties	Cost of Investment	Opening balance	Movement during the period						Closing balance	Closing balance for impairment
			Additional investment during the year	Disposal during the year	Gain on investment under equity method	OCI Adj.	Changes in other reserve	Cash dividend declared or profit	Provision for impairment	
Total	6,636,548,299.65	4,148,104,115.60	328,378,222.51	19,177,742.26	260,689,117.74	-26,137,157.06	222,805,165.68	119,624,011.40	139,163,581.99	155,841,409.87
Subsidiaries	11,661,358.18	11,661,358.18							11,661,358.18	
Qingdao City Construction and Investment Center	11,661,358.18	11,661,358.18								
Joint Ventures	1,258,514,965.97	997,983,112.33	253,166,793.51		6,267,442.44				1,257,417,348.28	
Qingdao Blue Sea and New Port Real Estate Co., Ltd.	1,000,000,000.00	988,039,509.38			45,246.92				988,084,756.30	
Qingdao An Jian Investment Co., Ltd.	3,700,000.00	3,766,905.75			34,325.33				3,801,231.08	
Qingyun Wanli Asset Management Co., Ltd. Q	1,648,172.46	6,176,697.20			137,954.12				6,314,651.32	
Qingdao Dongzheng Tengquan Equity Investment Partnership (Limited Partnership)	51,000,000.00		51,000,000.00		6,073,968.12				57,073,968.12	
Hejiangqingkong (Shandong) Project Management Co., Ltd.	1,000,000.00		1,000,000.00						1,000,000.00	
Qingdao City Investment Jiayu Equity Investment Fund (Limited Partnership)	201,166,793.51		201,166,793.51		-24,052.05					
Associates	5,366,371,975.50	3,138,459,645.09	75,211,429.00	19,177,742.26	254,421,675.30	-26,137,157.06	222,805,165.68	119,624,011.40	139,163,581.99	155,841,409.87
Shandong Financial Asset Management Co., Ltd.	320,000,000.00	404,641,794.72						5,757,043.73		
Qingdao Rural Commercial Bank Co., Ltd.	2,209,536,498.32				189,546,808.79	-26,137,157.06	222,805,165.68			
Qingdao Huidian Real Estate Co., Ltd.	4,849,534.59	1,013,285.12			23,276,240.68				2,209,536,498.32	2,595,751,315.73
Qingdao Huicheng Real Estate Co., Ltd.	4,857,012.56				48,325,263.03					24,289,525.80
Qingdao Huiding Real Estate Co., Ltd.	107,627.91									48,325,263.03
Qingdao Huilian Real Estate Co., Ltd.	87,072.55									
Henan Yuanhaibin Jiang Hengshun Equity Investment Fund (Limited Partnership)	15,000,000.00	15,632,494.81			1,023,711.38			125,133.91		16,531,072.28
Beijing Kecheng Electronic Commerce Co., Ltd.	5,000,000.00								9,716,468.96	9,716,468.96

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

Invested parties	Cost of Investment	Opening balance	Movement during the period						Closing balance	Closing balance for impairment
			Additional investment during the year	Disposal during the year	Gain on investment under equity method	OCI Adj.	Changes in other reserve	Cash dividend declared or profit	Provision for impairment	Others
Yangzhou Yuanhaibin Jiangzhongcheng Supply Chain Co., Ltd.	1,470,000.00	1,528,792.42			155,385.55					1,684,177.97
Qingdao Guofu Financial Assets Trading Center Co., Ltd.	12,500,000.00	11,642,028.07			11,307.18					11,653,335.25
CITIC Capital (Qingdao) Investment Management Co., Ltd.	4,768,300.00	3,765,705.53			57,348.40					3,823,053.93
Qingdao Dongfang Port Haitou Technology Co., Ltd.	9,364,738.51	9,351,773.67			-91,937.91					9,259,835.76
Qingdao Zhonghe Freya Ecological Animal Husbandry Co., Ltd.	58,800,000.00	57,088,174.55								57,088,174.55
Qingdao Yuexikelai Zhongshan Shopping Co., Ltd.	179,517,157.70	165,573,397.98								165,573,397.98
Qingdao Haitai Quanzong Investment Management Co., Ltd.	12,776,700.16	16,471,757.55			1,818,271.50					18,290,029.05
Qingdao Recycling Enterprise Management Co., Ltd.	164,512.00	231,900.69			10,715.90					242,616.59
Qingdao Blue Valley Jiaye Investment Development Co., Ltd.	1,000,000.00	532,708.88			-532,708.88					
Qingdao Xiuzheng Blue Valley Pharmaceutical Co., Ltd.	5,000,000.00	1,779,284.71			-1,779,284.71					
Shandong International Coastal Cultural Industry Co., Ltd.	228,850,000.00	225,991,915.06			-1,491,461.59					224,500,453.47
Qingdao Huaqing Education Investment Co., Ltd.	18,000,000.00	18,000,000.00			20,487,945.72					38,487,945.72
VanlinkCompanyLimited	89,450.00	89,450.00								89,450.00
Hongfang Culture Co., Ltd.	495,088,637.14	550,221,983.72			-5,002,838.17				125,733,772.00	-12,646,023.26
Panda Green Energy Group Co., Ltd.	898,340,424.78	727,184,749.39								727,184,749.39
Qingdao Oriental Eden Tourism Development and Construction Co., Ltd.	155,708,932.46	155,630,903.86			78,028.60					155,708,932.46
Qingdao XinHengli Investment Development Co., Ltd.	217,425,600.00	382,580,304.23			-10,028,983.54			113,741,833.76		-258,809,486.93

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

Invested parties	Cost of Investment	Opening balance	Movement during the period						Closing balance	Closing balance for impairment
			Additional investment during the year	Disposal during the year	Gain on investment under equity method	OCI Adj.	Changes in other reserve	Cash dividend declared or profit	Provision for impairment	Others
Qingdao Nanxin Urban Investment Management Consulting Co., Ltd.	45,000,000.00	32,972,598.31			-9,921,776.18					23,050,622.13
Qingdao Shiao Investment Development Co., Ltd.	262,307,004.77	262,511,652.56			-204,647.79					262,307,004.77
Qingdao Huijie Real Estate Co., Ltd.	138,589.52									
Qingdao Huiibo Real Estate Co., Ltd.	109,884.82									
Qingdao Huitai Real Estate Co., Ltd.	140,281.90									
Qingdao Qingping Iron City Construction Engineering Co., Ltd.	17,640,000.00	17,640,000.00								
Qingdao Taihe Golden Autumn Medical Care Co., Ltd.	35,000,000.00	17,508,767.70	17,500,000.00		543.16					35,009,310.86
Qingdao Jiniao Investment Co., Ltd.	14,700,000.00	14,700,000.00			-1,837.50					14,698,162.50
Qingdao Chengte Energy Management Co., Ltd.		9,732,390.53		9,732,390.53						
Qingdao Zesheng Textile Co., Ltd.	19,000,000.00	16,677,827.88								16,677,827.88
Qingdao City Investment Agriculture and Forestry Development Co., Ltd.	4,064,984.36	3,209,620.86								
Qingdao City Investment Fenghui Real Estate Co., Ltd.	4,838,113.33	4,838,113.33			-74,666.68				-3,209,620.86	
Qingdao Talent Group Co., Ltd.	10,200,000.00		10,200,000.00		-1,491,764.06				-4,763,446.65	8,708,235.94
Qingdao China Communications Urban Investment Real Estate Co., Ltd.	23,321,429.00		23,321,429.00							23,321,429.00
Qingdao Chengyu Investment Center (Limited Partnership)	10,000,000.00		10,000,000.00		2,902,305.79					12,902,305.79
Qingdao City Investment Yicun Equity Investment Management Co., Ltd.			690,000.00		-22,590.32					667,409.68
Qingdao Hailang Special Equipment Technology Co., Ltd.	5,100,000.00		5,100,000.00		-1,442,374.55					3,657,625.45
China Overseas Star Dragon Industry (Qingdao) Co., Ltd.	2,777,324.84				-1,070,754.26				2,742,180.76	1,671,426.50

Invested parties	Cost of Investment	Opening balance	Movement during the period						Closing balance	Closing balance for impairment	
			Additional investment during the year	Disposal during the year	Gain on investment under equity method	OCI Adj.	Changes in other reserve	Cash dividend declared or profit			Provision for impairment
Hebei Dazhengren Automobile Sales Service Group Co., Ltd.	37,524,241.03										
Arab haji industries co., ltd	697,620.00										
Beijing Hurricane Partners Network Technology Co., Ltd	7,110,303.25				-176,913.44						
Shandong Weixing Investment Co., Ltd.											
Xingda Network Technology (Qingdao) Co., Ltd.				7,750,000.00							
Suxing Automotive Technology (Qingdao) Co., Ltd.	3,900,000.00		3,900,000.00		7,807.25						3,907,807.25
Double Star Hollywood International Racing (Qingdao) Culture and Sports Co., Ltd.	3,000,000.00		3,000,000.00		52,955.72						3,052,955.72
Huaian Green Wheel Resource Recycling Co., Ltd.				1,695,351.73						1,695,351.73	
	1,500,000.00		1,500,000.00		1,576.23						1,501,576.23

8.19 Investment in other equity instruments

Item	cost of investment	The amount of changes in fair value accumulatively included in other comprehensive income	Fair value at the end of the period
Shandong Xinhai Financial Guarantee Co., Ltd.	1,000,000.00		1,000,000.00
JingTongJingXiu (Wuhan) Automobile Service Co., Ltd.	10,000,000.00		10,000,000.00
Beijing ZhiWeiJie ShangXinLiuTong Investment Center (Limited Partnership)	18,558,000.00		18,558,000.00
Qingdao May Fourth Maker City Management Consulting Co., Ltd.	1,200,000.00		1,200,000.00
Qingdao GuoXinHaiTian Basketball Club Co., Ltd.	2,000,000.00		2,000,000.00
Qingdao GuoXinJia Yun Equity Investment Fund Management Co., Ltd.	1,200,000.00		1,200,000.00
Double Star Hollywood International Racing (Qingdao) Culture and Sports Co., Ltd.	20,000.00		20,000.00
Total	33,978,000.00		33,978,000.00

8.20 Other non-current financial assets

Items	Fair value at the end of the period	Fair value at the beginning of the period
Trust Guarantee Fund Margin	6,010,000.00	4,010,000.00
Others	11,715,019.81	
Total	17,725,019.81	4,010,000.00

8.21 Investment property

Items	FV as at the beginning of the period	Purchase	Additions during the period	Gain or loss on change in FV	Others	Deductions during the period	FV as at end of the period
			Self-used property or transferred from inventory			Transferred into self-used property	
1. Total cost	4,254,391,415.95	73,283,824.04	92,879,067.76		202,687,792.46	289,442,447.35	4,333,799,652.86
2. Total change in fair value	2,054,877,213.45			-95,974,753.20		-25,053,887.06	1,983,956,347.31
3. Total book value of investment properties	6,309,268,629.40	73,283,824.04	92,879,067.76	-95,974,753.20	202,687,792.46	264,388,560.29	6,317,756,000.17

8.22 Fixed assets

Item	Closing carrying value	Opening carrying value
Fixed asset	34,349,992,640.51	12,697,321,985.97
Disposal of Fixed Assets	920.00	40,688,413.53
Total	34,349,993,560.51	12,738,010,399.50

8.22.1 Fixed assets

Items	Opening balance	Additions	Deductions	Closing balance
1. Total carrying amount	14,150,511,659.48	38,593,404,566.79	692,092,376.56	52,051,823,849.71
Inc: Buildings and constructions	3,920,949,316.17	10,161,594,675.64	172,656,253.89	13,909,887,737.92
Structure-photovoltaic, wind power station	9,781,652,759.29	2,195,313,705.67	735,345.82	11,976,231,119.14
Machinery equipment	217,762,805.81	19,486,815,939.60	276,160,225.11	19,428,418,520.30
Transportation equipment - vehicles	60,716,802.90	266,740,727.38	24,269,669.23	303,187,861.05
Transportation equipment - airframe, engine and core parts		2,337,205,584.15		2,337,205,584.15
Electronic equipment	27,446,576.37	8,378,396.02	658,989.96	35,165,982.43
Other equipments	141,983,398.94	4,137,355,538.33	217,611,892.55	4,061,727,044.72
2. Total accumulated depreciation	1,453,189,673.51	16,161,712,188.39	296,181,700.83	17,318,720,161.07
Inc: Buildings and constructions	328,470,656.36	2,199,763,159.04	87,135.13	2,528,146,680.27
Structure-photovoltaic, wind power station	869,389,236.29	484,723,777.97	33,937.61	1,354,079,076.65
Machinery equipment	174,468,417.30	9,986,840,349.03	124,375,679.65	10,036,933,086.68
Transportation equipment - vehicles	38,336,676.99	215,225,124.48	21,712,699.14	231,849,102.33
Transportation equipment - airframe, engine and core parts		503,655,268.42		503,655,268.42
Electronic equipment	21,106,153.95	2,235,645.97	577,176.89	22,764,623.03
Other equipments	21,418,532.62	2,769,268,863.48	149,395,072.41	2,641,292,323.69
3. Total book value	12,697,321,985.97			34,733,103,688.64
Inc: Buildings and constructions	3,592,478,659.81			11,381,741,057.65
Structure-photovoltaic, wind power station	8,912,263,523.00			10,622,152,042.49
Machinery equipment	43,294,388.51			9,391,485,433.62
Transportation equipment - vehicles	22,380,125.91			71,338,758.72
Transportation equipment - airframe, engine and core parts				1,833,550,315.73
Electronic equipment	6,340,422.42			12,401,359.40
Other equipments	120,564,866.32			1,420,434,721.03
4. Total provision for impairment		388,302,278.10	5,191,229.97	383,111,048.13
Inc: Buildings and constructions		26,402,131.19		26,402,131.19
Structure-photovoltaic, wind power station				
Machinery equipment		353,709,135.94		353,709,135.94
Transportation equipment - vehicles				
Transportation equipment - airframe, engine and core parts				
Electronic equipment				
Other equipments		8,191,010.97	5,191,229.97	2,999,781.00
5. Total net book value	12,697,321,985.97			34,349,992,640.51
Inc: Buildings and constructions	3,592,478,659.81			11,355,338,926.46
Structure-photovoltaic, wind power station	8,912,263,523.00			10,622,152,042.49
Machinery equipment	43,294,388.51			9,037,776,297.68
Transportation equipment - vehicles	22,380,125.91			71,338,758.72
Transportation equipment - airframe, engine and core parts				1,833,550,315.73
Electronic equipment	6,340,422.42			12,401,359.40
Other equipments	120,564,866.32			1,417,434,940.03

8.22.2 Disposal of fixed assets

Item	Closing carrying value	Opening carrying value	Reason for reclassification
Other devices	920.00		Scrapped
Houses and buildings		40,688,413.53	Being processed
Total	920.00	40,688,413.53	

8.23 Construction in Progress

Items	Closing balance			Opening balance		
	Carrying amount	Impairment	Book value	Carrying amount	Impairment	Book value
Construction in progress	38,657,908,310.79	5,189,111.34	38,652,719,199.45	38,167,852,910.57		38,167,852,910.57
Engineer material						
Total	38,657,908,310.79	5,189,111.34	38,652,719,199.45	38,167,852,910.57		38,167,852,910.57

8.23.1 Details

Name of the project	Closing balance			Book value	Opening balance		
	Carrying amount	Impairment	Book value		Carrying amount	Impairment	Book value
Development Project of Chanzhi Reservoir and Surrounding Water Conservancy Infrastructure	6,194,031,229.00		6,194,031,229.00		6,194,031,229.00		6,194,031,229.00
Dagu River Water Conservancy Facilities and Land Development Project	5,693,571,909.65		5,693,571,909.65		5,693,571,909.65		5,693,571,909.65
Bay Bridge connection project	4,573,048,848.48		4,573,048,848.48		4,570,404,967.44		4,570,404,967.44
Xinjiang Road Elevated Expressway Project	3,459,865,626.43		3,459,865,626.43		3,477,838,000.04		3,477,838,000.04
Chongqing Road Expressway Project	2,991,402,387.26		2,991,402,387.26		2,986,828,259.61		2,986,828,259.61
Jiaozhou Bay Freeway	2,957,527,391.65		2,957,527,391.65		2,944,999,664.13		2,944,999,664.13
Jinshui Road get-through project	2,484,400,000.00		2,484,400,000.00		2,484,400,000.00		2,484,400,000.00
Express way - Phase III	2,384,619,088.11		2,384,619,088.11		2,384,619,088.11		2,384,619,088.11
Subsea Tunnel Connection Project	1,468,817,428.88		1,468,817,428.88		1,378,768,614.68		1,378,768,614.68
Photovoltaic power station	614,021,001.95		614,021,001.95		1,835,208,959.90		1,835,208,959.90
Other engineering projects	613,916,327.05	5,189,111.34	608,727,215.71		312,956,178.78		312,956,178.78
Feifa Purchasing	536,775,177.41		536,775,177.41				
Construction project of Qingdao City Public Health Center	472,553,934.10		472,553,934.10		454,289,613.01		454,289,613.01
Qingdao Indonesia Comprehensive Industrial Park Project	449,638,933.64		449,638,933.64		450,913,274.71		450,913,274.71
Fuzhou Road Opening-up Project	400,656,809.14		400,656,809.14		400,656,809.14		400,656,809.14
Armed Police Detachment	386,580,634.67		386,580,634.67		386,582,189.30		386,582,189.30
Expansion project for the Chinese traditional hospital (Guo Yi Tang)	370,710,000.01		370,710,000.01		370,710,000.01		370,710,000.01
Renovation and expansion of central hospital	358,246,606.83		358,246,606.83		358,246,606.83		358,246,606.83
Dongfeng Factory 4.0 Intelligent Environmental Protection Relocation Project	356,748,079.26		356,748,079.26				
2010 urban water supply network renovation	326,654,521.23		326,654,521.23		326,654,521.23		326,654,521.23
Municipal Rehabilitation Centre for the Disabled	312,537,238.33		312,537,238.33		292,201,892.24		292,201,892.24
2010 urban bus replacement project	259,989,200.00		259,989,200.00		259,989,200.00		259,989,200.00
Qingdao New Airport Base Project	225,685,305.54		225,685,305.54				
Lighting project	186,027,982.99		186,027,982.99		186,027,982.99		186,027,982.99
Badaguan Community	171,646,848.14		171,646,848.14		165,746,195.65		165,746,195.65
Kumho Tire Project Engineering	155,400,322.43		155,400,322.43				

Name of the project	Closing balance			Opening balance		
	Carrying amount	Impairment	Book value	Carrying amount	Impairment	Book value
2010 urban drainage network construction	152,835,478.61		152,835,478.61	152,207,754.12		152,207,754.12
Infrastructure construction for medical center in west coast	100,000,000.00		100,000,000.00			100,000,000.00
Total	38,657,908,310.79	5,189,111.34	38,652,719,199.45	38,167,852,910.57		38,167,852,910.57

8.23.2 Key construction projects changes during the period

Name of the projects	Budget	Opening balance	Additions	Transfer to PPE	Deductions	Closing balance
Development Project of Chanzhi Reservoir and Surrounding Water Conservancy Infrastructure		6,194,031,229.00				6,194,031,229.00
Dagu River Water Conservancy Facilities and Land Development Project						
Bay Bridge connection project	45.66 billion	5,693,571,909.65				5,693,571,909.65
Xinjiang Road Elevated Expressway Project	39.23 billion	4,570,404,967.44	2,643,881.04			4,573,048,848.48
Chongqing Road Expressway Project	95.00 billion	3,477,838,000.05			17,972,373.62	3,459,865,626.43
Jiaozhou Bay Freeway	34.75 billion	2,986,828,259.61	4,574,127.65			2,991,402,387.26
Jinshui Road get-through project	29.70 billion	2,944,999,664.13	12,527,727.52			2,957,527,391.65
Express way - Phase III	18.30 billion	2,484,400,000.00				2,484,400,000.00
Subsea Tunnel Connection Project	37.64 billion	2,384,619,088.11				2,384,619,088.11
Photovoltaic power station		1,378,768,614.68	90,048,814.20			1,468,817,428.88
Feifa Purchasing	5.37 billion	1,835,208,959.90	424,290,117.31	1,645,478,075.26		614,021,001.95
Construction project of Qingdao City Public Health Center	3.36 billion		536,775,177.41			536,775,177.41
Qingdao Indonesia Comprehensive Industrial Park Project	6.90 billion	454,289,613.01	18,264,321.09			472,553,934.10
Fuzhou Road Opening-up Project	4.48 billion	450,913,274.71			1,274,341.07	449,638,933.64
Armed Police Detachment		400,656,809.14				400,656,809.14
Expansion project for the Chinese traditional hospital (Guo Yi Tang)		386,582,189.30	-1,554.63			386,580,634.67
Renovation and expansion of central hospital		370,710,000.01				370,710,000.01
Dongfeng Factory 4.0 Intelligent Environmental Protection Relocation Project	15.00 billion	358,246,606.83				358,246,606.83
2010 urban water supply network renovation			1,229,530,002.70	872,781,923.44		356,748,079.26
Municipal Rehabilitation Centre for the Disabled		326,654,521.23				326,654,521.23
2010 urban bus replacement project		292,201,892.24	20,335,346.09			312,537,238.33
Qingdao New Airport Base Project	2.26 billion	259,989,200.00				259,989,200.00
Lighting project			225,685,305.54			225,685,305.54
Badaguan Community		186,027,982.99				186,027,982.99
2010 urban drainage network construction		165,746,195.65	5,900,652.49			171,646,848.14
Infrastructure construction for medical center in west coast	0.54 billion	152,207,754.12	627,724.49			152,835,478.61
		100,000,000.00				100,000,000.00

Total	338.19Billion	37,854,896,731.80	2,571,201,642.90	2,518,259,998.70	19,246,714.69	37,888,591,661.31

8.23.3 Provision for impairment of construction in progress for the current period

Item	Provision for the current period	Reason for the provision
Xinjiang Cotton Stalk Biogasification Resources Comprehensive Utilization Project	4,019,584.13	The land has been repossessed by the government and the construction project is fully devalued
Exhibition hall project	1,169,527.21	The company is in the process of canceling, and the corresponding items are fully accrued for impairment
Total	5,189,111.34	

8.24 Biological assets

Measured at cost

Item	Carrying amount at the beginning of the year	Additions	Deductions	Closing balance
Plantation	3,306,141.75		115,740.12	3,190,401.63
Inc: Wine grapes	3,202,141.75		115,740.12	3,086,401.63
Tea seedlings	104,000.00			104,000.00
Total	3,306,141.75		115,740.12	3,190,401.63

8.25 Right of use assets

Item	Closing balance
Real estate lease	511,156,802.03
Mechanical equipment	43,964,353.52
Total	555,121,155.55

8.26 Intangible assets

Items	Opening balance	Additions	Deductions	Closing balance
1. Total cost	2,737,705,196.42	2,060,465,332.62	328,025,550.19	4,470,144,978.85
Including: Software	38,797,021.69	133,989,205.18	832,724.81	171,953,502.06
Land use right	468,937,110.07	1,401,735,751.95	326,907,765.00	1,543,765,097.02
Patent	74,561,271.70	31,500.00		74,592,771.70
Proprietary technology		338,290,034.55		338,290,034.55
Brand right	10,500.00	40,640,193.58		40,650,693.58
Copyright		4,000.00		4,000.00
Membership fee		40,678,358.71	285,060.38	40,393,298.33
Right to use parking space	24,000,000.00			24,000,000.00
Real estate use rights	23,906,300.00			23,906,300.00
Management software	2,312,247.08			2,312,247.08
Mine franchise	2,105,180,745.88			2,105,180,745.88
Other		105,096,288.65		105,096,288.65
2. Total accumulated amortization	37,530,926.98	364,931,751.22	20,991.20	402,441,687.00
Including: Software	12,530,117.64	58,094,734.17	20,991.20	70,603,860.61
Land use right	9,017,693.91	83,569,237.84		92,586,931.75
Patent	3,731,607.93	3,256,004.02		6,987,611.95
Proprietary technology		89,416,333.91		89,416,333.91
Brand right	10,500.00	39,074,575.94		39,085,075.94
Copyright		333.34		333.34
Membership fee				
Right to use parking space				
Real estate use rights	3,406,647.60	1,135,549.20		4,542,196.80
Management software	1,557,582.24	192,139.80		1,749,722.04
Mine franchise	7,276,777.66			7,276,777.66
Other		90,192,843.00		90,192,843.00
3. Total provision for impairment		40,070,401.59		40,070,401.59
Including: Software				
Land use right		3,948,491.58		3,948,491.58
Patent		4,601,728.27		4,601,728.27
Proprietary technology				
Brand right				
Copyright				
Membership fee		27,906,401.60		27,906,401.60
Right to use parking space				
Real estate use rights				
Management software				
Mine franchise				
Other		3,613,780.14		3,613,780.14
4. Total net book value	2,700,174,269.44			4,027,632,890.26
Including: Software	26,266,904.05			101,349,641.45
Land use right	459,919,416.16			1,447,229,673.69
Patent	70,829,663.77			63,003,431.48
Proprietary technology				248,873,700.64
Brand right				1,565,617.64
Copyright				3,666.66
Membership fee				12,486,896.73
Right to use parking space	24,000,000.00			24,000,000.00
Real estate use rights	20,499,652.40			19,364,103.20

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

Items	Opening balance	Additions	Deductions	Closing balance
Management software	754,664.84			562,525.04
Mine franchise	2,097,903,968.22			2,097,903,968.22
Other				11,289,665.51

8.27 Goodwill

8.27.1 Cost of goodwill

Name of the investee	Opening book value	Additions	Deductions	Closing book value
Qingdao Shengtong Coast Real Estate Development Co., Ltd.	88,354,540.61			88,354,540.61
Qingdao (holding) International Co., Ltd.	260,281,804.77			260,281,804.77
PT Kutai Nyala Resources	24,580,800.00			24,580,800.00
Qingdao Zhongzi Zhongcheng Group Co., Ltd.	2,233,991,003.20			2,233,991,003.20
Qingdao City Investment Agriculture and Forestry Development Co., Ltd.				
Qingdao Airlines Co., Ltd.		2,093,074,431.09		2,093,074,431.09
Nanshan Business Jet Co., Ltd.		83,524,031.00		83,524,031.00
Kumho Tire Co., Ltd.		252,460,367.93		252,460,367.93
Total	2,607,208,148.58	2,429,058,830.02		5,036,266,978.60

8.27.2 Provision for impairment of goodwill

Name of the investee	Opening book value	Additions	Deductions	Closing book value
Qingdao Shengtong Coast Real Estate Development Co., Ltd.	178,764,602.13			178,764,602.13
Qingdao City Investment Agriculture and Forestry Development Co., Ltd.		19,830,402.87		19,830,402.87
Qingdao Airlines Co., Ltd.		180,000,000.00		180,000,000.00
Total	178,764,602.13	199,830,402.87		378,595,005.00

8.28 Long-term deferred expenses

Items	Opening balance	Additions	Amortization	Other deductions	Closing balance	Reason for other deduction
Renovation cost	36,130,233.92	28,437,667.07	6,013,349.43		58,554,551.56	
Design fees, etc.	5,294,532.36				5,294,532.36	
Engineering construction, etc.	7,224,406.90	14,306,381.00	3,963,076.53		17,567,711.37	
Interest		307,973,176.05	20,275,947.50	287,697,228.55		
Expenses for the introduction and development of pilots		599,650,508.47	80,876,822.20		518,773,686.27	
Rental fees	85,687,571.65	90,630,342.99	13,788,822.91	307,500.02	162,221,591.71	
Sale and leaseback		287,697,228.55			287,697,228.55	
Other expenses, etc.	1,195,530.64	38,974,968.35	4,778,112.98	12,984,242.90	22,408,143.11	
Other	1,602,760.93	393,436,905.74	60,302,746.87	-62,252.46	334,799,172.26	
Total	137,135,036.40	1,761,107,178.22	189,998,878.42	300,926,719.01	1,407,316,617.19	

8.29 Deferred tax assets and deferred tax liabilities

8.29.1 Deferred tax assets and deferred tax liabilities are not listed as the net amount after the offset

Items	Closing balance		Opening balance	
	Deferred tax assets/liabilities	Deductible/taxable temporary difference	Deferred tax assets/liabilities	Deductible/taxable temporary difference
1. Deferred tax assets	1,107,852,667.58	4,864,227,051.67	474,301,041.59	1,910,376,204.75
Provision for assets impairment	254,064,087.14	1,063,051,043.06	125,132,357.52	513,353,913.11
Deductible loss	610,519,015.99	2,584,525,362.46	449,538,359.52	1,798,153,438.06
Deferred income	69,788,909.26	457,278,811.35		
Offset unrealized internal transaction deferred tax	26,879,684.38	170,756,831.58	3,295,732.44	13,530,485.32

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

Gains and losses on changes in fair value	5,353,039.12	23,623,276.49	-139,153,708.03	-556,614,832.31
Provisions	2,047,218.51	8,188,874.03	2,216,190.57	8,864,762.29
Employee benefit	5,230.06	20,920.24		
Amortization of intangible assets	3,643,950.11	14,575,800.44	5,271,391.44	21,085,565.76
Accrued expenses	11,315,079.64	45,260,318.54		
Investment Real Estate (Difference between Fair Value and Tax Basis)	41,316,673.70	165,266,694.80	19,728,115.24	78,912,460.96
Pre-collected housing payment is determined according to the tax law.	1,961,921.77	7,847,687.09		
Proposed disposal of long-term equity investment book value and tax base difference	375,000.00	1,500,000.00	375,000.00	1,500,000.00
Provision on loss of loan payment	13,627,619.94	54,510,479.75	7,897,602.89	31,590,411.56
Non-monetary asset transactions confirm the difference between the book value of long-term equity investments and the tax base	66,955,237.96	267,820,951.84		
2. Deferred tax liabilities	1,580,714,724.10	6,357,175,906.89	1,011,820,439.79	4,042,558,489.45
Valuation of trading financial instruments and derivative financial instruments	2,562,938.54	12,812,232.05		
Deferred income	152,117,102.50	608,468,410.00		
Difference between FV and carrying amount of investment property	537,768,263.02	2,160,691,152.08	538,332,516.06	2,148,903,529.94
Depreciation of investment property	16,719,949.76	66,879,799.08	14,935,122.25	59,443,753.61
Accelerated depreciation of fixed assets	11,639,644.08	68,697,008.75	652.25	2,609.01
Revenue recognized under accrual accounting	33,242,631.09	132,970,524.33	31,177,490.39	124,709,961.54
Changes in fair value gains and losses	372,765,581.56	1,491,062,326.44	841,589.23	3,366,356.92
Asset revaluation gains	428,585,308.64	1,714,341,234.54	426,533,069.61	1,706,132,278.43
Others	25,313,304.91	101,253,219.62		

8.29.2 Deferred income tax assets are listed in the net amount after offset

Item	Closing balance	Opening balance
Deferred tax assets	1,560,471,789.10	
Total	1,560,471,789.10	

8.29.3 The details of deferred income tax assets are as follows

Item	Closing balance	Opening balance
Retirement salary liabilities	251,372,137.48	
Immediate depreciation	24,728,567.42	
Fixed asset impairment loss	12,503,399.57	
Carry forward loss	490,027,551.51	
Long-term payable expenses	43,598,511.72	
Bad debt reserve	1,049,914.65	
Respondent debt	209,528,263.37	
Payable expenses	17,975,527.49	
Inventory assets assessment loss	1,659,080.02	
Fixed asset appraisal loss	253,441,906.49	
Others	156,510,024.10	
Sub-total	1,462,394,883.82	
Sales margin	-9,312,695.98	
Land reassessment balance	-141,927,922.80	
Debt adjusted income	-20,073,425.59	
Right-of-use asset	-19,137,841.67	
Finance lease receivables	-815,076.18	
Others	-333,258,623.68	
Sub-total	-524,525,585.90	
Tax credit	48,530,727.50	

Turn loss	574,071,763.68	
Confirmed deferred corporate income tax assets	1,462,394,883.82	
Confirmed deferred corporate income tax liabilities	-524,525,585.90	
Total	1,560,471,789.10	

8.30 Other non-current assets

Item	Closing balance	Opening balance
Trust fund	6,833,760,884.97	1,807,509,208.33
Advance payment for construction project	300,471,405.33	222,753,051.95
Advance payment for share rights	317,444,454.54	466,102,051.04
Prepaid for purchasing long-term asset	198,000,000.00	200,026,149.68
Prepaid land fees	119,765,102.00	5,027,208.00
Jiaozhou bank Dagou River bank property rights	376,091,285.76	376,091,285.76
Purchase bad debts	3,861,832,921.79	3,117,685,407.47
Prepaid insurance premium	70,575.86	70,575.86
Entrusted loan	2,359,330,348.32	1,442,859,444.50
Other claims	140,000,000.00	
Investment funds	598,890,566.30	
Others	17,998,706.00	
Total	15,123,656,250.87	7,638,124,382.59

