

# IMPORTANT NOTICE

## NOT FOR DISTRIBUTION IN OR INTO THE UNITED STATES

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

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

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

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

**Confirmation of Your Representation:** In order to be eligible to view the Offering Circular or make an investment decision with respect to the Securities, investors must comply with the following provisions. By accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to the Issuer (as defined in the Offering Circular), the Guarantor (as defined in the Offering Circular) and the Joint Lead Managers (as defined in the Offering Circular) that (1) you and any customers you represent are not in the United States, (2) the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, and (3) you consent to delivery of the attached document by electronic transmission. To the extent you purchase the Securities, you will be doing so in an offshore transaction in compliance with Regulation S under the Securities Act.

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

The Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee (as defined in the Offering Circular), the Agents (as defined in the Offering Circular) or any of their respective affiliates, directors, officers, employees, advisers, representatives, agents and each person who controls any of them accepts any liability or responsibility whatsoever in respect of any such alteration or change to the Offering Circular distributed to you in electronic format or any difference between the Offering Circular distributed to you in electronic format and any hard copy version.

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

You are reminded that you have accessed the Offering Circular on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located.

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

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

# JINAN HI-TECH INTERNATIONAL (CAYMAN) INVESTMENT DEVELOPMENT CO., LIMITED

## 濟高國際(开曼)投資發展有限公司

(incorporated in the Cayman Islands with limited liability)

U.S.\$180,000,000 6.10 per cent. Guaranteed Bonds due 2027  
unconditionally and irrevocably guaranteed by



JINAN HI-TECH HOLDING GROUP CO., LTD.  
(濟南高新控股集團有限公司)

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

ISSUE PRICE: 100.00 PER CENT.

JINAN HI-TECH INTERNATIONAL (CAYMAN) INVESTMENT DEVELOPMENT CO., LIMITED 濟高國際(开曼)投資發展有限公司 (the "Issuer") proposes to issue U.S.\$180,000,000 in aggregate principal amount of 6.10 per cent. guaranteed bonds due 2027 (the "Bonds"). The Bonds will be unconditionally and irrevocably guaranteed (the "Guarantee") by Jinan Hi-tech Holding Group Co., Ltd. (濟南高新控股集團有限公司) (the "Company", or the "Guarantor"). The Guarantor is a state-owned enterprise of the People's Republic of China (the "PRC", which for the purpose of this Offering Circular only, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan). However, no PRC governmental entity has any payment or other obligations under the Bonds nor will they provide a guarantee of the Bonds. The holders of the Bonds (the "Bondholders") shall have no recourse to any PRC governmental entity in respect of any obligation arising out of or in connection with the Bonds solely by virtue of the Guarantor being a state-owned enterprise of the PRC. The Bonds are solely to be repaid by the Issuer and the Guarantor and their respective obligations under the Bonds and the Guarantee shall solely be fulfilled by the Issuer and the Guarantor as independent legal persons. See "Risk Factors – Risks Relating to the Bonds and the Guarantee – The PRC government has no obligations under the Bonds, the Guarantee or the Trust Deed".

The Bonds will bear interest on their outstanding principal amount from, and including, 15 April 2024 (the "Issue Date") at the rate of 6.10 per cent. per annum, payable semi-annually in arrear in equal instalments on 15 April and 15 October in each year, commencing on 15 October 2024, as further set out in "Terms and Conditions of the Bonds – Interest". Payments on the Bonds will be made without withholding or deduction for or on account of taxes to the extent described under "Terms and Conditions of the Bonds – Taxation".

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

The Guarantor will enter into a deed of guarantee (the "Deed of Guarantee") on or around 15 April 2024. The Guarantor shall (i) within 15 Registration Business Days (as defined in the Conditions) after the Issue Date submit the relevant documents for the registration of the Deed of Guarantee with the local branch of the State Administration of Foreign Exchange of the PRC ("SAFE") in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 and its operating guidelines issued by SAFE (the "SAFE Registration"), (ii) use its best endeavours to complete the SAFE Registration and obtain a registration record from SAFE on or before the Registration Deadline (being the day falling 90 Registration Business Days after the Issue Date) and (iii) comply with all applicable PRC laws and regulations in relation to the Bonds and the Guarantee, including but not limited to the NDRC Measures (as defined below). For consequences of non-registration, see "Risk Factors – Risks Relating to the Bonds and the Guarantee – There may be logistical hurdles for cross-border payment under the Guarantee if registration of the Guarantee is not completed within the prescribed timeframe".

The Guarantor has registered the issuance of the Bonds with the National Development and Reform Commission of the PRC (including its local counterpart, "NDRC") pursuant to the Administrative Measures for the Examination and Registration of Medium- and Long-term Foreign Debts of Enterprises (NDRC Order No. 56) (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56號)) issued by the NDRC which came into effect on 10 February 2023 and any related implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time (the "NDRC Measures"), and obtained a certificate from NDRC on 1 June 2023 (the "NDRC Certificate") and a Consent to Adjust the Enterprise Foreign Debt Filing Certificate from the NDRC on 7 March 2024 evidencing such registration. The Guarantor undertakes to file with the NDRC within ten Registration Business Days after the Issue Date the requisite information and documents in respect of the issue of the Bonds (the "NDRC Post-Issue Filing").

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 15 April 2027 (the "Maturity Date"). At any time, on giving not less than 30 nor more than 60 days' notice in accordance with Condition 16 (Notices) of the Conditions (which notice shall be irrevocable) and in writing to the Trustee (as defined in the Conditions) and the Principal Paying Agent (as defined in the Conditions), the Issuer may redeem the Bonds in whole, but not in part, at 100 per cent. of their principal amount, together with interest accrued to (but excluding) the date fixed for redemption, if the Issuer satisfies the Trustee immediately prior to giving such notice that (i) the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in the Conditions) as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands, the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 9 April 2024, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it. Following the occurrence of a Relevant Event (as defined in the Conditions), each Bondholder will have the right, at such Bondholder's option, to require the Issuer to redeem all, but not some only, of that Bondholder's Bonds on the Put Settlement Date (as defined in the Conditions) at 101 per cent. (in the case of a redemption for a Change of Control (as defined in the Conditions)) or 100 per cent. (in the case of a redemption for a Non-Registration Event (as defined in the Conditions)) of their principal amount, together in each case with accrued interest up to (but excluding) the relevant Put Settlement Date. See "Terms and Conditions of the Bonds – Redemption and Purchase".

The Bonds are expected to be assigned a rating of "BBB" by Fitch Rating Ltd. ("Fitch"). The Guarantor has been assigned a corporate rating of "BBB" with "stable" outlook by Fitch. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, qualification, suspension, reduction or withdrawal at any time by the assigning rating agency.

For a more detailed description of the Bonds, see "Terms and Conditions of the Bonds" beginning on page 54.

Investing in the Bonds involves certain risks. See "Risk Factors" beginning on page 14 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

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

Application will be made to 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 or opinions made or reports contained in this Offering Circular. Approval in-principle from, admission to the Official List of, and listing and quotation of the Bonds on, the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Guarantor or of the Bonds. There can be no assurance that such listing will be granted or, if granted, that such listing will be maintained. The Bonds will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in foreign currencies) so long as any of the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

The Bonds and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or securities laws of any other jurisdiction, and the Bonds and the Guarantee 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. The Bonds and the Guarantee are being offered and sold outside the United States in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see "Subscription and Sale".

Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore – 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 all 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 will be initially evidenced by a global certificate (the "Global Certificate") registered in the name of a nominee of, and deposited with, a common depository for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, definitive certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.

### Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

China International Capital Corporation Guotai Junan International CEB International China Securities International

Haitong International Industrial Bank Co., Ltd. Hong Kong Branch Shenwan Hongyuan (H.K.)

### Joint Bookrunners and Joint Lead Managers

Bank of China	BOCOM International	CCB International	Everbright Securities International	China Galaxy International
China Industrial Securities International	China Zheshang Bank Co., Ltd. (Hong Kong Branch)	CITIC Securities	CMB International	CMCB Capital
CNCB Capital	GF Securities	Huatai International	ICBC International	
Orient Securities (Hong Kong)	Shanghai Pudong Development Bank Hong Kong Branch	Soochow Securities (Hong Kong)	SPDB International	

Offering Circular dated 9 April 2024

## NOTICE TO INVESTORS

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

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 all 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).

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

The Issuer and the Guarantor have prepared this Offering Circular solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. 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 Guarantor and China International Capital Corporation Hong Kong Securities Limited, Guotai Junan Securities (Hong Kong) Limited, CEB International Capital Corporation Limited, China Securities (International) Corporate Finance Company Limited, Haitong International Securities Company Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Shenwan Hongyuan Securities (H.K.) Limited, Bank of China Limited, BOCOM International Securities Limited, CCB International Capital Limited, China Everbright Securities (HK) Limited, China Galaxy International Securities (Hong Kong) Co., Limited, China Industrial Securities International Brokerage Limited, China Zheshang Bank Co., Ltd. (Hong Kong Branch), CLSA Limited, CMB International Capital Limited, CMBC Securities Company Limited, CNCB (Hong Kong) Capital Limited, GF Securities (Hong Kong) Brokerage Limited, Huatai Financial Holdings (Hong Kong) Limited, ICBC International Securities Limited, Orient Securities (Hong Kong) Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, Soochow Securities International Brokerage Limited and SPDB International Capital Limited (together, the “Joint Lead Managers” and each, a “Joint Lead Manager”), the Trustee (as defined in the Conditions) and the Agents (as defined in the Conditions) to inform themselves about and

to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, Hong Kong, Singapore, Japan and the PRC, and to persons connected therewith. For a description of certain further restrictions on offers and sales of the Bonds, and distribution of this Offering Circular, see “*Subscription and Sale*”. By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Bonds. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

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

None of the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers has independently verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers, as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Bonds and the Guarantee. Nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers. 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 Guarantor, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers that any recipient of this Offering Circular should purchase the Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer, the Guarantor, the Group and the merits and risks involved in investing in the Bonds. See “*Risk Factors*”.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers accepts any responsibility for the contents of this Offering Circular and they assume no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement made or purported to be made by the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers or on their behalf in connection with the Issuer, the Guarantor, the Group or the issue and offering of the Bonds and the giving of the Guarantee. Each of the Joint Lead Managers, the Trustee, the Agents and their respective affiliates, directors, officers, employees, agents, representatives or advisers accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this

Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers undertakes to review the results of operations, financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the arrangements contemplated by this Offering Circular or to advise any investor or potential investor in the Bonds of any information coming to the attention of the Joint Lead Managers, the Trustee, the Agents or their respective affiliates, directors, officers, employees, agents, representatives or advisers.

**IN CONNECTION WITH THIS OFFERING, ANY OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS STABILISATION MANAGER (THE “STABILISATION MANAGER”) OR ANY PERSON(S) ACTING ON ITS BEHALF MAY, SUBJECT TO ALL APPLICABLE LAWS, OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORT 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 TERMS 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 RELEVANT STABILISATION MANAGER (OR ANY PERSON(S) ACTING ON ITS BEHALF) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

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

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

### **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” (the “**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” (the “**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 Guarantor, a CMI or its group companies would be considered under the SFC Code as having an association (an “**Association**”) with the Issuer, the Guarantor, the CMI or the relevant group company. Prospective investors associated with the Issuer, the Guarantor 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 CMI's). 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 relevant 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 CMI's 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 CMI's (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 Guarantor, 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.

## **INDUSTRY AND MARKET DATA**

Market data and certain industry forecasts used throughout this Offering Circular have been obtained based on public information. Industry forecasts and market research, while believed to be reliable, have not been independently verified by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or their respective affiliates, directors, officers, employees, agents, representatives and advisers, and none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or their respective affiliates, directors, officers, employees, agents, representatives and advisers makes any representation as to the correctness, accuracy or completeness of such information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

## **PRESENTATION OF FINANCIAL INFORMATION**

This Offering Circular contains the Guarantor's consolidated financial information as at and for the years ended 31 December 2020, 2021 and 2022 and consolidated financial information as at and for the six months ended 30 June 2022 and 2023. The Guarantor's consolidated financial information as at and for the year ended 31 December 2020 has been extracted from the Guarantor's audited consolidated financial statements as at and for the year ended 31 December 2021 (the "**2021 Audited Financial Statements**") included elsewhere in this Offering Circular. The Guarantor's consolidated financial information as at and for the years ended 31 December 2021 and 2022 has been extracted from the Guarantor's audited consolidated financial statements as at and for the year ended 31 December 2022 (the "**2022 Audited Financial Statements**", together with the 2021 Audited Financial Statements, the "**Audited Financial Statements**") included elsewhere in this Offering Circular. The Guarantor's consolidated financial information as at and for the six months ended 30 June 2022 and 2023 has been extracted from the Guarantor's unaudited but reviewed consolidated financial statements as at and for the six months ended 30 June 2023 (the "**Reviewed Financial Statements**", together with the Audited Financial Statements, the "**Historical Financial Statements**") included elsewhere in this Offering Circular. Hexin Certified Public Accountants LLP (和信會計師事務所(特殊普通合夥)) ("**Hexin CPA**") has audited the Audited Financial Statements and reviewed the Reviewed Financial Statements.

Since 2017, the MOF has promulgated the New Accounting Standards and Requirements, which has been adopted by the Guarantor in preparing the 2021 Audited Financial Statements and 2022 Audited Financial Statements. As a result, the presentation of certain accounting items in the 2021 Audited Financial Statements and 2022 Audited Financial Statements may not be comparable to the financial figures in the financial statements of the Guarantor for the previous periods. Please see “Notes to the Financial Statements for the Year Ended 31 December 2021 – III. Principle Accounting Policies, Accounting Estimates and Errors – 31. Changes in significant accounting policies and estimates – (1) Changes in significant accounting policies” of the 2021 Audited Financial Statements and “Notes to the Financial Statements for the Year Ended 31 December 2022 – III. Principle Accounting Policies, Accounting Estimates and Errors – 31. Changes in significant accounting policies and estimates – (1) Changes in significant accounting policies” of the 2022 Audited Financial Statements of the Guarantor for further information. In addition, the MOF and other relevant PRC government authorities may promulgate new accounting standards and requirements in relation to financial statements from time to time. There can be no assurance that the accounting policies or presentation of the financial statements of the Guarantor would not be materially and adversely affected by any new accounting standards or requirements in relation to financial statements promulgated by the MOF or any other relevant PRC government authorities in the future.

The Historical Financial Statements were prepared and presented in accordance with the Accounting Standards for Business Enterprises in China (“**PRC GAAP**”). PRC GAAP differs in certain respects from International Financial Reporting Standards (“**IFRS**”). See “*Summary of Certain Differences Between PRC GAAP and IFRS*”.

The Reviewed Financial Statements have been reviewed but not have not been audited by Hexin CPA or any other independent auditors. As a result, the Reviewed Financial Statements should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit. The Reviewed Financial Statements should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2023. None of the Joint Lead Managers, the Trustee, the Agents or their respective affiliates, directors, officers, employees, agents, representatives and advisers makes any representation or warranty, express or implied, regarding the sufficiency of the Historical Financial Statements for an assessment of, and potential investors must exercise caution when using such data to evaluate, the Group’s financial condition and results of operations. None of the Joint Lead Managers, the Trustee, the Agents or their respective affiliates, directors, officers, employees, agents, representatives and advisers has independently verified any of the information contained therein and they can give no assurance that such information is accurate, truthful or complete.

Hexin CPA has been subject to several regulatory investigations and administrative penalties in the past. See “*Risk Factors – Hexin CPA, the reporting accountant for the Historical Financial Statements, was subject to investigations and administrative penalties by relevant regulatory authorities.*”. Although such investigations and administrative penalties may restrict Hexin CPA from providing audit services or other services in connection with certain financing transactions, Hexin CPA has confirmed that the MOF’s Penalty (as defined below) was all unrelated to the Group, the auditors involved in the MOF’s Penalty were not involved in the audit or review of the Historical Financial Statements, and it has taken the required rectification measures for the MOF’s Penalty and that the MOF’s Penalty did not have any impact on its qualifications to provide audit and review services under applicable laws, rules and guidelines in the PRC. Hexin CPA has also confirmed that none of such investigations and administrative penalties have restricted or will in any manner restrict Hexin CPA from serving as the auditor of the Group, providing assistance in respect of the issue and offering of the Bonds or have affected or will affect the unqualified opinion in the Audited Financial Statements or the Reviewed Financial Statements and the auditors who participate in the audit or review of the Guarantor’s Historical Financial Statements were not the subject of, or involved in such administrative penalties.

## CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People’s Republic of China; all references to “**SASAC**” are to State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會); all references to “**Jinan Innovation Zone**” are to Jinan Innovation Zone (濟南高新技術產業開發區); all references to “**Jinan Innovation Zone Committee**” are to Jinan Innovation Zone Committee (濟南高新技術產業開發區管理委員會); all references to “**Jinan SASAC**” are to Jinan Municipal People’s Government State-owned Assets Supervision and Administration Commission (濟南市人民政府國有資產監督管理委員會); all references to “**Jinan Innovation Zone SASAC**” are to State-owned Assets Supervision and Administration Commission of the State Council of Jinan Innovation Zone (濟南高新技術產業開發區國有資產管理委員會); all references to the “**PRC**” and “**China**” are to the People’s Republic of China (excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan); all references to “**PRC government**” are to the central people’s government of the PRC and/or its local counterparts; all references to “**Renminbi**” and “**RMB**” are to the lawful currency of the PRC; all references to “**Shandong SinoChip**” are to Shandong SinoChip Co., Ltd. (山東華芯半導體有限公司); all references to “**Yulong**” are to Shandong Yulong Gold Co., Ltd. (山東玉龍黃金股份有限公司); all references to “**S\$**” are to the lawful currency of Singapore; all references to “**U.S.\$**” and “**U.S. dollars**” are to the lawful currency of the United States of America; and all references to the “**United States**” and “**U.S.**” are to the United States of America. In addition, “**mu**” is a measurement of area used in the PRC. 1 mu is equivalent to approximately 666.67 square metres.

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 Guarantor has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of RMB7.2513 to U.S.\$1.00 (the noon buying rate in New York City on 30 June 2023 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York). Further information regarding exchange rates is set forth in “*Exchange Rate Information*” in this Offering Circular. No representation is made that the Renminbi amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all, or vice versa.

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

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

## FORWARD-LOOKING STATEMENTS

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

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

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

- the Group’s ability to successfully implement its business plans and strategies;
- various business opportunities that the Group may pursue;
- financial condition, performance and business prospects of the Group;
- the Group’s capital expenditure plans and its ability to carry out those plans;
- access and cost of capital and financing;
- changes in the competitive landscape in the industries where the Group operates;
- any changes in the laws, rules and regulations of the PRC government and the rules, regulations and policies of the relevant governmental authorities relating to the Group’s business;
- general political and economic conditions, including those related to the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industries and markets in which the Group operates;
- macroeconomic measures taken by the PRC government to manage economic growth;
- changes in global economic conditions; and
- other factors discussed in “*Risk Factors*”.

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## SUMMARY

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

### OVERVIEW

The Group was established in 2001 and is the primary entity for the infrastructure development of Jinan Innovation Zone. Jinan Innovation Zone is a national level high-tech development zone and was authorised and established by the State Council of the PRC in 1991. The Group is wholly owned by Jinan Innovation Zone SASAC, an agency under Jinan SASAC, which in turn is the local counterpart of SASAC. The Group is a key facilitator of Jinan Innovation Zone Committee’s plan for infrastructure construction in Jinan Innovation Zone.

Jinan Innovation Zone is strategically located in Jinan, Shandong Province, an important transportation hub and logistics centre in the PRC. Jinan is at the intersection of the Qingdao – Jinan Railway (膠濟鐵路) and the Beijing – Shanghai Railway (京滬鐵路), which connect Jinan with Beijing, Shanghai, Tianjin, Nanjing and Qingdao (a key port city in Shandong Province). Since its establishment in 2001, the Group believes it has grown with the economic development of Jinan and has developed a diversified business portfolio, implemented Jinan Innovation Zone Committee’s plan and completed a large number of infrastructure and construction projects.

The Group operates and manages the following business segments: (i) industrial park investment and operation, (ii) residential development, (iii) infrastructure development, (iv) primary land development, (v) IT hardware and services, (vi) other sales, and (vii) miscellaneous. Set forth below is a summary of each of these business segments:

- *Industrial park investment and operation:* The Group’s industrial park investment and operation business segment in Jinan Innovation Zone consists of construction and development of industrial, scientific research and commercial facilities including office buildings, factories and industrial bases. As at the date of this Offering Circular, the Group had a total site area of completed construction of approximately 3.85 million square metres under its industrial park investment and operation business segment. For the years 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, revenue generated from the Group’s industrial park investment and operation business segment was RMB1,064.2 million, RMB3,428.3 million, RMB3,996.1 million, RMB3,175.0 million and RMB1,138.7 million, respectively, representing 15.2 per cent., 34.0 per cent., 20.2 per cent., 36.2 per cent. and 15.8 per cent., respectively, of the Group’s revenue for the same periods.
- *Residential development:* The Group’s residential development business segment in Jinan Innovation Zone consists of the construction of residential projects for the employees of companies operating in and other residents of Jinan Innovation Zone. This business segment complements the Group’s industrial park investment and operation business segment. As at the date of this Offering Circular, the Group had completed construction of residential projects with a total construction area of approximately 3.14 million square metres. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, revenue generated from the Group’s residential development business segment was RMB1,108.6 million, RMB348.7 million, RMB3,637.6 million, RMB78.8 million and RMB1,435.9 million, respectively, representing 15.8 per cent., 3.5 per cent., 18.4 per cent., 0.9 per cent. and 20.0 per cent., respectively, of the Group’s revenue for the same periods.
- *Infrastructure development:* Under its infrastructure development business segment, the Group develops infrastructure projects and provides ancillary services for communities in Jinan Innovation Zone, including construction of water supply and waste water treatment projects; property leasing and management; media publishing and, to a lesser extent, providing guarantee and factoring services. In supporting its infrastructure development business segment, the Group operates a small loan business through its subsidiary, Dongfang Small Loan

(as defined below). Dongfang Small Loan was established in 2011, following which got listed on National Equities Exchange and Quotations in 2015 (Code: 834339) and delisted in 2021. Dongfang Small Loan mainly grants loans to medium, small and micro enterprises, individual industrial and commercial entities and farmers upon its review, which is carried out according to internal audit standards. As at 30 June 2023, the Group's small loan business had three outstanding loans, the aggregate value of which was RMB35.0 million. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, revenue generated from the Group's infrastructure development business segment was RMB283.5 million, RMB688.1 million, RMB625.0 million, RMB315.2 million and RMB431.1 million, respectively, representing 4.0 per cent., 6.8 per cent., 3.2 per cent., 3.6 per cent. and 6.0 per cent., respectively, of the Group's revenue for the same periods.

- *Primary land development:* Under its primary land development business segment, the Group conducts land consolidation and implements Jinan Innovation Zone Committee's urbanisation plans. As at the date of this Offering Circular, the Group had completed primary development of land in Jinan Innovation Zone with a total site area of approximately 1121.0 mu (equivalent to 747,317.1 square metres). For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, revenue generated from the Group's primary land development business segment was RMB2,221.2 million, RMB481.0 million, RMB84.2 million, RMB50.4 million and RMB20.9 million, respectively, representing 31.7 per cent., 4.8 per cent., 0.4 per cent., 0.6 per cent. and 0.3 per cent., respectively, of the Group's revenue for the same periods.
- *IT hardware and services:* In 2013, the Group acquired an equity interest in Shandong SinoChip. As at the date of this Offering Circular, the Group held 56.67 per cent. equity interest in Shandong SinoChip. Through this subsidiary, the Group operates its IT hardware and services business segment. The Group is primarily engaged in the testing, development, design, manufacturing, packaging and sale of integrated circuits with ultra-high speed interface and large data storage capability. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, revenue generated from the Group's IT hardware and services business segment was RMB66.4 million, RMB100.0 million, RMB111.6 million, RMB90.0 million and RMB22.2 million, respectively, representing 1.0 per cent., 1.0 per cent., 0.6 per cent., 1.0 per cent. and 0.3 per cent., respectively, of the Group's revenue for the same periods.
- *Other sales:* In 2020, the Group commenced its other sales business segment. The Group operates this business segment through its subsidiary Jigao Investment. As at the date of this Offering Circular, the Group held 100.0 per cent. equity interest in Jigao Investment. In October 2021, the Group acquired 5.0 per cent. equity interest in Yulong, aiming to expand this business segment. As at the date of this Offering Circular, the Group holds an aggregate of 29.0 per cent. equity interest in Yulong. Revenue generated from this business segment is primarily due to sales of coal, ferrous metal ore, ethylene glycol, agricultural products, chemicals, natural rubber, crude oil and other products. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, revenue generated from the Group's other sales business segment was RMB1,775.0 million, RMB4,958.5 million, RMB11,169.9 million, RMB5,006.1 million and RMB4,119.7 million, respectively, representing 25.3 per cent., 49.2 per cent., 56.6 per cent., 57.0 per cent. and 57.3 per cent. of the Group's revenue for the same period, respectively.
- *Miscellaneous:* Revenue generated from this business segment is primarily due to material sales, real estate sales, and brand royalties. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, revenue generated from the Group's miscellaneous business segment was RMB492.3 million, RMB83.6 million, RMB110.1 million, RMB62.0 million and RMB26.3 million, respectively, representing 7.0 per cent., 0.8 per cent., 0.6 per cent., 0.7 per cent. and 0.4 per cent., respectively, of the Group's revenue for the same periods.

The Group funds its business operations primarily with capital from its operations and investments, bank loans, and issue of debt securities in the PRC capital markets and offshore capital markets.

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the Group's revenue was RMB7,011.2 million, RMB10,088.1 million, RMB19,734.6 million, RMB8,777.5 million and RMB7,194.8 million, respectively. During the same periods, the Group's total profit was RMB373.7 million, RMB358.6 million, RMB606.8 million, RMB194.8 million and RMB421.1 million, respectively. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group's total assets were RMB83,626.6 million, RMB94,195.8 million, RMB101,986.4 million and RMB104,803.8 million, respectively.

## **COMPETITIVE STRENGTHS**

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

- Sole directly-supervised state-owned enterprise for development, construction and operation of industrial parks in Jinan Innovation Zone, enjoying impeccable strategic position
- Quality assets from the Jinan municipal government and Jinan Innovation Zone Committee
- Outstanding location with opportunities for growth
- Full services and diversified business portfolio and sources of revenue
- Diversified sources of cash and balanced capital structure
- Sufficient capital from diversified sources of financing and unimpeded access to funds
- Sound, effective and rigorous corporate governance and internal control
- Dedicated senior management with extensive experience in government and state-owned enterprises

## **BUSINESS STRATEGIES**

The Group intends to focus on the following strategies:

- Focus on industrial park investment and operation and infrastructure development in Jinan Innovation Zone with a global vision
- Continue to expand the others sales business segment by adding new types of trading goods and implement a strategy for building its trading business in the PRC and abroad
- Transform and upgrade business with smart operation technologies
- Internal and external synergistic development in Jinan Innovation Zone
- Continue to optimise business operation and corporate structure

## **RECENT DEVELOPMENTS**

### **Issue of debt instruments since 30 June 2023**

Since 30 June 2023, the Group had successfully issued the following debt instruments:

- On 25 July 2023, the Group issued ultra short-term commercial paper due 2024 with a total principal amount of RMB1,000,000,000 and an interest rate of 2.68 per cent. per annum.
- On 2 August 2023, the Group issued medium term notes due 2026 with a total principal amount of RMB2,000,000,000 and an interest rate of 3.69 per cent. per annum.
- On 27 October 2023, the Group issued U.S.\$280,000,000 7.40 per cent. guaranteed bonds due 2026.

- On 9 November 2023, the Group issued non-public corporate bonds with a total principal amount of RMB730,000,000 and an interest rate of 3.35 per cent. per annum.
- On 9 November 2023, the Group issued ultra short-term commercial paper due 2024 with a total principal amount of RMB1,200,000,000 and an interest rate of 2.89 per cent.
- On 17 November 2023, the Group issued ultra short-term commercial paper due 2024 with a total principal amount of RMB1,200,000,000 and an interest rate of 2.83 per cent.
- On 22 November 2023, the Group issued medium term notes due 2025 with a total principal amount of RMB1,000,000,000 and an interest rate of 3.20 per cent. per annum, and medium term notes due 2028 with a total principal amount of RMB1,000,000,000 and an interest rate of 3.40 per cent. per annum.
- On 7 December 2023, the Group issued ultra short-term commercial paper due 2024 with a total principal amount of RMB1,000,000,000 and an interest rate of 3.03 per cent.
- On 25 January 2024, the Group issued ultra short-term commercial paper due 2024 with a total principal amount of RMB1,000,000,000 and an interest rate of 2.68 per cent.
- On 1 February 2024, the Group issued medium term notes due 2027 with a total principal amount of RMB1,000,000,000 and an interest rate of 3.18 per cent. per annum.

#### **Financial information as at and for the nine months ended 30 September 2023**

On 30 October 2023, the Guarantor published its unaudited and unreviewed consolidated financial information as at and for the nine months ended 30 September 2023 (the “**Quarterly Accounts**”). As at 30 September 2023, the Group’s short-term loans and long-term loans increased as compared to the balances as at 31 December 2022, primarily due to the increase of bank loans obtained to meet the need of capital for the commencement of the Group’s projects, while the Group’s bonds payable, accounts payables and long-term payables as at 30 September 2023 increased slightly as compared to the balances as at 31 December 2022, primarily due to the preparation of funds in advance of the repayment of debts and the year-on-year increase in business activities, respectively.

No audit or review has been performed on the Quarterly Accounts and such financial information within the Quarterly Accounts may change if it is subject to an audit or a review. None of the Joint Lead Managers nor any of their respective directors, affiliates, officers, advisers, employees or agents makes any representation, warranty or undertaking, express or implied of, or accepts any responsibility or liability with respect to the Quarterly Accounts. The Quarterly Accounts are not indicative of the financial condition or results of operations of the Group for any period of a year or any full year. The Quarterly Accounts do not form part of this Offering Circular and should not be referred to or relied upon by potential investors. Potential investors must exercise extensive caution when using such information to evaluate the Group’s financial condition, results of operations and results (financial or otherwise). See “*Risk Factors – Risks Relating to the Group’s Business – The Guarantor has published and may continue to publish periodical financial information in the PRC pursuant to applicable PRC regulatory rules. Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular*”.