8.31 Short-term borrowings

Conditions of the loan	Closing balance	Opening balance
Pledge loan	2,664,765,448.04	3,051,317,151.32
Mortgage loan	1,620,825,233.80	
Guarantee loan	7,681,382,762.21	3,115,414,893.20
Credit loan	6,758,875,331.66	2,115,000,000.00
Others	183,185,567.01	90,000,000.00
Total	18,909,034,342.72	8,371,732,044.52

8.31.1 Pledge loan

Financial institutions	Balance	Pledge
Guangfa Bank Co., Ltd. Jinan Central Branch	47,500,000.00	Deposit
Minsheng Financial Leasing Co., Ltd.	200,000,000.00	Financing lease receivable
Ping An International Financial Leasing (Tianjin) Co., Ltd.	72,794,228.15	Financing lease receivable
Ping An International Financial Leasing (Tianjin) Co., Ltd.	70,296,661.85	Financing lease receivable
Minsheng Financial Leasing Co., Ltd.	200,000,000.00	Financing lease receivable
Minsheng Financial Leasing Co., Ltd.	170,000,000.00	Financing lease receivable
Qilu Bank Co., Ltd. Qingdao Licang Sub-branch	95,000,000.00	Deposit
China Minsheng Banking Corporation Qingdao Branch	16,800,000.00	Deposit
China Minsheng Banking Corp., Ltd. Qingdao Branch	297,150,000.00	Deposit
China Merchants Bank Co., Ltd. Offshore Financial Center	458,640,000.00	Bank of Qingdao preferred shares, Qingdao Port H shares, Structured deposits
Nanyang Commercial Bank Co., Ltd. Hong Kong Branch	446,191,200.00	Deposit
Bank of Beijing Co., Ltd. Qingdao Branch	76,000,000.00	Deposit
Kunlun Bank Co., Ltd. International Business Settlement Center	33,104,604.87	Letter of credit
Shanghai Pudong Development Bank Co., Ltd. Qingdao Branch	175,000,000.00	Letter of credit
Kumho Tire Co., Ltd. related loan bank	306,288,753.17	Overseas pledged assets
Total	2,664,765,448.04	

8.31.2 Mortgage loan

Financial institutions	Balance	Pawn
Qingdao Bank Shibei Branch	400,000,000.00	Qingfangdiquanshizi No. 201198429 real estate of Qingdao Urban Construction Investment (Group) Co., Ltd.
China Development Bank Qingdao Branch	100,103,888.89	Lu (2019) Real Estate Property No. 0048412, Huangdao District, Qingdao City, Lu (2019) Real Estate Property No. 0048410, Huangdao District, Qingdao City, and Lu (2019) Real Estate Property No. 0048414, Huangdao District, Qingdao City No., Lu (2019) Huangdao District Real Estate Property No. 0048413, Lu (2019) Huangdao District Real Estate Property No. 0048411, land use rights and above-ground buildings
Kumho Tire Co., Ltd. related loan bank	1,120,721,344.91	Related assets
Total	1,620,825,233.80	

8.31.3 Guarantee loan

Financial institutions	Balance	Guarantor
China Everbright Bank Co., Ltd. Qingdao Chongqing South Road Sub-branch	200,000,000.00	Qingdao City Construction Investment (Group) Co., Ltd.
Qingdao Bank Jimo Branch	10,000,000.00	Qingdao City Construction Investment (Group) Co., Ltd.
Qingdao Bank Jimo Branch	70,000,000.00	Qingdao City Construction Investment (Group) Co., Ltd.
China Minsheng Banking Corp., Ltd. Qingdao Branch	50,799,656.46	Qingdao City Construction Investment (Group) Co., Ltd.
Bank of Qingdao Co., Ltd.	302,100,984.72	Qingdao City Construction Investment (Group) Co., Ltd.
China Minsheng Banking Corporation Qingdao Branch	12,008,075.97	Qingdao City Investment Financial Holding Group Co., Ltd.
Industrial Bank Co., Ltd. Qingdao Branch	60,091,712.50	Qingdao City Investment Financial Holding Group Co., Ltd.
Rizhao Bank Co., Ltd. Qingdao Branch	18,843,417.69	Qingdao City Investment Financial Holding Group Co., Ltd.
Qilu Bank Co., Ltd. Qingdao Branch	166,160,561.92	Qingdao City Construction Investment (Group) Co., Ltd.
Industrial Bank Co., Ltd. Qingdao Branch	59,139,932.97	Qingdao City Construction Investment (Group) Co., Ltd.
Qilu Bank Co., Ltd. Qingdao Branch	75,538,715.38	Qingdao City Construction Investment (Group) Co., Ltd.
Rizhao Bank Co., Ltd. Qingdao Branch	2,092,737.36	Qingdao City Construction Investment (Group) Co., Ltd.
Hengfeng Bank Co., Ltd. Qingdao Laoshan Sub-branch	91,440,218.38	Qingdao Urban and Rural Construction Finance Leasing Co., Ltd.
China Merchants Bank Hong Kong Branch	406,224,000.00	Qingdao City Construction Investment (Group) Co., Ltd.
The Export-Import Bank of China Shandong Branch	84,000,000.00	Huaqing Development (holding) Group Co., Ltd.
Qingdao Rural Commercial Bank Co., Ltd. Jiaozhou Jiaodong Sub-branch	100,000,000.00	Nanshan Group Co., Ltd. 、 Qingdao City Construction Investment (Group) Co., Ltd.
China Development Bank Qingdao Branch	400,000,000.00	Qingdao City Construction Investment (Group) Co., Ltd.
China Exim Bank Shandong Branch	500,000,000.00	Qingdao City Construction Investment (Group) Co., Ltd.
Qingdao Rural Commercial Bank Co., Ltd. Jiaozhou Jiaodong Sub-branch	42,000,000.00	Qingdao Urban and Rural Construction Finance Leasing Co., Ltd.
Qingdao Rural Commercial Bank Co., Ltd. Jiaozhou Jiaodong Sub-branch	50,000,000.00	Qingdao Urban and Rural Construction Finance Leasing Co., Ltd.
Qingdao Rural Commercial Bank Co., Ltd. Jiaozhou Jiaodong Sub-branch	100,000,000.00	Qingdao Urban and Rural Construction Finance Leasing Co., Ltd.
Bank of Beijing Co., Ltd. Qingdao Branch	200,000,000.00	Qingdao City Construction Investment (Group) Co., Ltd.
China Development Bank Qingdao Branch	120,000,000.00	Qingdao City Construction Investment (Group) Co., Ltd.
China Development Bank Qingdao Branch	100,000,000.00	Qingdao City Construction Investment (Group) Co., Ltd.
Qingdao Rural Commercial Bank Co., Ltd. Jiaozhou Jiaodong Sub-branch	33,000,000.00	Nanshan Group Co., Ltd. 、 Qingdao City Construction Investment (Group) Co., Ltd.
Qingdao Rural Commercial Bank Co., Ltd. Jiaozhou Jiaodong Sub-branch	50,000,000.00	Nanshan Group Co., Ltd. 、 Qingdao City Construction Investment (Group) Co., Ltd.
China Minsheng Banking Corp., Ltd. Qingdao Branch	60,000,000.00	Qingdao City Construction Investment (Group) Co., Ltd.
Industrial Bank Co., Ltd. Qingdao Branch	100,000,000.00	Qingdao City Construction Investment (Group) Co., Ltd.
China Development Bank Qingdao Branch	270,000,000.00	Qingdao City Construction Investment (Group) Co., Ltd.
Qingdao Rural Commercial Bank Co., Ltd. Jiaozhou Jiaodong Sub-branch	17,000,000.00	Nanshan Group Co., Ltd. 、 Qingdao City Construction Investment (Group) Co., Ltd.
Industrial Bank Co., Ltd. Qingdao Branch	65,249,000.00	Qingdao City Construction Investment (Group) Co., Ltd.
Bank of Communications Co., Ltd. Qingdao Jiaozhou Sub-branch	100,000,000.00	Qingdao City Construction Investment (Group) Co., Ltd.
Bank of Beijing Co., Ltd. Qingdao Branch	200,000,000.00	Qingdao City Construction Investment (Group) Co., Ltd.
Bank of Beijing Co., Ltd. Qingdao Branch	200,287,222.22	Qingdao Double Star Material Purchasing Co., Ltd.
Bank of Communications Co., Ltd. Qingdao Sub-branch	5,537,917.52	Qingdao Double Star Group Co., Ltd.

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

Financial institutions	Balance	Guarantor
Bank of China Limited Qingdao Hongkong Road Sub-branch	65,308,598.96	Qingdao Double Star Group Co., Ltd.
China Guangfa Bank Co., Ltd. Jinan Sub-branch	88,211,291.20	Qingdao Double Star Group Co., Ltd.
Bank of East Asia (China) Co., Ltd. Qingdao Branch	71,951,299.27	Qingdao Double Star Group Co., Ltd.
Agricultural Bank of China Co., Ltd. Qingdao Shinan Third Sub-branch	200,252,541.67	Double Star Group Co., Ltd.
Agricultural Bank of China Co., Ltd. Qingdao Shinan Third Sub-branch	197,237,768.06	Double Star Group Co., Ltd.
Bank of Communications Co., Ltd. Qingdao Shinan No. 1 Branch	194,244,817.22	Double Star Group Co., Ltd.
Industrial and Commercial Bank of China Limited Qingdao South Sub-branch	200,241,388.89	Double Star Group Co., Ltd.
Industrial and Commercial Bank of China Limited Qingdao South Sub-branch	100,010,972.22	Double Star Group Co., Ltd.
Bank of China Limited Qingdao Donghai Road Sub-branch	300,362,083.33	Double Star Group Co., Ltd.
China Postal Savings Bank Co., Ltd. Qingdao Economic and Technological Development Zone Branch	100,126,270.83	Double Star Group Co., Ltd.
Kunlun Bank Co., Ltd. International Business Settlement Center	60,076,083.33	Double Star Group Co., Ltd.
Shanghai Pudong Development Bank Co., Ltd. Qingdao Branch	120,323,546.85	Double Star Group Co., Ltd.
Ping An Bank Co., Ltd. Qingdao Branch	182,915,472.40	Double Star Group Co., Ltd.
China Everbright Bank Co., Ltd. Seoul Branch	174,584,855.72	Double Star Group Co., Ltd.
China Construction Bank Corporation Qingdao Sifang Sub-branch	300,378,812.50	Double Star Group Co., Ltd.
China Construction Bank Corporation Qingdao Sifang Sub-branch	190,239,914.58	Double Star Group Co., Ltd.
China Construction Bank Corporation Qingdao Sifang Sub-branch	185,233,601.04	Double Star Group Co., Ltd.
China Construction Bank Corporation Qingdao Sifang Sub-branch	220,265,527.78	Double Star Group Co., Ltd.
Kumho Tire Co., Ltd. related loan bank	407,903,763.27	
Total	7,681,382,762.21	

8.31.4 Other borrowing

Financial institutions	Balance	Security method
Qingdao Twenty-second Century International Culture Media Co., Ltd.	53,185,567.01	Collateral: Qingdao Shaocheng Real Estate Co., Ltd. Qingfang Diquan Shizi No. 201064950, No. 201064898, and No. 2011103804 Real Estate Guarantor: Qingdao Nanxin Investment Co., Ltd.
Minsheng Financial Leasing Co., Ltd.	130,000,000.00	Pledge: Finance lease receivable Guarantor: Qingdao Urban and Rural Construction Finance Leasing Co., Ltd.
Total	183,185,567.01	

8.32 Transactional financial liabilities

Items	Closing balance	Opening balance
Transactional financial liabilities	22,603,263.57	
Total	22,603,263.57	

8.33 Notes payable

Items	Closing balance	Opening balance
Bank acceptance bills	1,485,968,683.48	852,912,024.64
Commercial acceptance bills	63,058,796.54	34,326,461.60
Total	1,549,027,480.02	887,238,486.24

8.34 Accounts payable

Account age	Closing balance	Opening balance
Within 1 year (inclusive)	4,412,042,004.64	2,617,025,463.60
1-2 years (inclusive)	1,923,794,884.58	416,669,325.42
2-3 years (inclusive)	376,675,760.37	447,946,501.20
Above 3 years	643,904,298.94	424,915,701.75
Total	7,356,416,948.53	3,906,556,991.97

Key Account payables which aged over 1 year

Name of the creditors	Closing balance	Reason for unpaid
Qingdao Changshengridian Solar Technology Co., Ltd.	769,616,987.12	Not yet settled
Sichuan Dongxu Electric Power Engineering Co., Ltd.	450,456,553.97	Not yet settled
Shanghai Electric Group Co., Ltd.	400,619,118.00	Not yet settled
Shanghai Electric Power Design Institute Materials Co., Ltd.	294,311,681.74	Not yet settled
Shanghai Electric Power Design Institute Material Co., Ltd.	143,441,005.54	Payment during the settlement period
Shandong Yabaite Technology Co., Ltd.	37,235,620.59	The agreement is changing
PT.Indo Fudong Konstruksi	35,819,816.17	Payment during the settlement period
Shandong Yabaite Technology Co., Ltd.	32,752,122.00	Payment during the settlement period
Ronghua Construction Group Co., Ltd.	28,000,000.00	Not yet settled
Beijing Industrial Design and Research Institute Co., Ltd.	23,654,110.29	Not yet settled
Ronghua Construction Group Co., Ltd.	21,174,647.46	Not yet settled
PT.IndonesiaAnhui Energy Construction	15,623,319.00	Payment during the settlement period
Tonghua Jianxin Technology Co., Ltd.	13,942,000.00	Payment during the settlement period
China Railway 14 Bureau(Group) Co., LTD. Municipal Engineering Branch.	8,550,020.73	Not yet settled
Qingdao Pingjian Construction and Installation Co. LTD.	6,372,250.28	Not yet settled
Total	2,281,569,252.89	

8.35 Advances from customers

Account age	Closing balance	Opening balance
Within 1 year (inclusive)	1,592,198,181.01	692,076,490.17
Above 1 year	159,533,205.70	290,406,253.82
Total	1,751,731,386.71	982,482,743.99

Key Advance from customer aged over 1 year

Creditors	Closing balance	Reason for unsettled
Government Subsidy of Yunnan Road Project provided by Shinan District Government	83,163,332.22	Not yet settled
Branches of Yunnan Road Project	26,223,120.98	Not yet settled
Qingdao New Century Education Management Co., Ltd.	12,704,840.00	Not yet settled
Return to resettlement of Yunnan Road Project	8,496,739.34	Not yet settled
Unit size fees of Yunnan Road Project	7,312,660.00	Not yet settled
Parking fund of Yunnan Road Project	3,639,000.00	Not yet settled
Intention deposit of Parking spaces of Yunnan Road Project	2,993,835.05	Not yet settled
Total	144,533,527.59	

8.36 Contract liability

Items	Closing balance	Opening balance
Advance sales payment	236,492,077.93	
Trade payment and others	8,534,507.34	
Total	245,026,585.27	

8.37 Employee benefits

8.37.1 Classification

Items	Opening balance	Additions	Deductions	Closing balance
Short-term benefits	35,105,787.10	2,506,302,556.23	2,117,423,421.26	423,984,922.07
Termination benefits - severance payment plan	1,384,364.23	251,509,137.78	205,209,919.67	47,683,582.34
Redundancy benefit		6,769,773.51	6,759,273.51	10,500.00
Other benefit expected to be settled within 1 year		31,386,954.14	19,767,391.08	11,619,563.06
Total	36,490,151.33	2,795,968,421.66	2,349,160,005.52	483,298,567.47

8.37.2 Short-term benefits

Items	Opening balance	Additions	Deductions	Closing balance
(1) Salaries, bonuses, allowances and subsidies	31,525,750.26	2,025,704,251.80	1,875,494,412.90	181,735,589.16
(2) Employee welfare	33,948.66	51,353,843.95	50,795,168.50	592,624.11
(3) Social insurance	126,952.31	126,418,508.07	116,288,268.27	10,257,192.11
Including: Medical insurance	20,974.93	110,832,426.70	102,241,054.41	8,612,347.22
Injury insurance	523.58	13,067,834.21	11,521,309.46	1,547,048.33
Maternity insurance	2,345.70	-8,502.16	-7,555.40	1,398.94
Other Foreign Insurance	103,108.10	2,524,633.48	2,531,343.96	96,397.62
Others		2,115.84	2,115.84	
(4) Housing fund	37,007.00	48,835,622.87	47,369,023.54	1,503,606.33
(5) Labor union funds and employee education funds	3,328,044.12	76,101,672.75	17,788,538.39	61,641,178.48
(6) Paid absence		149,807,350.02	8,694,837.18	141,112,512.84
(7) Employee benefits under short-term profit-sharing plan				
(8) other short-term employee benefits	54,084.75	28,081,306.77	993,172.48	27,142,219.04
Total	35,105,787.10	2,506,302,556.23	2,117,423,421.26	423,984,922.07

8.37.3 Termination benefits - severance payment plan

Items	Opening balance	Additions	Deductions	Closing balance
Basic pension fund	54,884.71	112,879,939.04	102,086,159.83	10,848,663.92
Unemployment insurance	10,255.31	25,077,104.02	22,296,742.93	2,790,616.40
Enterprise annuity	1,319,224.21	15,397,746.46	16,039,257.96	677,712.71
Unpaid severance payment		97,192,288.02	64,465,569.12	32,726,718.90
Defined contribution plan		962,060.24	322,189.83	639,870.41
Total	1,384,364.23	251,509,137.78	205,209,919.67	47,683,582.34

8.38 Taxes and surcharges payable

Items	Opening balance	Payable during the period	Paid during the period	Closing balance
VAT	86,580,485.05	543,484,064.62	542,559,135.35	87,505,414.32
Business tax	10,500,987.89			10,500,987.89
Resource tax		1,064,431.80	792,972.00	271,459.80
Corporate income tax	539,537,115.45	1,067,628,075.78	779,771,103.03	827,394,088.20
Urban maintenance and construction tax	5,748,414.78	35,877,260.59	35,552,956.33	6,072,719.04
Property tax	5,124,058.21	38,622,528.10	30,256,997.43	13,489,588.88
Land use tax	5,778,924.71	35,527,578.63	32,019,236.35	9,287,266.99
Individual income tax	2,176,652.16	56,636,279.80	43,808,957.71	15,003,974.25
Educational surcharge	4,110,272.29	25,904,280.41	25,754,776.58	4,259,776.12

Items	Opening balance	Payable during the period	Paid during the period	Closing balance
Land VAT		607,314,228.76	550,916,490.80	56,397,737.96
Other and overseas taxes	5,333,414.98	187,825,973.55	186,576,690.08	6,582,698.45
Total	664,890,325.52	2,599,884,702.04	2,228,009,315.66	1,036,765,711.90

8.39 Other payables

Items	Closing balance	Opening balance
Interest payable	191,313,351.86	98,864,403.43
Dividend payable	181,285,468.94	84,218,545.06
Other payables	12,076,337,758.46	8,290,889,235.75
Total	12,448,936,579.26	8,473,972,184.24

8.39.1 Interest payable

Items	Closing balance	Opening balance
Interest payable for long-term borrowing (installment payment maturity repayment)	32,351,795.20	41,075,526.83
Interest payable for corporate bond	100,688,722.61	23,435,217.29
Interest payable for short-term borrowing	58,272,834.05	34,353,659.31
Total	191,313,351.86	98,864,403.43

8.39.2 Dividend payable

Items	Closing balance	Opening balance
Common stock dividend	181,285,468.94	84,218,545.06
Total	181,285,468.94	84,218,545.06

8.39.3 Other payable

(1) Other payable list according to the nature

Items	Closing balance	Opening balance
Deposit, warranty, margin	793,971,113.43	3,514,159,441.72
Land-transferring fees and deed tax	1,153,688,935.35	1,153,688,935.35
Land compensation	41,558,162.00	31,000,000.00
Deducted payment	13,184,620.53	628,677.80
Engineering funds	76,522,553.39	
Government funds	200,469,308.41	145,917,608.57
Related party	771,474,049.92	706,832,203.59
Company exchange	4,934,530,846.71	558,911,110.84
Loan	2,327,517,963.84	2,002,082,609.26
Deposit	10,230,000.00	5,000,000.00
Payment on behalf of others	131,993,683.80	11,707.90
Collection of investment funds from employees	99,826,967.00	
Others	271,782,736.80	172,656,940.72
Restricted stock repurchase obligations	15,862,045.06	
Kumho others	1,233,724,772.22	
Total	12,076,337,758.46	8,290,889,235.75

(2) Other payable account aged over 1 year

Creditors	Closing balance	Reasons
Land reserve funds	2,000,000,000.00	Unsettled
Zhongdao Area land transfer charge and deed tax	1,153,688,935.35	Unsettled
Qingdao Jinhengli Real Estate Co., Ltd.	408,000,000.00	Unsettled
Qingdao Nanxin Investment Co., Ltd.	333,919,064.03	Unsettled
Qingdao Shuifa Industrial Co., Ltd.	103,660,901.62	Unsettled
Interest on Qinggang Fund	63,600,000.00	Unsettled
Pingdu People's Government Fengtai Sub-district Office	44,163,923.84	Unsettled
Qingdao City Investment Tourism Economic Development Co., Ltd.	38,676,000.00	Unsettled

Creditors	Closing balance	Reasons
Yanji Road project compensation	31,000,000.00	Unsettled
Total	4,176,708,824.84	

8.40 Non-current liability due within one year

Items	Closing balance	Opening balance
Long-term borrowing due within one year	14,212,552,830.71	13,901,266,432.38
Bonds payable due within one year	7,041,647,359.92	2,370,626,716.68
Long-term payable due within one year	890,822,433.60	367,769,189.71
Lease liabilities due within one year	108,685,775.89	
Total	22,253,708,400.12	16,639,662,338.77

8.41 Other current liabilities

Items	Closing balance	Opening balance
Short-term financing bills	6,028,762,465.76	3,244,400,000.00
Accrued expenses	449,260.09	333,997.78
VAT that should be recognized as substituted money on VAT in next accounting period	32,526,907.73	8,125,141.43
Bill endorsement financing		72,500,000.00
Short-term financial lease	425,000,000.00	
Others	3,824,590.53	
Total	6,490,563,224.11	3,325,359,139.21

Changes of short-term financing bills during the period

Name of the bill	Par value	Inception date	duration	Issuing value	Opening balance	Additional issuing during the period	Interest levied on par value	Overflow and discount amortization	Repayment during the period	Closing balance
19 QCC1 SCP004	1,500,000,000.00	2019/7/12	270	1,500,000,000.00	1,521,328,767.12		11,867,954.19		1,533,196,721.31	
19 QCC1 SCP005	1,000,000,000.00	2019/7/17	270	1,000,000,000.00	1,013,808,219.18		8,322,928.36		1,022,131,147.54	
19 QCC1 SCP006	700,000,000.00	2019/7/24	270	700,000,000.00	709,263,013.70		6,228,789.58		715,491,803.28	
20 QCC1 SCP001	1,000,000,000.00	2020/6/12	168	1,000,000,000.00		1,000,000,000.00	9,159,452.05		1,009,159,452.05	
20 QCC1 SCP002	1,400,000,000.00	2020/6/29	164	1,400,000,000.00		1,400,000,000.00	12,455,013.70		1,412,455,013.70	
20 QCC1 D1	1,500,000,000.00	2020/8/10	365	1,500,000,000.00		1,500,000,000.00	20,002,191.78		1,510,257,534.25	1,520,002,191.78
20 QCC1 SCP003	1,500,000,000.00	2020/9/23	80	1,500,000,000.00		1,500,000,000.00	10,257,534.25			1,502,847,945.21
20 QCC1 D2	1,500,000,000.00	2020/12/14	300	1,500,000,000.00		1,500,000,000.00	2,847,945.21			2,003,895,890.41
20 QCC1 D3	2,000,000,000.00	2020/12/14	365	2,000,000,000.00		2,000,000,000.00	3,895,890.41			1,002,016,438.36
20 QCC1 SCP004	1,000,000,000.00	2020/12/9	180	1,000,000,000.00		1,000,000,000.00	2,016,438.36			
Total	13,100,000,000.00			13,100,000,000.00	3,244,400,000.00	9,900,000,000.00	87,054,137.89		7,202,691,672.13	6,028,762,465.76

8.42 Long-term borrowings

Items	Closing balance	Opening balance
Pledge loan	7,454,244,918.44	2,680,445,000.00
Mortgage loan	697,268,090.90	132,411,522.17
Guaranteed loan	22,377,792,556.17	17,964,761,150.85
Credit loan	27,492,985,514.64	18,852,255,420.22
Others	1,850,284,185.77	3,893,006,197.06
Total	59,872,575,265.92	43,522,879,290.30

8.42.1 Pledge loan

Financial institutions	Balance	Matter of Pledge
China Development Bank Qingdao Branch	169,420,000.00	Note 1
Qilu Bank Co., Ltd. Qingdao Branch	11,625,000.00	Note 2
Qingdao Branch of Cathay United Bank (China) Co., Ltd.	20,000,000.00	Note 3
Hana Bank (China) Co., Ltd. Qingdao Branch	43,205,050.28	Note 4
Xiamen International Bank Co., Ltd. Shanghai Daning Sub-branch	116,000,000.00	Note 5
China CITIC Bank Co., Ltd.	1,040,000,000.00	Note 6
China Development Bank Co., Ltd.	491,400,000.00	Note 7
Kumho Tire Co., Ltd. related loan bank	5,562,594,868.16	Overseas pledged assets
Total	7,454,244,918.44	

Note 1: The closing balance of the long-term pledge loan of the Company is 169,420,000.00 yuan. The pledge is the special fund for repayment of government subsidies and the right of government subsidy income enjoyed by Qingdao City Construction Investment (Group) Co., Ltd.;

Note 2: The closing balance of the long-term pledge loan of Qingdao Urban and Rural Construction Financial Leasing Co., Ltd., a subsidiary of Qingdao Urban Investment Financial Holding Group Co., Ltd., is 11,625,000.00 yuan. The pledge is the financing lease receivable of Qingdao Urban and Rural Construction Financial Leasing Co., Ltd.;

Note 3: The closing balance of long-term pledge loan of Qingdao Urban and Rural Construction Financial Leasing Co., Ltd., a subsidiary of Qingdao Urban Investment Financial Holding Group Co., Ltd., is RMB 20,000,000.00. The pledge is the financing lease receivable of Qingdao Urban and Rural Construction Financial Leasing Co., Ltd.;

Note 4: The closing balance of long-term pledge loan of Qingdao Urban and Rural Construction Financial Leasing Co., Ltd., a subsidiary of Qingdao Urban Investment Financial Holding Group Co., Ltd., is 43,205,050.28 yuan. The pledge is the financing lease receivable of Qingdao Urban and Rural Construction Financial Leasing Co., Ltd.;

Note 5: The closing balance of long-term pledge loan of Qingdao Urban and Rural Construction Financial Leasing Co., Ltd., a subsidiary of Qingdao Urban Investment Financial Holding Group Co., Ltd., is 116,000,000.00 yuan. The pledge is the financing lease receivable of Qingdao Urban and Rural Construction Financial Leasing Co., Ltd.;

Note 6: The closing balance of long-term pledge loan of Qingdao Jiangshan New Energy Auto Parts Industry Base Construction Co., Ltd., a subsidiary of Qingdao Urban Rural Community Construction Investment Group Co., Ltd., is 1,040,000,000.00 yuan. The pledge is the government purchase service income of the second phase project of the Laixi production base of BAIC New Energy Automobile;

Note 7: The closing balance of long-term pledge loan of the Company's subsidiary Hong Kong International (Qingdao) Co., Ltd. is 491,400,000.00 yuan. The pledge is 826,980,000.00 yuan fixed deposit certificate of Qingdao urban construction investment (Group) Co., Ltd.

8.42.2 Mortgage loan

Financial institutions	Balance	Collateral
New Era Trust Co., Ltd.	400,000,000.00	Note 1
China CITIC Bank (International)	29,123,640.00	Note 2
China CITIC Bank (International)	7,560,000.00	Note 3
China Development Bank Qingdao Branch	200,000,000.00	Note 4
Kumho Tire Co., Ltd. related loan bank	60,584,450.90	Related assets
Total	697,268,090.90	

Note 1: The closing balance of long-term mortgage loan of Qingdao Urban Rural Community Construction Investment Group Co., Ltd., a subsidiary of the Company, is 400,000,000.00 yuan. The

subject matter of mortgage is Qingdao Badaguan Hotel, No.19 Shanhaiguan Road, Shinan District of Qingdao Development Investment Co., Ltd.. The real estate license number is QFDQSZ No.146570.

Note 2: The closing balance of long-term mortgage loan of Qingdao Holding International Co., Ltd., a subsidiary of Huaqing development (holding) Group Co., Ltd., is 29,123,640.00 yuan. The subject matter of mortgage is Honghe property of Issegon Company Limited, Taigucheng property and Libao center of Royal Asset Investments Limited.

Note 3: The closing balance of long-term mortgage loan of Qingdao Holding International Co., Ltd., a subsidiary of Huaqing development (holding) Group Co., Ltd., is 7,560,000.00 yuan. The subject matter of mortgage is Honghe property of Issegon Company Limited, Taigucheng property and Libao center of Royal Asset Investments Limited.

Note 4: The closing balance of long-term loan of Qingdao Doublestar Tire Industrial Co., Ltd., a subsidiary of Doublestar Group Co., Ltd., is 200,000,000.00 yuan. The subject matter of mortgage is the ownership and land use right of the industrial property houses of Building 1-10, Practice Center of Building 11, Control Center of Building 12, Building 13-15, and Building 16-20 located at No. 66, Gangxing Avenue, Huangdao District, Qingdao City, Shandong Province (the property license number is Lu (2019) QH No.0048412, Lu (2019) QH No.0048410, Lu (2019) QH No.0048414, Lu (2019) QH No.0048413, Lu (2019) QH No.0048411 respectively).

8.42.3 Guaranteed loan

Financial institutions	Balance	Note
China Development Bank Qingdao Branch	32,000,000.00	Qingdao Tourism Group Co., Ltd.
Jianxin Financial Leasing Co., Ltd.	643,808,359.68	Qingdao Development Investment Co., Ltd., Qingdao Urban Investment Enterprise Development Co., Ltd.
ICBC Qingdao Shinan District Second Branch	198,000,000.00	Qingdao Urban Investment Industrial Investment (Group) Co., Ltd.
ICBC Qingdao Shinan District Second Branch	198,000,000.00	Qingdao Urban Investment Industrial Investment (Group) Co., Ltd.
ICBC Qingdao Shinan District Second Branch	198,000,000.00	Qingdao Urban Investment Industrial Investment (Group) Co., Ltd.
ICBC Qingdao Shinan District Second Branch	199,200,000.00	Qingdao Urban Investment Industrial Investment (Group) Co., Ltd.
ICBC Qingdao Shinan District Second Branch	796,800,000.00	Qingdao Urban Investment Industrial Investment (Group) Co., Ltd.
ICBC Qingdao Shinan District Second Branch	898,200,000.00	Qingdao Urban Investment Venture Development Group Co., Ltd.
ICBC Qingdao Shinan District Second Branch	1,694,900,000.00	Qingdao Urban Investment Industrial Investment (Group) Co., Ltd.
Bank of Communications Financial Leasing Co., Ltd.	250,000,000.00	Qingdao City Investment Construction Investment (Group) Ltd.
Bank of Communications Financial Leasing Co., Ltd.	534,397,311.01	Qingdao Development Investment Co., Ltd., Qingdao City Investment Construction Investment (Group) Ltd.
BOCOM International Trust Company Limited	500,000,000.00	Qingdao City Investment Construction Investment (Group) Ltd.
Everbright Xinglong Trust Co., Ltd.	600,000,000.00	Qingdao City Investment Construction Investment (Group) Ltd.
Zhonghai TrustCo., Ltd.	500,000,000.00	Qingdao City Investment Construction Investment (Group) Ltd.
Bairui Trust Co., Ltd.	949,200,000.00	Qingdao City Investment Construction Investment (Group) Ltd.
New Times Trust Co., Ltd.	500,000,000.00	Qingdao City Investment Construction Investment (Group) Ltd.
Jiangsu International Trust Co., Ltd.	982,000,000.00	Qingdao City Investment Construction Investment (Group) Ltd.
ICBC	93,400,000.00	Qingdao City Investment Construction Investment (Group) Ltd., Qingdao Urban Investment Industrial Investment (Group) Co., Ltd.
Jiangsu International Trust Corporation Limited	601,000,000.00	Qingdao City Investment Construction Investment (Group) Ltd.
BOCOM International Trust Company Limited	1,550,000,000.00	Qingdao City Investment Construction Investment (Group) Ltd.

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

Financial institutions	Balance	Note
BOCOM International Trust Company Limited	500,000,000.00	Qingdao City Investment Construction Investment (Group) Ltd.
BOCOM International Trust Company Limited	950,000,000.00	Qingdao City Investment Construction Investment (Group) Ltd.
BOCOM International Trust Company Limited	350,000,000.00	Qingdao City Investment Construction Investment (Group) Ltd.
Ping An Trust Co., Ltd.	700,000,000.00	Qingdao City Investment Construction Investment (Group) Ltd.
Ping An Trust Co., Ltd.	223,070,000.00	Qingdao City Investment Construction Investment (Group) Ltd.
Ping An Trust Co., Ltd.	520,000,000.00	Qingdao City Investment Construction Investment (Group) Ltd.
Ping An Trust Co., Ltd.	40,000,000.00	Qingdao City Investment Construction Investment (Group) Ltd.
Everbright Xinglong Trust Co., Ltd.	1,000,000,000.00	Qingdao City Investment Construction Investment (Group) Ltd.
Zhonghai TrustCo., Ltd.	300,000,000.00	Qingdao City Investment Construction Investment (Group) Ltd.
Yunnan International Trust Co., Ltd.	800,000,000.00	Qingdao City Investment Construction Investment (Group) Ltd.
Everbright Xinglong Trust Co., Ltd.	300,000,000.00	Qingdao City Investment Construction Investment (Group) Ltd.
Bank of Qingdao Co., Ltd. Hong Kong Middle Road Second Sub-branch	479,600,000.00	Qingdao City Investment Construction Investment (Group) Ltd. 、 Qingdao city investment finance holding group Co., Ltd.
China Development Bank Qingdao Branch	1,412,000,000.00	Qingdao City Investment Construction Investment (Group) Ltd.
Bank of China Limited Qingdao Hongkong Road Sub-branch	226,000,000.00	Double Star Group Co., Ltd.
Industrial and Commercial Bank of China Limited Qingdao South Sub-branch	445,000,000.00	Double Star Group Co., Ltd.
Industrial and Commercial Bank of China Limited Qingdao South Sub-branch	20,000,000.00	Double Star Group Co., Ltd.
Industrial and Commercial Bank of China Limited Qingdao South Sub-branch	250,000,000.00	Qingdao Double Star Co., Ltd.
Industrial and Commercial Bank of China Limited Qingdao South Sub-branch	196,000,000.00	Double Star Group Co., Ltd.
Agricultural Bank of China Co., Ltd. Qingdao Shinan Second Sub-branch	95,000,000.00	Double Star Group Co., Ltd.
Kumho Tire Co., Ltd. related loan bank	1,652,216,885.48	
Total	22,377,792,556.17	

8.42.4 Other borrowings

Financial institutions	Balance	Note
China Development Bank Co., Ltd.	56,000,000.00	Note 1
China Development Bank Co., Ltd.	55,000,000.00	Note 2
China Development Bank Co., Ltd.	15,000,000.00	Note 3
China Development Bank Co., Ltd.	25,000,000.00	Note 4
China Guangfa Bank Co., Ltd. Jinan Sub-branch	327,500,000.00	Note 5
China Guangfa Bank Co., Ltd. Jinan Sub-branch	204,400,000.00	Note 6
China Development Bank Co., Ltd.	97,000,000.00	Note 7
ICBC	86,500,000.00	Note 8
ICBC	369,500,000.00	Note 9
Bank of China Xuanhua Road Branch	2,428,784.21	Note 10
Bank Of Communications Qingdao Branch.	4,925,600.78	Note 11
Bank Of Communications Qingdao Branch.	8,550,000.00	Note 12
Bank Of Communications Qingdao Branch.	25,650,000.00	Note 13
Guangfa Bank Co., Ltd. Jinan Central Branch	54,000,000.00	Note 14
Hua Xia Bank Co., Ltd. Qingdao Branch	20,217,467.95	Note 15
Hua Xia Bank Co., Ltd. Qingdao Branch	21,360,441.92	Note 16
Hua Xia Bank Co., Ltd. Qingdao Branch	60,712,525.01	Note 17
Huaxia Bank Qingdao Branch	68,836,865.90	Note 18
China CITIC Bank Co., Ltd. Qingdao Nanjing Road Sub-branch	56,700,000.00	Note 19

Financial institutions	Balance	Note
Bank of Nanjing Co., Ltd. Shanghai Branch	75,170,000.00	Note 20
Qingdao City Investment International Trade Co., Ltd.	15,832,500.00	Note 21
China Exim Bank Shandong Branch	200,000,000.00	Note 22
Total	1,850,284,185.77	

Note 1: The closing balance of the long-term loan of Dongying Chengwei New Energy Co., Ltd., a subordinate company of Qingdao City Construction Industrial Investment (Group) Co., Ltd., is 56,000,000.00 yuan which is the pledge and guarantee loan. The pledge is Dongying Chengwei New Energy Co., Ltd.'s right to charge electricity fees for the Dongying (Shengli) City Distributed Photovoltaic Demonstration Zone 20 MW Project and all rights and interests under it. The guarantor is Qingdao City Construction Investment (Group) Ltd.;

Note 2: The closing balance of the long-term loan of Dongying Chengwei New Energy Co., Ltd., a subordinate company of Qingdao City Construction Industrial Investment (Group) Co., Ltd., is 55,000,000.00 yuan which is the pledge and guarantee loan. The pledge is Dongying Chengwei New Energy Co., Ltd.'s right to charge electricity fees for the Dongying (Shengli) City Distributed Photovoltaic Demonstration Zone 20 MW Project and all rights and interests under it. The guarantor is Qingdao City Construction Investment (Group) Co., Ltd.;

Note 3: The closing balance of the long-term loan of Dongying Chengwei New Energy Co., Ltd., a subordinate company of Qingdao City Construction Industrial Investment (Group) Co., Ltd., is 15,000,000.00 yuan which is the pledge and guarantee loan. The pledge is Dongying Chengwei New Energy Co., Ltd.'s right to charge electricity fees for the Dongying (Shengli) City Distributed Photovoltaic Demonstration Zone 20 MW Project and all rights and interests under it. The guarantor is Qingdao City Construction Investment (Group) Co., Ltd.;

Note 4: The closing balance of the long-term loan of Dongying Chengwei New Energy Co., Ltd., a subordinate company of Qingdao City Construction Industrial Investment (Group) Co., Ltd., is 25,000,000.00 yuan which is the pledge and guarantee loan. The pledge is Dongying Chengwei New Energy Co., Ltd.'s right to charge electricity fees for the Dongying (Shengli) City Distributed Photovoltaic Demonstration Zone 20 MW Project and all rights and interests under it. The guarantor is Qingdao City Construction Investment (Group) Co., Ltd.;

Note 5: The closing balance of the long-term loan of Xinjiang Hengdong Wind Energy Co., Ltd., a subordinate company of Qingdao City Construction Industrial Investment (Group) Co., Ltd., is 327,500,000.00 yuan which is the pledge and guarantee loan. The pledge is the right to charge electricity fees for the Hengdong Wind Energy Photovoltaic Power Station Project and all rights and interests under it. The guarantor is Qingdao City Construction Investment (Group) Co., Ltd.;

Note 6: The closing balance of the long-term loan of Mulei County Jiarui Guangsheng Power Generation Co., Ltd., a subordinate company of Qingdao City Construction Industrial Investment (Group) Co., Ltd., is 204,400,000.00 yuan which is the pledge and guarantee loan. The pledge is the right to charge electricity fees for the Jiarui Guangsheng Photovoltaic Power Station Project and all rights and interests under it. The guarantor is Qingdao City Construction Investment (Group) Co., Ltd.;

Note 7: The closing balance of the long-term loan of Qingdao Chengsheng Solar Energy Town Agricultural Technology Co., Ltd., a subordinate company of Qingdao City Construction Industrial Investment (Group) Co., Ltd., is 97,000,000.00 yuan which is the mortgage, pledge and guarantee loan. The subject matter of the mortgage is the equipment formed after the completion of the 20MW photovoltaic power generation project of Chengsheng Zhong Energy Pudong Agricultural Technology Greenhouse, which is enjoyed by Qingdao Chengsheng Solar Energy Town Agricultural Technology Co., Ltd. The pledge is Qingdao Chengsheng Solar Energy Town Agricultural Technology Co., Ltd.'s right to charge electricity fees for the 20MW Photovoltaic Power Generation Project of Chengsheng Zhong Energy Pudong Agricultural Technology Greenhouse and all rights and interests under it. The guarantor is Qingdao City Construction Investment (Group) Co., Ltd.;

Note 8: The closing balance of the long-term loan of Qingdao Chengsheng Solar Energy Town Agricultural Technology Co., Ltd., a subordinate company of Qingdao City Construction Industrial Investment (Group) Co., Ltd., is 86,500,000.00 yuan which is the pledge and guarantee loan. The pledge is Qingdao Chengsheng Solar Energy Town Agricultural Technology Co., Ltd.'s right to charge electricity fees for its Photovoltaic Power Generation Project. The guarantor is Qingdao City Construction Investment (Group) Co., Ltd.;

Note 9: The closing balance of the long-term loan of Qingdao Chengsheng Solar Energy Town Agricultural Technology Co., Ltd., a subordinate company of Qingdao City Construction Industrial Investment (Group) Co., Ltd., is 369,500,000.00 yuan which is the pledge and guarantee loan. The pledge is all the income enjoyed by Qingdao Chengsheng Solar Energy Town Agricultural Technology Co., Ltd. (including but not limited to the right to charge electricity fees for the Photovoltaic Power

Generation Projects and agricultural greenhouse operating income). The guarantor is Qingdao City Construction Investment (Group) Co., Ltd.;

Note 10: The closing balance of the long-term loan of Qingdao Urban and Rural Construction Financial Leasing Co., Ltd., a subordinate company of Qingdao City Investment Financial Holding Group Co., Ltd., is 2,428,784.21 yuan which is the factoring of lease receivable. The pledge is the lease receivable and the guarantor is Qingdao City Construction Investment (Group) Co., Ltd.;

Note 11: The closing balance of the long-term loan of Qingdao Urban and Rural Construction Financial Leasing Co., Ltd., a subordinate company of Qingdao City Investment Financial Holding Group Co., Ltd., is 4,925,600.78 yuan which is the factoring of lease receivable. The pledge is the lease receivable and the guarantor is Qingdao City Investment Financial Holding Group Co., Ltd.;

Note 12: The closing balance of the long-term loan of Qingdao Urban and Rural Construction Financial Leasing Co., Ltd., a subordinate company of Qingdao City Investment Financial Holding Group Co., Ltd., is 8,550,000.00 yuan which is the factoring of lease receivable. The pledge is the lease receivable and the guarantor is Qingdao City Investment Financial Holding Group Co., Ltd.;

Note 13: The closing balance of the long-term loan of Qingdao Urban and Rural Construction Financial Leasing Co., Ltd., a subordinate company of Qingdao City Investment Financial Holding Group Co., Ltd., is 25,650,000.00 yuan which is the factoring of lease receivable. The pledge is the lease receivable and the guarantor is Qingdao City Investment Financial Holding Group Co., Ltd.;

Note 14: The closing balance of the long-term loan of Qingdao Urban and Rural Construction Financial Leasing Co., Ltd., a subordinate company of Qingdao City Investment Financial Holding Group Co., Ltd., is 54,000,000.00 yuan which is the factoring of lease receivable. The pledge is the lease receivable and the guarantor is Qingdao City Investment Financial Holding Group Co., Ltd.;

Note 15: The closing balance of the long-term loan of Qingdao Urban and Rural Construction Financial Leasing Co., Ltd., a subordinate company of Qingdao City Investment Financial Holding Group Co., Ltd., is 20,217,467.95 yuan which is the factoring of lease receivable. The pledge is the lease receivable and the guarantor is Qingdao City Investment Financial Holding Group Co., Ltd.;

Note 16: The closing balance of the long-term loan of Qingdao Urban and Rural Construction Financial Leasing Co., Ltd., a subordinate company of Qingdao City Investment Financial Holding Group Co., Ltd., is 21,360,441.92 yuan which is the factoring of lease receivable. The pledge is the lease receivable and the guarantor is Qingdao City Investment Financial Holding Group Co., Ltd.;

Note 17: The closing balance of the long-term loan of Qingdao Urban and Rural Construction Financial Leasing Co., Ltd., a subordinate company of Qingdao City Investment Financial Holding Group Co., Ltd., is 60,712,525.01 yuan which is the factoring of lease receivable. The pledge is the lease receivable and the guarantor is Qingdao City Investment Financial Holding Group Co., Ltd.;

Note 18: The closing balance of the long-term loan of Qingdao Urban and Rural Construction Financial Leasing Co., Ltd., a subordinate company of Qingdao City Investment Financial Holding Group Co., Ltd., is 68,836,865.90 yuan which is the factoring of lease receivable. The pledge is the lease receivable and the guarantor is Qingdao City Investment Financial Holding Group Co., Ltd.;

Note 19: The closing balance of the long-term loan of Qingdao Urban and Rural Construction Financial Leasing Co., Ltd., a subordinate company of Qingdao City Investment Financial Holding Group Co., Ltd., is 56,700,000.00 yuan which is the factoring of lease receivable. The pledge is the lease receivable and the guarantor is Qingdao City Investment Financial Holding Group Co., Ltd.;

Note 20: The closing balance of the long-term loan of Shanghai Qingtou Financial Leasing Co., Ltd., a subordinate company of Qingdao City Investment Financial Holding Group Co., Ltd., is 75,170,000.00 yuan which is the factoring of lease receivable. The pledge is the lease receivable and the guarantor is Qingdao City Construction Investment (Group) Co., Ltd.;

Note 21: The closing balance of the long-term loan of Shanghai Qingtou Financial Leasing Co., Ltd., a subordinate company of Qingdao City Investment Financial Holding Group Co., Ltd., is 15,832,500.00 yuan which is the factoring of lease receivable. The pledge is the lease receivable and the guarantor is Qingdao City Construction Investment (Group) Co., Ltd.

Note 22: The Company's subsidiary Double Star Group Co., Ltd. obtained a loan of 200,000,000.00 yuan from the Shandong Branch of the Export-Import Bank of China. Qingdao Rural Commercial Bank Co., Ltd. issued a letter of guarantee for the loan.

8.43 Bonds payable

8.43.1 Breakdown

Items	Closing balance	Opening balance
Issue 15 PPN01		1,000,000,000.00

Items	Closing balance	Opening balance
3 billion nonpublic funding	3,000,000,000.00	3,000,000,000.00
Private equity debt - CCB 2 billion	2,000,000,000.00	2,000,000,000.00
Private equity debt - CCB 1 billion	1,000,000,000.00	1,000,000,000.00
Private debt- CIB 20180316		2,000,000,000.00
Private debt18 Qingdao City InvestmentPPN002		2,000,000,000.00
Private equity debt(3+2years)	950,000,000.00	950,000,000.00
Private equity debt(5years)	250,000,000.00	250,000,000.00
Private equity debt(3+2years)	1,750,000,000.00	1,750,000,000.00
Small public offering 2018 (5+5 years)	1,500,000,000.00	1,500,000,000.00
2019 Phase 1 medium-term notes	1,500,000,000.00	1,500,000,000.00
2019 Phase 2medium-term notes	1,500,000,000.00	1,500,000,000.00
The First PPN of 2019 (1 billion CCB)	1,000,000,000.00	1,000,000,000.00
The Phase 2 of PPN in 2019 (1 billion CCB)	1,000,000,000.00	1,000,000,000.00
The Third phase of targeted debt financing tools in 2019 (1 billion CCB)	1,000,000,000.00	1,000,000,000.00
Non-public issuance of corporate bonds in 2019 (Phase 1)	2,000,000,000.00	2,000,000,000.00
2019 Public Offering of Corporate Bonds (Phase 1)-Small Public Offering	800,000,000.00	800,000,000.00
Public offering of corporate bonds in 2019 (Phase 2)	1,500,000,000.00	1,500,000,000.00
Public offering of corporate bonds in 2020 (Phase 1)	1,500,000,000.00	
Public offering of corporate bonds in 2020 (Phase 2)	1,300,000,000.00	
Public offering of corporate bonds in 2020 (Phase 3) (Variety 1)	400,000,000.00	
Public offering of corporate bonds in 2020 (Phase 3) (Variety2)	500,000,000.00	
2020 Phase 3medium-term notes	2,500,000,000.00	
Public offering of corporate bonds in 2020 (Phase 1) (Variety 1) Small public offering	500,000,000.00	
Public offering of corporate bonds in 2020 (Phase 1) (Variety 2) Small public offering	1,000,000,000.00	
Public offering of corporate bonds in 2020 (Phase 2) (For professional investors) (Variety 1) -Small public offering	500,000,000.00	
Public offering of corporate bonds in 2020 (Phase 2) (For professional investors) (Variety 2) -Small public offering	2,000,000,000.00	
20 Qingdao City Investment PPN001	2,000,000,000.00	
Public offering of corporate bonds in 2020 (Phase 1) (Variety 2) -Shenzhen Stock Exchange Small-scale Public Offering	700,000,000.00	
Public offering of corporate bonds in 2020 (Phase 1) (Variety 1) -Shenzhen Stock Exchange Small Public Offering	1,000,000,000.00	
2020 Phase 4medium-term notes	1,900,000,000.00	
Qingdao City Investment Financial Holdings Group Co., Ltd. Non-public issuance of corporate bonds in 2019 (Phase 1)	2,500,000,000.00	2,500,000,000.00
Qingdao City Investment Financial Holdings Group Co., Ltd. publicly issued corporate bonds in 2019 (Phase 1)	1,000,000,000.00	1,000,000,000.00
Qingdao City Investment Financial Holding Group Co., Ltd. Non-public issuance of corporate bonds in 2019 (Phase 2)	500,000,000.00	500,000,000.00
Qingdao Urban and Rural Small Loan Asset Support Special Plan		
Qingdao city investment lease phase one asset support special plan	1,600.00	20,000,000.00
Qingdao city investment lease phase two asset support special plan		

Items	Closing balance	Opening balance
Qingdao city investment lease phase three asset support special plan		
Qingdao city investment lease phase four asset support special plan		18,595,885.54
Qingdao city investment lease phase five asset support special plan	13,692,822.58	236,461,731.43
Qingdao city investment lease phase six asset support special plan	249,365,821.15	555,102,392.16
Qingdao city investment lease phase seven asset support special plan	239,518,740.37	376,074,067.22
2019 Non-public Issuance of Bonds (Phase 1)	1,500,000,000.00	1,500,000,000.00
2019 Public Offering of Bonds (Phase 1)		800,000,000.00
2020 Non-public Issuance of Bonds	500,000,000.00	
The first phase of targeted debt financing tools in 2020	500,000,000.00	
2020 Non-public Issuance of Bonds (Phase 2)	1,000,000,000.00	
Public offering of corporate bonds in 2019 (Phase 1)	1,000,000,000.00	
Qingdao city and countryside investment lease phase eight asset support special plan	427,041,522.38	
Qingdao city and countryside investment lease phase nine asset support special plan	546,303,619.90	
300 million over 3 years	1,973,898,137.81	2,109,708,140.31
300 million over 5 years	1,977,247,495.85	2,113,690,243.40
10-year debenture	1,985,456,242.09	2,119,140,968.75
5-year debenture		3,566,429,631.77
Ping An Project's 3-year USD 300 million debt	1,973,968,822.88	
3- year dollar bond.		2,107,409,933.66
5-year dollar bond	3,282,680,300.80	3,510,066,272.01
Total	57,719,175,125.81	48,782,679,266.25

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

8.43.2 Movement during the period

Name of the bond	Par value	Date of issue	Term	Issued price	Opening balance	Additional issuing during the period	Interest paid based on par value	Amortization on premium / discount	Repayment	Closing balance
Issue 15 PPN01	1,000,000,000.00	2015/12/4	5 years	1,000,000,000.00	1,000,000,000.00		40,624,657.53		1,000,000,000.00	
3 billion nonpublic funding	3,000,000,000.00	2016/10/19	5 years	3,000,000,000.00	3,000,000,000.00		110,400,000.00			3,000,000,000.00
Private equity debt - CCB 2 billion	2,000,000,000.00	2017/10/31	8 years	2,000,000,000.00	2,000,000,000.00		113,200,000.00			2,000,000,000.00
Private equity debt - CCB 1 billion	1,000,000,000.00	2017/10/31	5 years	1,000,000,000.00	1,000,000,000.00		53,500,000.00			1,000,000,000.00
Private debt - CIB 20180316	2,000,000,000.00	2018/3/16	3 years	2,000,000,000.00	2,000,000,000.00		119,600,000.00			
Private debt18 Qingdao InvestmentPPN002	2,000,000,000.00	2018/4/24	3 years	2,000,000,000.00	2,000,000,000.00		113,200,000.00			
Private equity debt(3+2years)	950,000,000.00	2018/5/2	5 years	950,000,000.00	950,000,000.00		53,675,000.00			950,000,000.00
Private equity debt(5years)	250,000,000.00	2018/5/2	5 years	250,000,000.00	250,000,000.00		15,000,000.00			250,000,000.00
Private equity debt(3+2years)	1,750,000,000.00	2018/7/26	5 years	1,750,000,000.00	1,750,000,000.00		98,000,000.00			1,750,000,000.00
Small public offering 2018 (5+5 years)	1,500,000,000.00	2018/11/20	10 years	1,500,000,000.00	1,500,000,000.00		65,700,000.00			1,500,000,000.00
2019 Phase 1 medium-term notes	1,500,000,000.00	2019/3/25	5 years	1,500,000,000.00	1,500,000,000.00		65,700,000.00			1,500,000,000.00
2019 Phase 2 medium-term notes	1,500,000,000.00	2019/4/25	5 years	1,500,000,000.00	1,500,000,000.00		71,250,000.00			1,500,000,000.00
The First PPN of 2019 (1 billion CCB)	1,000,000,000.00	2019/3/5	5 years	1,000,000,000.00	1,000,000,000.00		48,500,000.00			1,000,000,000.00
The Phase 2 of PPN in 2019 (1 billion CCB)	1,000,000,000.00	2019/3/19	5 years	1,000,000,000.00	1,000,000,000.00		49,900,000.00			1,000,000,000.00
The Third phase of targeted debt financing tools in 2019 (1 billion CCB)	1,000,000,000.00	2019/4/29	5 years	1,000,000,000.00	1,000,000,000.00		51,300,000.00			1,000,000,000.00
Non-public issuance of corporate bonds in 2019 (Phase 1)	2,000,000,000.00	2019/9/18	5 years	2,000,000,000.00	2,000,000,000.00		81,400,000.00			2,000,000,000.00
2019 Public Offering of Corporate Bonds (Phase 1)-Small Public Offering	800,000,000.00	2019/10/14	8 years	800,000,000.00	800,000,000.00		31,600,000.00			800,000,000.00
Public offering of corporate bonds in 2019 (Phase 2)	1,500,000,000.00	2019/10/31	8 years	1,500,000,000.00	1,500,000,000.00		63,300,000.00			1,500,000,000.00
Public offering of corporate bonds in 2020 (Phase 1)	1,500,000,000.00	2020/1/16	8 years	1,500,000,000.00		1,500,000,000.00	55,967,671.23			1,500,000,000.00
Public offering of corporate bonds in 2020 (Phase 2)	1,300,000,000.00	2020/3/5	8 years	1,300,000,000.00		1,300,000,000.00	37,108,767.12			1,300,000,000.00
Public offering of corporate bonds in 2020 (Phase 3) (Variety 1)	400,000,000.00	2020/4/8	8 years	400,000,000.00		400,000,000.00	9,927,013.70			400,000,000.00
Public offering of corporate bonds in 2020 (Phase 3) (Variety 2)	500,000,000.00	2020/4/8	7 years	500,000,000.00		500,000,000.00	13,767,123.29			500,000,000.00
2020 Phase 3 medium-term notes	2,500,000,000.00	2020/4/16	5 years	2,500,000,000.00		2,500,000,000.00	58,589,041.10			2,500,000,000.00
Public offering of corporate bonds in 2020 (Phase 1) (Variety 1) -Small public offering	500,000,000.00	2020/10/16	6 years	500,000,000.00		500,000,000.00	4,008,219.18			500,000,000.00
Public offering of corporate bonds in 2020 (Phase 1) (Variety 2) -Small public	1,000,000,000.00	2020/10/16	8 years	1,000,000,000.00		1,000,000,000.00	8,860,273.97			1,000,000,000.00

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

Name of the bond offering	Par value	Date of issue	Term	Issued price	Opening balance	Additional issuing during the period	Interest paid based on par value	Amortization on premium / discount	Repayment	Closing balance
Public offering of corporate bonds in 2020 (Phase 2) (For professional investors) (Variety 1) -Small public offering	500,000,000.00	2020/10/27	6 years	500,000,000.00		500,000,000.00	3,390,410.96			500,000,000.00
Public offering of corporate bonds in 2020 (Phase 2) (For professional investors) (Variety 2) -Small public offering	2,000,000,000.00	2020/10/27	8 years	2,000,000,000.00		2,000,000,000.00	15,116,712.33			2,000,000,000.00
20 Qingdao City Investment PPN001	2,000,000,000.00	2020/11/23	3 years	2,000,000,000.00		2,000,000,000.00	9,723,287.67			2,000,000,000.00
Public offering of corporate bonds in 2020 (Phase 1) (Variety 2) -Shenzhen Stock Exchange Small Public Offering	700,000,000.00	2020/12/4	8 years	700,000,000.00		700,000,000.00	2,335,890.41			700,000,000.00
Public offering of corporate bonds in 2020 (Phase 1) (Variety 1) -Shenzhen Stock Exchange Small Public Offering	1,000,000,000.00	2020/12/4	9 years	1,000,000,000.00		1,000,000,000.00	3,053,150.68			1,000,000,000.00
2020 Phase 4-medium-term notes	1,900,000,000.00	2020/12/7	5 years	1,900,000,000.00		1,900,000,000.00	5,335,616.44			1,900,000,000.00
Qingdao City Investment Financial Holdings Group Co., Ltd. Non-public issuance of corporate bonds in 2019 (Phase 1)	2,500,000,000.00	2019/5/7	3 years	2,500,000,000.00	2,500,000,000.00		120,000,000.00			2,500,000,000.00
Qingdao City Investment Financial Holdings Group Co., Ltd. publicly issued corporate bonds in 2019 (Phase 1)	1,000,000,000.00	2019/7/23	5 years	1,000,000,000.00	1,000,000,000.00		38,304,657.53			1,000,000,000.00
Qingdao City Investment Financial Holding Group Co., Ltd. Non-public issuance of corporate bonds in 2019 (Phase 2)	500,000,000.00	2019/7/25	3 years	500,000,000.00	500,000,000.00		22,060,273.98			500,000,000.00
Qingdao Urban and Rural Small Loan Asset-Support Special Plan	300,000,000.00	2020/3/17	3 months	300,000,000.00		284,950,000.00	2,551,565.90		284,950,000.00	
Qingdao city investment lease phase one asset support special plan	370,000,000.00	2016/8/11	4.5 years	370,000,000.00	20,000,000.00		2,045,884.49			1,600.00
Qingdao city investment lease phase two asset support special plan	630,000,000.00	2017/5/10	4.5 years	630,000,000.00			7,132,563.90			
Qingdao city investment lease phase three asset support special plan	1,050,000,000.00	2018/2/8	2.3 years	1,050,000,000.00			5,191,701.58			
Qingdao city investment lease phase four asset support special plan	959,000,000.00	2018/12/14	3 years	959,000,000.00	18,595,885.54		13,413,362.25			
Qingdao city investment lease phase five asset support special plan	1,200,000,000.00	2019/4/23	3 years	1,200,000,000.00	236,461,731.43	72,081,000.00	31,898,007.72		158,731.43	13,692,822.58
Qingdao city investment lease phase six asset support special plan	1,321,000,000.00	2019/9/27	3.5 years	1,321,000,000.00	555,102,392.16	54,000,000.00	50,694,366.02		3,340,392.16	249,365,821.15
Qingdao city investment lease phase seven asset support special plan	1,115,000,000.00	2019/12/12	3 years	1,115,000,000.00	376,074,067.22	184,220,000.00	44,302,557.47		43,120,367.22	239,518,740.37
2019 Non-public Issuance of Bonds (Phase 1)	1,500,000,000.00	2019/11/28	5 years	1,500,000,000.00	1,500,000,000.00		70,111,849.32			1,500,000,000.00
2019 Public Offering of Bonds (Phase 1)	800,000,000.00	2019/10/30	3 years	800,000,000.00	800,000,000.00		32,780,000.00		800,000,000.00	

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

Name of the bond	Par value	Date of issue	Term	Issued price	Opening balance	Additional issuing during the period	Interest paid based on par value	Amortization on premium / discount	Repayment	Closing balance
2020 Non-public Issuance of Bonds	500,000,000.00	2020/2/27	5 years	500,000,000.00		500,000,000.00	16,961,095.89			500,000,000.00
The first phase of targeted debt financing tools in 2020	500,000,000.00	2020/4/29	5 years	500,000,000.00		500,000,000.00	12,064,109.59			500,000,000.00
2020 Non-public Issuance of Bonds (Phase 2)	1,000,000,000.00	2020/6/23	5 years	1,000,000,000.00		1,000,000,000.00	22,501,369.86			1,000,000,000.00
Public offering of corporate bonds in 2019 (Phase 1)	1,000,000,000.00	2020/9/21	3 years	1,000,000,000.00		1,000,000,000.00	15,219,178.08			1,000,000,000.00
Qingdao city and countryside investment lease phase eight asset support special plan	1,448,000,000.00	2020/6/2	3 years	1,448,000,000.00		1,200,000,000.00	31,012,246.22		362,880,000.00	427,041,522.38
Qingdao city and countryside investment lease phase nine asset support special plan	1,660,000,000.00	2020/10/27	3 years	1,660,000,000.00		1,255,000,000.00	11,966,319.45			546,303,619.90
300 million over 3 years	2,103,300,000.00	2019/11/11	3 years	2,103,300,000.00	2,109,708,140.31		76,658,400.00	2,559,211.20	215,027,613.70	1,973,898,137.81
300 million over 5 years	2,103,300,000.00	2019/10/8	5 years	2,103,300,000.00	2,113,690,243.40		78,624,000.00	593,611.20	215,660,358.75	1,977,247,495.85
10-year debenture	1,948,080,000.00	2015/2/12	10 years	1,948,080,000.00	2,119,140,968.75		116,953,200.00	6,683,040.00	257,320,966.66	1,985,456,242.09
5-year debenture	3,246,800,000.00	2015/2/12	5 years	3,246,800,000.00	3,566,429,631.77		155,610,000.00	15,397,200.00	3,737,456,831.77	
Ping An Project's 3-year USD 300 million debt	1,965,600,000.00	2020/4/27	3 years	1,965,600,000.00		1,965,600,000.00	78,427,440.00	2,531,692.80	72,590,309.92	1,973,968,822.88
3-year dollar bond	1,956,240,000.00	2017/12/4	3 years	1,956,240,000.00	2,107,409,933.66		73,710,000.00	2,574,936.00	2,183,694,869.66	
5-year dollar bond	3,260,400,000.00	2017/12/4	5 years	3,260,400,000.00	3,510,066,272.01		139,230,000.00	2,705,976.00	369,321,947.21	3,282,680,300.80
Total	77,486,720,000.00			77,486,720,000.00	48,782,679,266.25	23,815,851,000.00	2,742,456,984.86	33,045,667.20	9,545,502,388.48	57,719,175,125.81

8.44 Lease liability

Items	Closing balance	Opening balance
Lease payment	425,108,616.38	
Less: Unrecognized financing costs	36,015,738.33	
Reclassified to non-current liabilities due within one year	108,685,775.89	
Net lease liabilities	280,407,102.16	

8.45 Long-term payables

Items	Closing balance	Opening balance
Long-term payable	5,207,386,225.12	5,265,788,428.99
Special payable	17,539,810,729.55	17,700,082,459.73
Total	22,747,196,954.67	22,965,870,888.72