## SUMMARY FINANCIAL INFORMATION OF THE GROUP

*The summary financial information of the Group as at and for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 are set forth below. The Guarantor's consolidated financial information as at and for the years ended 31 December 2020, 2021 and 2022 has been extracted from the Audited Financial Statements. The Guarantor's consolidated financial information as at and for the six months ended 30 June 2022 and 2023 has been extracted from the Reviewed Financial Statements. The Audited Financial Statements (which have been audited by Hexin CPA) and the Reviewed Financial Statements (which have been reviewed by Hexin CPA) are included elsewhere in this Offering Circular. The Audited Financial Statements and the Reviewed Financial Statements were prepared and presented in accordance with the PRC GAAP. PRC GAAP differs in certain respects from IFRS. See "Summary of Certain Differences Between PRC GAAP and IFRS".*

*Since 2017, the MOF has promulgated the New Accounting Standards and Requirements, which has been adopted by the Guarantor in preparing the 2021 Audited Financial Statements and 2022 Audited Financial Statements. As a result, the presentation of certain accounting items in the 2021 Audited Financial Statements and 2022 Audited Financial Statements may not be comparable to the financial figures in the financial statements of the Guarantor for the previous periods. Please see "Notes to the Financial Statements for the Year Ended 31 December 2021 – III. Principle Accounting Policies, Accounting Estimates and Errors – 31. Changes in significant accounting policies and estimates – (1) Changes in significant accounting policies" of the 2021 Audited Financial Statements and "Notes to the Financial Statements for the Year Ended 31 December 2022 – III. Principle Accounting Policies, Accounting Estimates and Errors – 31. Changes in significant accounting policies and estimates – (1) Changes in significant accounting policies" of the 2022 Audited Financial Statements of the Guarantor for further information. In addition, the MOF and other relevant PRC government authorities may promulgate new accounting standards and requirements in relation to financial statements from time to time. There can be no assurance that the accounting policies or presentation of the financial statements of the Guarantor would not be materially and adversely affected by any new accounting standards or requirements in relation to financial statements promulgated by the MOF or any other relevant PRC government authorities in the future.*

*The Reviewed Financial Statements have been reviewed but have not been audited by the Hexin CPA or any other independent auditors. As a result, the Reviewed Financial Statements should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit. Potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations. The Reviewed Financial Statements should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2023. None of the Joint Lead Managers, the Trustee, the Agents or their respective affiliates, directors, officers, employees, agents, representatives and advisers makes any representation or warranty, express or implied, regarding the sufficiency of the Historical Financial Statements for an assessment of, and potential investors must exercise caution when using such data to evaluate, the Group's financial condition and results of operations. None of the Joint Lead Managers, the Trustee, the Agents or their respective affiliates, directors, officers, employees, agents, representatives and advisers has independently verified any of the information contained therein and they can give no assurance that such information is accurate, truthful or complete.*

*The summary consolidated financial statements as set forth below should be read in conjunction with, and are qualified in their entirety by reference to, the Historical Financial Statements and the notes thereto included elsewhere in this Offering Circular. Historical results of the Group are not necessarily indicative of results that may be achieved for any future period. Potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations.*

**SUMMARY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	For the year ended 31 December			For the six months ended 30 June	
	2020	2021	2022	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited but reviewed)</i>	<i>(unaudited but reviewed)</i>
<b>Revenue</b> . . . . .	<b>7,011,189.1</b>	<b>10,088,078.3</b>	<b>19,734,550.4</b>	<b>8,777,511.76</b>	<b>7,194,840.60</b>
Including: Revenue . . . . .	7,011,189.1	10,088,078.3	19,734,550.4	8,777,511.76	7,194,840.60
<b>Operating costs and expenses</b> . . . . .	<b>7,189,413.3</b>	<b>10,382,020.5</b>	<b>19,614,489.1</b>	<b>8,849,313.07</b>	<b>6,778,667.00</b>
Less: Operating costs . . . . .	6,222,768.1	8,230,842.2	17,545,007.7	8,072,218.75	5,670,214.67
Tax and surcharges . . . . .	169,904.8	152,931.2	248,409.6	92,472.95	210,234.92
Sales expenses . . . . .	59,743.5	175,687.6	226,598.4	108,183.59	119,606.30
Administrative expenses . . . . .	281,147.7	331,959.5	364,486.5	193,790.74	222,157.32
Research and development expense . . . . .	1,097.1	35,029.9	26,640.0	6,891.33	–
Finance expenses . . . . .	454,752.1	1,455,570.1	1,203,346.9	375,755.72	556,453.79
Add: Gain on changes in fair value . . . . .	402,631.3	89,676.9	369,029.4	3,194.76	1,520.46
Investment income . . . . .	66,233.8	538,984.8	203,778.3	284,047.57	71,642.97
Including: profit or loss from investment in associated and joint ventures . . . . .	(13,056.9)	503,991.9	149,849.8	287,549.05	28,054.81
Assets disposal income . . . . .	1,922.1	149.0	50.5	–	9,610.30
Asset impairment loss . . . . .	(7,458.7)	(24,459.2)	(48,864.6)	47.90	(3,530.55)
Credit impairment loss . . . . .	–	(6,885.8)	(49,104.5)	(22,188.41)	(76,403.28)
Other income . . . . .	92,918.8	46,996.3	33,274.8	5,605.96	14,067.18
<b>Operating profit</b> . . . . .	<b>378,023.2</b>	<b>350,519.9</b>	<b>628,225.4</b>	<b>198,906.48</b>	<b>433,080.69</b>
Add: Non-operating incomes . . . . .	4,243.1	10,895.9	5,256.4	529.24	8,636.38
Less: Non-operating expenses . . . . .	8,546.1	2,813.0	26,711.5	4,602.73	20,634.53
<b>Profit before tax</b> . . . . .	<b>373,720.1</b>	<b>358,602.8</b>	<b>606,770.2</b>	<b>194,832.99</b>	<b>421,082.53</b>
Less: Corporate income taxes . . . . .	249,865.6	36,681.4	255,372.6	45,176.33	209,547.14
<b>Net profit/(losses)</b> . . . . .	<b>123,854.5</b>	<b>321,921.4</b>	<b>351,397.6</b>	<b>149,656.66</b>	<b>211,535.39</b>
Net profit attributed to parent company . . . . .	127,980.8	187,619.9	29,333.2	81,654.81	181,240.78
Net profit attributed to non-controlling interest . . . . .	(4,126.3)	134,301.4	322,064.4	68,001.85	30,294.61
<b>Other comprehensive income, net of tax</b> . . . . .	<b>45,814.6</b>	<b>147,918.0</b>	<b>(130,677.7)</b>	<b>(76,091.95)</b>	<b>(89,221.77)</b>
After-tax net income of other comprehensive income attribute to parent company . . . . .	46,325.4	152,172.7	(129,502.2)	(83,642.18)	(121,898.42)
Other comprehensive income which cannot be classified into profits and losses . . . . .	(1,356.9)	(952.2)	215.6	3,083.90	(2,688.55)
Other comprehensive income which cannot be re-classified . . . . .	47,682.3	153,125.0	(129,717.8)	(86,726.08)	(119,209.87)
After-tax net income of other comprehensive income attribute to non-controlling interest . . . . .	(510.8)	(4,254.7)	(1,175.6)	7,550.23	32,676.65
<b>Total comprehensive income</b> . . . . .	<b>169,669.2</b>	<b>469,839.4</b>	<b>220,719.9</b>	<b>73,564.71</b>	<b>122,313.62</b>
Total comprehensive income attribute to parent company . . . . .	174,306.2	339,792.7	(100,169.0)	(15,640.33)	(91,603.81)
Total comprehensive income attribute to non-controlling interest . . . . .	(4,637.0)	130,046.7	320,888.9	89,205.04	213,917.44

## SUMMARY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited but reviewed)</i>
<b>Current assets:</b>				
Cash and cash equivalents . . . . .	8,751,323.2	13,337,486.3	11,899,427.6	12,213,733.60
Transactional financial assets . . . . .	–	8,062.0	2,400.0	3,335.00
Derivative financial assets . . . . .	–	–	–	12,855.0
Notes receivable . . . . .	49,440.8	631,212.7	776,468.6	172,062.10
Accounts receivable . . . . .	2,079,403.0	3,284,625.3	3,272,447.4	7,492,670.39
Accounts receivable financing . . . . .	–	–	11,542.6	–
Prepayment . . . . .	5,812,527.7	5,761,504.2	6,995,190.0	5,171,446.54
Other receivables . . . . .	14,144,943.6	14,852,073.9	16,050,319.8	15,808,019.03
Inventory . . . . .	26,084,863.0	26,391,629.3	30,627,696.7	29,264,063.01
Non-current assets matured within one year . . . . .	–	327,006.6	482,177.7	505,551.97
Other current assets . . . . .	1,096,656.4	1,483,253.2	1,278,034.1	1,217,056.35
<b>Total of current assets . . . . .</b>	<b>58,019,157.7</b>	<b>66,076,853.7</b>	<b>71,395,704.6</b>	<b>71,860,793.00</b>
<b>Non-current assets:</b>				
Available for sale financial assets . . . . .	5,778,156.9	–	–	–
Long-term receivable . . . . .	506,119.3	470,757.3	465,194.7	646,953.68
Long-term equity investments . . . . .	6,176,192.6	5,075,256.4	5,937,578.3	6,306,843.91
Investment in other equity instruments . . . . .	–	2,497,654.9	2,348,014.9	2,333,459.13
Other non-current financial assets . . . . .	–	4,878,199.0	4,350,179.3	4,217,170.42
Investment real estate . . . . .	9,073,958.2	11,160,291.8	12,917,916.7	14,554,576.93
Fixed assets . . . . .	2,733,206.4	1,784,913.7	1,099,064.8	1,296,704.93
Construction in progress . . . . .	1,160,136.0	653,736.5	915,529.9	549,675.36
Right of use assets . . . . .	–	10,538.0	8,380.8	21,670.19
Intangible assets . . . . .	136,594.5	121,054.9	578,004.8	598,833.69
Development expenditure . . . . .	–	4,000.0	42,490.6	87,471.70
Goodwill . . . . .	–	1,378,821.5	1,378,821.5	1,378,821.51
Long-term amortized expenses . . . . .	6,448.7	20,145.6	12,663.0	12,228.51
Deferred tax assets . . . . .	36,585.5	63,565.4	134,648.8	147,862.55
Other non-current assets . . . . .	–	–	402,210.9	790,774.17
<b>Total of non-current assets . . . . .</b>	<b>25,607,398.2</b>	<b>28,118,935.1</b>	<b>30,590,699.0</b>	<b>32,943,046.67</b>
<b>Total assets . . . . .</b>	<b>83,626,555.9</b>	<b>94,195,788.8</b>	<b>101,986,403.6</b>	<b>104,803,839.67</b>
<b>Current liabilities:</b>				
Short-term loans . . . . .	2,468,900.0	3,501,991.6	3,726,692.1	4,205,453.76
Notes payable . . . . .	892,054.2	835,493.0	1,495,933.6	740,970.74
Accounts payable . . . . .	1,395,242.2	1,238,157.4	1,469,679.4	2,772,592.33
Advance collections . . . . .	2,928,680.8	108,366.1	82,827.4	82,620.94
Contractual liabilities . . . . .	–	3,852,379.2	4,264,732.9	3,968,878.25
Payroll payable . . . . .	20,946.1	27,461.9	76,984.9	48,912.78
Taxes payable . . . . .	236,003.6	537,215.1	834,931.4	680,687.09
Other payables . . . . .	4,580,657.3	3,927,660.7	4,110,343.9	3,826,542.75
Non-current liabilities due within one year . . . . .	11,641,254.0	17,512,106.6	21,198,759.8	20,573,709.19
Other current liabilities . . . . .	–	904,073.6	1,052,822.4	458,382.39
<b>Total of current liabilities . . . . .</b>	<b>24,163,738.2</b>	<b>32,444,905.3</b>	<b>38,313,707.9</b>	<b>37,358,750.22</b>

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
	(audited)	(audited)	(audited)	(unaudited but reviewed)
<b>Non-current liabilities:</b>				
Long-term loans	4,294,981.2	4,931,680.9	6,420,631.8	6,352,663.30
Bond payable	22,281,311.5	22,424,885.6	21,004,269.2	23,637,739.99
Lease liabilities	–	3,629.1	6,908.1	14,063.26
Long-term payables	6,009,449.8	4,233,804.0	4,489,271.5	4,821,072.91
Long-term employee compensation payable	–	–	1,164.3	9,231.3
Special payables	141,331.2	–	–	–
Estimated liabilities	–	–	115,486.6	119,991.95
Deferred income	249,927.7	318,813.6	334,790.1	334,844.3
Deferred tax liabilities	481,133.1	560,795.8	614,334.1	623,632.32
Other non-current liabilities	40,988.6	46,259.1	55,268.3	64,228.32
<b>Total of non-current liabilities</b>	<b>33,499,123.1</b>	<b>32,519,868.2</b>	<b>33,042,124.1</b>	<b>35,977,467.62</b>
<b>Total of liabilities</b>	<b>57,662,861.3</b>	<b>64,964,773.5</b>	<b>71,355,832.0</b>	<b>73,336,217.84</b>
<b>Shareholder's equity:</b>				
Share capital	4,000,000.0	4,000,000.0	4,000,000.0	4,000,000.0
Other equity instruments	2,104,311.7	3,104,311.7	4,100,915.5	3,487,275.49
Including: Perpetual bond	2,104,311.7	3,104,311.7	4,100,915.5	3,487,275.49
Capital reserve	17,949,741.0	18,088,978.3	18,374,321.2	18,377,989.10
Other comprehensive income	66,412.0	218,584.7	(35,043.5)	(69,450.41)
Special reserves	–	395.8	2,320.1	2,369.30
Surplus reserve	194,994.4	221,812.7	234,225.3	225,476.12
General risk preparation	–	–	–	–
Retained earnings	333,027.5	342,453.0	349,046.5	125,118.2
<b>Total parent company shareholders' equity</b>	<b>24,648,486.7</b>	<b>25,976,536.2</b>	<b>27,025,785.2</b>	<b>26,148,777.82</b>
Non-controlling interest	1,315,208.0	3,254,479.1	3,604,786.4	5,318,844.01
<b>Total shareholder's equity</b>	<b>25,963,694.6</b>	<b>29,231,015.3</b>	<b>30,630,571.6</b>	<b>31,467,621.83</b>
<b>Total liabilities and shareholder's equity</b>	<b>83,626,555.9</b>	<b>94,195,788.8</b>	<b>101,986,403.5</b>	<b>104,803,839.67</b>

**SUMMARY CONSOLIDATED CASH FLOWS STATEMENTS DATA**

	For the year ended 31 December			For the six months ended 30 June	
	2020	2021	2022	2022	2023
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				<i>(unaudited but reviewed)</i>	<i>(unaudited but reviewed)</i>
Net cash flows from/(used in)					
operating activities . . . . .	(3,327,737.2)	179,208.2	232,363.4	(2,510,713.67)	(1,105,135.57)
Net cash flows from/(used in)					
investing activities. . . . .	(6,472,920.3)	(1,791,542.1)	(2,609,016.0)	(690,898.88)	(1,028,331.41)
Net cash flows from financing activities. . .	10,898,898.4	5,667,443.9	870,144.2	997,769.78	2,152,597.91
Effect of foreign exchange rate changes					
on cash and cash equivalents . . . . .	(2,330.6)	(42,166.5)	115,633.8	73,969.44	(944.52)
Net increase/(decrease) in cash and					
cash equivalents . . . . .	1,095,910.4	4,012,943.4	(1,390,874.5)	(2,129,873.33)	18,186.40
Opening balance of cash and cash					
equivalents for the period . . . . .	6,832,518.3	7,928,428.7	11,941,372.1	11,941,372.14	10,550,497.61
Closing balance of cash and cash					
equivalents for the period . . . . .	7,928,428.7	11,941,372.1	10,550,497.6	9,811,498.81	10,568,684.01

## SUMMARY OF THE OFFERING

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

<b>Issuer</b>	JINAN HI-TECH INTERNATIONAL (CAYMAN) INVESTMENT DEVELOPMENT CO., LIMITED 濟高國際(开曼)投資發展有限公司.
<b>Issuer’s Legal Entity Identifier</b>	549300P4D6D7TIQMKO58.
<b>Guarantor</b>	Jinan Hi-tech Holding Group Co., Ltd. (濟南高新控股集團有限公司).
<b>The Bonds</b>	U.S.\$180,000,000 in aggregate principal amount of 6.10 per cent. guaranteed bonds due 2027.
<b>Guarantee</b>	The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect are contained in the Deed of Guarantee.
<b>Issue Price</b>	The Bonds will be issued at 100.00 per cent. of their principal amount.
<b>Form and Denomination</b>	The Bonds will be issued in registered form in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
<b>Issue Date</b>	15 April 2024.
<b>Interest</b>	The Bonds will bear interest on their outstanding principal amount from and including the Issue Date, at the rate of 6.10 per cent. per annum, payable semi-annually in arrear in equal instalments on 15 April and 15 October in each year, commencing on 15 October 2024.
<b>Maturity Date</b>	15 April 2027.
<b>Status of the Bonds</b>	The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) ( <i>Negative Pledge</i> ) of the Conditions) unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a) ( <i>Negative Pledge</i> ) of the Conditions, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

<b>Status of the Guarantee</b>	The payment obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable laws and regulations and subject to Condition 4(a) ( <i>Negative Pledge</i> ) of the Conditions, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
<b>Negative Pledge</b>	The Bonds will contain a negative pledge provision as further described in Condition 4(a) ( <i>Negative Pledge</i> ) of the Conditions.
<b>Use of Proceeds</b>	See “ <i>Use of Proceeds</i> ” in this Offering Circular.
<b>Events of Default</b>	The Bonds will contain certain events of default as further described in Condition 9 ( <i>Events of Default</i> ) of the Conditions.
<b>Cross-Default</b>	The Bonds are subject to a cross-default provision in respect of (i) any other present or future indebtedness of the Issuer, the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above have occurred in aggregate equals or exceeds U.S.\$30,000,000 or its equivalent. See Condition 9(c) ( <i>Cross-Default</i> ) of the Conditions.
<b>Taxation</b>	<p>All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made without set-off or counterclaim and free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Cayman Islands, the PRC or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.</p> <p>Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor within the PRC at a rate up to and including the aggregate rate applicable on 9 April 2024 (the “<b>Applicable Rate</b>”), the Issuer or the Guarantor, as the case may be, 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.</p>

If the Issuer or, as the case may be, the Guarantor is required to make a deduction or withholding by or within the PRC at a rate in excess of the Applicable Rate, or by or within the Cayman Islands, the Issuer, or the Guarantor, as the case may be, shall pay such additional amounts (“**Additional Tax Amounts**”) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in the circumstances set out in Condition 8 (*Taxation*) of the Conditions.