8.45.1 Long-term payable

Top 5 of closing balance

Items	Closing balance	Opening balance
Total	5,207,386,225.12	5,265,788,428.99
1.Fixed assets accessed from financial lease	853,482,145.52	
2.Borrowing from non-financial organizations, financing lease	3,442,553,842.54	4,431,914,043.28
3. Guarantee received financing lease	911,349,489.46	833,873,584.71
4. Other	747.60	801.00

8.45.2 Special payable

Top 5 of closing balance

Items	Opening balance	Additions	Deductions	Closing balance
Total	15,944,225,340.78	90,048,814.2	834,548,814.2	15,199,725,340.78
1. Jiaodong Airport Recruitment Project	4,710,000,000.00			4,710,000,000.00
2.Second phase of Jiaodong Airport relocation	6,700,500,000.00		744,500,000.00	5,956,000,000.00
3.Cross-bay Bridge Connection	1,695,490,045.78			1,695,490,045.78
4. Expressway Phase III	1,744,984,914.74			1,744,984,914.74
5. Submarine Tunnel Connection Project	1,093,250,380.26	90,048,814.20	90,048,814.20	1,093,250,380.26

8.46 Long-term employee benefits

Items	Opening balance	Additions	Deductions	Closing balance
1.Post-employment benefits-defined benefit plan net liabilities		1,364,685,342.80	292,278,612.99	1,072,406,729.81
2. Dismissal benefits				
3. Other long-term benefits		389,912,402.04	30,961,895.06	358,950,506.98
Total		1,754,597,744.84	323,240,508.05	1,431,357,236.79

8.47 Provision

Items	Closing balance	Opening balance
Provision on guarantee compensation	412,436,882.42	312,349,304.42
Unearned premium reserve	51,406,278.39	60,383,215.37
Pending litigation	894,766,476.34	6,391,828.00
Loss contract	5,725,723.64	6,100,573.69
Product quality assurance	57,089,147.60	
Others	10,363,994.22	2,074,800.00
Total	1,431,788,502.61	387,299,721.48

8.48 Deferred income

Items	Opening balance	Additions	Deductions	Closing balance
Government grants	5,750,000.00	1,432,147,487.39	175,030,801.01	1,262,866,686.38
Mileage points		16,358,839.39	6,853,291.41	9,505,547.98
Unrealized sale and leaseback gains and losses		25,239,779.86	4,349,986.12	20,889,793.74
Total	5,750,000.00	1,473,746,106.64	186,234,078.54	1,293,262,028.10

Government grants related project

Projects	Opening balance	Addition granted during the period	Accounted in the current period profit and loss	Refunded during the period	Other movement	Closing balance	Reason for refunding	Asset/income related
Crop straw cultivation mushroom project	5,750,000.00					5,750,000.00		Asset related
Jiangshan New Energy Project		42,887,475.00				42,887,475.00		Asset related
Demolition compensation		1,195,150,485.91	170,320,346.20			1,024,830,139.71		Asset related
Technology transformation funds		44,187,919.61	2,700,224.53			41,487,695.08		Asset related
R&D building subsidy		125,098,232.87	1,677,325.28			123,420,907.59		Asset related
Financial special funds		24,823,374.00	332,905.00			24,490,469.00		Asset related
Total	5,750,000.00	1,432,147,487.39	175,030,801.01			1,262,866,686.38		

8.49 Other non-current liabilities

Items	Closing balance	Opening balance
Other payment debts	1,399,953.27	
Repair reserve liability	3,107,240.90	
Others	29,245,357.07	
Total	33,752,551.24	

8.50 Paid-in capital

Name of the investor	Opening balance		Additions	Deductions	Closing balance	
	Invested amount	(%)			Invested amount	(%)
Qingdao Municipal People's Government State-owned Assets Supervision Commission	6,900,000,000.00	100.00			6,900,000,000.00	100.00
Total	6,900,000,000.00	100.00			6,900,000,000.00	100.00

8.51 Other equity instrument

Financial instruments issued	Opening balance	Additions	Deductions	Closing balance
Perpetual Mid-term Notes	1,500,000,000.00			1,500,000,000.00
Zhonghang Trust	1,000,000,000.00		1,000,000,000.00	
Shandong International Trust Perpetual Entrusted loan	1,000,000,000.00			1,000,000,000.00
Perpetual Mid-term Notes of 2 billion yuan	2,000,000,000.00			2,000,000,000.00
Perpetual corporate debenture of 2 billion yuan	2,000,000,000.00			2,000,000,000.00
Renewable corporate debenture Phase 2	1,000,000,000.00			1,000,000,000.00
Perpetual Mid-term Notes 1.8 billion	1,800,000,000.00			1,800,000,000.00
Renewable debt 600 million	600,000,000.00			600,000,000.00
Everbright Xinglong loaned 1.2 billion yuan	1,200,000,000.00			1,200,000,000.00
Huaxin Trust loaned 200 million yuan	200,000,000.00			200,000,000.00
Zhongcheng Trust loaned 1.2 billion	1,200,000,000.00			1,200,000,000.00
Lujiazui loaned 2 billion yuan	2,000,000,000.00			2,000,000,000.00
Xiamen International Trust loaned 1 billion	1,000,000,000.00			1,000,000,000.00
Xiamen International Trust loaned 300 million loans	300,000,000.00			300,000,000.00
Perpetual Medium-Term Notes 200 million loans		200,000,000.00		200,000,000.00
Perpetual Medium-Term Notes 2.5 billion		2,500,000,000.00		2,500,000,000.00
Renewable corporate debenture		2,800,000,000.00		2,800,000,000.00
Huaxin Trust loaned 10 million yuan		10,000,000.00		10,000,000.00
Huabao Trust loaned 1 billion yuan		1,000,000,000.00		1,000,000,000.00
Huabao Trust loaned 1 billion yuan (Phase 2)		1,000,000,000.00		1,000,000,000.00
Qingdao City Investment Financial Holding Group Co., Ltd. publicly issues renewable corporate bonds in 2019(Phase 1)	1,000,000,000.00			1,000,000,000.00
Qingdao City Investment Financial Holding Group Co., Ltd. publicly issues renewable corporate bonds in 2020(Phase 1)		500,000,000.00		500,000,000.00
Total	17,800,000,000.00	8,010,000,000.00	1,000,000,000.00	24,810,000,000.00

Note 1: In May 2016, the Company issued a perpetual mid-term note of 1.5 billion yuan. The perpetual bond has no fixed maturity date;

Note 2: In December 2018, the Company and Shandong International Trust Co., Ltd. signed a renewable trust loan contract with an amount of 1 billion yuan;

Note 3: In September 2018, the Company issued a perpetual midterm note of 2 billion yuan, and the perpetual bond has no fixed maturity date;

Note 4: In October 2018, the Company issued renewable corporate bonds (phase 1) of 2 billion yuan, and the renewable corporate bonds have no fixed maturity date;

Note 5: In December 2018, the Company issued a renewable corporate bond (phase 2) of 1 billion yuan, and the renewable corporate bond has no fixed maturity date;

Note 6: In December 2019, the Company issued a perpetual medium-term note of 1.8 billion yuan, and the perpetual bond has no fixed maturity date;

Note 7: In December 2019, the Company and Berry Trust Co., Ltd. signed the "Bai Rui Fucheng No. 522 Collective Fund Trust Scheme (Qingdao City Investment Perpetual Bond) Debt Investment Agreement with an amount of 600 million yuan;

Note 8: In December 2019, the Company and Everbright Xinglong Trust Co., Ltd. signed an unfixed term trust loan contract with an amount of 1.2 billion yuan;

Note 9: In December 2019, the Company and Huaxin International Trust Co., Ltd. signed a trust loan contract with an amount of 200 million yuan;

Note 10: In December 2019, the Company signed a renewable trust loan contract with Zhongcheng Trust Co., Ltd., with an amount of 1.2 billion yuan;

Note 11: In December 2019, the Company and Lujiazui International Trust Co., Ltd. signed a renewable trust loan contract with an amount of 2 billion yuan;

Note 12: In December 2019, the Company and Xiamen International Trust Co., Ltd. signed a renewable trust loan contract with an amount of 1 billion yuan;

Note 13: In December 2019, the Company and Xiamen International Trust Co., Ltd. signed a renewable trust loan contract with an amount of 0.3 billion yuan;

Note 14: In December 2020, the Company issued a perpetual mid-term note of 0.2 billion yuan. The perpetual bond has no fixed maturity date;

Note 15: In March 2020, the Company issued a perpetual mid-term note of 2.5 billion yuan. The perpetual bond has no fixed maturity date;

Note 16: In April 2020, the Company issued a perpetual mid-term note of 2.8 billion yuan. The perpetual bond has no fixed maturity date;

Note 17: In July 2020, the Company and Huaxin International Trust Co., Ltd. signed a renewable trust loan contract with an amount of 10 million yuan;

Note 18: In July 2020, the Company and Huabao Trust Co., Ltd. signed a renewable trust loan contract with an amount of 1 billion yuan;

Note 29: In July 2020, the Company and Huabao Trust Co., Ltd. signed a renewable trust loan contract with an amount of 1 billion yuan;

Note 20: In December 2019, Qingdao City Investment Financial Holding Group Co., Ltd., a subsidiary of the Company, publicly issued 1 billion yuan of renewable corporate bonds (the first phase). The renewable corporate bonds have no fixed maturity date.

Note 21: In December 2020, Qingdao City Investment Financial Holding Group Co., Ltd., a subsidiary of the Company, publicly issued 0.5 billion yuan of renewable corporate bonds (the first phase). The renewable corporate bonds have no fixed maturity date.

8.52 Capital reserves

Items	Opening balance	Additions	Deductions	Closing balance
1. Capital premium				
2. Other capital reserves	34,004,268,468.26	27,926,894,374.55	1,258,772,630.08	60,672,390,212.73
Total:	34,004,268,468.26	27,926,894,374.55	1,258,772,630.08	60,672,390,212.73

Note 1: According to ([2018] Qing CQL No. 14) "Letter from Qingdao Municipal Finance Bureau on allocating the remaining capital contribution of relocation fund", Qingdao Land Reserve Consolidation Center allocated the old city relocation development fund to the Company, increasing the capital reserves by 100,000,000.00 yuan;

Note 2: According to Qingdao State-owned Assets Supervision and Administration Commission (Qing GZW [2020] No. 47) on the issuance of the "Mixed Ownership Reform Implementation Plan of Double Star Group Co., Ltd.", it is planned to adopt the method of synchronous equity transfer and capital increase and share expansion to implement the mixed ownership reform of the Double Star Group. The reform intends to publicly transfer part of the shares of the Double Star Group at the Equity Exchange and simultaneously introduce strategic investors. After completing the mixed ownership reformation, Double Star Group will be transformed from a wholly state-owned enterprise to a state-owned holding limited liability company. The document is drafted to transfer the equity of the Double Star Group held by Qingdao State-owned Assets Supervision and Administration Commission to the Company. And the Company shall be responsible for the specific work related to the mixed ownership reform of the Double Star Group. On April 20, 2020, after the study of the fourth meeting of the Comprehensive Deepening Reform Commission of Qingdao Municipal Party Committee and the approval of Qingdao Municipal Government, Qingdao State-owned Assets Supervision and Administration Commission issued (Qing GZW [2020] No. 49) "Notice on transferring the equity of Double Star Group Co., Ltd. to Qingdao City Construction Investment (Group) Co., Ltd.", transferring the equity of Double Star Group to the Company. The Company is required to promote the work related to the mixed ownership reform of Double Star Group following the requirements of the document. During the year, the total capital reserves increased by 364,329,825.88 yuan;

Note 3: According to the "Reply to the Gratuitous Transfer of Equity of Qingdao Rural Commercial Bank Co., Ltd." issued by the State-owned Assets Supervision and Administration Commission of Qingdao (Qing GZW [2020] No. 28), 500 million shares of Qingdao Rural Commercial Bank Co., Ltd. held by Qingdao International Airport Group Co., Ltd. were transferred to the Company free of charge, increasing the capital reserve by 1,209,536,498.32 yuan. The Company adopted the equity method for

accounting following the relevant requirements of the Accounting Standards for Business Enterprises, and confirmed the changes in other owners' equity attributable to the Company according to the shareholding ratio in the current period, increasing the capital reserves by 222,805,165.68 yuan;

Note 4: According to the "Notice on Printing and Distributing the Plan for the Establishment of a State-owned Capital Equity Investment Fund in Qingdao" jointly issued by Qingdao Municipal State-owned Assets Supervision and Administration Commission and Qingdao Municipal Finance Bureau (Qing CJ [2020] No. 21), and the "Qingdao State-owned Capital Equity Investment Fund Confirmation Letter" issued by Qingdao Guotou Chuangxin Investment Management Co., Ltd., the Company confirmed its capital contribution rights in the Qingdao State-owned Capital Equity Investment Fund in 2019, increasing the capital reserves by 14,000,000.00 yuan;

Note 5: On December 24, 2020, Qingdao Municipal Financial Treasury Payment Center allocated capital to the Company, increasing the capital reserve by 59,350,000.00 yuan;

Note 6: According to the Qingdao State-owned Assets Supervision and Administration Commission (Qing GZW [2019] No. 67) "Notice on the Gratuitous Transfer of State-owned Property Rights of Qingdao Communications Development Group Co., Ltd.", 100% of the state-owned equity of Qingdao Communications Development Group Co., Ltd. was transferred to the company, increasing the capital reserves by 11,730,754,582.35 yuan;

Note 7: According to Qingdao State-owned Assets Supervision and Administration Commission (Qing GZW [2020] No. 166) "Notice on the Gratuitous Transfer of State-owned Property Rights of Qingdao International Airport Group Co., Ltd.", 93.7% of the state-owned equity of Qingdao International Airport Group Co., Ltd. was transferred to the Company free of charge, increasing the capital reserves by 14,037,255,755.63 yuan;

Note 8: During the year, the Company obtained the equity of Qingdao Huaqing Financial Services Co., Ltd. free of charge, and increased capital reserves by 5,011,962.08 yuan;

Note 9: During the year, Qingdao City Investment Hongdao Rehabilitation Management Co., Ltd., a subsidiary of the Company, received fiscal funds from the government, and increased the capital reserves by 150,000,000.00 yuan;

Note 10: During the year, Huaqing Development (Holdings) Group Co., Ltd., a subsidiary of the Company, purchased minority shares of other subsidiaries within the Group. At the Company's consolidated statement level, the capital reserve shall be adjusted using the difference between the long-term equity investment obtained due to the purchase of minority shares and the net asset shares of the subsidiary calculated continuously from the merger date according to the newly increased shareholding ratio, resulting in an increase of 29,644,890.63 yuan in the capital reserves;

Note 11: According to "Letter on Appropriation of Jiaodong Airport Phase I Land Relocation Funds" issued by Jiaozhou Municipal Finance Bureau, the Company allocated project capital for the Jiaodong International Airport land acquisition and resettlement project, reducing the capital reserves by 28,555,360.31 yuan;

Note 12: According to "Letter on Appropriation of Jiaodong Airport Phase II Land Relocation Funds" issued by Jiaozhou Municipal Finance Bureau, the Company allocated project capital for the Jiaodong International Airport land acquisition and resettlement project, reducing the capital reserves by 400,000,000.00 yuan;

Note 13: According to the document issued by Qingdao Municipal Finance Bureau (QCJ [2020] No.16) and "Notice on turning over the remaining funds of the reconstruction and renovation project of chongqing road of Qingdao city", the Company turned over the fiscal balance funds and reduced the capital reserves by 806,406,800.00 yuan;

Note 14: During the year, the Company's subsidiary Doublestar Group Co., Ltd. received capital increase from three strategic investors and confirmed its share at the consolidated statement level, increasing the capital reserves by 90,964,896.00 yuan;

Note 15: During the year, the Company's subsidiary Qingdao Double Star Foundry Machinery Co., Ltd. went into bankruptcy liquidation. The bankruptcy administrator shall be appointed by the People's Court of Qingdao City, Huangdao District, to be responsible for the liquidation daily affairs. The Company lost control of the subsidiary, and at the consolidated statement level, other capital reserves related to the equity investment of the subsidiary shall be included in the current investment income when control is lost, and the capital reserves shall be reduced by 2,546,623.60 yuan;

Note 16: During the year, the Company's subsidiary Double Star Group Co., Ltd. and its controlling subsidiaries reduced the capital reserves by 21,263,846.17 yuan due to the share-based payment, acquisition of minority equity, etc.

8.53 Special reserves

Item	Opening balance	Additions	Deductions	Closing balance
Safety production costs	38,626.51	5,704,730.06	3,348,271.89	2,395,084.68
Total	38,626.51	5,704,730.06	3,348,271.89	2,395,084.68

8.54 General risk reserve

Item	Opening balance	Additions	Deductions	Closing balance
General risk reserves	28,215,094.37	29,518,727.08		57,733,821.45
Total	28,215,094.37	29,518,727.08		57,733,821.45

8.55 Undistributed profits

Items	Current period	Prior period
Opening balance of current period	1,589,235,199.08	1,161,034,925.19
Additions	-190,422,837.32	1,181,232,460.79
Including: net profit transferred from current period	1,854,296,249.80	1,181,232,460.79
Other adjustment factors	-2,044,719,087.12	
Deductions during the current period	962,716,729.80	753,032,186.90
Including: surplus reserve accrued during the current period		
Provision accrued on average risk during the period	29,518,727.08	9,787,170.52
Cash dividend distributed during the current period	931,587,820.69	769,418,934.22
Other deductions	1,610,182.03	-26,173,917.84
Closing balance	436,095,631.96	1,589,235,199.08

8.56 Revenue and cost

Items	Current period		Prior period	
	Income	Costs	Income	Costs
1. Sub-total of main operating income	32,795,707,236.59	26,076,896,429.82	13,135,787,341.48	9,724,620,940.10
Include: Trading income	13,283,683,255.87	13,171,274,276.10	6,969,699,802.06	6,859,261,012.13
Tire sales income	9,250,837,999.74	6,813,482,637.84		
Income from real estate	3,532,040,547.26	1,922,356,014.28	337,721,009.54	244,130,042.16
Loan and interest income	2,427,643,627.51	1,325,679,233.13	2,455,921,806.43	1,151,177,836.35
Electricity fee income	1,468,193,897.59	600,435,253.29	985,060,943.30	376,105,514.15
Income from finance lease	1,314,360,997.82	689,751,392.18	1,199,361,471.91	614,107,989.87
Management consulting service income	498,280,892.75	291,619,993.20	518,881,699.24	100,774,013.99
Transportation income	468,352,664.09	731,512,344.39		
Income from guarantee	162,746,018.76	1,650.00	161,140,580.20	1,100.00
Other income	389,567,335.20	530,783,635.41	508,000,028.80	379,063,431.45
2. Sub-total of other operating income	121,040,840.67	41,796,626.91	124,344,078.57	50,554,042.88
Including: rental income	58,936,792.60	15,432,497.96	101,337,978.05	43,802,399.42
Other income	62,104,048.07	26,364,128.95	23,006,100.52	6,751,643.46
Total	32,916,748,077.26	26,118,693,056.73	13,260,131,420.05	9,775,174,982.98

8.57 Selling expenses, general administrative expenses, and financial expenses

8.57.1 Selling expenses

Items	Current period	Prior period
Employee salary	68,144,940.27	15,394,131.09
Depreciation expense	1,009,329.15	543,994.26
Ads expense	177,426,480.63	17,440.82
Repair	15,994,579.46	7,793.72
Sample and wastage	717,865.04	3,272.00
Electricity and water expenses for property	300,704.84	47,513.28
Operating expenses	1,281,472.53	245,184.85

Items	Current period	Prior period
Travel expenses	8,475,184.44	3,137,650.50
Transportation, loading and unloading expenses	251,929,609.08	463,386.15
Storage expenses	241,700.00	1,558,300.00
Sales commission expenses	8,510,846.20	6,814,031.48
Sales system usage expenses	8,995,285.30	
Commodity inspection port miscellaneous expenses	5,830,565.42	
Packaging expenses	15,036,162.22	
Exchange compensation expenses	17,343,187.86	
Travel expenses	22,853,749.26	
Others	32,304,386.67	3,039,302.07
Total	636,396,048.37	31,272,000.22

8.57.2 General administrative expenses

Items	Current period	Prior period
Employee salaries	846,149,700.61	327,984,253.05
Depreciation expenses	224,692,966.78	68,729,930.17
Repair expenses	9,733,545.39	3,175,347.61
Amortization of intangible assets	23,962,460.64	7,154,969.66
Entertainment expenses	13,445,271.86	6,117,363.35
Travel expenses	10,679,910.95	10,364,183.64
Office expenses	13,670,188.45	5,225,422.71
Lawsuit charges	9,612,786.46	1,650,510.72
Agency fee expenses	82,484,669.30	40,469,735.75
Equity-maintenance expenses	27,153,641.65	27,079,451.37
Meeting expenses	275,682.39	265,728.00
Technical-service expenses	3,131,993.49	1,994,888.17
Risk reserves	91,110,641.02	109,632,993.60
Transportation expenses	121,082.80	918,373.24
Electricity and water fee expenses	12,836,938.63	14,776,950.28
Rental expenses	58,489,385.37	38,228,329.78
Publicity expenses	3,500,918.30	6,251,325.67
Decorating expenses	821,649.52	6,890,208.71
Vehicle operating expenses	10,280,134.45	3,065,081.99
Amortization of low-value consumables	1,113,938.94	439,354.33
Party and labor league women's expenses	1,049,899.73	2,906,350.30
Other expenses	300,354,591.98	822,821.22
In total	1,744,671,998.71	684,143,573.32

8.57.3 Research and development expenses

Items	Current period	Prior period
Research and development expenses	404,318,779.98	5,158,098.06
Total	404,318,779.98	5,158,098.06

8.57.4 Financial expenses

Items	Current period	Prior period
Interest expense	5,096,830,417.63	4,061,779,720.78
Minus: interest revenue	434,736,486.92	306,672,356.83
Loss on foreign currency exchange (Net income is listed with "-")	-81,936,543.32	-34,902,579.72
Gain on foreign currency exchange	482,597,957.14	35,690,133.19
Loss on foreign currency exchange	400,661,413.82	787,553.47
Others	143,088,422.76	61,579,652.59
Total	4,723,245,810.15	3,781,784,436.82

8.58 Gains from other income

Items	Current period	Prior period
Asset-related	175,030,801.01	
Income-related	406,774,316.85	126,441,934.07
In total	581,805,117.86	126,441,934.07

8.59 Gain on investment

Source	Current period	Prior period
Gain on long-term equity investment under equity method	260,689,117.74	-228,918,007.66
Gain on disposal of long-term equity investment	192,112,149.75	423,924.33
Gain during holding period of financial assets measured at fair value while its movement is accounted through P&L	46,748,749.10	15,012,613.50
Gain on disposal of financial assets measured at fair value while its movement is accounted through P&L	234,412,884.65	22,828,319.22
Gain during holding period of held-to-maturity investment	169,797,335.01	54,462,288.59
Gain during holding period of available for sale financial assets	990,618,033.24	320,892,791.91
Gain on disposal of available for sale financial assets	1,082,215,827.12	1,205,972,487.57
Interests gain during holding period of other debt investments	61,948.33	
Gain on disposal of debt investments	5,527,207.00	
Gains from re-measurement of equity at fair value when control is obtained	4,255,260.00	
Dividend income obtained during the holding of other equity instruments	-5,645,038.83	
Financial income	481,100,872.28	727,019,593.25
Entrusted loan income	337,225,434.70	178,277,481.34
Others	151,413,023.25	66,462,173.35
In total	3,950,532,803.34	2,362,433,665.40

8.60 Gains from changes in fair value

Items	Current period	Prior period
Financial assets held for trading	-12,115,966.43	
Financial assets measured at fair value through profit or loss	1,069,744,771.58	492,749,798.39
Financial liabilities held for trading	222,912,132.98	
Financial liabilities measured at fair value through profit or loss	-65,048,437.80	
Derivative financial liabilities	-932,997.74	
Investment Property measured at fair value	-86,188,753.20	164,383,519.41
In total	1,128,370,749.39	657,133,317.80

8.61 Credit impairment losses

Items	Current period	Prior period
Impairment of bad debts	54,350,693.36	91,582,443.46
Total	54,350,693.36	91,582,443.46

8.62 Loss from asset impairment

Items	Current period	Prior period
Impairment of bad debts	322,626,733.23	122,566,601.53
Inventory Falling Price Loss	62,770,430.99	75,688,687.22
Available-for-sale financial assets impairment	150,150,738.00	

Items	Current period	Prior period
loss		
Held-to-maturity investments impairment loss	250,000,000.00	
Long-term equity investments impairment loss	135,850,240.96	
Fixed assets impairment loss	3,291,182.06	
Construction in progress impairment loss	5,189,111.34	
Loss on impairment of productive biological assets		10,350.00
Intangible assets impairment loss	9,240,762.92	
Goodwill impairment loss	199,830,402.87	
Loan reserve	32,163,512.42	9,925,533.25
Contract asset impairment loss	-21,122,482.48	
Other non-current assets impairment loss	206,538,320.84	
Total	1,356,528,953.15	208,191,172.00

8.63 Gain or loss on disposal asset

Items	Current period	Prior period	Amount included in non-recurring profit and loss in the current period
Non-current asset disposal gains and losses	504,795,076.39	3,064,039.53	504,795,076.39
In total	504,795,076.39	3,064,039.53	504,795,076.39

8.64 Non-operating income

Items	Current period	Prior period	Amount included in non-recurring profit and loss in the current period
Gain on scrap of non-current assets	2,211,031.35	300.00	2,211,031.35
Gain on debt reorganization	11,852.69		11,852.69
Government grants	8,181,943.04	1,140,152.05	8,181,943.04
Compensation of breach and fine income	1,281,560.85	35,164.07	1,281,560.85
Insurance refund	1,199,177.84	18,773,551.28	1,199,177.84
Disposal of waste		2,972.79	
Non-payment other receivables	9,820,869.72	4,084,248.00	9,820,869.72
The consideration paid is less than the value of the acquired equity	50,824,542.98	24,643,379.16	50,824,542.98
Tax exemption	55,730.54	433,241.56	55,730.54
Earnings from debt-to-equity swaps		90,374,770.97	
Others	36,941,354.08	712,126.85	36,941,354.08
Total	110,528,063.09	140,199,906.73	110,528,063.09

8.65 Non-operating expenses

Items	Current period	Prior period	Amount included in non-recurring profit and loss in the current period
Loss on scrap of non-current asset	727,599.98	5,540.62	727,599.98
Donation	17,208,685.35	4,654,500.14	17,208,685.35
Liquidated damages and penalty	2,752,087.58	5,653,675.35	2,752,087.58
Others	28,263,159.58	8,204,935.43	28,263,159.58
Total	48,951,532.49	18,518,651.54	48,951,532.49

8.66 Income tax expense

Items	Current period	Prior period
Current income tax	1,112,826,291.62	660,555,768.47
Deferred income tax	7,399,562.66	-47,877,598.66
Total	1,120,225,854.28	612,678,169.81

8.67 Other comprehensive income attributable to owners of the parent company

8.67.1 Other comprehensive income items and impact on income tax

Items	Current period			Prior period		
	Amount before tax	Income tax	Net amount after tax	Amount before tax	Income tax	Net amount after tax
I. Other comprehensive income items which will not be reclassified subsequently to profit or loss						
1. Remeasurement gains or losses of a defined benefit plan	6,053,529.30		6,053,529.30			
II. Other comprehensive income items which will be reclassified subsequently to profit or loss when specific conditions are met						
1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss	715,658,628.63		715,658,628.63	1,049,852,213.54		1,049,852,213.54
Minus: Previously recognized as OCI while reversed into P&L in the current period	-26,137,157.06		-26,137,157.06	-26,036,079.53		-26,036,079.53
Sub-Total	-26,137,157.06		-26,137,157.06	-26,036,079.53		-26,036,079.53
2. Gains or losses arising from changes in fair value of available-for-sale financial assets	508,008,639.36		508,008,639.36	1,153,297,463.25		1,153,297,463.25
Minus: Previously recognized as OCI while reversed into P&L in the current period						
Sub-Total	508,008,639.36		508,008,639.36	1,153,297,463.25		1,153,297,463.25
3. Exchange differences arising on translation of foreign currency financial statements	233,791,735.06		233,791,735.06	-77,509,351.96		-77,509,351.96
Minus: Previously recognized as OCI while reversed into P&L in the current period						
Sub-Total	233,791,735.06		233,791,735.06	-77,509,351.96		-77,509,351.96
4. Others	-4,588.73		-4,588.73	100,181.78		100,181.78
Minus: Previously recognized as OCI while reversed into P&L in the current period	-4,588.73		-4,588.73			
Sub-Total				100,181.78		100,181.78
III. Total other comprehensive income	721,712,157.93		721,712,157.93	1,049,852,213.54		1,049,852,213.54

8.67.2 Adjustments on other comprehensive income items

Items	Share of the OCI of the investee accounted under equity method which could not be reclassified into P&L	Share of the OCI of the investee accounted under equity method which would be reclassified into P&L subsequently	Gains or losses arising from changes in fair value of available-for-sale financial assets	Exchange differences arising on translation of foreign currency financial statements	Others	Subtotal
I Opening balance of prior period		23,262,166.89	-1,866,732,908.86	11,045,468.18	103,155,726.91	-1,729,269,546.88
II Changes in prior period (decrease in '-')		-26,036,079.53	1,153,297,463.25	-77,509,351.96	100,181.78	1,049,852,213.54
III Opening balance in current period		-2,773,912.64	-713,435,445.61	-66,463,883.78	103,255,908.69	-679,417,333.34
IV Changes in current period (decrease in '-')	6,053,529.30	-26,137,157.06	508,008,639.36	233,791,735.06	-4,588.73	721,712,157.93
V Closing balance in current period	6,053,529.30	-28,911,069.70	-205,426,806.25	167,327,851.28	103,251,319.96	42,294,824.59

8.68 Cash flow statement

8.68.1 Information on translating the net profit into the cash flow of operational activities

Items	Current period	Prior period
1. Net profit adjusted to cash flows from operating activities		
Net profit	2,335,881,968.76	1,270,924,732.13
Plus: Provision for assets impairment	1,356,528,953.15	208,191,172.00
Credit impairment loss	54,350,693.36	91,582,443.46
Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of productive biological assets	1,773,893,699.22	431,109,095.23
Amortization of intangible assets	68,009,203.92	10,461,083.39
Amortization of long-term deferred expenses	152,542,242.33	13,071,221.85
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-504,795,076.39	-3,220,166.72
Losses from write-off of fixed assets ("-" for gains)	-1,976,108.92	8,790.59
Losses from changes in fair value ("-" for gains)	-1,128,370,749.39	-657,133,317.80
Financial expenses ("-" for gains)	5,216,332,349.22	4,068,084,913.50
Investment losses ("-" for gains)	-3,950,532,803.34	-2,362,433,665.40
Decreases in deferred income tax assets ("-" for increases)	-403,629,965.38	-93,506,751.49
Increases in deferred income tax liabilities ("-" for decreases)	413,068,031.91	44,045,213.11
Decreases in inventories ("-" for increases)	-1,045,157,577.53	-713,151,996.20
Decreases in operating receivables ("-" for increases)	-8,892,228,080.67	-3,015,728,767.15
Increases in operating payables ("-" for decreases)	6,363,649,391.44	1,957,099,217.95
Others	151,123,392.11	
Net cash flows from operating activities	1,958,689,563.80	1,249,403,218.45
2. Significant investing and financing activities involving no cash receipts and payments		
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets under financial lease		
3. Net change in cash and cash equivalents		
Closing balance of cash	20,834,998,475.07	14,640,225,014.15
Less: opening balance of cash	14,640,225,014.15	13,913,701,833.30
Add: closing balance of cash equivalents		
Minus: opening balance of cash equivalents		
Net increase in cash and cash equivalents	6,194,773,460.92	726,523,180.85

8.68.2 Information about cash and cash equivalents

Items	Closing balance	Opening balance
Cash	20,834,998,475.07	14,640,225,014.15
Including: Cash in hand	947,754.40	498,372.97
Unrestricted bank deposit	19,505,482,209.28	11,325,514,379.80
Other unrestricted currencies	1,328,568,511.39	3,314,212,261.38
Deposits with central bank funds		
Deposit of interbank money		
Disbursement of interbank funds		
Cash equivalents		
Including: Bond investments maturing within three months		

Items	Closing balance	Opening balance
3. Balance of cash and cash equivalents at the end of the period	20,834,998,475.07	14,640,225,014.15
Including: The restricted use of cash and cash equivalents by the parent company or subsidiary within the group		