**Final Redemption**

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date.

**Redemption for Taxation Reasons**

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice (a “**Tax Redemption Notice**”) which shall specify the date for redemption in accordance with Condition 16 (*Notices*) of the Conditions (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at 100 per cent. of their principal amount (together with any interest accrued to (but excluding) the date fixed for redemption) if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 (*Taxation*) of the Conditions as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands, the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 9 April 2024, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case maybe) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due.

**Redemption for Relevant Events**

Following the occurrence of a Relevant Event, the holder of any Bond will have the right, at such holder’s option, to require the Issuer to redeem all, but not some only, of such holder’s Bonds on the Put Settlement Date at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a Non-Registration Event) of their principal amount, together in each case with accrued interest up to (but excluding) the relevant Put Settlement Date, as further described in Condition 6(c) (*Redemption for Relevant Events*) of the Conditions.

<b>Further Issues</b>	The Issuer is at liberty from time to time without the consent of the Bondholders to create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date, the first payment of interest on them and the timing for completing the SAFE Registration and the NDRC Post-Issue Filing and the making of the consequent notifications thereof) and so that the same shall be consolidated and form a single series with the outstanding Bonds, as further described in Condition 15 ( <i>Further Issues</i> ) of the Conditions.
<b>Trustee</b>	The Hongkong and Shanghai Banking Corporation Limited.
<b>Principal Paying Agent, Registrar and Transfer Agent</b>	The Hongkong and Shanghai Banking Corporation Limited.
<b>Clearing Systems</b>	The Bonds will be initially evidenced by the Global Certificate registered in the name of a nominee of, and deposited with, a common depository for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in this Offering Circular and the Global Certificate, definitive Certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
<b>Clearance and Settlement</b>	The Bonds have been accepted for clearance through Euroclear and Clearstream with Common Code 279196007 and International Securities Identification Number XS2791960078.
<b>Notices</b>	So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream and/or an Alternative Clearing System, notices to the Bondholders shall be validly given by the delivery of the relevant notice to Euroclear and/or Clearstream and/or such Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions.
<b>Governing Law</b>	English law.
<b>Listing</b>	Application will be made to 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 or opinions made or reports contained in this Offering Circular. Approval in-principle from, admission to the Official List of, and listing and quotation of the Bonds on, the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Guarantor or of the Bonds. For so long as the 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 foreign currencies).
<b>Ratings</b>	The Bonds are expected to be assigned a rating of “BBB” by Fitch. The Guarantor has been assigned a corporate credit rating of “BBB” with “stable” outlook by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, qualification, suspension, reduction or withdrawal at any time by the assigning rating agency.

## RISK FACTORS

*An investment in the Bonds is subject to a number of risks. Potential 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 Guarantor and other risks, currently believed to be immaterial, could in fact be material. Any of these could materially and adversely affect the business, financial condition, results of operations or prospects of the Group or the value of the Bonds. The Group believes that the risk factors described below represent the principal risks inherent in investing in the Bonds, but the ability of the Group 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 Group 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 Group is 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 Group does not represent that the statements below regarding the risk factors of holding any Bonds are exhaustive. Potential investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.*

### **RISKS RELATING TO THE GROUP'S BUSINESS**

**The Group's business is heavily dependent on the level of economic development in Jinan, Shandong Province and the PRC.**

The Group operates its business primarily in Jinan Innovation Zone in Jinan, Shandong Province in the PRC, and its assets are highly concentrated in Jinan. 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 Jinan, Shandong Province and the PRC.

There has been a slowdown in the growth of the PRC's gross domestic product ("GDP") in recent years. See "*Risks relating to the PRC – China has experienced a slowdown in its economic development and the future performance of China's economy is uncertain.*" The national economic condition of the PRC has a material effect on regional economic performance in the PRC. The economic performance of Shandong Province and Jinan was generally in line with the changes in the PRC's GDP growth rate in recent years.

The future prospects of the PRC's, Shandong Province's and Jinan's economy depend on many different factors, most of which are beyond the Group's control. It is uncertain how the economic condition and future development in Shandong Province and Jinan will be affected by the slowdown in the growth of the PRC's economy. There is no assurance that the economy of Shandong Province or Jinan will continue to grow at historical growth rates, if at all. Continued slowdown in the economic growth in Shandong Province or Jinan may affect the fiscal income and financial condition of the Shandong provincial government and the Jinan municipal government as well as their 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.

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

Various PRC government entities maintain and enforce regulations related to local government financing vehicles ("LGFV"). These government entities, including the Ministry of Finance (the "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 Guarantor. The Guarantor or the Group therefore cannot be certain that certain regulations intended to apply to LGFV do not or will not apply to it or that such regulations will not be retroactively applied to it.

In September 2014, the State Council of the PRC released the Opinion on Enhancing the Administration of Fiscal Debts of Local Governments (關於加強地方政府性債務管理的意見(國發[2014]43號)) (“**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, the MOF, together with NDRC, the People’s Bank of China (the “**PBOC**”), China Securities Regulatory Commission, the CBRC and the Ministry of Justice, released the Notice Concerning Further Regulation of Local Government Borrowing and Financing Conduct (關於進一步規範地方政府舉債融資行為的通知(財預[2017]50號)) to emphasise the principles and policies set out in Circular 43. In the event the Guarantor 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 May 2017, the MOF issued the Circular on Firmly Curbing Local Governments’ Illegal Financing Activities in the Name of Government Procurement of Services (Cai Yu [2017] No. 87) (關於堅決制止地方以政府購買服務名義違法違規融資的通知(財預[2017]87號)) (“**Circular 87**”), which required that local governments and their departments shall not take advantage of or make up a contract for the government procurement of services in such a manner that conceals an underlying objective of raising funds for any construction project.

In addition, the PRC government issued Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (Cai Jin [2018] No. 23) (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知(財金[2018]23號)) (the “**MOF Circular**”), effective on 28 March 2018, which aims to strengthen oversight of the PRC state-owned financial institutions and increase the responsibility of such 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 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(發改外資[2018]706號)) (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 be of good quality with clear ownership and public interest assets are prohibited from being included in corporate assets. The Circular of the General Office of the National Development and Reform Commission on Relevant Requirements for the Record-filing and Registration of Foreign Debts Issued by Local State-owned Enterprises (Fa Gai Ban Wai Zi [2019] No. 666) (關於對地方國有企業發行外債申請備案登記有關要求的通知(發改辦外資[2019]666號)) (the “**Circular 666**”) was promulgated by the NDRC on 6 June 2019. It reiterates that a local state-owned enterprise shall fulfil responsibilities for repayment for foreign debts in the capacity of an independent legal person. A local government or its departments shall not directly repay or undertake to repay foreign debts of a local state-owned enterprise with financial capital, or provide guarantee for the issuance of foreign debts by a local state-owned enterprise. See “– Risks Relating to the Bonds – The PRC government has no obligations under the Bonds, the Guarantee or the Trust Deed”.

### **Jinan Innovation Zone SASAC exerts significant influence on the Group’s business.**

As at the date of this Offering Circular, the Guarantor is directly wholly owned by Jinan Innovation Zone SASAC, an agency under Jinan SASAC, which is responsible for the administration of many state-owned enterprises in Jinan. The Guarantor’s sole shareholder, Jinan Innovation Zone SASAC, and Jinan SASAC have a significant influence on the Group as they do with respect to many other local state-owned enterprises under their control, including the scope of the Group’s business, major investment decisions, development strategies, appointment of directors and certain senior management positions. When Jinan SASAC carries out its administrative function and implements the PRC government’s policies, there can be no assurance that Jinan SASAC would always take actions that are in the Group’s best commercial interests or that aim to maximise the Group’s profit. Those actions may be beneficial to Jinan as a whole, but could have an adverse impact on the Group’s business, financial condition, results of operations and prospects. In recent years, the local counterparts of SASAC in many provinces and cities have directed reorganisation of local state-owned enterprises at a different scale, which are conducted in the forms of asset transfer, asset disposition and/or asset swap. It is difficult to foresee or control the occurrence of similar transactions directed by the governmental authorities and there is no assurance that the Group will not be adversely affected if any such reorganisation takes place.

**The Group is exposed to risks relating to its high level of inventories and making provisions for impairment of fair value of inventories.**

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the balance of the Group's inventories was RMB26,084.9 million, RMB26,391.6 million, RMB30,627.7 million and RMB29,264.1 million, respectively, representing 45.0 per cent., 40.0 per cent., 42.9 per cent. and 40.7 per cent., respectively, of the Group's total current assets, respectively, as at the same dates. The Group's inventories mainly consisted of construction development cost. The Group had relatively high level of inventories because the Group had commenced construction of a number of new projects and had a large investment amount in such projects. High level of inventories increases the pressure on the Group's cash flows. Real properties are inherently illiquid and may not be sold for cash in an efficient manner. This may limit the Group's ability to respond to changing economic, financial and investment conditions.

A high level of inventories not only increases pressure on the Group's cash flow, but also requires the Group to make provisions for impairment of fair value of inventories. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group's provisions for inventories were RMB2.8 million, RMB0.9 million, RMB52.8 million and RMB6.6 million, respectively. 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, which in turn could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

**The fair value of the Group's investment properties is likely to fluctuate from time to time.**

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the investment properties measured at fair value of the Group amounted to RMB9.1 billion, RMB11.2 billion, RMB12.9 billion and RMB14.6 billion, respectively, representing 10.9 per cent., 11.8 per cent., 12.7 per cent. and 13.9 per cent. of the Group's total assets as at the corresponding dates, respectively. The investment properties mainly include buildings and land use rights whose fair value may fluctuate due to various factors out of the Group's control such as general economic and market conditions and market price of similar properties in recent transactions. Any changes in the market conditions could materially and adversely impact the fair value of these investment properties, and any decrease in the fair value of the investment properties may significantly reduce the Group's total asset value.

In addition, any changes in the fair value of the Group's investment properties may also affect the Group's operating profits. The Group's gains from changes in fair value of its investment properties fluctuate from time to time. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the Group recorded gains from changes in fair value of its investment properties of RMB402.6 million, RMB89.7 million, RMB369.0 million, RMB3.2 million and RMB1.5 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 investment properties will be measured in the future. Any decreases in fair value of the Group's investment properties 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's business operations are capital intensive and any failure of the Group to obtain sufficient capital resources on acceptable terms or in a timely manner may adversely affect its business and prospects.**

The Group's business operations require substantial capital resources. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the Group incurred capital expenditures of RMB156.6 million, RMB340.5 million, RMB134.2 million, RMB96.8 million and RMB123.2 million, respectively.

The Group funds its business operations primarily with capital from the cash flow generated from its operations and investments, bank loans and issue of debt securities in the PRC capital markets and offshore capital markets. The Group believes that it will continue to require substantial capital resources to support its business operations and expansion. The ability of the Group to generate sufficient operating cash flow is affected by a number of factors, such as the Group's ability to 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 competition in certain sectors in which the Group operates. Any adverse change in any of these factors, which may be out of the Group's control, may create capital shortfall. There is no assurance that the Group's operating activities are able to generate sufficient cash to satisfy its cash needs at all times.

For the year ended 31 December 2020, the Group had net operating cash outflow of RMB3,327.7 million, which were largely attributable to the construction and development of the Group's key projects. See “– *The Group has historically experienced volatile and negative net operating cash flows*” below. In addition, there has been a constant decrease in the Group's net cash flows generated from financing activities in the past three years, which was largely attributable to the repayment of the debt. For the years ended 31 December 2020, 2021 and 2022, the Group had net cash flows from financing activities of RMB10,898.9 million, RMB5,667.4 million and RMB870.1 million, respectively.

If the Group is not able to secure sufficient capital with its cash reserves, it has to increase its reliance on external financing. As at 30 June 2023, the Group's total indebtedness (comprising short-term loans, non-current liabilities due within one year, long-term loans, bonds payable and long-term payables) was RMB59,590.6 million, of which RMB24,779.2 million will become due within one year. As at 30 June 2023, the Group had credit facilities in a total amount of RMB75.0 billion, of which RMB34.0 billion had not been used. The Group's ability to arrange for external financing and the cost of such financing are dependent on numerous factors, including:

- general economic and capital market conditions;
- 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 PRC generally.

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

**The Guarantor depends on distributions from its subsidiaries to meet its payment obligations, and provisions of applicable laws or contractual restrictions could limit the amount of such distributions.**

The Guarantor is a holding company and derives a substantial portion of its operating revenue from its subsidiaries. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, revenue generated by the Guarantor was RMB790.9 million and RMB3,603.8 million, RMB1,114.2 million, RMB759.5 million and RMB212.3 million, respectively, representing 11.3 per cent., 35.7 per cent., 5.7 per cent., 8.7 per cent. and 3.0 per cent., respectively, of the Group's revenue for the same periods. As a result, the Guarantor depends to a large extent on distributions from its subsidiaries in order to meet its payment obligations. In general, these subsidiaries are separate and distinct legal entities and have no obligation to provide the Guarantor with funds for its payment obligations, whether by dividends, distributions, loans or otherwise. In addition, provisions of applicable laws, such as those limiting the legal sources of dividends, limit the ability of the Guarantor's subsidiaries to make payments or other distributions to it. The Guarantor and its respective subsidiaries may incur significant additional secured or unsecured indebtedness in the future, and there can be no assurance that the Guarantor will have sufficient cash flows from its own operations to meet its obligation of repayment of debts.

**The Group may cease to receive government grants and subsidies, the loss of which, or a reduction of which, could impact the Group's financial position.**

The Group from time to time receives government grants and subsidies from different governmental authorities. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, government grants received by the Group were RMB40.4 million, RMB47.0 million, RMB33.3 million, RMB5.6 million and RMB14.1 million, respectively. The government grants received by the Group were mainly provided based on policies established by the PRC government each year and are not recurring. Whether or not the Group will receive the same amount of government grants, if at all, largely depends on the future fiscal income and policies of the Jinan 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. Any loss or reduction in government grants or subsidies could have an adverse effect on the Group's results of operations, prospects and financial position.

**The Group has historically experienced volatile and negative net operating cash flows.**

For the year ended 31 December 2020 and the six months ended 30 June 2022 and 2023, the Group had experienced net operating cash outflow of RMB3,327.7 million, RMB2,510.7 million and RMB1,105.1 million, respectively. The Group's volatile and negative net operating cash flow were largely attributable to the long duration of the Group's construction projects (during which relevant revenue had not been recognised yet) and large amounts of capital expenditure for the Group's construction projects. In 2021 and 2022, the Group had net operating cash inflow of RMB179.2 million and RMB232.4 million, respectively, which was primarily due to the increase of payment received from operating activities. As the Group anticipates continued expansion of its industrial park investment and operation as well as infrastructure development businesses, it expects to continue to require significant capital commitment. There can be no assurance that the Group will not experience net operating cash outflow in the future. The Group will continue to rely on external financing to satisfy its working capital and capital expenditure, which may increase its financial vulnerability and may adversely affect its financial condition and results of operations.

**The Group has historically incurred operating costs and expenses exceeding revenue generated by it, and relied on its investment income and other income to remain profitable.**

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the Group's revenue was RMB7,011.2 million, RMB10,088.1 million, RMB19,734.6 million, RMB8,777.5 million and RMB7,194.8 million, respectively. During the same periods, the Group's operating costs and expenses were RMB7,189.4 million, RMB10,382.0 million, RMB19,614.5 million, RMB8,849.3 million and RMB6,778.7 million, respectively. The Group primarily relied on investment income in the amount of approximately RMB66.2 million, RMB539.0 million, RMB203.8 million, RMB284.0 million and RMB71.6 million, respectively, and other income (which includes fees due from water supply network facilities, subsidies for waste water treatment fees, and other government grants) in the amount of approximately RMB92.9 million, RMB47.0 million, RMB33.3 million, RMB5.6 million and RMB14.1 million, respectively, for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, to record a net profit of RMB123.9 million, RMB322.0 million, RMB351.4 million, RMB149.7 million and RMB211.5 million, respectively, for the same periods. There can be no assurance that the Group will be able to lower its operating costs and expenses or decrease its reliance on investment income to generate net profit in the future. Furthermore, the Group's investment income is subject to general economic and market conditions. As at the date of this Offering Circular, certain of the Group's subsidiaries have not realised profits as they are in the early stages of their operations, and there can be no assurance that they will be able to realise profits in the future. As a result, the foregoing factors may materially and adversely affect the Group's financial condition and results of operations.

**The Group faces risks associated with contracting with public bodies.**

As the primary entity for the infrastructure development of Jinan Innovation Zone, the Group is authorised and/or commissioned by Jinan SASAC, Jinan Innovation Zone Committee, the Jinan municipal government and other local governmental entities and agencies to undertake construction of public projects such as water supply and waste water treatment projects. The Group believes that it currently

maintains a productive working relationship with these government bodies, entities and agencies, but there can be no assurance that such relationship will continue in the future. Jinan SASAC, Jinan Innovation Zone Committee, the Jinan municipal government and other local governmental entities and agencies may (i) have economic or business interests or considerations that are inconsistent with the Group's best interests; (ii) take actions which are contrary to the Group's requests, policies or objectives; (iii) be unable or unwilling to fulfil their obligations; (iv) encounter financial difficulties; or (v) have disputes with the Group as to the contractual terms or other matters. They may not perform their contractual obligations in a timely manner, if at all, or may, without prior notice or consent from the Group, change existing policies and project plans for various reasons such as government budgeting. The occurrence of any such event may require the Group to adjust its development plans, which would adversely affect its operating results. If there is any material disagreement between the Group and such government bodies, entities or agencies, as the case may be, the Group may not be able to successfully resolve the disagreement in a timely manner. Disputes with public bodies may last for a considerably longer period of time than for those with private sector counterparties, and payments from the public bodies may be delayed as a result. Any of these factors may materially and adversely affect the business relationship between the Group and the Jinan municipal government, which may in turn materially and adversely affect the Group's business, financial condition, results of operations and prospects.

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

The Group relies on external financing to satisfy a portion of its capital requirements and it has had a significant amount of outstanding indebtedness. As at 30 June 2023, the Group's total indebtedness (comprising short-term loans, non-current liabilities due within one year, long-term loans, bonds payable and long-term payables) was RMB59,590.6 million, of which RMB24,779.2 million will become due within one year. As at the same date, the Group had outstanding guarantees in a total amount of RMB2,119.3 million, of which RMB424.9 million were guarantees provided to related parties and of which RMB1,694.4 million were guarantees for loans borrowed by third party entities. For example, the Group provided an open-ended guarantee to Jinan Radio and Television Station, a public institution directly under the Jinan Municipal People's Government, for its mortgage for acquiring the Group's office building. As at 30 June 2023, the Group recorded an increase in its short-term loans, long-term payables and bonds payable, which led to an overall increase in its total indebtedness, as compared to 31 December 2022. For the six months ended 30 June 2023, the finance expenses of the Group was RMB556.5 million, as compared to RMB375.8 million for the six months ended 30 June 2022.

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.

If any of the relevant Group companies fail to comply with the undertakings 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 such company of the Group, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, depending on the provisions of the relevant agreements. If any of these events occur, there can be no assurance that the Group will be able to obtain the lenders' waiver from the relevant lenders in a timely manner or that the assets and cash flow of the Group would be sufficient to repay in full all of their respective debts as they become due, or that the Group would be able to find alternative financing. Even if the Group could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Group.

The Group mortgages or pledges some of its assets, including land use rights, accounts receivables and equity interest in certain of its subsidiaries, to secure its bank borrowings for project development. As at 30 June 2023, such assets include mortgages of land use rights with an aggregate lot size of approximately 613,700 square metres, building ownership rights with a construction gross floor area of approximately 195,800 square metres and real property rights with an aggregate lot size of approximately 229,400 square metres to third parties, certain equity interest in Jinan Hi-tech Innovation Valley Park Development Co., Ltd. (濟南高新創新谷園區開發有限公司), certain equity interest in Shandong Lianhe Technology Development Co., Ltd. (山東聯荷科技發展有限公司), and pledges of accounts receivables in the aggregate amount of RMB2,139 million to third parties. In addition, as at 30 June 2023, the Group's restricted assets amounted to approximately RMB5,125.7 million, accounting for approximately 4.9 per cent. of the Group's total assets. The restricted assets of the Group included land, real properties, investment properties and pre-sale deposit. Third-party security rights may limit the Group's use of the assets mortgaged or charged and adversely affect its operation efficiency. If the Group is unable to service and repay its debts under such loan facilities on a timely basis, the assets mortgaged or charged to secure the Group's bank loans may be foreclosed or sold by the relevant lenders, which may adversely affect the Group's business, financial condition, results of operations and prospects.

**The Group faces management risks due to its numerous business segments and subsidiaries.**

The Group operates in multiple business segments through a number of subsidiaries across various industries. The Group has a wide range of business segments including but not limited to industrial park investment and operation, residential development, infrastructure development (which includes property leasing), primary land development, IT hardware and services, and other sales. Although the Group conducts its business primarily in Shandong, the diversification of its business and therefore its assets and management may make it difficult for it to manage its assets and financial matters, to exchange information internally and to coordinate among different business teams. The Group may also fail to manage all of its subsidiaries effectively and may fail to detect any non-compliance of its subsidiaries in a timely manner if at all. The Group's inherent management risks may materially and adversely affect its 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 and approvals for its operations may adversely affect its business, financial condition and results of operations.**

As the Group has multiple business segments as well as various subsidiaries under its control, the Group are exposed to regulatory risks relating to different industries.

According to applicable PRC law and regulations, the Group must obtain a number of approvals, certificates, licences and permits from different governmental authorities and to comply with extensive procedural requirements before it is qualified to carry out the relevant regulated business activities. For example, the Group is required to obtain a project approval, an environmental assessment approval, a construction land planning permit (建設用地規劃許可證), a construction project planning permit (建設工程規劃許可證), a construction permit (建築工程施工許可證) and a qualification certificate for industrial park development. As at the date of this Offering Circular, the Guarantor does not possess the relevant ownership certificates to certain investment properties. Failure to comply with applicable PRC law and regulations may subject the Group to regulatory or administrative penalties.

There are inherent risks associated with the implementation, enforcement and interpretation of PRC law. Governmental authorities also have a great discretion in determining the granting of the relevant approvals, licences, permits and certificates. These factors have caused and are expected to continue to result in inconsistent application, enforcement or interpretation of law in China. There are significant uncertainties associated with the procedural requirements under applicable PRC law and regulations for the Group's existing business and the new business which the Group intends to operate in the future. There is no assurance that the Group will be able to obtain the approvals, licences, permits and certificates necessary in a timely manner, or at all.

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. Such cancellation could affect the Group's future eligibility to the permit, which could in turn adversely affect the Group's business. If such event happens in the future, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

**Stricter environmental and safety protection in the PRC may increase the Group's operating costs.**

The Group is required to comply with extensive and increasingly stringent environmental protection and safety laws and regulations relating to its business, particularly primary land development, infrastructure construction and industrial park property development. Before the Group is allowed to conduct these business activities or construct the operating facilities, it is required to pass stringent environmental protection and safety examinations by the relevant governmental authorities and to obtain necessary environmental and safety permits and approvals, which shall be renewed by the Group according to relevant requirements.

Among other things, these laws and regulations:

- impose fees for the discharge of waste substances exceeding the discharge standards promulgated by relevant government authorities;
- require the establishment of reserves for reclamation and rehabilitation;
- impose fines for serious environmental offences; and
- allow the PRC government, at its discretion, to close any facilities failing to comply with orders to correct or stop operations that have caused environmental damage.

The PRC government is currently moving toward more rigorous enforcement of applicable laws and regulations, as well as the adoption and enforcement of more stringent environmental standards. As a result, the Group's budget for environmental regulatory compliance may be insufficient and the Group may need to allocate additional funds. Moreover, there is no assurance that the Group will comply with all environmental and safety laws and regulations that are adopted or amended in the future. If the Group fails to comply with current or future environmental and safety laws and regulations, it may be ordered to suspend the operation of the relevant business, pay penalties or fines or take corrective actions, any or all of which may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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

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

- production interruptions caused by operational errors, electricity outages, raw material shortages, the failure of equipment and other production risks;
- operating limitations imposed by environmental or other regulatory requirements;
- work-related personal injuries;
- on-site occupational accidents;
- economic loss due to product reclaim;
- 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 applicable law and industry and business practice in the PRC. The level of coverage and types of insurance obtained by the management of each business differs depending on the characteristics of each business and the regulations of the jurisdictions in which it operates. There is no assurance that claims under those insurance policies will be honoured fully or on time, or that the insurance coverage maintained by the Group will be sufficient to cover all the costs and liabilities associated the Group incurs. Certain types of risks are not insured in the PRC because they are either uninsurable or not economically insurable, such as risks from wars, acts of terrorism or acts of God, business interruption, property risks and third party (public) liability. 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, prospects and cash flow may be materially and adversely affected.

In addition, renegotiation with insurance companies upon the expiration of insurance policies the Group maintains exposes it to the volatility of the insurance markets, including the possibility of rate increases. Any material increase in insurance premiums or decrease in available coverage in the future could adversely affect the Group's business, financial condition, results of operations and prospects.

**Labour shortages and increases in labour costs could materially and adversely affect the Group's business, financial condition and results of operations.**

In recent years, work stoppages, employee suicide and other similar events adversely affecting the health, welfare and rights of workers 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 at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group's salaries, bonuses, allowances and subsidies expenses were RMB14.2 million, RMB21.0 million, RMB38.8 million and RMB20.3 million, respectively. As at 31 December 2020, 2021 and 2022 and 30 June 2023, employee benefits payable of the Group was RMB20.9 million, RMB27.5 million, RMB77.0 million and RMB48.9 million, respectively. Any labour shortages or increases in labour costs of the Group or its third-party contractors in the future could cause an increase of the Group's business operation costs, an interruption of the Group's business operations, an extension of the deadlines under the Group's construction projects or an increase in the Group's fees payable to the contractors, which could in turn materially and adversely affect the Group's 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 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 and may cause 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 business, financial condition, results of operations and prospects.

**The Group is exposed to litigation risks.**

The Group is from time to time involved in disputes with governmental entities, indigenous residents, suppliers, contractors, employees and other third party service providers and legal proceedings arising in the ordinary course of its business. Claims and/or enforcement of judgment are or 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, delivery projects or other reasons. 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 divert the Group's financial and managerial resources. In the event that the Group prevails in those legal proceedings, there is 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. The actual amounts that need to be paid by the Group could differ from the provisions made by the Group. In addition, judgment or award rendered against any member of the Group may damage the Group's reputation, increase the Group's costs of operations and divert the Group's management's attention from daily business operations. 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.

**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 Group's internal control procedures are designed to monitor its operations and ensure its overall compliance. However, such internal control procedures may be unable to identify all incidents of noncompliance or suspicious transactions in a timely manner if at all. For example, the Guarantor's articles of association provide that the Guarantor shall have a board of directors comprising nine directors. However, as at the date of this Offering Circular, the board of directors of the Guarantor only consists of seven members and the Guarantor is in the process of appointing the remaining directors. The legal advisors to the Guarantor as to PRC law confirmed that although the number of the Guarantor's board of directors falls short of the number provided in its articles of association, the current composition of the board of directors does not constitute a violation of its articles of association or any mandatory requirements under the PRC Company Law. The Guarantor 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 situation. The legal advisors to the Guarantor as to PRC law and the Guarantor are of the view that the aforementioned situation does not affect the validity of the authorisations from the Guarantor's board of directors and that the offering of the Bonds and the provision of the Guarantee 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 Guarantor by any regulator or authority for such non-compliance in the future, and if the Guarantor is subject to any decisions by any regulator or authority as a result of such query, investigation or administrative action, the Guarantor'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. However, the Group comprises a large number of companies operating in a variety of industries and 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 Group may not be able to detect fraud, money laundering, other misconduct or other illegal or improper activities by its employees, representatives, agents or other third parties in its business operations in a timely manner.**

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

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

The Group is required to comply with applicable anti-money laundering laws and other regulations in the PRC and any other jurisdiction in which it operates or intends to operate. Any fraud, sales misrepresentation, money laundering and other misconduct committed by the Group's employees and agents and other external parties could result in violations of laws and regulations by the Group and subject it to regulatory sanctions. Even if such instances of misconduct do not result in any legal liabilities on the Group's part, they could cause serious reputational or financial harm to the Group.

Since 2006, the State Council and various PRC regulatory authorities have intensified their efforts to combat commercial bribery in the PRC. While the Group is implementing policies and procedures aimed at detecting and preventing employees' and external parties' fraud, sales misrepresentation, money laundering and other misconduct, such policies and procedures in some cases have only been recently adopted and may not completely eliminate instances in which it may be used by other parties to engage in money laundering and other illegal activities. Such internal policies and procedures of the Group may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner if at all. In the event that the Group fails to detect or prevent fraud, sales misrepresentation, money laundering, commercial bribery or other misconduct in a timely manner, the relevant government agencies may freeze its assets or impose fines or other penalties on it. Any of these may materially and adversely affect the Group's business reputation, financial condition and results of operations. In September 2022, Mr. Li Hao (李昊), the former chairman of the board of directors of the Guarantor, was found in violations of certain disciplines and laws in the PRC. As at the date of this Offering Circular, Mr. Li does not hold any positions in the Group, and such disciplinary decision on Mr. Li does not have a material adverse impact on the Group's business, financial condition, results of operations, reputation and prospects. However, there can be no assurance that no similar disciplinary action or investigation will occur against any of the Group's directors, senior management, officers and employees in the future, and that such future disciplinary action or investigation will not have a material adverse impact on the Group's business, financial condition, results of operations, reputation and prospects.

**Accidents in the Group’s business operations may expose the Group to liability and harm its corporate image.**

Some of the Group’s operations are exposed to inherent occupational hazards involving handling of heavy machinery and hazardous chemicals, such as industrial property development, primary land development and infrastructure construction. Mishandling of heavy machinery and hazardous and industrial accidents could result in damage of the Group’s production facilities, interruption of operations, personal injury or fatality, environmental damage, monetary losses and legal liability. Any of these accidents may have a material adverse impact on the Group’s business, financial condition, results of operations and prospects. Also, it could significantly damage the Group’s corporate image.

Although the Group has established and implemented internal protocols and systems relating to occupational safety, there is no assurance that those protocols and systems will be able to address all the potential risks effectively or that they will be strictly followed. As at the date of this Offering Circular, no industrial accidents that have caused material monetary losses to the Group or have caused severe personal injuries or fatality have occurred during the course of the Group’s business. However, there can be no assurance that no industrial accidents will occur during the course of the Group’s business in the future.

**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 at the Guarantor and at its subsidiaries. If the Group’s systems cannot cope with increased demand or 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.