8.69 Assets with restriction on ownership or using right

Items	Closing CV	Reasons for restriction
Cash and cash equivalent:	3,395,246,332.87	
Qingdao Jinhengli Real Estate Co., Ltd.	1,025,101.62	Housing mortgage deposit
Qingdao Shaocheng Real Estate Co., Ltd.	29,523,265.65	Project deposit, housing mortgage deposit, supervised pre-sale housing payment, loan margin, migrant workers wage guarantee
Qingdao City Investment Real Estate Development Co., Ltd.	13,438,828.40	Project deposit, housing mortgage deposit, supervised pre-sale housing payment
Qingdao Shiao Real Estate Development Company	1,500,000.00	Project deposit
Qingdao City Investment Financial Holding Group Co., Ltd.	511,970,296.49	Bank acceptance margin, loan margin, loan pledge, time deposit form, frozen funds
Qingdao City Construction Investment (Group) Ltd.	2,078,291,438.94	Performance bond, loan pledge
Qingdao (Pingdu) Urban and Rural Community Construction Investment Co., Ltd.	958,670.83	Migrant workers wage guarantee
Qingdao (Laixi) Urban and Rural Community Construction Investment Co., Ltd.	25,232,400.00	Bank acceptance margin
Qingdao City Investment Industrial Investment (Group) Co., Ltd.	33,000,000.00	financing lease deposit
Qingdao City Investment Overseas Development Co., Ltd.	144,422,723.58	Bank acceptance margin
Qingdao Shaocheng Real Estate Co., Ltd.	80,000,000.00	Loan margin
Qingdao Taihe Golden Autumn Medical Care Co., Ltd.	475,883,607.36	Bank acceptance margin, credit margin, foreign company margin
Other current assets	9,507,265.25	
Qingdao City Investment Real Estate Development Co., Ltd.	9,507,265.25	Frozen bank funds of litigation
Notes receivable	241,396,589.03	
Qingdao Taihe Golden Autumn Medical Care Co., Ltd.	241,396,589.03	Pledge
Account Receivable:	1,712,194,972.33	
Qingdao City Investment Industrial Investment (Group) Co., Ltd.	1,640,674,847.75	Loan pledge of China development bank and ICBC
Qingdao Taihe Golden Autumn Medical Care Co., Ltd.	71,520,124.58	Pledge
Inventory	2,249,150,760.82	
Qingdao City Investment Real Estate Investment Holdings (Group) Co., Ltd.	1,791,863,512.97	Mortgage subject matter of mortgage loan
Qingdao City Investment Real Estate Development Co., Ltd.	141,041,550.00	Mortgage subject matter of mortgage loan
Qingdao Taihe Golden Autumn Medical Care Co., Ltd.	316,245,697.85	Mortgage subject matter of mortgage loan

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

Items	Closing CV	Reasons for restriction
Available for sale financial assets:	717,086,916.00	
Huaqing Development (Holdings) Group Co., Ltd.	717,086,916.00	Credit mortgage
Long-term receivables:	8,803,286,089.12	
Qingdao Urban and Rural Community Construction Investment Co., Ltd	8,803,286,089.12	Lease receivable factoring, asset securitization
Investment property:	2,568,869,715.00	
Qingdao City Investment International Trade Co., Ltd.	204,070,594.00	Mortgage guarantee for bank loans of Qingdao chengyuan investment management Co., Ltd.
Huaqing Development (Holdings) Group Co., Ltd.	475,004,000.00	Credit mortgage
Qingdao Development Investment Co., Ltd.	1,889,795,121.00	Mortgage guarantee for bank long term loans of Dezhou Haosheng Solar Technology Co., Ltd.
Fixed Assets:	19,832,014,088.71	
Qingdao City Investment Industrial Investment (Group) Co., Ltd.	5,468,073,332.85	Loan pledge of China development bank and ICBC
Qingdao City Construction Investment (Group) Ltd.	1,057,482,004.49	The property located at 44 Rongcheng Road, Shinan District, and the property 01 (duplex) in Building 1, No. 168 Haier Road, Laoshan District are used for long-term loan mortgages
Qingdao Urban and Rural Construction Microfinance Co., Ltd.	30,805,857.86	1201, Building 9, No. 195 Hong Kong East Road, Laoshan District, used for long-term loan mortgage
Qingdao Hongfushuo Enterprise Management Consulting Co., Ltd.	30,587,170.59	1301, Building 9, No. 195 Hong Kong East Road, Laoshan District, used for long-term loan mortgage
Qingdao Taishi Jirun Enterprise Management Consulting Co., Ltd.	30,627,736.33	Located in Building 501, No. 195, Hong Kong East Road, Laoshan District, used for long-term loan mortgage
Qingdao Taihe Golden Autumn Medical Care Co., Ltd.	13,214,437,986.59	Loan mortgage
Construction in process	311,791,090.64	
Qingdao City Investment Industrial Investment (Group) Co., Ltd.	311,791,090.64	Loan pledge of China development bank and ICBC
Intangible assets	192,885,233.90	
Qingdao Taihe Golden Autumn Medical Care Co., Ltd.	192,885,233.90	Mortgage, freeze
Others	12,842,421.06	
Qingdao Taihe Golden Autumn Medical Care Co., Ltd.	12,842,421.06	Group equity pledge 287850; Kumho Court deposit 12554571.06-other receivables
Total	40,046,271,474.73	

Note: In addition to the above restricted assets, the Company's subsidiary Qingdao Urban Investment Financial Holding Group Co., Ltd. obtained loans from the Qingdao Branch of China Minsheng Bank Co., Ltd. The pledge is the stock (77,870,000.00 shares) of "Qingdao Zhongcheng" (stock code: 300208). The ending balance of the loan is 797,500,000.00 yuan.

9. Contingencies

9.1 Unsettled litigation and arbitration

9.1.1 Subsidiary-Weiyun International (Qingdao) data Co., Ltd.

In December 2019, Weiyun International (Qingdao) data Co., Ltd. (hereinafter referred to as "Weiyun Company"), a subsidiary of the Company, filed a lawsuit against Zhao Limin, Zhao Lihong, Hebei Dazhengren Automobile Sales and Service Group Co., Ltd. (hereinafter referred to as "Dazhengren Company"), Hebei Dazhengren Automobile Rental Co., Ltd., Baoding Dexinda Trading Co., Ltd. and Tian Fang in Qingdao Intermediate People's Court, requesting the payment of 39,520,000.00 yuan and interest for the share repurchase of the associated company Dazhengren Company.

Qingdao Intermediate People's Court accepted the case on January 2, 2020. On December 30, 2020, Qingdao Intermediate People's Court issued (2020) Lu02 MC No. 23 Civil Judgment on the subject case after trial, which sentenced the defendant Zhao Limin, Zhao Lihong to pay Weiyun Company the share repurchase amount of 39.22 million yuan and interest losses.

After the Qingdao Intermediate People's Court made the first-instance judgment, Zhao Limin, the defendant in the original trial, refused to accept the first-instance judgment and filed an appeal with the Shandong Higher People's Court ("Shandong Higher People's Court") in March 2021. The appeal requests are as follows: (1) to revoke the fourth judgment in (2020) Lu02 MC No. 23 Civil Judgment on the appellant shall pay 100,000.00 yuan of the counsel fee to the appellee; (2) the cost of the second instance shall be borne by the appellee. At present, the case is being transferred from Qingdao Intermediate People's Court to Shandong Higher People's Court, and Shandong Higher People's Court will conduct a second instance trial on this case.

As of December 31, 2020, Weiyun Company has not yet received the above share repurchase payment.

9.1.2 Subsidiary-Kumho Tire Co., Ltd.

Kumho Tire Co., Ltd., a subsidiary of the Company, currently has several lawsuits under review. The company has accrued 149,244 million won (equivalent to RMB 893.89 million at the end of the period) for litigation provision liabilities for ordinary wages and allowance lawsuits and labor status confirmation lawsuits.

According to the judgment of the Korean Supreme Court, there is the possibility of additional litigation in some cases, and the amount of liability for litigation may change. It is currently impossible to predict whether other litigations will be added and the future litigation situation.

9.2 Guarantee

As of the end of the balance sheet date, the unexpired guarantee amount is 1825.01 million yuan, of which the unexpired guarantee amount of the guarantee business is 643.48 million yuan. All unexpired guarantee amount will expire before November 20, 2025. The unexpired guarantee amount for the re-guarantee business is 357.39 million yuan which will be fully expired before July 22, 2036.

9.3 Guarantee provided to group members and non-group members (in ten thousand)

No.	Guarantor	Guaranteed parties			Method of guarantee	Type of guarantee	Counter-guarantee method	Guaranteed amount
		Name	Nature of the entity	Whether listing				
	Total							
	1. Within the group							
1	Qingdao City Construction Investment (Group) Ltd.	Qingdao City Investment Finance Holding Group Co., Ltd.	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	5,653,872.66 5,163,953.62
2	Qingdao City Construction Investment (Group) Ltd. Qingdao City Investment Finance Holding Group Co., Ltd.	Qingdao Chengyuan Investment Management Co., Ltd.	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	1,391,057.00
3	Qingdao City Construction Investment (Group) Ltd.	Qingdao Urban and Rural Construction Finance Leasing Co., Ltd.	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	Shareholders provide counter-guarantee	445,410.63
4	Qingdao City Construction Investment (Group) Ltd.	Shanghai Qingtou Financial Leasing Co., Ltd.	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	Shareholders provide counter-guarantee	12,249.00
5	Qingdao City Construction Investment (Group) Ltd.	Qingdao Urban and Rural Community Construction Investment Group Co., Ltd.	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	50,000.00
6	Qingdao City Construction Investment (Group) Ltd.	Qingdao Chengtou Road & Bridge Investment Development Co., Ltd.	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	31,250.00
7	Qingdao City Construction Investment (Group) Ltd.	Qingdao Zhongzhongcheng Group Co., Ltd.	State-owned enterprise	Yes	Joint liability guarantee	Loan guarantee	No	111,694.00
8	Qingdao City Construction Investment (Group) Ltd.	Qingdao City Investment International Trade Co., Ltd.	State-owned enterprise	No	Joint liability guarantee	Bank acceptance bill	No	37,845.13
9	Qingdao City Construction Investment (Group) Ltd.	Qingdao Chengtai International Trade Co., Ltd.	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	13,677.13
10	Qingdao City Construction Investment (Group) Ltd.	Hong Kong International (Qingdao) Co., Ltd.	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	49,140.00
11	Qingdao City Construction Investment (Group) Ltd.	Huaqing Development (Holdings) Group Co., Ltd.	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	85,241.52
12	Qingdao City Construction Investment (Group) Ltd.	Qingdao Urban Investment Industrial	State-owned	No	Joint	Loan guarantee	No	403,120.00

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

	Ltd.	Investment (Group) Co., Ltd.	enterprise	liability guarantee	Loan guarantee	No	Joint liability guarantee	
13	Qingdao City Construction Investment (Group) Ltd.	Qingdao City Investment Industrial Investment (Group) Co., Ltd., Dongying Chengwei New energy Co., Ltd	State-owned enterprise	Joint liability guarantee	Loan guarantee	No	Joint liability guarantee	6,400.00
14	Qingdao City Construction Investment (Group) Ltd.	Qingdao City Investment Industrial Investment (Group) Co., Ltd., Dongying Chenghao New energy Co., Ltd	State-owned enterprise	Joint liability guarantee	Loan guarantee	No	Joint liability guarantee	6,300.00
15	Qingdao City Construction Investment (Group) Ltd.	Qingdao City Investment Industrial Investment (Group) Co., Ltd., Dongying Chenglian New energy Co., Ltd	State-owned enterprise	Joint liability guarantee	Loan guarantee	No	Joint liability guarantee	2,300.00
16	Qingdao City Construction Investment (Group) Ltd.	Qingdao City Investment Industrial Investment (Group) Co., Ltd., Dongying Chenghe New energy Co., Ltd	State-owned enterprise	Joint liability guarantee	Loan guarantee	No	Joint liability guarantee	3,300.00
17	Qingdao City Construction Investment (Group) Ltd.	Xinjiang Hengdong Wind Energy Co., Ltd.	State-owned enterprise	Joint liability guarantee	Loan guarantee	No	Joint liability guarantee	32,750.00
18	Qingdao City Construction Investment (Group) Ltd.	Mulei County Jiarui Guangsheng Power Generation Co., Ltd.	State-owned enterprise	Joint liability guarantee	Loan guarantee	No	Joint liability guarantee	20,440.00
19	Qingdao City Construction Investment (Group) Ltd.	Qingdao Chengsheng Solar Power County Agricultural Technology Co., Ltd.	State-owned enterprise	Joint liability guarantee	Loan guarantee	No	Joint liability guarantee	20,850.00
20	Qingdao City Construction Investment (Group) Ltd.	Qingdao Chengsheng Solar Power County Agricultural Technology Co., Ltd.	State-owned enterprise	Joint liability guarantee	Loan guarantee	No	Joint liability guarantee	39,500.00
21	Qingdao City Construction Investment (Group) Ltd., Qingdao City Investment Industrial Investment (Group) Co., Ltd.,	Qingdao City Investment Clean Energy Co., Ltd.	State-owned enterprise	Joint liability guarantee	Loan guarantee	No	Shareholders provide counter-guarantee	11,240.00
22	Qingdao City Construction Investment (Group) Ltd.	Dezhou Haosheng Solar Technology Co., Ltd.	State-owned enterprise	Joint liability guarantee	Loan guarantee	No	Joint liability guarantee	13,500.00
23	Qingdao City Construction Investment (Group) Ltd.	Shandong Beihai Changsheng Solar Energy Technology Co., Ltd.	State-owned enterprise	Joint liability guarantee	Loan guarantee	No	Joint liability guarantee	15,000.00
24	Qingdao City Construction Investment (Group) Ltd.	Shouguang Changsheng Ridian Solar Technology Co., Ltd.	State-owned enterprise	Joint liability guarantee	Loan guarantee	No	Joint liability guarantee	14,000.00
25	Qingdao City Construction Investment (Group) Ltd.	Inner Mongolia Xinsheng Solar Power Technology Co., Ltd.	State-owned enterprise	Joint liability guarantee	Loan guarantee	No	Joint liability guarantee	23,049.13
26	Qingdao City Construction Investment (Group) Ltd.	Wulanchabu Xinsheng Solar Power Technology Co., Ltd.	State-owned enterprise	Joint liability guarantee	Loan guarantee	No	Joint liability guarantee	15,334.73

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

27	Qingdao City Construction Investment (Group) Ltd.	Yangquan changsheng technology Co., Ltd.	solar energy	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	15,787.98
28	Qingdao City Construction Investment (Group) Ltd.	Bayanmaoer Xinsheng Technology Co., Ltd.	Solar Power	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	21,029.47
29	Qingdao City Construction Investment (Group) Ltd.	Xiantao Han Sheng Solar Power Technology Co., Ltd.	Power Technology	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	15,402.62
30	Qingdao City Construction Investment (Group) Ltd.	Wuhai Xinsheng Solar Energy Technology Co., Ltd.	Technology	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	22,705.62
31	Qingdao City Construction Investment (Group) Ltd.	Yitong Changsheng Technology Co., Ltd.	Solar Energy	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	13,510.85
32	Qingdao City Construction Investment (Group) Ltd.	Dongfeng Fengsheng Technology Co., Ltd.	Solar Power	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	15,459.39
33	Qingdao City Construction Investment (Group) Ltd.	Dechang County Changsheng Solar Power Technology Co., Ltd.	Power	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	15,459.39
34	Qingdao City Construction Investment (Group) Ltd.	Lanping Changsheng Technology Co., Ltd.	Solar Power	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	15,459.39
35	Qingdao City Construction Investment (Group) Ltd.	Linyou County Changsheng Solar Energy Technology Co., Ltd.	Energy	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	15,357.90
36	Qingdao City Construction Investment (Group) Ltd.	Yuxi Jiangchuan District Yuansheng Solar Energy Technology Co., Ltd.	Solar	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	15,458.68
37	Qingdao City Construction Investment (Group) Ltd.	Taian Taisheng Photovoltaic Agricultural Science and Technology Co., Ltd.	Agricultural	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	15,357.90
38	Qingdao City Construction Investment (Group) Ltd.	Mengcheng Changsheng Solar Technology Co. Ltd.	Solar Technology	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	30,543.93
39	Qingdao City Construction Investment (Group) Ltd.	Chengcheng County Changsheng Solar Technology Co., Ltd.	Solar	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	12,995.50
40	Qingdao City Construction Investment (Group) Ltd.	Shen County Zhongsheng Photovoltaic Agricultural Science and Technology Co., Ltd.	Photovoltaic	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	11,858.84
41	Qingdao City Construction Investment (Group) Ltd.	Fuxin Changsheng Solar Technology Co.,	Technology Co.,	State-owned	No	Joint	Loan guarantee	No	16,037.34

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

	Ltd.	Ltd.	enterprise		liability guarantee	Loan guarantee	No	liability guarantee	Joint liability guarantee	Loan guarantee	No	
42	Qingdao City Construction Investment (Group) Ltd.	Zhenghe Donghui Power Generation Co., Ltd.	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	Joint liability guarantee	Joint liability guarantee	Loan guarantee	No	52,775.24
43	Qingdao City Construction Investment (Group) Ltd.	Tianjin Yudian Solar Technology Co., Ltd.	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	Joint liability guarantee	Joint liability guarantee	Loan guarantee	No	23,950.50
44	Qingdao City Construction Investment (Group) Ltd.	Jiaozuo Changsheng Solar Energy Technology Co., Ltd.	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	Joint liability guarantee	Joint liability guarantee	Loan guarantee	No	15,400.62
45	Qingdao City Construction Investment (Group) Ltd.	Yanjin Changsheng Solar Technology Co., Ltd.	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	Joint liability guarantee	Joint liability guarantee	Loan guarantee	No	25,845.43
46	Qingdao City Construction Investment (Group) Ltd.	Hua County Changsheng Solar Technology Co., Ltd.	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	Joint liability guarantee	Joint liability guarantee	Loan guarantee	No	33,367.10
47	Qingdao City Construction Investment (Group) Ltd.	Qingdao Airlines Co., Ltd.	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	Joint liability guarantee	Joint liability guarantee	Loan guarantee	No	352,724.90
48	Nanshan Group Co., Ltd., Qingdao City Construction Investment (Group) Ltd.	Qingdao Airlines Co., Ltd.	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	Joint liability guarantee	Joint liability guarantee	Loan guarantee	No	20,000.00
49	Qingdao Development Investment Co., Ltd., Qingdao City Construction Investment (Group) Ltd.	Qingdao City Investment Road and Bridge Investment Development Co., Ltd.	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	Joint liability guarantee	Joint liability guarantee	Loan guarantee	No	79,272.44
50	Qingdao City Investment Finance Holding Group Co., Ltd.	Qingdao Urban and Rural Construction Finance Leasing Co., Ltd.	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	Joint liability guarantee	Joint liability guarantee	Loan guarantee	Shareholders provide counter-guarantee	58,052.95
51	Qingdao City Investment Finance Holding Group Co., Ltd.	Qingdao Zhongzizhongcheng Group Co., Ltd.	State-owned enterprise	Yes	Joint liability guarantee	Loan guarantee, bank acceptance bill	Yes	Joint liability guarantee	Joint liability guarantee	Loan guarantee, bank acceptance bill	No	5,799.14
52	Qingdao City Investment Finance Holding Group Co., Ltd.	Qingdao Zhongzizhongcheng Group Co., Ltd.	State-owned enterprise	Yes	Joint liability guarantee	Loan guarantee	Yes	Joint liability guarantee	Joint liability guarantee	Loan guarantee	No	6,000.00
53	Qingdao Urban and Rural Construction Finance Leasing Co., Ltd.	Shanghai Qingtou Financial Leasing Co., Ltd.	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	Joint liability guarantee	Joint liability guarantee	Loan guarantee	No	15,005.45
54	Qingdao City Investment Land Development Co., Ltd.	Qingdao City Construction Investment (Group) Ltd.	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	Joint liability guarantee	Joint liability guarantee	Loan guarantee	No	64,000.00
55	Qingdao City Investment Enterprise Development Co., Ltd.	Qingdao City Construction Investment (Group) Ltd.	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	Joint liability guarantee	Joint liability guarantee	Loan guarantee	No	49,500.00

Notes to the Financial Statements Page140

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– F-361 –

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

3	Qingdao City Construction Investment (Group) Ltd.	Qingdao Water Group Energy Co., Ltd.	Environmental	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	4,450.00
4	Qingdao City Construction Investment (Group) Ltd.	Yangyuan Hengbo New Energy Technology Co., Ltd.	Technology	State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	33,768.14
5	Qingdao Urban and Rural Community Construction Investment Group Co., Ltd.	Qingdao Taihe Jinjia Medical Care Co., Ltd.		Non-state-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	20,503.35
6	Qingdao Jinhengji Real Estate Co., Ltd.	Qingdao Tianhe Pharmaceutical Group Co., Ltd.		Non-state-owned enterprise	No	Joint liability guarantee	Mortgage stage guarantee	No	330.00
7	Qingdao Jinhengji Real Estate Co., Ltd.	Qingdao Haoji Asset Management Co., Ltd.		State-owned enterprise	No	Joint liability guarantee	Mortgage stage guarantee	No	67,571.41
8	Qingdao City Construction Investment (Group) Ltd.	Qingdao Transportation Development Group Co., Ltd.		State-owned enterprise	No	Joint liability guarantee	Loan guarantee	No	297,305.63
9	Qingdao Double Star Co., Ltd.	Guangrao Finance Equity Investment Fund Management Center (Limited Partnership)		Non-state-owned enterprise	No	Joint liability guarantee	Guarantee of Repurchase Obligation	No	10,000.00

10. Events after the balance sheet date

Qingdao Zhongzizhongcheng Group Co., Ltd. and ENERGY LOGICS PHILIPPINES, INC of the Philippines signed the “Supplementary agreement for EPC contract of wind-solar integration project of pasukin (132 MW) wind power and (100 MW) solar power in the Philippines” in January 2021(hereinafter referred to as "Supplementary Agreement"). The two parties agreed to terminate the wind power project and reached an agreement on the contract settlement currency, wind power project settlement and other matters. The two parties determined the final settlement price of the wind power project at 814.06 million yuan. The company’s accumulatively recognized income from the wind power project totaled 1,016.98 million yuan. According to the Accounting Standards for Business Enterprises, the signing of the Supplementary Agreement constitutes an event after the balance sheet date. According to the relevant content of the Supplementary Agreement, the net write-off income of the wind power project in 2020 is 273.82 million yuan, which was reversed to the impairment provision of 76.08 million in 2019, and the contract asset after the discount was accrued again with impairment of 38.60 million yuan. As of the date of the audit report, the subsidiary Qingdao Zhongzizhongcheng Group Co., Ltd. has received 200 million yuan repayment from ELPI's domestic subsidiaries and will urge the ELPI party to return the payment in time following the agreement.

11. Related party relationships and transactions

11.1 The ultimate controlling owner of the company

Parent company name	Registration place	Business nature	Share-holding (%)	Voting rights (%)
Qingdao municipal people government state owned assets supervision and administration Commission	Qingdao	Government ad hoc Department	100.00	100.00

11.2 The subsidiaries of the Company are in notes 7.1 Information of subsidiaries

11.3 The details of joint ventures and associates of the Company are in notes 8.14 long-term equity investment

11.4 Other related parties of the Company

Name of other related parties	Relationship with the Company
Qingdao Ferry Co., Ltd.	Subsidiary of the Company's participating company
Qingdao Sports Industry Development Co., Ltd.	Subsidiary of the Company's participating company
Qingdao Tourism Culture Media Co., Ltd.	Subsidiary of the Company's participating company
Qingdao Xindong Hotel Co., Ltd.	Subsidiary of the Company's participating company
Olympic Sailing Museum	Subsidiary of the Company's participating company
Qingdao Xindong Property Co., Ltd.	Subsidiary of the Company's participating company
Qingdao Olympic Sailing Center Performing Arts Co., Ltd.	Subsidiary of the Company's participating company
Qingdao Yandao Hotel Co., Ltd.	Subsidiary of the Company's participating company
Qingdao City Investment Tourism Economic Development Co., Ltd.	Subsidiary of the Company's participating company
Qingdao Tourism Group Hotel Management Co., Ltd.	Subsidiary of the Company's participating company
Qingdao Donghai Road Gas Station	Subsidiary of the Company's participating company
Qingdao Tourism Group Automobile Co., Ltd.	Subsidiary of the Company's participating company
Qingdao International Yacht Club Co., Ltd.	Subsidiary of the Company's participating company
Qingdao Yingao Real Estate Co., Ltd.	Participating company of the Company's participating company
Huasheng Green Agricultural Technology Co., Ltd.	Subsidiary of the subsidiary's participating company
Huasheng Green Energy (Dengkou) Agricultural Technology Co., Ltd.	Subsidiary of the subsidiary's participating company
Huasheng Green Energy (Wuhai) Agricultural Technology Co., Ltd.	Subsidiary of the subsidiary's participating company
Prosperity Oriental (Yongning) Poverty Alleviation Development Service Co., Ltd.	Subsidiary of the subsidiary's participating company
Inner Mongolia Green Energy Agricultural Technology Co., Ltd.	Subsidiary of the subsidiary's participating company

Huasheng Green Energy (Ulanhabu) Agricultural Technology Co., Ltd.	Subsidiary of the subsidiary's participating company
Huasheng Green Energy (Dechang) Agricultural Technology Co., Ltd.	Subsidiary of the subsidiary's participating company
Huasheng Green Energy (Xiantao) Agricultural Technology Co., Ltd.	Subsidiary of the subsidiary's participating company
Dongfeng Huasheng Green Energy Agricultural Technology Co., Ltd.	Subsidiary of the subsidiary's participating company
Huasheng Green Energy (Binzhou) Agricultural Technology Co., Ltd.	Subsidiary of the subsidiary's participating company
Huasheng Green Energy (Linyou) Agricultural Technology Co., Ltd.	Subsidiary of the subsidiary's participating company
Huaxian Huasheng Green Energy Agricultural Technology Co., Ltd.	Subsidiary of the subsidiary's participating company
Zhenghe Huaxu Modern Agricultural Development Co., Ltd.	Subsidiary of the subsidiary's participating company
Shouguang Shuangsheng Agricultural Technology Co., Ltd.	Subsidiary of the subsidiary's participating company
Huasheng Plain Shijiazhuang Agricultural Technology Co., Ltd.	Subsidiary of the subsidiary's participating company
Fugu County Huasheng Green Energy Agricultural Technology Co., Ltd.	Subsidiary of the subsidiary's participating company
Mengcheng Huasheng Green Energy Agricultural Technology Co., Ltd.	Subsidiary of the subsidiary's participating company
Yanquan Huasheng Green Energy Agricultural Technology Co., Ltd.	Subsidiary of the subsidiary's participating company
Yanjin Huasheng Green Energy Agricultural Technology Co., Ltd.	Subsidiary of the subsidiary's participating company
Huasheng Green Energy (Jimo) Agricultural Technology Co., Ltd.	Subsidiary of the subsidiary's participating company
Shenxian Dingsheng Agricultural Technology Co., Ltd.	Subsidiary of the subsidiary's participating company
Changsheng Dongfang (Tuquan) Agricultural Technology Co., Ltd.	Subsidiary of the subsidiary's participating company
Huasheng Green Energy (Tianjin) Agricultural Technology Co., Ltd.	Subsidiary of the subsidiary's participating company
Huasheng Green Energy (Yitong) Agricultural Technology Co., Ltd.	Subsidiary of the subsidiary's participating company
Shandong Shengli Co., Ltd.	Subsidiary shareholders
Qingdao Shengxin Hengchang Trading Co., Ltd.	Shareholding company of subsidiary's shareholders
Qingdao Sifang City Development Co., Ltd.	Subsidiary shareholders
Qingdao Shengxin Binhai Real Estate Development Co., Ltd.	Subsidiary shareholders
Qingdao Iron and Steel Holding Group Co., Ltd.	Hosting Company of the Company
Shandong Handing Investment Co., Ltd.	Subsidiary shareholders
Hong Kong Anyu Trading Co., Ltd.	Subsidiary shareholders
Qingdao 22nd Century International Culture Media Co., Ltd.	Shareholding company of subsidiary's shareholders
Li Xingmin	Subsidiary shareholders
Li Zhensheng	Subsidiary shareholders
Qingdao Derui Junfa Real Estate Co., Ltd.	Subsidiary shareholders
Qingdao Xiyuan Holdings Co., Ltd.	Subsidiary shareholders
Qingdao University Information Industry Co., Ltd.	Subsidiary shareholders
Qingdao Haisi Innovative Energy Equity Investment Enterprise (Limited Partnership)	Participating company of the subsidiary

Qingdao Boao Yihe City Investment Health Technology Development Co., Ltd.	Participating company of the subsidiary
Qingdao Water Affairs Group Co., Ltd.	Controlling party of the participating company
Qingdao Blue Valley Daren Water Co., Ltd.	Subsidiary of the participating company
Qingdao Zhengyang Water Co., Ltd.	Subsidiary of the participating company
Qingdao Hairun Water Supply Group Co., Ltd.	Subsidiary of the participating company's controlling party
Qingdao Haibohe Water Affairs Operation Co., Ltd.	Subsidiary of the participating company
PT.Metal Smeltindo Selaras	Participating company of subsidiary shareholders
Taipusi Banner Borui Urban and Rural Construction and Asset Management Co., Ltd.	Minority shareholder of the subsidiary
Tuquan County Mengdong Urban Development Investment Management Co., Ltd.	Minority shareholder of the subsidiary
Jiaozuo Huasheng Green Energy Agricultural Technology Co., Ltd.	Subsidiary of the subsidiary's participating company
Huasheng Green Energy (Wucheng) Agricultural Technology Co., Ltd.	Subsidiary of the subsidiary's participating company
Huasheng Green Energy (Yuanjiang) Agricultural Technology Co., Ltd.	Subsidiary of the subsidiary's participating company
Huasheng Green Energy (Dengkou) Agricultural Technology Co., Ltd.	Subsidiary of the subsidiary's participating company
Huasheng Green Energy (Shangdu County) Park Service Co., Ltd.	Subsidiary of the subsidiary's participating company
Chengcheng County Huasheng Green Energy Seedlings and Flowers Technology Co., Ltd.	Subsidiary of the subsidiary's participating company
Qingdao Boao Yihe City Investment Health Technology Development Co., Ltd.	Subsidiary of the subsidiary's participating company
International Medical Care Center	Subsidiary of the subsidiary's participating company
Qingdao Chenghui New Energy Co., Ltd.	Subsidiary of the fund project company invested by the Company
Qingdao Qingcheng Yuhui New Energy Co., Ltd.	Subsidiary of the fund project company invested by the Company
Qingdao Renxingkang Medical Investment Management Co., Ltd.	Subsidiary shareholders
Shandong Taishan Iron and Steel Group Co., Ltd.	Subsidiary shareholders
Shandong Xincheng Hengye Group Co., Ltd.	Subsidiary shareholders
Shenzhen Qianhai Chuangying Asset Management Co., Ltd.	Subsidiary shareholders
Anhui Qirui Commercial Vehicle Sales Co., Ltd.	Subsidiary of the minority shareholder of the subsidiary
Zhongjiao Real Estate Co., Ltd.	Minority shareholder of the subsidiary
Chongqing Honghan Enterprise Management Consulting Co., Ltd.	Participating company of the subsidiary's minority shareholders
Qingdao Xiechuang Investment Management Consulting Center (Limited Partnership)	Partnership company of the subsidiary
Qingdao Nanxin Investment Co., Ltd.	Participating company of the subsidiary's minority shareholders
Qingdao Runbin Commercial Management Co., Ltd.	Participating company of the subsidiary's minority shareholders
Longkou Nanxin Yuanheng Real Estate Co., Ltd.	Participating company of the subsidiary's minority shareholders
Nanshan Group Co., Ltd.	Participating company of the subsidiary's minority shareholders
Qingdao Jianyuan Mechanized Construction Co., Ltd.	Minority shareholder of the subsidiary
Qingdao Nanxin Urban Investment Real Estate Co., Ltd.	Shareholding company of the subsidiary

Yantai Runde Real Estate Co., Ltd.	Participating company of the subsidiary's minority shareholders Controlled by the same company as the subsidiary's minority shareholders
Qingdao Xiexin Yuanhai Real Estate Co., Ltd.	Shareholding company of the subsidiary
Qingdao Guoxin Haitian Basketball Club Co., Ltd.	Associates of the subsidiary
Qingdao Xingzheng Automobile Technology Co., Ltd.	Associates of the subsidiary
Qingdao Xinghua Resources Holdings Co., Ltd.	Investors exerting significant influence on the subsidiary
Guangrao Finance Equity Investment Fund Management Center (Limited Partnership)	