Although the Group’s systems have not experienced major systems failures and delays in the past, there is 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 is 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’s operations are subject to force majeure events, natural disasters and outbreaks of contagious diseases, including the COVID-19 pandemic.**

The Group’s business may be affected by natural disasters, pandemics, epidemics and other acts of God which are beyond the Group’s control. Outbreak of earthquake, sandstorm, snowstorm, fire, drought, pandemics or epidemics such as Middle East Respiratory Syndrome (MERS), Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, human swine flu (also known as Influenza A (H1N1)), H7N9 or COVID-19 or the occurrence of other unforeseen events could result in severe personal injury to the Group’s staff, property damage and environmental damage, which may have a material adverse impact on the economic and social condition in the affected regions and which may in turn curtail the Group’s operations, cause delays in estimated completion dates for its projects and materially and adversely affect its cash flows and, accordingly, adversely affect its ability to service debt. For example, two serious earthquakes hit Sichuan Province in May 2008 and April 2013, which resulted in a significant loss of lives and destruction of economic condition and development in Sichuan Province. If similar catastrophes take place in Jinan in the future, there is no assurance that Jinan, its economy, social conditions and city infrastructure will not be damaged.

An outbreak of respiratory illness caused by a novel coronavirus, COVID-19, first emerged in Wuhan, Hubei Province, China in late 2019 and expanded within the PRC and globally, created negative economic impact and increased volatility in the PRC and the global market. On 30 January 2020, the World Health Organisation (the “WHO”) declared the outbreak of COVID-19 a Public Health Emergency of

International Concern and on 11 March 2020, the WHO characterised COVID-19 as a pandemic. In 2022, certain strains of COVID-19 were considered highly contagious, and the outbreak had resulted in a high number of fatalities and was considered by public health authorities as a serious public health threat. In the first quarter of 2020 and upon the discovery of any local outbreaks since then, public health authorities in the PRC had implemented strict measures to suppress the local transmission of COVID-19. Since December 2022, the PRC government had gradually lifted the strict COVID-19 restrictions for travel in and out of the country. While the Group had not experienced any material disruption to its business as a result of the outbreak of COVID-19, 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. In the event that there is another outbreak of COVID-19, the Group's business and financial condition may be materially and adversely affected as a result of the changes in the outlook of the property market, any slowdown in economic growth, negative business sentiment or other factors that the Group cannot foresee.

The occurrence or continuance of any of these or similar events could increase the costs associated with the Group's operations and reduce its ability to operate its businesses effectively, thereby reducing its revenues. Insurance policies for civil liability and damages taken out by the Group could prove to be significantly inadequate, and there can be no assurance that the Group will always be able to maintain a level of cover at least equal to current cover levels and at the same cost. As a result, any of the foregoing events may have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

### **The Group may face uncertainties and difficulties of integration associated with its expansion plans.**

In October 2021, the Guarantor acquired 5.0 per cent. of the equity interest of Yulong as part of its expansion plans (“**Yulong Acquisition**”). As at the date of this Offering Circular, the Group holds an aggregate of 29.0 per cent. equity interest in Yulong. Yulong has become a consolidated subsidiary of the Group since 2021. In September 2022, also as part of the Group's expansion plans, Yulong subscribed for 11.44 per cent. equity interest of Triton Minerals Limited (“**Triton Acquisition**”), which owns a number of graphite ore in Africa. As at the date of this Offering Circular, the Triton Acquisition has been completed. The Yulong Acquisition is intended to optimise the business structure of Yulong and improve the quality of Yulong's assets in accordance with the principles of sustainable development, which will in turn enhance the value of Yulong and benefit its shareholders' interests and returns, while the Triton Acquisition is intended to secure access to graphite ore by the Group. In December 2022, Yulong entered into an equity transfer agreement to acquire 67.0 per cent. of the equity interest in Shaanxi Shanjin Mining Co., Ltd. (陝西山金礦業有限公司) (“**Shanjin Acquisition**”) in cash. Shaanxi Shanjin Mining Co., Ltd. owns the mining right of vanadium ore in Shangnan County, Shaanxi Province. In March 2023, Yulong acquired 35.0 per cent. of the equity interest in Dengta Shuangli Silica Mining Co., Ltd. (燈塔市雙利硅石礦業有限公司) (“**Shuangli Acquisition**”) by way of capital increase. Dengta Shuangli Silica Mining Co., Ltd.'s main business is mining quartzite for metallurgy. The Shanjin Acquisition aims to strengthen Yulong's ability to integrate the industrial chain in the new energy field and achieve a breakthrough in the domestic mining industry, while the Shuangli Acquisition aims to boost Yulong's reputation in the mining market in the northeastern part of China. Nevertheless, the Group could face management, administrative and financial challenges in achieving its key commercial objectives following the Yulong Acquisition, the Triton Acquisition, Shanjin Acquisition and Shuangli Acquisition, including but not limited to potential difficulties in the integration and management of the operations and systems and any legal, regulatory, contractual, labour or other issues that could arise from such acquisition. For example, there is no guarantee that any approval from the authorities in relation to the Group's expansion plans can be obtained. Furthermore, potential risks associated with any future or newly completed acquisitions, mergers or strategic alliances undertaken by the Guarantor (including the Yulong Acquisition, the Triton Acquisition, Shanjin Acquisition and Shuangli Acquisition), such as the failure to realise the expected synergies, to successfully incorporate the acquired businesses and assets into the Group's existing operations, to minimise any unforeseen operational difficulties or to obtain approvals from the relevant authorities in a timely manner, if at all, could have a material adverse effect upon the Group's business, financial condition, results of operations or prospects. There can be no assurance that any expansion plan completed by the Group will integrate successfully with the Group's existing business and operations.

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

The Guarantor from time to time issues corporate bonds in the domestic capital markets in the PRC. According to applicable PRC securities regulations on debt capital markets, the Guarantor needs to publish its quarterly, semi-annual and annual financial information to satisfy its continuing disclosure obligations relating to its corporate bonds. After the Bonds are issued, the Guarantor is obligated by the terms of the Bonds, among others, to provide holders of the Bonds with its audited financial statements and unaudited semi-annual financial statements. The periodic financial information published by the Guarantor in the PRC is normally derived from the Guarantor's management accounts which have not been audited or reviewed by independent auditors, and such financial information may change if it is subject to an audit or a review. As such, the financial information published by the Guarantor in the PRC does not provide the same quality of information associated with any audited or reviewed information. Such published financial information does not form part of this Offering Circular and should not be referred to or relied upon by potential investors. The published financial information in the PRC may be adjusted or restated to address subsequent changes in accordance with the accounting standards, the Group's accounting policies and/or applicable laws and regulations affecting the Group's financial reporting or to reflect the subsequent comments given by the independent auditors during the course of such auditors' 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 Guarantor's management accounts published in the PRC and the financial statements subsequently provided to holders of the Bonds. The Guarantor is not responsible to holders of the Bonds for the unaudited and unreviewed financial information from time to time published in the PRC and therefore potential investors should not place any reliance on any such financial information.

On 30 October 2023, the Guarantor published the Quarterly Accounts. The Quarterly Accounts have been prepared and presented in accordance with PRC GAAP but have not been audited or reviewed by Hexin CPA, the Group's independent auditor or any other independent auditor. Consequently, such consolidated interim financial information, which does not form part of this Offering Circular, should not be referred to or relied upon by potential investors in any way, in particular to provide the same quality of information associated with information that has been subject to an audit or review.

**The historical financial information of the Group is not indicative of its future financial results.**

The historical financial information of the Group included in this Offering Circular is not indicative of its future financial performance. This financial information is not intended to represent or predict the results of operations of any future periods. Future financial performance of the Group will also be affected by many external factors 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. Potential investors must exercise caution when they use the Group's historical financial information to assess the Group's business and performance.

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

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

**Hexin CPA, the reporting accountant for the Historical Financial Statements, was subject to investigations and administrative penalties by relevant regulatory authorities.**

Hexin CPA, the reporting accountant for the Historical Financial Statements included in this Offering Circular, has over the years been investigated, censured, penalised or required to take remedial measures by relevant regulatory authorities, including the MOF, the China Securities Regulatory Commission and their respective local offices, in relation to its audit work for companies unrelated to the Group. Such regulatory actions mainly focused on, including but not limited to, the appropriateness of the implementation of accounting standards, non-compliance with certain auditing guidelines, adequacy of professional scepticism in the auditing process, as well as the reasonableness of the judgment made by relevant auditors. For example, on 5 July 2023, Hexin CPA received the Decision on Administrative Penalties (行政處罰事項決定書) from the MOF for its improper auditing of the financial statements of a company (an independent third party that is not related to the Group), pursuant to which the MOF issued warning notices to Hexin CPA, confiscated its income of RMB900,000, imposed a fine of RMB2.7 million and a suspension of business for two months (the “MOF’s Penalty”). As at the date of this Offering Circular, Hexin CPA is not in suspension of business and has not been subject to any further fines or penalties in relation to such administrative penalties.

Although such investigations and administrative penalties may restrict Hexin CPA from providing audit services or other services in connection with certain financing transactions, Hexin CPA has confirmed that the MOF’s Penalty was all unrelated to the Group, the auditors involved in the MOF’s Penalty were not involved in the audit or review of the Historical Financial Statements, and it has taken the required rectification measures for the MOF’s Penalty and that the MOF’s Penalty did not have any impact on its qualifications to provide audit and review services under applicable laws, rules and guidelines in the PRC. Hexin CPA has also confirmed that none of such investigations and administrative penalties have restricted or will in any manner restrict Hexin CPA from serving as the auditor of the Group, providing assistance in respect of the issue and offering of the Bonds or have affected or will affect the unqualified opinion in the Audited Financial Statements or the Reviewed Financial Statements and the auditors who participate in the audit or review of the Guarantor’s Historical Financial Statements were not the subject of, or involved in such administrative penalties.

However, there can be no assurance that such administrative penalties imposed on Hexin CPA would not affect investors’ confidence in companies and financial statements audited or reviewed by it. There can be no assurance that Hexin CPA and its auditing personnel will not be subject to further investigations or administrative penalties in the future, or that any such future investigations or administrative penalties will not restrict Hexin CPA from providing auditing services or other services in connection with financing transactions. If Hexin CPA or its auditing personnel becomes restricted from providing such services, the Group may need to discontinue its engagement with Hexin CPA. Furthermore, there can be no assurance that there would be no additional negative news about Hexin CPA and such negative news would not have a material and adverse effect on the Group. Prospective investors should consider these factors prior to making any investment decisions.

## **RISKS RELATING TO THE GROUP’S INDUSTRIAL PARK INVESTMENT AND OPERATION, RESIDENTIAL DEVELOPMENT, INFRASTRUCTURE DEVELOPMENT AND PRIMARY LAND DEVELOPMENT BUSINESS SEGMENTS**

**Failure to attract or maintain sufficient investment in Jinan Innovation Zone may materially and adversely affect the Group’s business and results of operations.**

The Group’s industrial park investment and operation business and the profitability and sustainability of its industrial park projects are dependent on relevant government policies. If the relevant government bodies cease or change their policies for investors of such industrial parks, the Group may not be able to maintain existing investments or attract new investments to such industrial parks. Current investors may also withdraw or cease their investments due to other reasons beyond the Group’s control, such as local economic downturns and failure of their own operations. As a result, if the Group fails to attract or maintain sufficient investments to the industrial park in Jinan Innovation Zone that it is developing and operating, its business and results of operations may be materially and adversely affected.

**The Group is heavily dependent on the performance of the property market in the PRC, particularly in Jinan.**

All of the Group's completed projects or projects under development are located in Jinan, the PRC. The Group's success depends largely on the performance of the property market in China, in particular in Jinan. The PRC property market will continue to be affected by economic, monetary, fiscal or other policies and measures of the PRC government. If economic conditions in the PRC and Jinan deteriorate as a result of a prolonged global economic downturn or otherwise, if the PRC government implements macro-economic control or other measures that aim to curtail, or have the effect of curtailing, property demand or property development in China, or if the Group fails to respond to changes in market conditions and government policies, in particular those related to its target markets, in a timely manner, its business, financial condition, results of operations and prospects would be materially and adversely affected. In particular, since September 2021, certain PRC property companies were reported to have defaulted on their indebtedness. This has had a negative impact on, and resulted in increased volatility in, the property sector in the PRC. Such defaults resulted in lower market confidence in the property sector as well as increased market volatility. This has made it difficult for some PRC property developers, management companies and potential property purchasers to obtain onshore and offshore financing. There is no guarantee that such situation will improve, and the property market in the PRC may experience significant contraction. Any further adverse development in the condition of the property market in the PRC, could have a material adverse effect on the Group's business, financial condition and results of operations, and any increase in market volatility may also impact the Group's ability to obtain onshore and offshore financing. In addition, any decreased property demand is likely to affect the selling prices of the Group's properties as well as the time it will take to sell its properties. Lower selling prices, without a corresponding decrease in costs, will also adversely affect the Group's total profit and reduce cash flows generated from the sale of its properties, which may increase its reliance on external financing and negatively impact its ability to finance the growth of its business. Delays in selling properties will increase its selling and distribution costs as well as reduce the cash flows generated from the sale of its properties, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**The Group may not always be able to obtain land reserves that are suitable for its future property development.**

The Group derives a portion of its revenue from sale of the properties that it develops. To have a steady stream of developed properties available for sale and continuous growth in the long term, the Group needs to replenish and increase its land reserves that are suitable for development. The Group acquires land use right primarily through public tender, auction or purchase of land from the PRC government. The Group's ability to identify and acquire suitable development sites is subject to a number of factors, some of which are beyond its control, such as the overall economic conditions, its effectiveness in identifying and acquiring land parcels suitable for development and competition for such land parcels. The availability of all of the land in Jinan Innovation Zone is controlled by the Jinan municipal government. Thus, the Jinan municipal government's land policies have a direct impact on the Group's ability to acquire land use rights for development and the Group's costs of acquisition. In recent years, the PRC government has implemented various measures to regulate the means by which property developers obtain land for property development which further intensify the competition for land among property developers in many regions and cities in China. The implementation of these regulations may increase land transfer prices and require property developers to maintain a higher level of working capital. If the Group fails to acquire sufficient land reserves suitable for development in a timely manner and at acceptable prices, its prospects and competitive position may be adversely affected and its business strategies, growth potential and performance may be materially and adversely affected.

**The Group may not be able to complete its development projects according to schedule or on budget.**

A property development project requires substantial capital expenditures prior to and during the construction period, and it may take over a year before a development generates positive cash flow through pre-sales or sales. The progress of, and costs for, a development project can be adversely affected by many factors, including:

- changes in market conditions, an economic downturn or a decline in consumer confidence;
- delays in obtaining necessary licenses, permits or approvals from government agencies or authorities;

- relocation of existing residents and demolition of existing structures;
- increases in the market prices of raw materials if the Group cannot pass on the increased costs to its customers;
- shortages of materials, equipment, contractors and skilled labour;
- latent soil or subsurface conditions and latent environmental damage requiring remediation;
- unforeseen engineering, design, environmental or geographic problems;
- labour disputes;
- construction accidents;
- natural disasters;
- adverse weather conditions;
- changes in government practices and policies, including reclamation of land for public works or facilities; and
- other unforeseen problems or circumstances.

The Group's property projects are at risk from earthquakes, floods and other natural disasters. Damage to any of its properties or impact on the property markets, whether by natural disasters or otherwise, may either delay or preclude its ability to develop and sell its properties or adversely affect its budget for its development projects. There is no assurance that the Group will not experience significant delays in completion or delivery of its development projects or subject to liability for any such delays. Construction delays or failure to complete construction of a project according to its planned specifications, schedule or budget may materially and adversely affect the Group's business, results of operations and financial condition.

**The Group may face certain risks associated with demolition and resettlement under its primary land development projects.**

The Group conducts primary land development projects which involve demolition and resettlement of existing residents under the authorisation of Jinan Innovation Zone Committee. While the Group receives a fee from the finance bureau of the Jinan municipal government for undertaking such demolition and resettlement works, certain existing owners or residents may disagree with the compensation arrangements or refuse to relocate. The administrative process to settle the amount of compensation, together with any appeals, or refusals to relocate may significantly delay the timetable for the affected development and lead to an increase in demolition and resettlement costs associated with the Group's projects, which may materially and adversely affect its business, results of operation and financial condition.