11.5 Related party transactions

11.5.1 Related party transactions for purchase/receiving labour services

Name of the related parties	Types of transaction	Pricing of the transaction	Current period		Prior period	
			Amount	Percent of similar transactions (%)	Amount	Percent of similar transactions (%)
Qingdao Hailang Special Equipment Technology Co., Ltd.	Labor fee	Market price	1,320,619.00	1.53		
Qingdao Hailang Special Equipment Technology Co., Ltd.	Purchase equipment	Market price	107,882.29	<0.01		
Beijing Hurricane Partners Network Technology Co., Ltd.	Purchase tires	Market price	7,501,277.36	0.11		

11.5.2 Related party transactions for sale/providing services

Name of the related parties	Types of transaction	Current period		Prior period	
		Amount	Percent of similar transactions (%)	Amount	Percent of similar transactions (%)
Qingdao Shilu Ocean Big Data Investment Development Co., Ltd.	Interest income			71,094,339.89	3.77
Qingdao Haisi Innovation Equity Investment Fund Enterprise (Limited Partnership)	Interest income	26,838,667.81	1.11	25,513,844.43	1.35
Qingdao Haisi Innovative Energy Equity Investment Enterprise (Limited Partnership)	Interest income	56,672,266.35	2.33	89,579,434.29	4.75
Qingdao Haisi Quanzong Investment Management Co., Ltd.	Interest income	102,242.14	<0.01	98,436.62	0.01

Name of the related parties	Types of transaction	Current period		Prior period	
		Amount	Percent of similar transactions (%)	Amount	Percent of similar transactions (%)
Qingruan Innovation Technology Group Co., Ltd.	Interest income	53,490.57	<0.01		
Shandong Xincheng Hengye Group Co., Ltd.	Interest income	75,471,698.39	3.11		
Shenzhen Qianhai Chuangying Asset Management Co., Ltd.	Interest income	1,063,679.21	0.04		
Shanghai Tianci International Pharmaceutical Co., Ltd.	Interest income	31,045,545.10	1.28		
Qingdao Shilu Ocean Big Data Investment Development Co., Ltd.	Management consulting services			16,533,018.93	3.19
Qingdao Haisi Innovation Equity Investment Fund Enterprise (Limited Partnership)	Entrusted loan management fee income			566,981.12	5.61
Shanghai Tianci International Pharmaceutical Co., Ltd.	Entrusted loan management fee income	298,113.20	0.06		
Qingdao Urban Investment Haisi Revolving Equity Investment Fund Enterprise (Limited Partnership)	Fund management fee income	124,705.66	0.03	124,705.66	1.79
Qingdao Haisi Minhe Equity Investment Fund Enterprise (Limited Partnership)	Fund management fee income	1,005,614.83	0.20	2,243,236.62	32.28
Qingdao Haisi Energy Equity Investment Fund Enterprise (Limited Partnership)	Fund management fee income			1,728,155.34	24.87
Qingdao Minhe Zhiwei Investment Center (Limited Partnership)	Fund management fee income	716,226.42	0.14	1,113,732.08	16.03
Qingdao Qixincheng Equity Investment Fund Management Center (Limited Partnership)	Fund management fee income			1,415,094.34	20.36
Qingdao Urban and Rural General Aviation Equity Investment Fund Enterprise (Limited Partnership)	Fund management fee income			144,029.25	2.07
Qingruan Innovation Technology Group Co., Ltd.	Guaranteed income			283,018.87	0.18
Qingdao Meier High-Tech Development Co., Ltd.	Guaranteed income			94,339.62	0.06
Shanghai Tianci International Pharmaceutical Co., Ltd.	Guaranteed income	17,295.28	0.01	7,862.26	<0.01
Huasheng Green Energy (Dengkou) Agricultural Technology Co., Ltd.	Rental income	442,477.88	5.00	88,495.58	0.21
Huasheng Green Energy (Wuhai) Agricultural Technology Co., Ltd.	Rental income	884,955.75	10.00		
Zhenghe Huaxu Modern Agricultural Development Co., Ltd.	Rental income	884,955.75	10.00		

Name of the related parties	Types of transaction	Current period		Prior period	
		Amount	Percent of similar transactions (%)	Amount	Percent of similar transactions (%)
Jiaozuo Huasheng Green Energy Agricultural Technology Co., Ltd.	Rental income	530,973.45	6.00		
Shouguang Shuangsheng Agricultural Technology Co., Ltd.	Rental income	530,973.45	6.00		
Prosperity Oriental (Yongning) Poverty Alleviation Development Service Co., Ltd.	Rental income			1,804,330.36	4.32
Inner Mongolia Green Energy Agricultural Technology Co., Ltd.	Rental income	176,991.15	2.00	1,852,232.97	4.44
Huasheng Green Energy (Wucheng) Agricultural Technology Co., Ltd.	Rental income	176,991.15	2.00		
Huasheng Plain Shijiazhuang Agricultural Technology Co., Ltd.	Rental income	176,991.15	2.00		
Huasheng Green Energy (Ulanhabu) Agricultural Technology Co., Ltd.	Rental income			1,852,232.97	4.44
Huasheng Green Energy (Dechang) Agricultural Technology Co., Ltd.	Rental income	442,477.88	5.00	1,804,330.37	4.32
Huasheng Green Energy (Xiantao) Agricultural Technology Co., Ltd.	Rental income			1,804,330.40	4.32
Dongfeng Huasheng Green Energy Agricultural Technology Co., Ltd.	Rental income	88,495.58	1.00	1,804,330.34	4.32
Huasheng Green Energy (Yuanjiang) Agricultural Technology Co., Ltd.	Rental income	88,495.58	1.00		
Huasheng Green Energy (Binzhou) Agricultural Technology Co., Ltd.	Rental income	442,477.88	5.00	35,398.23	0.08
Huasheng Green Energy (Linyou) Agricultural Technology Co., Ltd.	Rental income	88,495.58	1.00	1,804,330.40	4.32
Mengcheng Huasheng Green Energy Agricultural Technology Co., Ltd.	Rental income			2,608,660.83	6.25
Yangquan Huasheng Green Energy Agricultural Technology Co., Ltd.	Rental income	1,415,929.20	16.00	176,991.15	0.42
Yanjin Huasheng Green Energy Agricultural Technology Co., Ltd.	Rental income	884,955.75	10.00	760,214.04	1.82

Name of the related parties	Types of transaction	Current period		Prior period	
		Amount	Percent of similar transactions (%)	Amount	Percent of similar transactions (%)
Huasheng Green Agricultural Technology Co., Ltd.	Rental income			8,849.56	0.02
Huaxian Huasheng Green Energy Agricultural Technology Co., Ltd.	Rental income	88,495.58	1.00		
Huasheng Green Energy (Jimo) Agricultural Technology Co., Ltd.	Rental income	1,504,424.78	17.00	7,394,312.71	17.71
PT.Metal Smeltindo Selaras	2 * 65MW coal-fired power plant equipment and infrastructure				
PT.Metal Smeltindo Selaras	Agency service	107,626,197.23	100.00	397,548.78	44.81
PT.Metal Smeltindo Selaras	RKEF special smelting equipment complete set and infrastructure	62,832.00	0.01	6,608,504.59	100.00
PT.Metal Smeltindo Selaras	Land lease	-113,007,032.24	100.00		
PT.Metal Smeltindo Selaras	Property service	41,054,579.97	69.66		
Yangzhou Yuanhaibin Jiangzhongcheng Supply Chain Co., Ltd.	Consulting service	1,512,344.85	17.56		
Qingdao Boao Yihe City Investment Health Technology Development Co., Ltd.	Property costs	1,698,113.20	0.34	754,716.98	0.15
Xingda Network Technology (Qingdao) Co., Ltd.	Sale of tires	11,815,376.50	0.13	350,535.08	9.97
Beijing Hurricane Partner Network Technology Co., Ltd. Shanghai Branch	Tire rental income	2,540,342.58	100.00		
Suxing Automotive Technology (Qingdao) Co., Ltd.	Sale of tires	2,179,962.51	0.02		
Qingdao Xingzheng Automobile Technology Co., Ltd.	Sale of tires	795,734.51	0.01		
Qingdao Hailang Special Equipment Technology Co., Ltd.	Mechanical equipment	746,098.23	<0.01		
Qingdao Hailang Special Equipment Technology Co., Ltd.	Welfare products	7,297.03	<0.01		

11.5.3 Related party transactions for lease

Company lease situation:

Lessor	Lessee	Type of Lease	Date form	End date	Price of rent	Fee
Qingdao Shengxin Hengchang Trading Co., Ltd.	Qingdao Shengtong Coast Real Estate Development Co., Ltd.	Property	2020/1/1	2020/12/31	Lease Contract	231,077.00

11. 6 Trade Receivable and payable with related parties

Accounts receivable from related parties

Items	Related parties	Closing balance		Opening balance		Terms and conditions	Whether on guarantee
		Carrying amount	Provision	Carrying amount	Provision		
Notes receivable	PT.Metal Smeltindo Selaras			30,000,000.00	300,000.00	Nil	No
Accounts receivable	Qingdao Shilu Ocean Big Data Investment Development Co., Ltd.			4,716,981.15		Nil	No
	Qingdao Shiao Investment Development Co., Ltd.	24,570,000.00		24,570,000.00		Nil	No
	Shandong Shengli Co., Ltd.	14,800,000.00		14,800,000.00		Nil	No
	Qingdao Sifang City Development Co., Ltd.	28,900,000.00		28,900,000.00		Nil	No
	Qingdao Shengxin Binhai Real Estate Development Co., Ltd.	14,900,000.00		14,900,000.00		Nil	No
	Qingdao Haisi Energy Investment Fund Enterprise (Limited Partnership)	2,960,000.00		2,960,000.00		Nil	No
	Qingdao Xiuzheng Blue Valley Pharmaceutical Co., Ltd.	3,290,000.00				Nil	No
	Anhui Chery Commercial Vehicle Sales Co., Ltd.	102,204,333.17				Nil	No
	PT.Metal Smeltindo Selaras	278,366,250.57	3,573,361.90	520,340,670.55	5,798,649.93	Nil	No
	Qingdao Qingcheng Yuhui New Energy Co., Ltd.	403,000,000.00				Nil	No
	Qingdao Tourism Group Co., Ltd.	9,590.00		9,590.00		Nil	No
	Qingdao Tourism Culture Media Co., Ltd.	4,000,000.00		4,000,000.00		Nil	No
	Huasheng Green Energy (Dengkou) Agricultural Technology Co., Ltd.	600,000.00	10,000.00	100,000.00		Nil	No
	Huasheng Green Energy (Wuhai) Agricultural Technology Co., Ltd.	3,093,023.26	209,302.33	4,186,046.52	209,302.33	Nil	No

Items	Related parties	Closing balance		Opening balance		Terms and conditions	Whether on guarantee
		Carrying amount	Provision	Carrying amount	Provision		
	Prosperity Oriental (Yongning) Poverty Alleviation Development Service Co., Ltd.			8,372,093.02		Nil	No
	Inner Mongolia Green Energy Agricultural Technology Co., Ltd.	2,293,023.26	209,302.33	4,186,046.52	209,302.33	Nil	No
	Huasheng Green Energy (Ulanhabu) Agricultural Technology Co., Ltd.			4,186,046.52	209,302.33	Nil	No
	Huasheng Green Energy (Dechang) Agricultural Technology Co., Ltd.	2,593,023.26	209,302.33	4,186,046.52	209,302.33	Nil	No
	Huasheng Green Energy (Xiantao) Agricultural Technology Co., Ltd.	2,093,023.26	209,302.33	2,093,023.26		Nil	No
	Dongfeng Huasheng Green Energy Agricultural Technology Co., Ltd.	2,193,023.26	209,302.33	2,093,023.26		Nil	No
	Huasheng Green Energy (Binzhou) Agricultural Technology Co., Ltd.	550,000.00	5,000.00	40,000.00		Nil	No
	Huasheng Green Energy (Linyou) Agricultural Technology Co., Ltd.	2,193,023.26	209,302.33	4,186,046.52	209,302.33	Nil	No
	Mengcheng Huasheng Green Energy Agricultural Technology Co., Ltd.	4,186,046.51	209,302.31	5,060,050.54		Nil	No
	Yanjin Huasheng Green Energy Agricultural Technology Co., Ltd.	1,859,041.86	85,904.18	859,041.86		Nil	No
	Huasheng Green Energy (Jimo) Agricultural Technology Co., Ltd.	10,272,093.02	857,209.30	8,572,093.02	857,209.30	Nil	No
	Huasheng Plain Shijiazhuang Agricultural Technology Co., Ltd.	5,432,558.14	523,255.80			Nil	No
	Huaxian Huasheng Green Energy Agricultural Technology Co., Ltd.	4,186,046.51	209,302.30			Nil	No
	Shouguang Shuangsheng Agricultural Technology Co., Ltd.	2,693,023.26	209,302.33			Nil	No
	Huasheng Green Energy (Yuanjiang) Agricultural Technology Co., Ltd.	2,193,023.22	209,302.32			Nil	No
	Huasheng Green Energy (Shangdu County) Park Service Co., Ltd.	2,093,023.26	209,302.33			Nil	No
	Chengcheng County Huasheng Green Energy Seedlings and Flowers Technology Co., Ltd.	2,093,023.26	209,302.33			Nil	No
	Yangguan Huasheng Green Energy	1,800,000.00	20,000.00			Nil	No

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

Items	Related parties	Closing balance		Opening balance		Terms and conditions	Whether on guarantee
		Carrying amount	Provision	Carrying amount	Provision		
	Agricultural Technology Co., Ltd.						
	Jiaozuo Huasheng Green Energy Agricultural Technology Co., Ltd.	1,429,437.50	82,943.75			Nil	No
	Huasheng Green Energy (Wucheng) Agricultural Technology Co., Ltd.	211,520.64	1,152.06			Nil	No
	Shenxian Dingsheng Agricultural Technology Co., Ltd.	2,093,023.26	209,302.33	2,093,023.26	209,302.33	Nil	No
	Suxing Automotive Technology (Qingdao) Co., Ltd.	1,730,100.85	8,650.50			Nil	No
Interest receivable							
	Qingdao Xiyuan Holdings Co., Ltd.	89,902,591.59		89,902,591.60		Nil	Yes
Other receivable							
	Shandong Shengli Co., Ltd.	60,671,328.89		60,671,328.89		Nil	No
	Qingdao Blue Ocean Newport City Real Estate Co., Ltd.	1,255,000,000.00		1,255,000,000.00		Nil	No
	Qingdao Zhongnengxin Investment Co., Ltd.			80,000,000.00		Nil	No
	Qingdao Huibo Real Estate Co., Ltd.	41,606,716.17		31,162,271.73		Nil	No
	Qingdao Huijie Real Estate Co., Ltd.	32,342,099.93		29,336,541.90		Nil	No
	Qingdao Huifai Real Estate Co., Ltd.	21,820,452.83		21,820,452.83		Nil	No
	Qingdao Huilian Real Estate Co., Ltd.	54,040,250.04		64,484,694.48		Nil	No
	Qingdao Huiding Real Estate Co., Ltd.	13,870,846.35				Nil	No
	Qingdao Zhonghe Freya Ecological Animal Husbandry Co., Ltd.	12,876,525.78		12,876,525.78		Nil	No
	Qingdao Haisi Quanzong Investment Management Co., Ltd.	2,000,000.00		2,000,000.00		Interest	No
	Huasheng Green Agricultural Technology Co., Ltd.	33,593,334.92		9,256,403.01		Nil	No
	Qingdao Xindong Hotel Co., Ltd.	30,065,824.95		30,065,824.95		Nil	No
	Olympic Sailing Museum	3,508,000.00		3,508,000.00		Nil	No
	Qingdao Chenghui New Energy Co., Ltd.	8,750,000.00				Nil	No
	Hong Kong Anyu Trading Co., Ltd.	358,000.00		358,000.00		Nil	No
	Qingdao City Investment Fenghui Real Estate Co., Ltd.						
	Qingdao Xindong Property Co., Ltd.	150,000.00		107,500,000.00		Nil	No
	Qingdao Donghai Road Gas Station	479,666.64		150,000.00		Nil	No
				479,666.64		Nil	No

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

Items	Related parties	Closing balance		Opening balance		Terms and conditions	Whether on guarantee
		Carrying amount	Provision	Carrying amount	Provision		
	Qingdao Ferry Co., Ltd.	184,041,102.55		184,041,102.55		Nil	No
	Qingdao Tourism Group Automobile Co., Ltd.						
	Qingdao Tourism Group Co., Ltd.	16,255,727.02		16,255,727.02		Nil	No
	CCCC Real Estate Co., Ltd.	541,990,190.54		542,001,435.54		Nil	No
	Qingdao Nanxin Urban Investment Management Consulting Co., Ltd.	784,000,000.00				Nil	No
	Qingdao Nanxin Yuanhai Real Estate Co., Ltd.	69,000,000.00		39,000,000.00		Nil	No
	Qingdao Nanxin Investment Co., Ltd.			112,748,571.43		Nil	No
	Qingdao Tourism Culture Media Co., Ltd.	57,028,564.03				Nil	No
	Shandong Xincheng Hengye Group Co., Ltd.	19,717,795.52		19,717,795.52		Nil	No
	Qingdao International Yacht Club Co., Ltd.	4,000,000,000.00				Interest	No
	Qingdao Haisi Innovative Energy Equity Investment Enterprise (Limited Partnership)	35,051,261.16		35,051,261.16		Nil	No
	Qingdao Iron and Steel Holding Group Co., Ltd.	1,129,748,343.24		1,106,806,706.42		Interest	No
	Qingdao Olympic Sailing Center Performing Arts Co., Ltd.	823,163,144.30		764,281,018.02		Nil	No
	Qingdao City Investment Tourism Economic Development Co., Ltd.	108,578,932.45		108,578,932.45		Nil	No
	Qingdao Tourism Group Hotel Management Co., Ltd.	399,161,684.71		399,161,684.71		Nil	No
	Qingdao City Investment Agriculture and Forestry Development Co., Ltd.	186,273,754.49		186,273,754.49		Nil	No
	Qingdao Yandao Hotel Co., Ltd.						
	Qingdao Shiao Investment Development Co., Ltd.	13,340,442.07	13,340,442.07	10,055,025.48	2,063,538.35	Nil	No
	PT.Metal Smelting Selaras	2,000,000.00		13,340,442.07	13,340,442.07	Nil	No
	Changsheng Dongfang (Tuquan) Agricultural Technology Co., Ltd.			2,000,000.00		Nil	No
	Qingdao Xiyuan Holdings Co., Ltd.	1,100,000.00		1,042,181.02		Nil	No
	Shenxian Dingsheng Agricultural Technology Co., Ltd.	514,738,365.80		1,100,000.00		Nil	No
	Taipusi Banner Borui Urban and Rural			515,738,365.80		Interest	Yes
				4,186,046.52		Nil	No
		2,847,000.00		3,855,000.00		Nil	No

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

Items	Related parties	Closing balance		Opening balance		Terms and conditions	Whether on guarantee
		Carrying amount	Provision	Carrying amount	Provision		
	Construction and Asset Management Co., Ltd.						
	Health Examination Center of Qingdao Boao Yihe Urban Investment Health Technology Development Co., Ltd.	213,539.00				Nil	No
	Qingdao Minxin Qiyuan Investment Center (Limited Partnership)	100,000,000.00				Nil	No
	Tuquan County Mengdong Urban Development Investment Management Co., Ltd.	9,420,000.00		9,420,000.00		Nil	No
	Qingdao Chengxiu Real Estate Investment Co., Ltd.	162,559,312.99				Nil	No
	Vasari Investment Holdings Limited			2,443,124,734.99		Nil	No
	Chongqing Hongshan Enterprise Management Consulting Co., Ltd.	177,955,448.03				Nil	No
	Qingdao Runbin Commercial Management Co., Ltd.	21,590,300.00				Nil	No
	Longkou Nanxin Yuanheng Real Estate Co., Ltd.	30,000,000.00				Nil	No
	Nanshan Group Co., Ltd.	323,531,062.51				Nil	No
	Qingdao Jianyuan Mechanized Construction Co., Ltd.	342,081.99				Nil	No
	Qingdao Nanxin Urban Investment Real Estate Co., Ltd.	2,249,543.48				Nil	No
	Yantai Runde Real Estate Co., Ltd.	4,649,324.00				Nil	No
	Qingdao Xiexin Yuanhai Real Estate Co., Ltd.	498,960.00				Nil	No
	Qingdao Dong'ao Development and Construction Group Company						
	Qingdao Urban Construction Investment Center	83,909,306.76		54,566,078.57		Nil	No
	Huading Development Co., Ltd.	44,129,564.75		42,388,722.53		Nil	No
	Panda Green Energy Group Co., Ltd.	91,032,308.31		96,458,722.60		Nil	No
	Beijing Hurricane Partners Network Technology Co., Ltd.			68,933,910.71		Nil	No
	Qingdao Hailang Special Equipment Technology Co., Ltd.	2,400,913.10	12,004.57			Nil	No
		7,357,798.50	36,788.99			Nil	No

Items	Related parties	Closing balance		Opening balance		Terms and conditions	Whether on guarantee
		Carrying amount	Provision	Carrying amount	Provision		
Other current asset	Qingdao Guoxin Haitian Basketball Club Co., Ltd.	5,890,686.24	1,178,137.25			Nil	No
Loans and advances	Qingdao Shilu Ocean Big Data Investment Development Co., Ltd.			500,000,000.00		Interest	Yes
Held-to-maturity investments	Qingdao Haisi Innovation Equity Investment Fund Enterprise (Limited Partnership)	329,380,000.00		296,380,000.00		Interest	Yes
	Qingdao Xiyuan Holdings Co., Ltd.	264,634,200.59		264,634,200.59		Interest	Yes
	Shanghai Tianci International Pharmaceutical Co., Ltd.	325,000,000.00				Interest	Yes
	Shandong Xincheng Hengye Group Co., Ltd.	500,000,000.00				Interest	Yes
	Shenzhen Qianhai Chuangying Asset Management Co., Ltd.	90,000,000.00				Interest	Yes

Accounts payable to related parties

Items	Name of the related parties	Closing balance	Opening balance	Terms and conditions	Whether on guarantee
Accounts payable					
	Qingdao Changshengridian Solar Power New Energy Holding Co., Ltd.	591,600.00		Nil	No
	Huasheng Green Energy Agricultural Technology Co., Ltd.		19,608.00	Nil	No
	Qingdao University Information Industry Co., Ltd.	2,768,690.00	3,000,000.00	Nil	No
	Qingdao Dong'ao Development and Construction		700,000.00	Nil	No

Items	Name of the related parties	Closing balance	Opening balance	Terms and conditions	Whether on guarantee
	Group Company				
	Qingdao Tourism Culture Media Company	7,002,000.00	7,002,000.00	Nil	No
	Beijing Hurricane Partners Network Technology Co., Ltd.	2,593,111.01		Nil	No
Advances from customers					
	Qingdao Boao Yihe City Investment Health Technology Development Co., Ltd.		432,528.46	Nil	No
	Shandong XinChengHengYe Group Co., Ltd.	25,000,000.00		Nil	No
	Shanghai Tianci international pharmaceutical co., LTD	13,333.00		Nil	No
	Shandong TaiShan Iron and Steel Group Co., Ltd.	121,887,289.00		Nil	No
	Xingda Network Technology (Qingdao) Co., Ltd.	896,154.64		Nil	No
Dividend payable					
	Huarong Investment (Holdings) Co., Ltd.		25,834,860.64	Nil	No
	Vasari Investment Holdings Limited		50,141,886.84	Nil	No
	Qingdao Zhongnengxin Investment Co., Ltd.		3,200,000.00	Nil	No
	Qingdao Sifang City Development Co., Ltd.	32,520,000.00		Nil	No
	Qingdao Shengxin Binhai Real Estate Development	54,200,000.00		Nil	No

Items	Name of the related parties	Closing balance	Opening balance	Terms and conditions	Whether on guarantee
Other payable	Co., Ltd.				
	Shandong Shengli Co., Ltd.	46,070,000.00		Nil	No
	Huasheng Green Energy Agricultural Technology Co., Ltd.	25,101,068.85	53,236,608.58	Nil	No
	Fugu County Huasheng Green Energy Agricultural Technology Co., Ltd.		7,181.00	Nil	No
	Qingdao University Information Industry Co., Ltd.		6,000.00	Nil	No
	Qingdao Changshengridian Solar Power New Energy Holding Co., Ltd.	769,433.34	769,433.34	Nil	No
	Huasheng Green Energy (Tianjin) Agricultural Technology Co., Ltd.	2,644,890.00	2,644,890.00	Nil	No
	Huasheng Green Energy (Yitong) Agricultural Technology Co., Ltd.	75,088.51	75,088.51	Nil	No
	Fugu County Huasheng Green Energy Agricultural Technology Co., Ltd.	7,181.00		Nil	No
	Qingdao Twenty-second Century International Culture Media Co., Ltd.	42,973,540.38	42,973,540.38	Nil	No

Items	Name of the related parties	Closing balance	Opening balance	Terms and conditions	Whether on guarantee
	Qingdao Jinhengli Real Estate Co., Ltd.		272,500,000.00	Nil	No
	Stanley Ho		921,660.00	Nil	No
	Li Xingmin	460,830.00	460,830.00	Nil	No
	Li Zhensheng	230,415.00	230,415.00	Nil	No
	Shandong XinChengHengYe Group Co., Ltd.	8,216,500.01		Nil	No
	Shandong Handing Investment Co., Ltd.	555,570.00	555,570.00	Nil	No
	Qingdao Donghai Road Gas Station	250,000.00	250,000.00	Nil	No
	Qingdao Nanxin Investment Co., Ltd.	333,228,564.03		Nil	No
	Qingdao Yandao Hotel Co., Ltd.	2,012,253.40	2,012,253.40	Nil	No
	Qingdao Tourism Culture Media Company	14,000,000.00	14,000,000.00	Nil	No
	Qingdao Sports Industry Development Co., Ltd.	1,744,735.00	1,605,600.00	Nil	No
	Qingdao Tourism Culture Media Co., Ltd.	10,202,710.00		Nil	No
	Qingdao Yingao Real Estate Co., Ltd.	2,118,708.63	2,118,708.63	Nil	No
	Vasari Investment Holdings Limited		40.04	Nil	No
	Huarong Investment (Holdings) Co., Ltd.		52.78	Nil	No
	Qingdao Derui Junfa Real Estate Co., Ltd.		66,095,800.00	Nil	No
	Qingdao City Investment Tourism Economic Development Co., Ltd.	93,676,000.00	93,676,000.00	Nil	No

Qingdao City Construction Investment (Group) Ltd.
Notes to the Financial Statements
From January 1st, 2020 to December 31st, 2020

Items	Name of the related parties	Closing balance	Opening balance	Terms and conditions	Whether on guarantee
	Qingdao Renxingkang Medical Investment Management Co., Ltd.	460,000.00		Nil	No
	Shandong TaiShan Iron and Steel Group Co., Ltd.	121,887,289.00		Nil	No
	Qingdao Dong'ao Development and Construction Group Company	20,512,548.93	20,512,548.93	Nil	No
	Qingdao Urban Construction Investment Center	375,888.80	206,843.00	Nil	No
	Huaqing Development Co., Ltd.	89,191,442.20	83,461,390.00	Nil	No
	Qingdao Hailang Special Equipment Technology Co., Ltd.	763,115.46		Nil	No
	Qingdao Xinghua Resources Holdings Co., Ltd.	16,277.38		Nil	No
Other non-current liabilities					
	Xingda Network Technology (Qingdao) Co., Ltd.	103,097.44		Nil	No

12. Notes to the financial statements of Parent company

12.1 Accounts receivable

Categories	Closing balance			Opening balance		
	Carrying amount	Provision for bad debts		Carrying amount	Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with individually significant amount and individual provision for bad debts						
Accounts receivable with provision for bad debts based on the combination of credit risk characteristics	19,470,946.51	100.00		98.08		15,173,645.16
Including: 1. Accounts receivable with provisions for bad debts accrued under aging analysis method						
2. Accounts receivable with provisions for bad debts under the risk type method						
3. Accounts receivable without provision for bad debts	19,470,946.51	100.00		98.08		15,173,645.16
Accounts receivables with individually insignificant amount and individual provision for bad debts				1.92	296,460.00	100.00
Total	19,470,946.51	100.00		100.00	296,460.00	1.92
			19,470,946.51		296,460.00	15,173,645.16

Accounts receivable with provision for bad debts based on the combination of credit risk characteristics

Accounts receivable without provision for bad debts	Closing balance	Opening balance	Reason for no provision
Name of the debtors			
Qingdao Urban Investment Enterprise Development Co., Ltd.	8,070,710.43	11,173,645.16	Related party
Qingdao Tourism Culture Media Co., Ltd.	4,000,000.00	4,000,000.00	Related party
Qingdao Urban Investment Engineering Construction Development (Group) Co., Ltd.	3,285,569.41		Related party
Qingdao First International School, Shandong Province	3,666,666.67		Related party
Other related parties	448,000.00		
Total	19,470,946.51	15,173,645.16	

12.2 Revenue and cost

Items	Current period		Prior period	
	Revenue	Cost	Revenue	Cost
Subtotal on other income	21,951,568.12	11,659,428.20	20,340,800.12	15,054,067.24
Including: Rents income	21,951,568.12	11,659,428.20	20,340,800.12	16,186,142.64
Construction-agent income				-1,132,075.40
Total	21,951,568.12	11,659,428.20	20,340,800.12	15,054,067.24

12.3 Gain on investment

Sources	Current period	Prior period
Investment income on disposal of long-term equity investments	96,111,567.11	
Income from long-term equity investments under equity method	194,156,290.16	21,111,002.35
Income from long-term equity investments under cost method	138,210,000.00	
Investment income from available-for-sale financial assets, etc	1,999,800.00	
Investment income from disposal of available-for-sale financial assets	713,484,354.06	724,851,842.67
Financial income	170,899,410.19	149,120,667.97
Others	11,632,198.10	
Total	1,326,493,619.62	895,083,512.99

12.4 Cash flows

12.4.1 Supplementary information to the cash flow statement

Items	Current period	Prior period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	-567,040,359.63	-464,461,847.24
Plus: Provision for impairment losses of assets	7,346,564.33	2,426,483.52
Credit impairment loss		
Depreciation of fixed assets, depletion of oil and gas assets, and depreciation of productive biological assets	29,821,906.31	18,219,628.89
Depreciation of right-of-use assets		
Amortization of intangible assets	1,029,645.69	1,167,656.65
Amortization of long-term prepaid expenses	108,123.84	
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-26,460,584.63	
Losses on retirement of fixed assets ("-" for gains)	3,255.40	3,086.20
Losses from changes in fair value ("-" for gains)		-5,144,460.00
Financial expenses ("-" for gains)	1,970,151,765.13	1,423,591,949.54
Investment losses ("-" for gains)	-1,326,493,619.62	-895,083,512.99
Decreases in deferred income tax assets ("-" for increases)		
Increases in deferred income tax liabilities ("-" for decreases)	338,866.63	1,624,981.63
Decreases in inventories ("-" for increases)		
Decrease in receivables from operating activities ("-" for increases)	-39,716,920.86	9,704,400.74
Increase in payables from operating activities ("-" for decreases)	18,381,185.03	7,869,067.40
Others		
Net cash flow from operating activities	67,469,827.62	99,917,434.34
2. Significant investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		

Items	Current period	Prior period
Convertible corporate bonds due within one year		
Fixed assets under financial lease		
3. Net change in cash and cash equivalents		
Closing balance of cash	11,301,577,604.98	6,620,278,628.14
Less: opening balance of cash	6,620,278,628.14	7,281,596,131.68
Add: closing balance of cash equivalents		
Minus: opening balance of cash equivalents		
Net increase in cash and cash equivalents	4,681,298,976.84	-661,317,503.54

12.4.2 Information about cash and cash equivalents

Items	Closing balance	Opening balance
1 Cash	11,301,577,604.98	6,620,278,628.14
Including: Cash on hand	5,247.09	702.09
Bank deposits	10,119,485,107.02	3,414,827,158.15
Other monetary funds	1,182,087,250.87	3,205,450,767.90
Deposits with the central bank		
Deposits with other banks		
Placements with banks		
2 Cash equivalents		
Including: Investments in debt securities due within three months		
3 Closing balance of cash and cash equivalents	11,301,577,604.98	6,620,278,628.14

13. Other disclosures in accordance with the regulations of CFRS

None.

Qingdao City Construction Investment (Group) Ltd.