**Any underperformance by the Group's third party construction contractors may adversely affect the Group's business, financial condition and results of operations.**

The Group engages third party contractors to undertake construction work for its industrial park investment and operation as well as infrastructure development business segments. The Group generally selects third party contractors through its standardised open tender process. The Group endeavours to employ those companies with good reputations, strong track records, performance reliability and adequate financial resources. However, there is no assurance that its third party contractors will always provide satisfactory services of the quality required by the Group.

If the performance of any third party contractor fails to meet the requirements of the Group, the Group may need to replace such contractor or take other remedial actions, which could adversely affect the cost and development schedule of its projects. In addition, 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.

The Group may occasionally be asked to undertake one or more government projects on short notice, and there is no assurance that the Group is able to engage third party contractors that meet its quality requirements in such situation. Moreover, the Group's contractors may undertake projects from other enterprises operating similar business, engage in risky undertakings or otherwise encounter financial or other difficulties, which may adversely affect their ability to complete the Group's projects on time, within budget or at all. All of these third party related factors may have a material adverse impact on the quality of services provided by the Group's contractors and the quality and construction progress of the Group's industrial property and infrastructure projects. Unsatisfactory quality of the properties or delay in the construction timetable may in turn adversely affect the results of operations of the Group's industrial park property development and infrastructure development business.

**The Group may forfeit land to the PRC government if the Group fails to comply with the terms of the land grant contracts.**

Under PRC laws, if a real estate developer (such as the Group) fails to develop a property project according to the terms of the land grant contract, including those relating to the payment of land premium, demolition and resettlement costs and other fees, specified usage of the land and the time for commencement and completion of the property development, the PRC government may issue a warning, impose a penalty and/or liquidated damages, and/or order the Group to forfeit the land. Under the current PRC laws and regulations, if the developer fails to pay any outstanding land premium by the stipulated deadline, the developer may be subject to a late payment penalty calculated on a per-day basis. There is no assurance that the Group will be able to secure similar government approvals if the Group fails to pay land premiums in the future. Currently, the PRC government requires that a land grant contract must be entered into within 10 working days after the closing of the land grant, and the down-payment of 50 per cent. of the land premium must be paid within one month of signing the land grant contract, with the remaining to be paid in full within one year of the date of land grant contract. Such change of policy may materially and adversely affect the Group's ability to make timely payment of land premiums.

In addition, if the Group fails to commence development of a property project within the stipulated period as required under the current PRC laws without the approval from the relevant PRC land authorities, the relevant PRC land bureau may serve a warning notice on the Group and impose idle land fees up to 20 per cent. of the land premium unless such failure is caused by a government action or a force majeure event. The Notice on Promoting Economisation of Land Use (關於促進節約集約用地的通知) issued by the State Council in January 2008 further confirmed the idle land fee at 20 per cent. of the land premium. If the Group fails to commence such development for more than two years, the land is subject to forfeiture to the PRC Government unless the delay in development is caused by a government action or force majeure event. Even if the commencement of the land development complies with the land grant contract, if the developed the gross floor area ("GFA") on the land is less than one-third of the total GFA of the project or if the total capital expenditure is less than 25 per cent. of the total investment of the project and the suspension of the development of the land is more than one year without government approval, the land will still be treated as idle land. Furthermore, the Ministry of Land and Resources issued a 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) in August 2009, which reiterates the current rules regarding idle land. In September 2010, the Ministry of Land and Resources and the Ministry of Housing and Urban-Rural Development 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 is 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 Group's business will be adversely affected if mortgage financing becomes more costly or otherwise less attractive or available.**

Most of the purchasers of the Group's residential properties rely on mortgages to fund its purchases. The Group's purchaser initially obtains a bank loan guaranteed by the Group. Upon due completion of the relevant property certificate by this purchaser, this purchaser will mortgage this property certificate and the Group's guarantee of this bank loan is terminated. An increase in interest rates may significantly increase the cost of mortgage financing and affect the affordability of residential properties. In addition, the PRC government and commercial banks may increase the down-payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unavailable or unattractive or less available or less attractive to potential property purchasers.

In recent years, to curtail the overheating of the PRC property market, the PRC government implemented a series of measures to tighten mortgage financing, including (i) raising the minimum down payment to 30 per cent. for all first-time home purchasers using mortgage financing, and requiring commercial banks in China to suspend mortgage loans to customers for their third residential property purchases and beyond, or to any non-residents who cannot provide proof of local tax or social security insurance payments for more than a one-year period; (ii) limiting the number of homes that local residents can buy in a specified period; (iii) requiring a minimum down payment of at least 20 per cent. where a first-time home purchaser (including his or her spouse and minor children) uses housing reserves to buy an ordinary home for self-use with a unit floor area of less than 90 square metres, or at least 30 per cent. where the unit floor area is more than 90 square metres; (iv) requiring a minimum down payment of at least 50 per cent. with a minimum lending interest rate of 110 per cent. of the benchmark rate for a second-time home purchaser using housing reserves; (v) stipulating that the second housing reserve loan will only be available to families whose per capita living area is below the average in the locality and such loan is only used to purchase an ordinary home for self-use in order to improve living conditions; and (vi) stipulating that loans from housing reserves to families for their third residential property and beyond are suspended. Since the first quarter of 2015, PRC Government has adjusted several credit policies on the real estate market, such as (i) lowering the minimum down payment to 40 per cent. for the family that owns a residential property and has not paid off its existing mortgage loan and is applying for a new mortgage loan to purchase another ordinary residential property for self-use to improve living conditions; (ii) lowering the minimum down payment to 20 per cent. for the family that owns a residential property and has paid off its existing mortgage loan and is applying for a second housing reserve loan to buy another residential property to improve living conditions. For commercial property buyers, banks are no longer allowed to finance the purchase of any pre-sold properties. The minimum down-payment for commercial property buyers has increased to 50 per cent. of the purchase price, with minimum mortgage loan interest rates at 110 per cent. of the relevant PBOC benchmark one-year bank lending interest rate and maximum maturities of no more than 10 years. In addition, mortgagee banks may not lend to any individual borrower if the monthly repayment of the anticipated mortgage loan would exceed 50 per cent. of the individual borrower's monthly income or if the total debt service of the individual borrower would exceed 55 per cent. of such individual's monthly income. If the availability or attractiveness of mortgage financing is reduced or limited, many of the Group's prospective customers may not be able to purchase their properties and, as a result, the Group's business, liquidity and results of operations could be materially and adversely affected.

**The Group's land appreciation tax provisions and prepayments may not be sufficient to meet its LAT obligations.**

In accordance with the current PRC laws and regulations on land appreciation tax ("LAT"), all persons (including companies and individuals) that receive income from the sale or transfer of state-owned land use rights, buildings and their attached facilities are subject to LAT at progressive rates ranging from 30 per cent. to 60 per cent. of the appreciated value of the property, with certain exemptions available for the sale of ordinary residential properties if the appreciated value does not exceed 20 per cent. of the deductible items as defined in the relevant LAT regulations. Pursuant to the relevant rules issued by the State Administration of Taxation of China (中華人民共和國國家稅務總局) ("SAT"), LAT obligations must be settled with the relevant tax bureaus within specific timeframes subsequent to the delivery of the completed projects.

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the Group made LAT provisions in the amount of RMB125.9 million, RMB303.4 million, RMB318.7 million, RMB376.2 million and RMB316.3 million, respectively. In May 2010, the SAT issued the Notice on Strengthening the Collection of Land Appreciation Tax (關於加強土地增值稅徵管工作的通知), which requires that the minimum LAT prepayment rate be at 2 per cent. for provinces in the eastern region of China, 1.5 per cent. for provinces in the central and north-eastern regions of China and 1 per cent. for provinces in the western region of China. According to the notice, the local tax bureaus will determine the applicable LAT prepayment rates based on the types of the properties. However, there are uncertainties in the interpretation and implementation of the LAT regulations and the relevant tax authorities may change their requirements as to the amount or timing of payment of provisional LAT. Although the Group believes that it has made sufficient prepayments and/or provisions for LAT in compliance with PRC laws and regulations as interpreted by local tax authorities, there is no assurance that the Group's LAT prepayments and provisions will be sufficient to cover its LAT liabilities and that the relevant tax authorities will agree with the basis on which the Group calculated its LAT liabilities. The Group's results of operations, cash flow and financial condition may be materially and adversely affected if its LAT liabilities, as finally determined by the relevant tax authorities, are substantially higher than its LAT provisions and prepayments.

**The Group's failure to meet all requirements for the issue of property ownership certificates may lead to compensatory liability to its customers.**

According to PRC law, property developers must meet various requirements within 90 days after delivery of property or such other time period provided in sales contracts for the customers to apply for property ownership certificates, including passing various governmental clearances, formalities and procedures. The Group usually stipulates the delivery dates in its sales contracts so as to leave sufficient time for them to complete the formalities and obtain the relevant approvals. However, there is no assurance that there will not be delays in the Group's property development. There may also be factors beyond its control that may delay the delivery of property ownership certificates, including a shortage in human resources at various governmental offices and time-consuming inspections and approval processes at various government agencies. Under current PRC laws and regulations and under the Group's sales contracts, the Group is required to compensate its customers for delays in its deliveries. If the Group's delay extends beyond a specified period, its customers are also entitled to terminate the sales contracts. There is no assurance that the Group will be able to timely deliver all property ownership certificates in the future or that they will not be subject to any liabilities as a result of any delays in delivery of property ownership certificates. In the case of serious delays on one or more property projects, the Group's business and reputation will be harmed.

**The PRC government may adopt measures to slow down the development in the property sector.**

In the past few years, in response to the concerns over the increase in property investments, the PRC government introduced various policies and measures to regulate property developments, including:

- requiring real estate developers to finance, with their internal resources, at least 35 per cent. of the total investment (excluding affordable housing projects);
- 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;
- suspending land supply for villa construction and restricting land supply for high-end residential property construction;
- requiring that at least 70 per cent. of the land supply approved by any local government for residential property development during any given year must be used for developing low-to medium-cost and small-to medium-size units for sale or as low-cost rental properties;
- requiring that at least 70 per cent. of the total development and construction area of residential projects approved or constructed on or after 1 June 2006 in any administrative jurisdiction must consist of units with a unit floor area of less than 90 square metres and that projects which have received project approvals prior to this date but have not obtained construction permits must adjust their planning in order to comply with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals and certain cities may deviate from such ratio under special circumstances upon approval from Ministry of Housing and Urban-Rural Development ("MOHURD");

- increasing the minimum amount of down payment from 20 per cent. to 30 per cent. of the purchase price of the underlying property if the underlying property has a unit floor area of 90 square metres or more;
- requiring any first-time home owner to pay the minimum amount of down payment of 30 per cent. of the purchase price of the underlying property;
- requiring any second-time home buyer to pay an increased minimum amount of down payment of 60 per cent. of the purchase price of the underlying property and an increased minimum 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, with 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 for commercial properties;
- limiting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- imposing more restrictions on the types of property developments that foreign investments may engage in;
- imposing or increasing taxes on short-term gains from second-hand property sales;
- restricting foreign investment in the property sector by, among other things, increasing registered capital and other requirements for establishing the Foreign Invested Real Estate Enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons;
- requiring commercial banks to suspend mortgage loans to customers for purchase of a third or further residential property, or to non-residents who cannot provide proof of local tax or social security insurance payments for more than a one-year period;
- adjusting the benchmark one-year lending rate published by PBOC. For the year ended 31 December 2010, the benchmark one-year lending rate was 5.81 per cent. On 7 July 2011, the rate was 6.56 per cent. and on 6 July 2012, the rate was 6.00 per cent. On 10 May 2015, the rate was 5.1 per cent.; and
- adjusting the PBOC Renminbi deposit reserve requirement ratio for all PRC deposit taking financial institutions 11 times in 2011, in 2012 and in 2015. The current PBOC Renminbi deposit reserve requirement ratio is 18.50 per cent. for usual large-sized financial institutions and 15.00 per cent. for usual small-and medium-sized financial institutions and has been effective since 20 April 2015.

There is no assurance that the PRC government will not change or modify these temporary measures in the future. These measures may limit the Group's access to capital resources, reduce market demand for the Group's products and increase the Group's operating costs in complying with these measures. In addition, in May 2018, the MOHURD promulgated Circular of the Ministry of Housing and Urban-rural Development on Further Maintaining Effective Regulation of the Real Estate Market (住房城鄉建設部關於進一步做好房地產市場調控工作有關問題的通知) which requires that the land used for rental housing and public housing with common property right in hotspot cities shall account for more than 50 per cent. of the newly-added housing land within the next three to five years. There is no assurance that the PRC government will not adopt additional and more stringent industry policies, regulations or measures, which could further slowdown property development in China and adversely affect the Group's business, financial condition, results of operations and prospects.

**The Group's brand for its industrial park investment and operation and residential development business segments may be exposed to intellectual property infringement, misappropriation or other claims by third parties and a deterioration in the Group's brand image could adversely affect the Group's business.**

The Group believes that it has built an excellent reputation in Jinan for the quality of its various products under its industrial park investment and operation and residential development business segments. The Group has also placed great importance on the continuous enhancement of its brand name and the increase in its brand recognition. The Group's brand strategy, however, depends on the Group's ability to use, develop and protect the Group's intellectual properties, such as the Group's trademarks under these business segments. Although the Group has applied for trademark registration for its names and logos, the Group has not successfully registered all of these trademarks in the PRC or elsewhere. As a result, the Group could be subject to trademark disputes. The defence and prosecution of intellectual property lawsuits and related legal and administrative proceedings can be both costly and time-consuming and may significantly divert the Group's resources and the time and attention of the Group's management personnel. An adverse ruling in any such litigation or proceedings could subject the Group to significant liabilities to third parties, require the Group to seek licenses from third parties, to pay ongoing royalties, or subject the Group to injunctions prohibiting the use of the Group's name and logo.

**The Group's small loan business is exposed to credit risks and could be affected by changes and fluctuations in the PRC banking industry.**

The Group's small loan business, involve many inherent risks, including the risk that the loans the Group grants are not repaid on time or at all. The Group's small loan business focuses on medium, small and micro enterprises, individual industrial and commercial entities and farmers 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 small loan business than larger or more established businesses with longer operating histories. In addition, 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 for its small loan business through carrying out review of its customers based on its internal audit standards prior to granting loans, there can be no assurance that these measures will allow the Group to manage these credit risks effectively, failure of which may have a material adverse impact on the Group's business, results of operations and financial condition.

In addition, the Group's small loan business is premised on the fact that its customers are generally underserved by the banking industry because large commercial banks in the PRC have historically been reluctant to provide lending to such customers without sufficient credit support or adequate security. However, the banking industry in the PRC has been evolving and large commercial banks may adjust their loan portfolio to adapt to the changing market conditions, and their loans to such customers could be increased on an unsecured basis or require a lower level of credit guarantee in return for higher risk-based interest rates. In addition, large technological companies have entered and are entering the banking industry and to extend loans to small and medium sized businesses and these competitors may be better positioned to address the needs of some of the Group's customers. As a result, any of the foregoing factors may cause a decrease in market demand for the Group's small loan business, which may adversely affect the Group's business and prospects.

**The Group's small loan business is subject to regulation and supervision of the PRC governmental authorities at various levels and failure to comply with applicable regulations may have a material adverse impact on the Group's small loan business.**

The Group's small loan business is subject to regulation and supervision arising from national, provincial and municipal laws, rules, regulations, policies and measures issued and enforced by the PRC governmental authorities at different levels. The local authorities have discretion in implementing and enforcing the applicable rules and regulations within the scope of statutory authority permitted by law. For this reason, there are uncertainties in the interpretation and implementation of such laws, rules,

regulations, policies and measures. In certain occasions, verbal clarifications given by the PRC governmental 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 licenses, which could have a material adverse impact on its small loan business.