April 20th, 2021

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED

(香港國際(青島)有限公司)

(incorporated in Hong Kong with limited liability)

**Directors' Report and
Consolidated Financial Statements
For the year ended 31 December 2021**

BDO

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

CONTENTS

	Page
Directors' Report	1
Independent Auditor's Report	3
Consolidated Statement of Profit or Loss and Other Comprehensive Income	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Notes to the Consolidated Financial Statements	11

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report together with the audited consolidated financial statements of Hongkong International (Qingdao) Company Limited and its subsidiary (collectively referred as the "Group") for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is provision of treasury services to group companies of its holding companies. The principal activity of the Company's subsidiary is set out in Note 18 to the consolidated financial statements.

FINANCIAL STATEMENTS AND APPROPRIATIONS

The financial performance of the Group for the year ended 31 December 2021 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 7 to 34.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2021.

DIRECTORS

The directors of the Company during the year and up to the date of this report were as follows:

Gao Yuzhen
Yuan Zhi
Hu Liang

The director of the Company's subsidiary included in the consolidated financial statements during the year and up to the date of this report was as follows:

Yuan Zhi

In accordance with article 24 of the Company's Articles of Association, one-third of present directors retired and, being eligible, offer themselves for re-election for forthcoming year.

MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Saved as disclosed, no transactions, arrangements or contracts of significance to which any of the Company's holding companies, subsidiary or fellow subsidiaries was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, any of its holding companies, its subsidiary or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

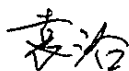
MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

AUDITOR

A resolution will be proposed at the forthcoming general meeting of the Company to re-appoint BDO Limited as the auditor of the Company.

On behalf of the directors



Yuan Zhi

Hong Kong, 29 APR 2022

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)**
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Hongkong International (Qingdao) Company Limited (the "Company") and its subsidiary (collectively referred as the "Group") set out on pages 7 to 34, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)**
(incorporated in Hong Kong with limited liability)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment loss for amounts due from fellow subsidiaries Refer to Note 12 to the consolidated financial statements	
Amounts due from fellow subsidiaries are financial assets measured at amortised cost under HKFRS 9 with carrying amounts of US\$1.88 billion, which represented 99% of the total assets of the Group and subject to impairment loss assessment under HKFRS 9.	Our audit procedures in relation to the management's assessment for impairment loss for amounts due from fellow subsidiaries included:
The measurement of expected credit loss ("ECL") requires the application of significant judgement and increased complexity which include the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECL models such as the expected future cash flows and forward-looking macroeconomic factors.	- Reviewed and assessed the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, evaluated whether the estimates are appropriately reflected the current economic conditions and forward-looking information and assessed whether there was an indication of management bias when recognising loss allowances; and
We identified the measurement of impairment loss of financial assets under ECL approach as a key audit matter due to the estimation of ECL involves significant uncertainty inherent and judgments by the management.	- We re-performed the calculation of the ECLs allowance based on the Group's credit loss allowance policies.



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)**
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OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the directors' report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)**
(incorporated in Hong Kong with limited liability)

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

BDO Limited
Certified Public Accountants

Ng Wai Man
Practising Certificate Number P05309

Hong Kong, 29 APR 2022

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 US\$	2020 US\$
Interest income	6	79,906,465	104,464,144
Finance costs	7	<u>(79,822,958)</u>	<u>(96,204,609)</u>
Net interest income		83,507	8,259,535
Other income and losses	8	(99,496)	1,279,662
Administrative expenses		<u>(1,837,804)</u>	<u>(1,831,892)</u>
(Loss)/profit before income tax	9	(1,853,793)	7,707,305
Income tax credit/(expense)	11	<u>838,597</u>	<u>(1,940,423)</u>
(Loss)/profit for the year		<u>(1,015,196)</u>	<u>5,766,882</u>
Item that will not be reclassified to profit or loss			
Net fair value change on equity investment fair value through other comprehensive income		-	(677,453)
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		241,053	506,425
Reclassification of exchange differences on disposal of foreign operations		<u>-</u>	<u>(3,976)</u>
Other comprehensive income for the year		<u>241,053</u>	<u>(175,004)</u>
Total comprehensive income for the year		<u>(774,143)</u>	<u>5,591,878</u>

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	2021 US\$	2020 US\$
Current assets			
Other receivables and prepayment		4,713,463	4,995,361
Amount due from immediate holding company	12	7,143,472	32,472,107
Amounts due from fellow subsidiaries	12	1,881,016,166	1,820,008,941
Cash and cash equivalents	13	13,746,146	1,225,446
Income tax receivable		<u>115,386</u>	<u>171,867</u>
		<u>1,906,734,633</u>	<u>1,858,873,722</u>
Current liabilities			
Other payables		359,327	501,754
Loan from immediate holding company	12	7,850,000	-
Amounts due to fellow subsidiaries	12	137,897,013	22,832,721
Bank borrowings	15	20,320,513	87,521,229
Bonds payable	14	803,036,639	-
Income tax payable		<u>65,090</u>	<u>1,735,445</u>
		<u>969,528,582</u>	<u>112,591,149</u>
Net current assets		<u>937,206,051</u>	<u>1,746,282,573</u>
Non-current liability			
Bank borrowings	15	22,500,000	30,000,000
Bonds payable	14	<u>907,569,263</u>	<u>1,708,371,642</u>
		<u>930,069,263</u>	<u>1,738,371,642</u>
Net assets		<u>7,136,788</u>	<u>7,910,931</u>
Capital and reserves			
Share capital	16	13,290,000	13,290,000
Reserves		<u>(6,153,212)</u>	<u>(5,379,069)</u>
Total equity		<u>7,136,788</u>	<u>7,910,931</u>

On behalf of the directors



Yuan Zhi
Director



Hu Liang
Director

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital US\$	Translation reserve US\$	Investment revaluation reserve US\$	Accumulated losses US\$	Total US\$
At 1 January 2020	13,290,000	(726,347)	(21,285)	(10,223,315)	2,319,053
Profit for the year	-	-	-	5,766,882	5,766,882
Other comprehensive expenses for the year	-	502,449	(677,453)	-	(175,004)
Total comprehensive expenses for the year	-	502,449	(677,453)	5,766,882	5,591,878
Transfer of investment revaluation reserve upon disposal of a subsidiary	-	-	698,738	(698,738)	-
At 31 December 2020	13,290,000	(223,898)	-	(5,155,171)	7,910,931
Loss for the year	-	-	-	(1,015,196)	(1,015,196)
Other comprehensive expenses for the year	-	241,053	-	-	241,053
Total comprehensive expenses for the year	-	241,053	-	(1,015,196)	(774,143)
At 31 December 2021	<u>13,290,000</u>	<u>17,155</u>	<u>-</u>	<u>(6,170,367)</u>	<u>7,136,788</u>

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED

(香港國際(青島)有限公司)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 US\$	2020 US\$
Cash flows from operating activities			
(Loss)/profit before income tax		(1,853,793)	7,707,305
Adjustments for:			
Interest income		(79,906,465)	(104,464,144)
Finance costs		79,822,958	96,204,609
Dividend income		-	(176,246)
Gain on disposal of a subsidiary		-	(570,201)
Operating loss before changes in working capital		(1,937,300)	(1,298,677)
Decrease/(increase) in other receivables and prepayment		298,898	(4,880,625)
Decrease in other payables		(142,427)	(2,368,570)
Effect of exchange difference		214,993	-
Cash used in operations		(1,582,836)	(8,547,872)
Bonds interest paid		(77,289,414)	(95,035,239)
Income tax (paid)/refunded		(775,277)	788,215
Net cash used in operating activities		(79,647,527)	(102,794,896)
Cash flows from investing activities			
Dividend received from equity investment at fair value through other comprehensive income		-	176,246
(Increase)/decrease in amounts due from/to fellow subsidiaries		(3,963,051)	219,828,647
Addition of loan receivable		-	(134,111,045)
Interest received		49,948	16,419,224
Net cash outflow of disposal of a subsidiary		-	(977,430)
Release of time deposits with original maturity of more than three months when acquired		-	38,999,970
Net cash (used in)/generated from investing activities		(3,913,103)	140,335,612
Cash flows from financing activities			
Repayment from immediate holding company		25,328,635	117,785,896
Loan from immediate holding company		7,850,000	-
Advance from a fellow subsidiary		137,876,635	1,741,121
Proceeds from bank borrowings		12,820,513	42,836,970
Proceeds from issuance of bonds		-	298,920,231
Repayment of bonds payables		-	(800,000,000)
Repayment of bank borrowings		(87,820,513)	(25,000,000)
Net cash generated from/(used in) financing activities		96,055,270	(363,715,782)
Net increase/(decrease) in cash and cash equivalents		12,494,640	(326,175,066)
Cash and cash equivalents at beginning of year		1,225,446	326,971,844
Effect of exchange rate changes on cash and cash equivalents		26,060	428,668
Cash and cash equivalents at end of year	12	13,746,146	1,225,446

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL

Hong Kong International (Qingdao) Company Limited (the “Company”) is incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance and is engaged in holding of financial and investment products and provision of treasury services to group companies of its holding companies. The principal activity of its subsidiary is set out in Note 17. The Company and its subsidiary are collectively referred as the “Group” hereafter. The registered office and principal place of business of the Company is located Room 2609, 26/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong.

The directors consider Qingdao City Construction Investment (Group) Limited (“Qingdao City Construction”), established in the People’s Republic of China (the “PRC”), to be the Company’s immediate holding company as at the end of the reporting period. Qingdao City Construction is a state-owned enterprise and is wholly owned by Qingdao Municipal Government of the PRC.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new or amended HKFRSs - effective 1 January 2021

The HKICPA has issued a number of new or amended HKFRSs that are first effective for annual periods beginning on or after 1 January 2021. Of these, the following new or amended HKFRSs are relevant to the Group.

Amendments to HKFRS 9, HKAS39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2
Amendments to HKFRS 16	COVID-19 - Related Rent Concessions beyond 30 June 2021

None of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) - Continued

(b) New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ³
HK Interpretation 5 (2020)	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract ¹
Amendments to HKFRS 3	References to Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an investor and its Associate or Joint Venture ⁴
Annual Improvements to HKFRS 1, HKFRS 9, HKFRS 16 and HKFRS 41	Annual Improvements to HKFRSs 2018-2020 ¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual beginning on or after a date to be determined.

The directors of the Company anticipate that the application of the above new or amended HKFRSs will have no material impact on the consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the HKICPA and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out below.

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

3. BASIS OF PREPARATION - Continued

(c) Functional and presentation currency

The consolidated financial statements are presented in United State dollars ("US\$"), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary (the "Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present:

- power over the investee;
- exposure, or rights, to variable returns from the investee; and
- ability to use its power to affect those variable returns.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Financial instruments

(i) Financial assets

A financial asset is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Debt instruments

Subsequent measurement of one debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are one measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statements of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Financial instruments - Continued

(ii) Impairment loss

The Group recognises a loss allowance for expected credit loss ("ECL") on financial instruments which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for forward-looking factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all financial instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from financial analysts and governmental bodies (if available), as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Financial instruments - Continued

(ii) Impairment loss - Continued

Significant increase in credit risk - Continued

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread the credit default swap prices for the debtors;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default (i.e. no default history), ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Financial instruments - Continued

(ii) Impairment loss - Continued

Significant increase in credit risk - Continued

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

At each reporting date, the Group assesses on a forward looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Financial instruments - Continued

(ii) Impairment loss - Continued

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Measurement of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment in profit or loss for all financial assets by adjusting their carrying amount through a loss allowance account.

(iii) Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Financial instruments - Continued

(iii) Financial liabilities and equity instruments - Continued

Financial liabilities

The Group's financial liabilities including other payables, interest payable, amount due to a fellow subsidiary, bonds payables and bank borrowing are subsequently measured at amortised cost using the effective interest method.

(iv) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(d) Revenue recognition

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

Dividend income is recognised when the right to receive the dividend is established.

(e) Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(e) Foreign currency - Continued

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. United States dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

(f) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(g) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment allowance on financial assets

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

6. INTEREST INCOME

	2021 US\$	2020 US\$
Interest income arising from:		
- Amounts due from fellow subsidiaries	79,856,517	87,933,663
- Banks	11,437	3,418,906
- Loan receivable	-	13,000,318
- Others	38,511	111,257
	<u>79,906,465</u>	<u>104,464,144</u>

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

7. FINANCE COSTS

	2021 US\$	2020 US\$
Interest on bonds payable	77,002,040	84,782,724
Interest on bank borrowings	2,596,934	5,575,692
Other interest expenses	<u>223,984</u>	<u>5,846,193</u>
	<u><u>79,822,958</u></u>	<u><u>96,204,609</u></u>

8. OTHER INCOME AND LOSSES

	2021 US\$	2020 US\$
Dividend income	-	176,246
Exchange (loss)/gain, net	(99,496)	526,360
Gain on disposal of a subsidiary	-	570,201
Others	<u>-</u>	<u>6,855</u>
	<u><u>(99,496)</u></u>	<u><u>1,279,662</u></u>

9. (LOSS)/PROFIT BEFORE INCOME TAX

	2021 US\$	2020 US\$
(Loss)/profit before income tax is arrived at after charging:		
Staff costs (excluding directors' emoluments)	917,198	650,012
Auditor's remuneration	<u>23,551</u>	<u>23,517</u>

10. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance, Cap. 622, and the Companies (Disclosure of Information about Benefits of Directors) Regulation, Cap. 622G are as follows:

	2021 US\$	2020 US\$
Fees	-	-
Other emoluments	<u>197,386</u>	<u>189,704</u>
	<u><u>197,386</u></u>	<u><u>189,704</u></u>

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

11. INCOME TAX CREDIT/(EXPENSE)

The amount of taxation in consolidated statement of profit or loss and other comprehensive income represents:

	2021 US\$	2020 US\$
Current tax:		
- PRC Enterprise Income Tax ("EIT")	863,603	(3,528)
- Hong Kong profits tax	<u>(25,006)</u>	<u>(93,235)</u>
	<u>838,597</u>	<u>(96,763)</u>

Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of estimated assessable profits and at 16.5% on estimated assessable profits above HK\$2 million.

EIT is calculated at 25% of the estimated assessable profits of subsidiary operating in the PRC.

The income tax (credit)/expense can be reconciled to the (loss)/profit before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 US\$	2020 US\$
(Loss)/profit before income tax	<u>(1,853,794)</u>	<u>7,707,305</u>
Tax credit calculated at Hong Kong profits tax rate of 16.5% (2020: 16.5%)	(305,876)	1,271,705
Tax effect of income not taxable for tax purpose	(475,038)	(687,155)
Tax effect of expenses not deductible for tax purpose	-	40,826
Tax effect of tax losses not recognised	780,914	711,935
Effect of different tax rate of entities operating in other jurisdiction	-	583,380
(Over)/under provision for prior years	<u>(838,597)</u>	<u>19,732</u>
Income tax (credit)/expenses	<u>(838,597)</u>	<u>1,940,423</u>

12. AMOUNTS DUE FROM / (TO) IMMEDIATE HOLDING COMPANY / FELLOW SUBSIDIARIES

Except for amounts due from fellow subsidiaries of US\$1,613,656,517 (2020: US\$1,625,778,457) carrying interest at a rate 4.75% to 8.0% (2020: 5.2%-8.0%), other amount due from/(to) fellow subsidiaries are unsecured, interest-free and repayable on demand.

Amount due from immediate holding is carrying interest at a rate of 0.35% (2020: 0.33%) per annum and repayable on demand.

Loan from immediate holding is interest bearing and repayable on demand. The interest rate is determined by immediate holding company quarterly and the average interest rate in 2021 was 4.65% per annum.

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

13. CASH AND CASH EQUIVALENTS

	2021 US\$	2020 US\$
Bank balances and cash	925,633	1,225,446
Time deposits with original maturity of less than three months when acquired	<u>12,820,513</u>	<u>-</u>
	<u>13,746,146</u>	<u>1,225,446</u>

14. BONDS PAYABLE

	Principal US\$	Interest rate (per annum)	2021 US\$	2020 US\$
US\$300 million 5.95% Bonds (the "2025 Bonds")	300,000,000	5.95%	303,851,372	303,030,562
US\$500 million 4.25% Bonds (the "2022 Bonds I")	500,000,000	4.25%	501,403,293	501,019,582
US\$300 million 4.00% Bonds (the "2024 Bonds")	300,000,000	4.00%	302,085,714	301,777,701
US\$300 million 3.90% Bonds (the "2022 Bonds II")	300,000,000	3.90%	301,633,346	301,266,504
US\$300 million 3.99% Bonds (the "2023 Bonds")	300,000,000	3.99%	<u>301,632,177</u>	<u>301,277,293</u>
			1,710,605,902	1,708,371,642
Less: Amount due within one year shown under current liabilities			<u>(803,036,639)</u>	<u>-</u>
Amount shown under non-current liabilities			<u>907,569,263</u>	<u>1,708,371,642</u>

The 2025 Bonds were issued on 12 February 2015 with fixed annual interest rates of 5.95%. Interest is payable semi-annually. Unless previously repurchased, cancelled or redeemed, the 2025 Bonds will mature and settle in full on 12 February 2025.

The 2022 Bonds I were issued on 4 December 2017 with fixed annual interest rate of 4.25%. Interest is payable semi-annually. Unless previously repurchased, cancelled or redeemed, the 2022 Bonds I will mature and settle in full on 4 December 2022.

The 2024 Bonds were issued on 8 October 2019 with fixed annual interest rate of 4.00%. Interest is payable semi-annually. Unless previously repurchased, cancelled or redeemed, the 2024 Bonds will mature and settle in full on 8 October 2024.

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

13. BONDS PAYABLE - Continued

The 2022 Bonds II were issued on 11 November 2019 with fixed annual interest rate of 3.90%. Interest is payable semi-annually. Unless previously repurchased, cancelled or redeemed, the 2022 Bonds II will mature and settle in full on 11 November 2022.

The 2023 Bonds were issued on 27 April 2020 with fixed annual interest rates of 3.99%. Interest is payable semi-annually. Unless previously repurchased, cancelled or redeemed, the 2023 Bonds will mature and settle in full on 27 April 2023.

All 2022 Bonds I, 2022 Bonds II, 2023 Bonds, 2024 Bonds and 2025 Bonds (collectively as "Bonds") are supported by trust deeds issued by a State-owned bank in Hong Kong, in favour of the trustee of the Bonds (the "Trustee") on behalf of the holders of the Bonds. In addition, Qingdao City Construction has entered into:

- (i) keepwell deeds with the Company and the Trustee, whereby Qingdao City Construction undertakes to directly or indirectly own and hold 100% of the outstanding shares of the Company and to provide financial support to ensure that the Company has sufficient funds to meet its payment obligations under the Bonds;
- (ii) cross-border US\$ standby facility agreements with the Company, whereby Qingdao City Construction makes available to the Company a cross-border US\$ standby facility to ensure that the Company has sufficient funds to meet its payment obligations under the Bonds; and
- (iii) deeds of equity interest purchase undertaking with the Company and the Trustee, under which Qingdao City Construction undertakes to assist the Company in meeting its obligations under the Bonds. Qingdao City Construction also agrees to purchase certain equity interests of any subsidiaries of the Company, when the event of default as set out in the Bonds happens or when the Company has insufficient liquidity or cash flow to meet its payment obligations under the Bonds as they fall due, at a purchase price not less than the aggregate amount sufficient to enable the Company to discharge in full its obligations under the Bonds, the interest payable in respect of one interest period on the Bonds and all costs incurred in relation to the purchase.

In addition, Qingdao City Construction has undertaken with the Company and the Trustee that it shall cause:

- (i) the Company to maintain its consolidated net worth at not less than HK\$1 at all times; and
- (ii) Qingdao City Construction net worth at not less than Renminbi ("RMB") 30,000,000,000 under the keepwell deeds of Bonds, and the ratio of its consolidated total liabilities to its consolidated total assets at not more than 75:100.

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

15. BANK BORROWINGS

	2021 US\$	2020 US\$
Bank borrowing I	-	74,700,716
Bank borrowing II	30,000,000	30,000,000
Bank borrowing III	<u>12,820,513</u>	<u>12,820,513</u>
	42,820,513	117,521,229
Less: Amount due within one year shown under current liabilities	<u>(20,320,513)</u>	<u>(87,521,229)</u>
Amount shown under non-current liabilities	<u><u>22,500,000</u></u>	<u><u>30,000,000</u></u>

As at 31 December 2021, the Group had a US\$30,000,000 (Bank borrowing II) and a HK\$100,000,000 (Bank borrowing III) revolving bank facility in which US\$30,000,000 and HK\$100,000,000 (approximately US\$12,820,513) respectively have been utilised at year end.

Bank borrowing I

The bank borrowing was guaranteed by Qingdao City Construction, bore interest rate at floating rate of London InterBank Offered Rate ("LIBOR") plus 2.0% per annum and was fully repaid in 2021.

Bank borrowing II

The bank borrowing was guaranteed by Qingdao City Construction, bore interest rate at floating rate of London InterBank Offered Rate ("LIBOR") plus 2.6% per annum and 25% repayable in 2022 and 75% repayable in 2023.

In addition, the Company and Qingdao City Construction has undertaken to comply with the following financial covenants:

- (i) the Company to maintain its consolidated net worth at not less than HK\$1 at all times; and
- (ii) Qingdao City Construction's consolidated net worth at not less than RMB30,000,000,000 at all times, and the ratio of its consolidated total liabilities to its consolidated assets at not more than 75:100 at any times.

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

15. BONDS PAYABLE - Continued

Bank borrowing III

The bank borrowing was guaranteed by China Qingdao Development (Holdings) Group Company Limited ("China Qingdao Development"), bears interest rate at fixed rate of 3.7% per annum and repayable in 2022.

In addition, the Company, China Qingdao Development and Qingdao City Construction has undertaken to comply with the following financial covenants:

Qingdao City Construction's consolidated revenue, consolidated net worth and consolidated net profit at not less than RMB4,000,000,000, RMB180,000,000,000 and RMB300,000,000 respectively as reflected in its most recent financial statements, and the ratio of its consolidated total liabilities to its consolidated total assets at not more than 75:100.

16. SHARE CAPITAL

	2021 Number	2021 US\$	2020 Number	2020 US\$
Issued and fully paid:				
Ordinary shares with no par value, at beginning and end of year	<u>103,050,400</u>	<u>13,290,000</u>	<u>103,050,400</u>	<u>13,290,000</u>

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

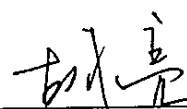
17. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2021 US\$	2020 US\$
Non-current asset			
Investment in a subsidiary	18	<u>7,936,508</u>	<u>7,936,508</u>
Current assets			
Other receivable and prepayment		68,950	505,991
Amounts due from fellow subsidiaries		1,881,016,166	1,824,201,058
Time deposit		12,820,513	-
Bank balances and cash		69,047	250,277
Income tax recoverable		<u>115,386</u>	<u>171,867</u>
		<u>1,894,090,062</u>	<u>1,825,129,193</u>
Current liabilities			
Other payables		240,632	174,821
Bank borrowings		20,320,513	87,521,229
Amount due to a subsidiary		3,513,157	-
Amounts due to fellow subsidiaries		137,897,013	-
Bonds payable		<u>803,036,639</u>	<u>-</u>
		<u>965,007,954</u>	<u>87,696,050</u>
Net current assets		<u>929,082,108</u>	<u>1,737,433,143</u>
Total assets less current liabilities		<u>937,018,616</u>	<u>1,745,369,651</u>
Non-current liability			
Bank borrowings		22,500,000	30,000,000
Bonds payable		<u>907,569,263</u>	<u>1,708,435,391</u>
		<u>930,069,263</u>	<u>1,738,435,391</u>
Net assets		<u>6,949,353</u>	<u>6,934,260</u>
CAPITAL AND RESERVES			
Share capital	16	13,290,000	13,290,000
Reserves		<u>(6,378,803)</u>	<u>(6,355,740)</u>
Total equity		<u>6,949,353</u>	<u>6,934,260</u>

On behalf of the directors



Yuan Zhi
Director



Hu Liang
Director

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

18. INVESTMENT IN A SUBSIDIARY

Particulars of the subsidiary are as follows:

Name of company	Country of incorporation	Registered capital	Percentage of ordinary shares held by the Company	Place of operation and principal activity
Qingdao Nice Profit International Trading Company Limited ("Qingdao Nice") (青島利潤國際貿易有限公司)	The PRC	RMB 50,000,000	100% (2020: 100%)	The PRC, Trading of construction materials

19. RELATED PARTY DISCLOSURES

Details of the Group's outstanding balances and transactions with related parties are set out in the Notes 6, 12, 13 and 14 to the consolidated financial statements.

The directors of the Company consider that they are the only key management personnel of the Group. No remuneration was paid or payable to the key management personnel during the year (2020: Nil).

20. MATERIAL INTEREST OF DIRECTORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, were entered into or subsisted during the financial year.

21. MAJOR NON-CASH TRANSACTIONS

During the year, the interest income of US\$79,856,517 (2020: US\$87,933,663) receivable from fellow subsidiaries were settled by inclusion in inter-company current accounts.

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

22. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 US\$	2020 US\$
Financial assets		
Financial assets measured at amortised cost	<u>1,906,734,633</u>	<u>1,858,873,722</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>1,899,597,845</u>	<u>1,849,227,346</u>

The directors considered that the carrying amounts of the above financial assets and financial liabilities carried at amortised cost approximate to their fair value.

(b) Financial risk management objectives and policies

The Group's major financial instruments include amounts due from fellow subsidiaries and immediate holding company, cash and cash equivalents, other payables, amounts due to fellow subsidiaries, bank borrowings and bonds payable. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measurements are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Currency risk to the Group is minimal as most of the Group's transactions are carried out in functional currency.

(ii) Interest rate risk

The Group is not exposed to fair value interest rate risk in relation to its fixed-rate loans due from fellow subsidiaries and bond payables (see Notes 12 and 14 for details) as they are carried at amortised costs. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group is not exposed to cash flow interest rate risk as the interest rate of bonds payables is fixed (see Note 14 for details).

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

22. FINANCIAL INSTRUMENTS - Continued

(b) Financial risk management objectives and policies - Continued

Credit risk

With respect to the Group's amounts due from fellow subsidiaries and immediate holding company, the Group's exposure to credit risk arising from the default of counterparty is limited as the counterparties have good credit standing and the Group does not expect any significant loss for uncollected advances from his entity.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's and the Company's remaining contractual maturity for its derivative and non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest rates are floating, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Carrying amount US\$	Total contractual undiscounted cash flow US\$	Within 1 year or on demand US\$	More than 1 year but less than 2 years US\$	More than 2 years but less than 5 years US\$
2021					
Other payables	359,327	359,327	359,327	-	-
Loan from immediate holding company	7,850,00	7,850,000	7,850,000	-	-
Amounts due to fellow subsidiaries	137,897,013	137,897,013	137,897,013	-	-
Bonds payable	1,710,605,902	1,849,380,000	874,770,000	335,835,000	638,775,000
Bank borrowings	<u>42,820,513</u>	<u>44,785,726</u>	<u>21,647,682</u>	<u>23,138,044</u>	<u>-</u>
	<u>1,898,826,227</u>	<u>2,040,272,066</u>	<u>1,042,524,022</u>	<u>358,973,044</u>	<u>638,775,000</u>
2020					
Other payables	501,754	501,754	501,754	-	-
Amounts due to fellow subsidiaries	22,832,721	22,832,721	22,832,721	-	-
Bonds payable	1,708,371,642	1,862,048,833	90,312,583	1,127,820,000	643,916,250
Bank borrowings	<u>117,521,229</u>	<u>123,437,455</u>	<u>91,949,080</u>	<u>8,350,500</u>	<u>23,137,875</u>
	<u>1,849,227,346</u>	<u>2,008,820,763</u>	<u>205,596,138</u>	<u>1,136,170,500</u>	<u>667,054,125</u>

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

23. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bonds payable US\$	Bank borrowings US\$	Total US\$
At 1 January 2020	2,206,867,789	99,276,246	2,306,144,035
Repayments	(583,278,871)	12,669,290	(570,609,581)
Interest expenses	<u>84,782,724</u>	<u>5,575,693</u>	<u>90,358,417</u>
31 December 2020	1,708,371,642	117,521,229	1,825,892,871
Repayments	(74,706,251)	(77,583,163)	(152,289,414)
Interest expenses	<u>76,940,511</u>	<u>2,882,447</u>	<u>79,822,958</u>
31 December 2021	<u>1,710,605,902</u>	<u>42,820,513</u>	<u>1,753,426,415</u>

24. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debt, which includes bonds payable and bank borrowing while equity comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of their review, the directors consider the cost of capital and the risks associates thereto. Based on recommendations of the directors, the Group will maintain its overall capital structure through the payment of dividends, new share issues as well as issue of new debt or the redemption of existing debt.

The gearing ratio at the end of reporting period was as follows:

	2021 US\$	2020 US\$
Debts	1,761,276,415	1,825,892,871
Cash and cash equivalents	<u>(13,746,146)</u>	<u>(1,225,445)</u>
Net debts	<u>1,747,530,269</u>	<u>1,824,667,426</u>
Equity	<u>7,098,632</u>	<u>7,910,931</u>
Net debts to equity ratio	<u>246 times</u>	<u>229 times</u>

HONGKONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

25. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in conform with the current year's presentation.

26. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the board of directors on **29 APR 2022**.

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
(incorporated in Hong Kong with limited liability)

Directors' Report and
Consolidated Financial Statements
For the year ended 31 December 2020

We hereby certify that this document
consists of 38 page(s) and is a
true copy of the original.


.....
BDO Limited
Certified Public Accountants

BDO

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

CONTENTS

	Page
Directors' Report	1
Independent Auditor's Report	3
Consolidated Statement of Profit or Loss and Other Comprehensive Income	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	10
Notes to the Consolidated Financial Statements	11

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report together with the audited consolidated financial statements of Hong Kong International (Qingdao) Company Limited and its subsidiaries (collectively referred as the "Group") for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Company are holding of financial and investment products and provision of treasury services to group companies of its holding companies. The principal activities of the Company's subsidiaries are set out in Note 19 to the consolidated financial statements.

FINANCIAL STATEMENTS AND APPROPRIATIONS

The financial performance of the Group for the year ended 31 December 2020 and the financial position of the Group as at that date are set out in the consolidated financial statements on pages 7 to 36.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2020 (2019: nil).

DIRECTORS

The directors of the Company during the year and up to the date of this report were as follows:

Gao Yuzhen	(appointed on 20 March 2020)
Yuan Zhi	
Hu Liang	
Xing Luzheng	(resigned on 2 June 2020)
Jiang Yi	(resigned on 20 March 2020)

The director of the Company's subsidiaries included in the consolidated financial statements during the year and up to the date of this report was as follows:

Yuan Zhi

In accordance with article 24 of the Company's Articles of Association, one-third of present directors retired and, being eligible, offer themselves for re-election for forthcoming year.

MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Saved as disclosed, no transactions, arrangements or contracts of significance to which any of the Company's holding companies, subsidiaries or fellow subsidiaries was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED

(香港國際(青島)有限公司)

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

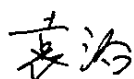
MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

AUDITOR

A resolution will be proposed at the forthcoming general meeting of the Company to re-appoint BDO Limited as the auditor of the Company.

On behalf of the
directors



Director

Hong Kong, 30 APR 2021

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)**
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Hong Kong International (Qingdao) Company Limited (the "Company") and its subsidiaries (collectively referred as the "Group") set out on pages 7 to 36, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)**
(incorporated in Hong Kong with limited liability)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment loss for amounts due from fellow subsidiaries Refer to note 13 to the consolidated financial statements Amounts due from fellow subsidiaries are financial assets measured at amortised cost under HKFRS 9 with carrying amounts of US\$1,820,008,941, which represented approximately 98% of the total assets of the Group and subject to impairment loss assessment under HKFRS 9. The measurement of expected credit loss ("ECL") requires the application of significant judgement and increased complexity which include the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECL models such as the expected future cash flows and forward-looking macroeconomic factors. We identified the measurement of impairment loss of financial assets under ECL approach as a key audit matter due to the estimation of ECL involves significant uncertainty inherent and judgments by the management.	Our audit procedures in relation to the management's assessment for impairment loss for amounts due from fellow subsidiaries included: - Reviewed and assessed the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, evaluated whether the estimates are appropriately reflected the current economic conditions and forward-looking information and assessed whether there was an indication of management bias when recognising loss allowances; - Inspected settlement from the debtors after the financial year end relating to balances as at 31 December 2020, on a sample basis, to assess the reasonableness of the ECL provided by management;



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)**
(incorporated in Hong Kong with limited liability)

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the directors' report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

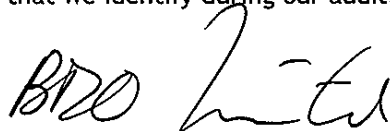
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)**
(incorporated in Hong Kong with limited liability)

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



BDO Limited
Certified Public Accountants

Ng Wai Man
Practising Certificate Number P05309

Hong Kong, 30 APR 2021

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 US\$	2019 US\$
Interest income	6	104,464,144	96,325,514
Finance costs	7	<u>(96,204,609)</u>	<u>(97,359,846)</u>
Net interest income/(expenses)		8,259,535	(1,034,332)
Other income and losses	8	1,279,662	113,210
Administrative expenses		<u>(1,831,892)</u>	<u>(1,057,907)</u>
Profit/(loss) before income tax	9	7,707,305	(1,979,029)
Income tax expenses	10	<u>(1,940,423)</u>	<u>(96,763)</u>
Profit/(loss) for the year		<u>5,766,882</u>	<u>(2,075,792)</u>
Item that will not be reclassified to profit or loss			
Net fair value change on equity investment fair value through other comprehensive income		(677,453)	(21,285)
Item that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		506,425	(77,141)
Reclassification of exchange differences on disposal of foreign operations		<u>(3,976)</u>	<u>-</u>
Other comprehensive expenses for the year		<u>(175,004)</u>	<u>(98,426)</u>
Total comprehensive expenses for the year		<u>5,591,878</u>	<u>(2,174,218)</u>

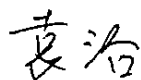
HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED

(香港國際(青島)有限公司)

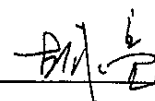
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	2020 US\$	2019 US\$
Non-current assets			
Equity investment at fair value through other comprehensive income	11	-	3,110,054
Current assets			
Loan receivable	12	-	214,538,739
Other receivables and prepayment		4,995,361	114,735
Amount due from immediate holding company	13	32,472,107	-
Amounts due from fellow subsidiaries	13	1,820,008,941	1,953,280,032
Time deposits	14	-	38,999,970
Cash and cash equivalents	14	1,225,446	326,971,844
Income tax receivable		171,867	979,648
		<u>1,858,873,722</u>	<u>2,534,884,968</u>
Current liabilities			
Other payables		438,005	2,815,849
Interest payable		15,606,332	23,258,333
Amount due to immediate holding company	13	-	192,656,845
Amounts due to fellow subsidiaries	13	22,832,721	26,343,490
Bank borrowings	16	117,521,229	99,276,246
Bonds payable	15	-	799,433,039
Income tax payable		1,735,445	-
		<u>158,133,732</u>	<u>1,143,783,802</u>
Net current assets		<u>1,700,739,990</u>	<u>1,391,101,166</u>
Total assets less current liabilities		<u>1,700,739,990</u>	<u>1,394,211,220</u>
Non-current liabilities			
Bonds payable	15	1,692,829,059	1,391,892,167
Net assets		<u>7,910,931</u>	<u>2,319,053</u>
Capital and reserves			
Share capital	17	13,290,000	13,290,000
Reserves		(5,379,069)	(10,970,947)
Total equity		<u>7,910,931</u>	<u>2,319,053</u>

On behalf of the directors



Director



Director

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital US\$	Translation reserve US\$	Investment revaluation reserve US\$	Accumulated losses US\$	Total US\$
At 1 January 2019	13,290,000	(649,206)	-	(8,147,523)	4,493,271
Loss for the year	-	-	-	(2,075,792)	(2,075,792)
Other comprehensive expense for the year	-	(77,141)	(21,285)	-	(98,426)
Total comprehensive expenses for the year	-	(77,141)	(21,285)	(2,075,792)	(2,174,218)
At 31 December 2019 and 1 January 2020	13,290,000	(726,347)	(21,285)	(10,223,315)	2,319,053
Profit for the year	-	-	-	5,766,882	5,766,882
Other comprehensive expenses for the year	-	502,449	(677,453)	-	(175,004)
Total comprehensive expenses for the year	-	502,449	(677,453)	5,766,882	5,591,878
Transfer of investment revaluation reserve upon disposal of a subsidiary (Note 23)	-	-	698,738	(698,738)	-
At 31 December 2020	13,290,000	(223,898)	-	(5,155,171)	7,910,931

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED

(香港國際(青島)有限公司)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 US\$	2019 US\$
Operating activities			
Profit/(loss) before income tax		7,707,305	(1,979,029)
Adjustments for:			
Interest income		(104,464,144)	(96,325,514)
Finance costs		96,204,609	97,359,846
Dividend income		(176,246)	(167,707)
Gain on disposal of a subsidiary		(570,201)	-
Operating loss before changes in working capital		(1,298,677)	(1,112,404)
Increase in other receivables and prepayment		(4,880,625)	(22,036)
(Decrease)/increase in other payables		(2,368,570)	2,598,309
(Decrease)/increase in interest payable		(7,652,001)	2,644,500
Cash (used in)/generated from operations		(16,199,873)	4,108,369
Bonds interest paid		(87,383,238)	(90,512,820)
Income tax refunded/(paid)		788,215	(24,284)
Net cash used in operating activities		(102,794,896)	(86,428,735)
Investing activities			
Investment in equity investment at fair value through other comprehensive income		-	(3,131,339)
Dividend received from equity investment at fair value through other comprehensive income		176,246	167,707
Repayment from fellow subsidiaries		219,828,647	27,360,128
Addition of loan receivable		(134,111,045)	(214,538,739)
Interest received		16,419,224	299,453
Net cash outflow of disposal of a subsidiary	23	(977,430)	-
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired		38,999,970	(38,999,970)
Net cash generated from/(used in) investing activities		140,335,612	(228,842,760)
Financing activities			
Repayment from immediate holding company		117,785,896	195,758,882
Advance from a fellow subsidiary		1,741,121	17,872,662
Proceeds from bank borrowing, net of direct transaction costs		42,836,970	-
Proceeds from issue of bonds, net of direct transaction costs		298,920,231	597,315,801
Repayment of bonds payables		(800,000,000)	(174,000,000)
Repayment of bank borrowing		(25,000,000)	-
Net cash (used in)/ generated from financing activities		(363,715,782)	636,947,345
Net (decrease)/increase in cash and cash equivalents		(326,175,066)	321,675,850
Cash and cash equivalents at beginning of year		326,971,844	5,373,135
Effect of exchange rate changes on cash and cash equivalents		428,668	(77,141)
Cash and cash equivalents at end of year	14	1,225,446	326,971,844

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL

Hong Kong International (Qingdao) Company Limited (the “Company”) is incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance and is engaged in holding of financial and investment products and provision of treasury services to group companies of its holding companies. The principal activities of its subsidiaries are set out in Note 18. The Company and its subsidiaries are collectively referred as the “Group” hereafter. The registered office and principal place of business of the Company is located Room 2609, 26/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong.

The directors consider Qingdao City Construction Investment (Group) Limited (“Qingdao City Construction”), established in the People’s Republic of China (the “PRC”), to be the Company’s immediate holding company as at the end of the reporting period. Qingdao City Construction is a state-owned enterprise and is wholly owned by Qingdao Municipal Government of the PRC.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new or amended HKFRSs - effective 1 January 2020

The HKICPA has issued a number of new or amended HKFRSs that are first effective for annual periods beginning on or after 1 January 2020. Of these, the following new or amended HKFRSs are relevant to the Group.

Amendments to HKFRS 3	Definition of Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Conceptual Framework for Financial Reporting (Revised)

None of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) - Continued

(b) New or amended HKFRSs that have been issued but are not yet effective

The following new or amended HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRS 16	Covid-19-Related Rent Concession (amendments) ¹
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2 ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Amendments to HKAS 1 and HK Interpretation 5 (2020)	Classification of Liabilities as Current or Non-current and Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁴
Annual Improvements to HKFRSs 2018-2020 ³	

¹ Effective for annual periods beginning on or before 1 June 2020.

² Effective for annual periods beginning on or after 1 January 2021.

³ Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

⁴ Effective for annual periods beginning on or after 1 January 2023.

The directors of the Group anticipate that the application of the above new or amended HKFRSs will have no material impact on the consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs issued by the HKICPA and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements.

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out below.

(c) Functional and presentation currency

The consolidated financial statements are presented in United State dollars (“US\$”), which is the same as the functional currency of the Company.

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries ("the Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present:

- power over the investee;
- exposure, or rights, to variable returns from the investee; and
- ability to use its power to affect those variable returns.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Financial instruments

(i) Financial assets

A financial asset is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Debt instruments

Subsequent measurement of one debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are one measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statements of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Financial instruments - Continued

(ii) Impairment loss

The Group recognises a loss allowance for expected credit loss ("ECL") on financial instruments which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for forward-looking factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all financial instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from financial analysts and governmental bodies (if available), as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Financial instruments - Continued

(ii) Impairment loss - Continued

Significant increase in credit risk - Continued

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread the credit default swap prices for the debtors;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default (i.e. no default history), ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Financial instruments - Continued

(ii) Impairment loss - Continued

Significant increase in credit risk - Continued

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

At each reporting date, the Group assesses on a forward looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Financial instruments - Continued

(ii) Impairment loss - Continued

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Measurement of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment in profit or loss for all financial assets by adjusting their carrying amount through a loss allowance account.

(iii) Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(c) Financial instruments - Continued

(iii) Financial liabilities and equity instruments - Continued

Financial liabilities

The Group's financial liabilities including other payables, interest payable, amount due to a fellow subsidiary, bonds payables and bank borrowing are subsequently measured at amortised cost using the effective interest method.

(iv) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(d) Revenue recognition

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition.

Dividend income is recognised when the right to receive the dividend is established.

(e) Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(f) Foreign currency - Continued

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. United States dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

(g) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income.

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED

(香港國際(青島)有限公司)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

4. SIGNIFICANT ACCOUNTING POLICIES - Continued

(h) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED

(香港國際(青島)有限公司)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following is the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment allowance on financial assets

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED

(香港國際(青島)有限公司)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

6. INTEREST INCOME

	2020 US\$	2019 US\$
Interest income arising from:		
- Amounts due from fellow subsidiaries	87,933,663	96,026,061
- Banks	3,418,906	299,453
- Loan receivable	13,000,318	-
- Others	111,257	-
	<u>104,464,144</u>	<u>96,325,514</u>

7. FINANCE COSTS

	2020 US\$	2019 US\$
Interest on bonds payable	84,782,724	90,361,988
Interest on bank borrowing	5,575,692	4,722,568
Other interest expenses	5,846,193	2,275,290
	<u>96,204,609</u>	<u>97,359,846</u>

8. OTHER INCOME AND LOSSES

	2020 US\$	2019 US\$
Dividend income	176,246	167,707
Exchange gain/(loss), net	526,360	(54,497)
Gain on disposal of a subsidiary (Note 23)	570,201	-
Others	6,855	-
	<u>1,279,662</u>	<u>113,210</u>

9. PROFIT/(LOSS) BEFORE INCOME TAX

	2020 US\$	2019 US\$
Profit/(loss) before income tax is arrived at after charging:		
Directors' remuneration	-	-
Auditor's remuneration	23,517	22,401
	<u>23,517</u>	<u>22,401</u>

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

10. INCOME TAX EXPENSES

The amount of taxation in consolidated statement of profit or loss and other comprehensive income represents:

	2020 US\$	2019 US\$
Current tax:		
- PRC Enterprise Income Tax ("EIT") for current year	1,920,691	3,528
- Hong Kong profits tax	-	93,235
	<u>1,920,691</u>	<u>96,763</u>
Underprovision in prior year		
- Hong Kong profits tax	<u>19,732</u>	<u>-</u>
Income tax expenses	<u>1,940,423</u>	<u>96,763</u>

Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of estimated assessable profits and at 16.5% on estimated assessable profits above HK\$2 million.

EIT is calculated at 25% of the estimated assessable profits of subsidiaries operating in the PRC.

The income tax expense can be reconciled to the profit/(loss) before income tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 US\$	2019 US\$
Profit/(loss) before income tax	<u>7,707,305</u>	<u>(1,979,029)</u>
Tax credit calculated at Hong Kong profits tax rate of 16.5% (2019: 16.5%)	1,271,705	(326,540)
Income tax at concessionary rate	-	(21,284)
Tax effect of income not taxable for tax purpose	(687,155)	(77,534)
Tax effect of expenses not deductible for tax purpose	40,826	-
Tax effect of tax losses not recognised	711,935	767,754
Effect of different tax rate of entities operating in other jurisdiction	583,380	(245,633)
Underprovision for prior year	<u>19,732</u>	<u>-</u>
Income tax expenses	<u>1,940,423</u>	<u>96,763</u>

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

11. EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 US\$	2019 US\$
Listed equity security		
- In the PRC	-	3,110,054

The listed equity security is listed on the Shanghai Stock Exchange. The management of the Group is in the vision of holding the listed equity security for long term strategic purpose.

Fair value measure using only Level 1 inputs, which quoted bit prices in active market.

During the financial year ended 31 December 2020, the listed equity security was decrecognised upon the disposal of a subsidiary. Details set out in note 23 to the consolidated financial statements.

12. LOAN RECEIVABLE

	2020 US\$	2019 US\$
Carrying amount of loan receivable based on maturity set out in the loan agreement:		
Within one year	-	214,538,739

As at 31 December 2019, the Group's provided a loan to an individual third party (the "Borrower I"), with total amount of RMB1,499,000,000 (equivalent to approximately US\$ 214,538,739) through trust loan issued by financial institutions in the PRC. Such loan receivable carried fixed interest rate 8.7% per annum and guaranteed by the Borrower I's ultimate holding company with maturity in October 2020. On 25 May 2020, the Group transferred the beneficial right to its immediate holding Company.

During the year, the Group's provided two loans to an individual third party (the "Borrower II"), with amount of RMB700,000,000 (equivalent to approximately US\$99,079,400) and RMB247,500,000 (equivalent to approximately US\$35,031,645) through trust loan issued by financial institutions in the PRC respectively. Both loans receivables carried fixed interest rate 7.5% per annum and guaranteed by the Borrower II's ultimate holding company and fellow subsidiaries with maturity in May 2021 and November 2021 respectively. On 24 December 2020, the Group transferred the beneficial right to its immediate holding Company.

13. AMOUNTS DUE FROM / (TO) IMMEDIATE HOLDING COMPANY / FELLOW SUBSIDIARIES

Except for amounts due from fellow subsidiaries of US\$1,625,778,457 (2019: US\$1,754,442,087) carrying interest at a rate 5.2% to 8.0% (2019: 5.6%-8.0), other amount due from / (to) fellow subsidiaries are unsecured, interest-free and repayable on demand.

Amount due from / (to) immediate holding is carrying interest at a rate of 0.33% to 4.8% (2019: 5.2%) per annum and repayable on demand.

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

14. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	2020 US\$	2019 US\$
Bank balances and cash	1,225,446	5,582,844
Time deposits	-	360,388,970
	1,225,446	365,971,814
Less: Time deposits with original maturity of more than three months when acquired	-	(38,999,970)
Cash and cash equivalents	1,225,446	326,971,844

15. BONDS PAYABLE

	Principal US\$	Interest rate (per annum)	2020 US\$	2019 US\$
US\$500 million 4.75% Bonds (the "2020 Bonds I")	500,000,000	4.75%	-	499,784,326
US\$300 million 5.95% Bonds (the "2025 Bonds")	300,000,000	5.95%	296,336,812	295,565,695
US\$300 million 3.75% Bonds (the "2020 Bonds II")	300,000,000	3.75%	-	299,648,712
US\$500 million 4.25% Bonds (the "2022 Bonds I")	500,000,000	4.25%	499,248,749	498,880,468
US\$300 million 4.00% Bonds (the "2024 Bonds")	300,000,000	4.00%	298,777,701	298,481,993
US\$300 million 3.90% Bonds (the "2022 Bonds II")	300,000,000	3.90%	299,316,505	298,964,012
US\$300 million 3.99% Bonds (the "2023 Bonds ")	300,000,000	3.99%	299,149,292	-
			1,692,829,059	2,191,325,206
Less: Amount due within one year shown under current liabilities			-	(799,433,039)
Amount shown under non-current liabilities			1,692,829,059	1,391,892,167

The 2020 Bonds I and the 2025 Bonds were issued on 12 February 2015 with fixed annual interest rates of 4.75% and 5.95% respectively. Interest will be paid semi-annually. Unless previously repurchased, cancelled or redeemed, the 2020 Bonds I and the 2025 Bonds will mature and settle in full on 12 February 2020 and 12 February 2025 respectively.

The 2020 Bonds II and the 2022 Bonds I were issued on 4 December 2017 with fixed annual interest rate of 3.75% and 4.25% respectively. Interest will be paid semi-annually. Unless previously repurchased, cancelled or redeemed, the 2020 Bonds II and the 2022 Bonds I will mature and settle in full on 4 December 2020 and 4 December 2022 respectively.

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

15. BONDS PAYABLE - Continued

The 2024 Bonds were issued on 8 October 2019 with fixed annual interest rate of 4.00%. Interest will be paid semi-annually. Unless previously repurchased, cancelled or redeemed, the 2024 Bonds will mature and settle in full on 8 October 2024.

The 2022 Bonds II were issued on 11 November 2019 with fixed annual interest rate of 3.90%. Interest will be paid semi-annually. Unless previously repurchased, cancelled or redeemed, the 2022 Bonds II will mature and settle in full on 11 November 2022.

The 2023 Bonds were issued on 27 April 2020 with fixed annual interest rates of 3.99%. Interest will be paid semi-annually. Unless previously repurchased, cancelled or redeemed, the 2023 Bonds will mature and settle in full on 27 April 2023.

All the 2020 Bonds I, 2020 Bonds II, 2022 Bonds I, 2022 Bonds II, 2023 Bonds, 2024 Bonds and 2025 Bonds (Collectively as "Bonds") are supported by trust deeds issued by a State-owned bank in Hong Kong, in favour of the trustee of the Bonds (the "Trustee") on behalf of the holders of the Bonds. In addition, Qingdao City Construction has entered into:

- (i) keepwell deeds with the Company and the Trustee, whereby Qingdao City Construction undertakes to directly or indirectly own and hold 100% of the outstanding shares of the Company and to provide financial support to ensure that the Company has sufficient funds to meet its payment obligations under the Bonds;
- (ii) cross-border US\$ standby facility agreements with the Company, whereby Qingdao City Construction makes available to the Company a cross-border US\$ standby facility to ensure that the Company has sufficient funds to meet its payment obligations under the Bonds; and
- (iii) deeds of equity interest purchase undertaking with the Company and the Trustee, under which Qingdao City Construction undertakes to assist the Company in meeting its obligations under the Bonds. Qingdao City Construction also agrees to purchase certain equity interests of any subsidiaries of the Company, when the event of default as set out in the Bonds happens or when the Company has insufficient liquidity or cash flow to meet its payment obligations under the Bonds as they fall due, at a purchase price not less than the aggregate amount sufficient to enable the Company to discharge in full its obligations under the Bonds, the interest payable in respect of one interest period on the Bonds and all costs incurred in relation to the purchase.

In addition, Qingdao City Construction has undertaken with the Company and the Trustee that it shall cause:

- (i) the Company to maintain its consolidated net worth at not less than HK\$1 at all times; and
- (ii) Qingdao City Construction net worth at not less than Renminbi ("RMB") 30,000,000,000 under the keepwell deeds of Bonds, and the ratio of its consolidated total liabilities to its consolidated total assets at not more than 75:100.

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

16. BANK BORROWING

	2020 US\$	2019 US\$
Within 1 year or on demand	117,521,229	24,853,993
After 1 year but within 2 years	-	74,422,253
	117,521,229	99,276,246
Less: portion classified as current liabilities	(117,521,229)	(99,276,246)
Non-current liabilities	-	-

As at 31 December 2020, the Group has obtained a US\$100,000,000 non-revolving banking facility (Bank borrowing I), a US\$30,000,000 (Bank borrowing II) and a HK\$150,000,000 (Bank borrowing III) revolving bank facility in which US\$74,100,000, US\$30,000,000 and HK\$100,000,000 (approximately US\$12,820,513) have been utilised as at 31 December 2020 respectively.

Bank borrowing I

The bank borrowing was guaranteed by Qingdao City Construction, bears interest rate at floating rate of London InterBank Offered Rate ("LIBOR") plus 2.0% per annum and repayable in 2021.

In addition, the Company and Qingdao City Construction has undertaken to comply with the following financial covenants:

- (i) the Company to maintain its consolidated net worth at not less than USD0, USD50,000,000 and USD100,000,000 during year ended 31 December 2018, 31 December 2019 and 31 December 2020 respectively.
- (ii) the Company to maintain the ratio of its consolidated liabilities to its consolidated assets at not more than 100%, 97% and 95% during year ended 31 December 2018, 31 December 2019 and 31 December 2020 respectively.
- (iii) Qingdao City Construction's consolidated net worth and consolidated net profit at not less than RMB50,000,000,000 and RMB800,000,000 respectively as reflected in its most recent financial statements, and the ratio of its consolidated current liabilities to its consolidated current assets at not more than 75:100.

During the year, the Group obtained waiver from the bank for covenants of (i) and (ii) were not met.

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

16. BANK BORROWING - Continued

Bank borrowing II

The bank borrowing was guaranteed by Qingdao City Construction, bears interest rate at floating rate of London InterBank Offered Rate ("LIBOR") plus 2.6% per annum and repayable in 2021.

In addition, the Company and Qingdao City Construction has undertaken to comply with the following financial covenants:

- (i) the Company to maintain its consolidated net worth at not less than HK\$1 at all times; and
- (ii) Qingdao City Construction's consolidated net worth at not less than RMB30,000,000,000 at all times, and the ratio of its consolidated total liabilities to its consolidated assets at not more than 75:100 at any times.

Bank borrowing III

The bank borrowing was guaranteed by China Qingdao Development (Holdings) Group Company Limited ("China Qingdao Development"), bears interest rate at floating rate of Hong Kong InterBank Offered Rate ("HIBOR") plus 2.4% per annum with minimum cap of 4.8% per annum and repayable in 2021.

In addition, the Company, China Qingdao Development and Qingdao City Construction has undertaken to comply with the following financial covenants:

Qingdao City Construction's consolidated revenue, consolidated net worth and consolidated net profit at not less than RMB4,000,000,000, RMB180,000,000,000 and RMB300,000,000 respectively as reflected in its most recent financial statements, and the ratio of its consolidated total liabilities to its consolidated total assets at not more than 75:100.

17. SHARE CAPITAL

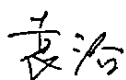
	2020 Number	2020 US\$	2019 Number	2019 US\$
Issued and fully paid:				
Ordinary shares with no par value, at beginning and end of year	<u>103,050,400</u>	<u>13,290,000</u>	<u>103,050,400</u>	<u>13,290,000</u>

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

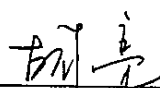
18. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AS AT 31 DECEMBER 2020

	Notes	2020 US\$	2019 US\$
Non-current assets			
Investment in a subsidiary		<u>7,936,508</u>	<u>7,936,508</u>
Current assets			
Other receivable and prepayment		505,991	90,235
Amount due from fellow subsidiaries		1,824,201,058	1,952,753,633
Time deposit		-	38,999,970
Bank balances and cash		250,277	321,856,618
Income tax recoverable		<u>171,867</u>	<u>979,962</u>
		<u>1,825,129,193</u>	<u>2,314,680,418</u>
Current liabilities			
Other payables		174,821	2,647,162
Interest payables		15,606,332	23,258,333
Bank borrowings		117,521,229	99,276,246
Bonds payable		-	<u>799,433,039</u>
		<u>133,302,382</u>	<u>924,614,780</u>
Net current assets		<u>1,691,826,811</u>	<u>1,390,065,638</u>
Total assets less current liabilities		<u>1,699,763,319</u>	<u>1,398,002,146</u>
Non-current liabilities			
Bonds payable		<u>1,692,829,059</u>	<u>1,391,892,167</u>
		<u>1,692,829,059</u>	<u>1,391,892,167</u>
Net assets		<u>6,934,260</u>	<u>6,109,979</u>
CAPITAL AND RESERVES			
Share capital	17	13,290,000	13,290,000
Reserves		<u>(6,355,740)</u>	<u>(7,180,021)</u>
Total equity		<u>6,934,260</u>	<u>6,109,979</u>

On behalf of the directors



Director



Director

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

19. INVESTMENT IN SUBSIDIARIES

Particulars of the subsidiaries are as follows:

Name of company	Country of incorporation	Registered capital	Percentage of ordinary shares held by the Company	Place of operation and principal activity
Qingdao Nice Profit International Trading Company Limited (青島利潤國際貿易有限公司) ("Qingdao Nice Profit")	The PRC	RMB 50,000,000	100% directly (2019: 100% directly)	The PRC, Trading of construction materials
China Qingdao Financial Services Limited (青島華青財務服務有限公司) ("Qingdao Financial Service")	The PRC	RMB 6,000,000	Nil (2019: 100% indirectly)	The PRC, Investment holding

20. RELATED PARTY DISCLOSURES

Details of the Group's outstanding balances and transactions with related parties are set out in the Notes 6, 9, 13 and 15 to the consolidated financial statements.

The directors of the Company consider that they are the only key management personnel of the Group. No remuneration was paid or payable to the key management personnel during the year (2019: nil).

21. MATERIAL INTEREST OF DIRECTORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, were entered into or subsisted during the financial year.

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

22. MAJOR NON-CASH TRANSACTIONS

During the year, the interest income of US\$90,628,917 (2019: US\$96,026,061) receivable from fellow subsidiaries were settled by inclusion in inter-company current accounts.

23. DISPOSAL OF A SUBSIDIARY

Pursuant to sale and purchase agreements dated 31 December 2020 entered into between Qingdao Nice Profit, a direct wholly-owned subsidiary of the Company as the vendors and 青島中宏置業有限公司 as the purchaser. Qingdao Nice Profit has divested 100% equity interests in Qingdao Financial Services at nil consideration. The disposal was completed as at 31 December 2020.

Net liabilities at the date of disposal were as follows:

	2020 US\$
Equity investments at fair value through other comprehensive income	2,639,123
Other receivables	93,073
Amount due from a fellow subsidiary	1,376,107
Cash and cash equivalents	977,430
Other payables	(400,068)
Amount due to a fellow subsidiary	<u>(5,251,890)</u>
Net liabilities disposed of	(566,225)
Cumulative exchange loss in respect of the net assets of subsidiary reclassified from equity to profit or loss	(3,976)
Gain on disposal of a subsidiary	<u>570,201</u>
Consideration	<u><u>-</u></u>
Net cash outflow arising on disposal:	
Cash and cash equivalents disposal of	<u><u>(977,430)</u></u>

-

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

24. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 US\$	2019 US\$
Financial assets		
Financial assets measured at amortised cost	1,858,869,134	2,533,905,321
Equity investment at fair value through other comprehensive income	-	3,110,054
	<u>1,858,869,134</u>	<u>2,537,015,375</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>1,826,394,625</u>	<u>2,563,675,969</u>

The directors considered that the carrying amounts of the above financial assets and financial liabilities carried at amortised cost approximate to their fair value.

(b) Financial risk management objectives and policies

The Group's major financial instruments include amounts due from fellow subsidiaries and immediate holding company, cash and cash equivalents, other payables, interest payables, amount due to a fellow subsidiary, bank borrowings and bonds payable. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measurements are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Currency risk to the Group is minimal as most of the Group's transactions are carried out in functional currency.

(ii) Interest rate risk

The Group is not exposed to fair value interest rate risk in relation to its fixed-rate loans due from fellow subsidiaries and bond payables (see Note 13 and 15 for details) as they are carried at amortised costs. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group is not exposed to cash flow interest rate risk as the interest rate of bonds payables is fixed (see Note 15 for details).

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

23. FINANCIAL INSTRUMENTS - Continued

(b) Financial risk management objectives and policies - Continued

Credit risk

With respect to the Group's amounts due from fellow subsidiaries and immediate holding company, the Group's exposure to credit risk arising from the default of counterparty is limited as the counterparties have good credit standing and the Group does not expect any significant loss for uncollected advances from his entity.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's and the Company's remaining contractual maturity for its derivative and non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest rates are floating, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Carrying amount US\$	Total contractual undiscounted cash flow US\$	Within 1 year or on demand US\$	More than 1 year but less than 2 years US\$	More than 2 years but less than 5 years US\$	More than 5 years US\$
2020						
Other payables	438,005	438,005	438,005	-	-	-
Interest payables	15,606,332	15,606,332	15,606,332	-	-	-
Amount due to fellow subsidiaries	22,832,721	22,832,721	22,832,721	-	-	-
Bonds payable	1,692,829,059	1,846,506,250	74,770,000	1,127,820,000	643,916,250	-
Bank borrowings	117,521,229	124,432,487	124,432,487	-	-	-
	<u>1,849,227,346</u>	<u>2,009,815,795</u>	<u>238,079,545</u>	<u>1,127,820,000</u>	<u>643,916,250</u>	<u>-</u>
2019						
Other payables	2,815,849	2,815,849	2,815,849	-	-	-
Interest payables	23,258,333	23,258,333	23,258,333	-	-	-
Amount due to immediate holding company	192,656,845	192,656,845	192,656,845	-	-	-
Amount due to fellow subsidiaries	26,343,490	26,343,490	26,343,490	-	-	-
Bonds payable	2,191,325,206	2,393,600,000	877,018,750	62,800,000	1,151,550,000	302,231,250
Bank borrowing	99,276,246	99,276,246	99,276,246	-	-	-
	<u>2,535,675,969</u>	<u>2,737,950,763</u>	<u>1,221,369,513</u>	<u>62,800,000</u>	<u>1,151,550,000</u>	<u>302,231,250</u>

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

23. FINANCIAL INSTRUMENTS - Continued

(b) Financial risk management objectives and policies - Continued

Liquidity risk - Continued

Bank borrowings with a repayment immediately due and payable included in the “on demand or within 1 year” time band in the above maturity analysis. As at 31 December 2020, the aggregate undiscounted principal amounts of bank borrowings amounted to US\$117,521,229 (2019: US\$99,276,246). Taking into account the Group’s financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that such bank borrowings will be repaid within 1 years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements as set out in this table below:

	Carrying amount US\$	Total contractual undiscounted cash flow US\$	Within 1 year or on demand US\$	More than 1 year but less than 2 years US\$	More than 2 years but less than 5 years US\$	More than 5 years US\$
2020						
Bank borrowings	<u>117,521,229</u>	<u>124,432,487</u>	<u>124,432,487</u>	-	-	-
2019						
Bank borrowing	<u>99,276,246</u>	<u>106,941,726</u>	<u>28,971,351</u>	<u>77,970,375</u>	-	-

At that time, the aggregate principal and interest cash outflows will amount to US\$117,521,229 (2019: US\$106,941,626).

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates are different to those estimates of interest rates determined at the end of the reporting period.

24. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bonds payable US\$	Bank borrowings US\$	Total US\$
1 January 2019	1,763,613,916	99,100,000	1,862,713,916
Cash flows	337,349,302	(4,546,322)	332,802,980
Interest expenses	<u>90,361,988</u>	<u>4,722,568</u>	<u>95,084,556</u>
31 December 2019 and 1 January 2020	2,191,325,206	99,276,246	2,290,601,452
Cash flows	(583,278,871)	12,669,290	(570,609,581)
Interest expenses	<u>84,782,724</u>	<u>5,575,693</u>	<u>90,358,417</u>
31 December 2020	<u>1,692,829,059</u>	<u>117,521,229</u>	<u>1,810,350,288</u>

HONG KONG INTERNATIONAL (QINGDAO) COMPANY LIMITED
(香港國際(青島)有限公司)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

25. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debt, which includes bonds payable and bank borrowing while equity comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of their review, the directors consider the cost of capital and the risks associates thereto. Based on recommendations of the directors, the Group will maintain its overall capital structure through the payment of dividends, new share issues as well as issue of new debt or the redemption of existing debt.

The gearing ratio at the end of reporting period was as follows:

	2020 US\$	2019 US\$
Debts	1,810,350,288	2,290,601,452
Cash and cash equivalents	<u>(1,225,445)</u>	<u>(326,971,844)</u>
Net debts	<u>1,809,124,843</u>	<u>1,963,629,608</u>
Equity	<u>7,910,931</u>	<u>2,319,054</u>
Net debts to equity ratio	<u>229 times</u>	<u>846 times</u>

26. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the board of directors on **30 APR 2021**.

ISSUER

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