## **RISKS RELATING TO THE SEMICONDUCTOR INDUSTRY**

**Shandong SinoChip may not be able to maintain or increase its profitability, primarily due to the possibility of increasing fixed costs and market competition reflected in price erosion in the average selling prices of its products.**

For the year ended 31 December 2020 and the six months ended 30 June 2023, Shandong SinoChip incurred net loss of RMB10.5 million and RMB3.1 million, respectively, due to an increase in its research and development expense.

Shandong SinoChip may not be able to maintain or increase profitability, primarily because its business is characterised by high fixed costs relating to advanced technology equipment purchases, which result in correspondingly high levels of depreciation expenses. Shandong SinoChip will continue to incur capital expenditures and depreciation expenses as it improves and expands its capacity. This may result in an increase of its fixed costs and possibly reduce its chances of maintaining or increasing profitability and may materially and adversely affect its ability to maintain or increase profitability.

**The cyclical nature of the semiconductor industry and periodic overcapacity make the Group's IT hardware and services business segment and its operating results particularly vulnerable to economic downturns, such as a global economic crisis.**

The semiconductor industry has historically been highly cyclical and, at various times, has experienced significant downturns characterised by fluctuations in end-user demand, reduced demand for integrated circuits, rapid erosion of average selling prices and production overcapacity. Companies in the semiconductor industry have expanded aggressively during periods of increased demand in order to have the capacity needed to meet such increased demand or expected demand in the future. If actual demand is not sustained, does not increase or declines, or if companies in the industry expand too aggressively in light of the actual increase in demand, the industry will generally experience a period in which industry-wide capacity exceeds demand.

During periods when industry-wide capacity exceeds demand, the Group's IT hardware and services business operations are subject to more intense competition, and its results of operations are likely to suffer because of the resulting pricing pressure and capacity underutilisation. Furthermore, the Group may be faced with the situation of excess inventories and longer inventory turnover days. Severe pricing pressure could also result in the overall semiconductor design industry becoming less profitable, at least for the duration of the downturn, and could prevent the Group's IT hardware and services business segment from maintaining or increasing profitability. The Group expects this industry cyclicity to continue.

In addition, an erosion of global consumer confidence amidst concerns over declining asset values, inflation, energy costs, geopolitical issues, the availability and cost of credit, rising unemployment, and the stability or solvency of financial institutions, financial markets, businesses and sovereign nations could have an adverse effect on the results of operations of the Group's IT hardware and services business segment.

If the Group cannot take appropriate or effective actions in a timely manner during any economic downturns, such as reducing its costs to sufficiently offset declines in demand for its IT products and services, the Group's IT hardware and services business and operating results may be adversely affected. A prolonged period of economic decline could have a material adverse effect on the results of operations of the Group's IT hardware and services business segment.

Furthermore, due to the trade war between the PRC and the United States since 2018 and the rise in diplomatic tensions between the two countries since the beginning of 2020, both countries have implemented or proposed to implement tariffs on certain imported products from the other. For example, the United States issued export control policies against Chinese semiconductor companies, bringing uncertainty and risks to the stability of the global semiconductor market and chip supply chain. If the trade tensions between the United States or other countries/regions and China escalates, with increased restrictions on import, export and investment, increased tariffs or establishment of other trade barriers, the Group may face the risk of tight supply on production materials which would adversely affect the Group's research and development, production, operating and business.

**The Group may experience intense competition and fail to compete effectively.**

The Group faces competition from existing industry leaders as well as potential new market entrants in the semiconductor industry. Its competitors may have longer operating histories, larger customer bases, greater brand or name recognition, as well as greater financial, technical, marketing and other resources than it does. As a result, some of the Group's competitors may be better positioned to respond quickly to new technology and adapt to market trends. The Group's competitiveness depends on the quality of its products and services, its capital sufficiency, its project management skills, its research and development capabilities as well as its years of experience in the industry. If the Group is unable to maintain a competitive position and adapt to market trends or otherwise compete successfully with its competitors, the business, financial condition and results of operations of the Group's IT hardware and services business segment may be materially and adversely affected.

**The Group may be subject to claims of intellectual property rights infringement owing to the nature of the semiconductor industry partly due to its limited patent portfolio, and such claims could adversely affect the Group's business and operating results.**

There is frequent intellectual property litigation in the semiconductor industry, involving patents, copyrights, trade secrets, mask works and other intellectual property subject matters. In some cases, a company attempts to avoid or settle litigation on favourable terms if it possesses patents that can be asserted against the plaintiff. The limited size of the Group's current patent portfolio is unlikely to place it in such a favourable bargaining position. The Group could be sued for infringing one or more patents as to which it will be unable to obtain a license and unable to design around. As a result, the Group would be prohibited from manufacturing or selling the products which are dependent upon such technology, which could have a material adverse effect on the business, financial condition and results of operations of the Group's IT hardware and services business segment. The Group may litigate the issues of whether these patents are valid or infringed, but in the event of a loss the Group could be required to pay substantial monetary damages and be enjoined from further production or sale of such products.

**RISKS RELATING TO THE GROUP'S OTHER SALES BUSINESS SEGMENT**

**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.**

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, revenue generated from the Group's other sales business segment was RMB1.8 billion, RMB5.0 billion, RMB11.2 billion, RMB5.0 billion and RMB4.1 billion, representing 25.3 per cent., 49.2 per cent., 56.6 per cent., 57.0 per cent. and 57.3 per cent., respectively, of the Group's revenue for the same period. Revenue generated from this business segment is primarily due to sale of coal, ferrous metal ore, ethylene glycol, agricultural products, chemicals, natural rubber, crude oil and other products.

The current and expected volumes of supply and demand for the commodities markets in which the Group is active (including but not limited to coal, ferrous metals, agricultural products, chemicals and natural rubber) 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 and adversely impact the Group's business, results of operations and earnings.

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 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 other sales business segment depends in part on its ability to identify and take advantage of arbitrage opportunities.**

The commodity markets in which the Group operates (including but not limited to coal and ferrous metals) 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.

**The Group is exposed to risks in relation to its increasing level of accounts receivables and other receivables.**

The Group's account receivables have substantially increased in recent years. The Group also recorded increase of other receivables in the three years ended 31 December 2022. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group had account receivables in the amount of RMB2,079.4 million, RMB3,284.6 million, RMB3,272.4 million and RMB7,492.7 million, respectively. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group had other receivables in the amount of RMB14,144.9 million, RMB14,852.1 million, RMB16,050.3 million and RMB15,808.0 million, respectively.

The Group's other receivables are mainly the receivables relating to the debt restructuring of Shandong Tianye Real Estate Development Group Co., Ltd. (山東天業房地產開發集團有限公司). There are inherent risks associated with such debtors' ability to make the payment, and any failure to make timely payments by these debtors may adversely affect the Group's liquidity and in turn affect its business, financial condition or results of operations. Moreover, if the Group's accounts receivables or other receivables were to continue to increase without the corresponding financing alternatives being available to fund its working capital, it may also materially and adversely affect its operating cash flow, financial condition and results of operations.

**The Group faces credit risks relating to the performance of its customers.**

The Group's bulk commodity trading business is exposed to credit risks, which could be affected by factors such as increasing macroeconomic fluctuations and financial deleveraging in the industry. In particular, the risk of default in the market has gradually increased over the years, and there can be no assurance that Group's customers will not default on their payments in the future, which would in turn have a material adverse effect on Group's business, results of operations and financial condition.

**The Group is exposed to fluctuations in commodity prices and market demand and the other sales business may not be profitable.**

The Group's other sales business is primarily involved in the procurement and sales of coal, ferrous metal ore, ethylene glycol, agricultural products, chemicals, natural rubber, crude oil and other products. The production and pricing of these commodities can be affected by various factors such as international politics, supply, demand as well as speculative activities by market participants.

Since 2020, China's economy has experienced headwinds and cyclical fluctuations which have impacted industrial demand for such commodities. Moreover, increase in labour costs and seasonal demand have driven up prices of commodities which in turn affecting sales and gross margins. There can be no assurance that the market price of any of the commodities traded by the Group will not decline in the future or that such prices will otherwise remain at sufficiently high levels to support the profitability of its other sales business. In the event that the Group does not adequately hedge against such risks of market price fluctuations, there could be a material and adverse impact on the Group's financial condition and profitability.

**The performance of the Group's other sales business depends on the volatile domestic and international coal markets.**

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, coal sales accounted for a significant portion of the Group's operating income from its other sales business. As the Group currently derives a substantial portion of its operating income from its other sales business from the sales of coal and coal-related products, the performance and operating results of its other sales business depend heavily upon supply and demand for coal and coal-related products in the domestic and international coal markets. Accordingly, the Group is vulnerable to downturns in the demand for coal, increases in supply of coal through new or expanded coal production and declines in coal prices.

In addition, global coal demand correlates strongly with the global economy and the performance of coal-consuming industries, including but not limited to the power generation, chemical, metallurgy and construction materials industries. In addition, the availability and prices of alternative energy sources to coal, as well as international shipping costs, also affect coal demand. Coal supply is primarily affected by the geographic location of coal reserves, transportation capacity, the level of domestic and international coal supplies and the type, quality and price of coal from various producers. Developments in the international coal market may adversely affect the Group's overseas sales. The relaxation of global supply and demand structure of coal or reduction in demand for coal from key consuming industries, such as the PRC power generation industry, metallurgy industry and other related sectors, may reduce coal prices which, in turn, may reduce the Group's other sales business' profitability and adversely affect the Group's business, results of operations and financial condition.

**RISKS RELATING TO THE PRC**

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

The economy of 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 of 2.3 per cent. in 2020 was the slowest growth rate in the past 40 years, in part due to a contraction of China's GDP during the first quarter of 2020, representing the country's first contraction of GDP since the 1970s, as production and spending decreased due to the implementation of measures by public health authorities in the PRC to suppress the local transmission of COVID-19. While the PRC economy gained strength in 2021 with a GDP growth rate of 8.1 per cent., it slowed down to 3.0 per cent. in 2022. The slowdown in growth of the PRC's economy in recent years was primarily due to the outbreak of COVID-19. The containment measures put in place to control the spread of COVID-19 had a negative impact of the level of economic activities from the beginning of 2020 to the end of 2022. Since the removal of the majority of COVID-19 containment measures in late 2022, economic activities have increased. The PRC government has taken measures with the intention of promoting the economic growth in the PRC, but there can be no assurance that such measures will be effective. Other factors beyond the Group's control may also negatively affect the growth of the PRC's economy. While the PRC's GDP had a growth rate of 5.2 per cent. in 2023, 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.

The future performance of China's economy is not only affected by the economic and monetary policies of the PRC government, but also material changes in regional and 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, recovery in the housing market remains subdued. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. China's economic growth may slow down due to weakened exports. The political uncertainty as regards the structure of the future relationship between the United Kingdom and the European Union following United Kingdom's exit from the European Union may create a negative economic impact and increase volatility in global markets. Moreover, the global economy is now facing increasing pressure of inflation. To curb this situation, countries start to initiate plans to alleviate the inflationary pressure, while the plans might suppress the soaring inflation rate, they might simultaneously bring adverse effects to the economy. The Federal Reserve raised its benchmark interest rate in July 2023, bringing the federal funds rate to 5.25 per cent. to 5.50 per cent. in order to tackle the inflation and cost of living crisis. The increase of interest rates would lead to an increase in the costs of debts and mortgages.

In addition, conflicts between Russia and Ukraine has been escalated into military actions taken by Russia in Ukraine starting from 16 February 2022. There has been multiple rounds of negotiations between Russia and Ukraine. However, it is unclear how such conflicts, military actions and negotiations will develop in the future. Any further escalation of the conflicts between Russia and Ukraine, or any conflicts between other nations and/or districts, may lead to additional tension and unexpected adverse consequences in global political and economic conditions which in turn could adversely impact the Group's business, financial condition and results of operations.

Furthermore, the PRC's economic growth may also further slow down due to weakened exports (partly resulting from the trade friction between the PRC and the United States since 2018) and due to a rise in diplomatic tensions between the two countries since the beginning of 2020. Both countries have implemented or proposed to implement tariffs on certain imported products from the other. In addition, the United States has imposed sanctions on certain Chinese officials and has initiated a ban on using within the United States certain mobile applications developed by Chinese companies, resulting in retaliatory action from China and further increasing tensions between the United States and China. Sustained tension between the United States and China over trade policies and diplomatic relations could significantly undermine the stability of the global and China's economy. Any severe or prolonged slowdown or instability in the global or China's economy may materially and adversely affect the Group's business, financial condition and results of operations.

These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely affecting, potential property purchasers, which may lead to a decline in the general demand for the Group's property development projects and erosion of their sale prices. In addition, any further tightening of liquidity in the global financial markets may negatively affect the Group's liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets continue, the Group's business, financial condition and results of operations may be materially and adversely affected.

**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, financial condition, results of operations 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 economic reforms or that any such reforms will not have an adverse effect on the Group's business, financial condition, results of operations and prospects.

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 the Issuer's and/or the Guarantor's ability to satisfy their respective 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 a substantial part of the Group's business segments are conducted, and a substantial part of the Group's assets are located, in the PRC, the Group's operations are primarily governed 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 may not sufficiently cover all aspects of economic activities in the PRC. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Group may not be aware of the Group's violation of these policies and rules until some time after the violation. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management's attention and it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgments by a court of another jurisdiction. These uncertainties relating to the interpretation and implementation of PRC 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.**

Substantially all members of the Group are incorporated in the PRC and a substantial part of the Group's assets are located in the PRC. In addition, most of the Group'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 be difficult 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 potential investors to enforce any judgments obtained from foreign courts against the Group or any of its directors, supervisors or senior management in the PRC.

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

All 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 interest payable to the holders of 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 interest to the holders of the Bonds in U.S. dollars. On the other hand, foreign exchange transactions under capital account in the PRC continue to be not freely convertible and require the approval of SAFE. These limitations could affect the Group's ability to obtain foreign currencies through equity financing, or to obtain foreign currencies for capital expenditure.

**The payment of dividends by the Guarantor's operating subsidiaries in the PRC is subject to restrictions under PRC laws.**

PRC laws require that dividends be paid only out of net profit, calculated according to PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions. In addition, PRC law requires enterprises set aside part of their net profit as statutory reserves before distributing the net profit for the current financial year. These statutory reserves are not available for distribution as cash dividends. Since the availability of funds to fund the Group'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 Guarantor's subsidiaries may impact the Group's ability to fund its operations and to service its indebtedness, including the obligations of the Issuer and the Guarantor under the Bonds.

**The implementation of the PRC Labour Contract Law 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) imposes 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 average monthly wage of the employee 12 months prior to such employee's departure multiplied by the number of full years that the employee has worked for the employer. The maximum period to calculate the amount of such compensation payment shall be 12 years. 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. As a result of the PRC Labour Contract Law and the Regulations on Paid Annual Leave for Employees, the Group's labour costs (inclusive of those incurred by contractors) may increase. Further, under the PRC Labour Contract Law, when an employer terminates its PRC employees' employment, the employer may be required to compensate them for such amount which is determined based on their length of service with the employer, and the employer may not be able to efficiently terminate non-fixed-term employment contracts under the PRC Labour Contract Law without cause. In the event the Group decides to significantly change or decrease its workforce, the PRC Labour Contract Law could adversely affect its ability to effect these changes in a cost-effective manner or in the manner that the Group desires, which could result in an adverse impact on the Group's business, financial condition and results of operations.

Further, in the event that there is a labour shortage or a significant increase to labour costs, the Group's business operation costs are 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 labour as well. Rising labour costs may increase the Group's operating costs and partially erode the cost advantage of the Group's operations and therefore negatively impact the Group's profitability.

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

Facts and other statistics in this Offering Circular relating to the PRC, its economy or the relevant industry in which the Group operates have been directly or indirectly derived from official government publications and certain other public industry sources and although the Group believes such facts and statistics are accurate and reliable, it cannot guarantee the quality or the reliability of such source materials. They have not been prepared or independently verified by the Issuer, the Guarantor, the Joint Lead Managers, the

Trustee, the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates, and, therefore, the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates make no representation as to the completeness, accuracy or fairness of such facts or other statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be incomplete, inaccurate or unfair or may not be comparable to statistics produced for other economies or the same or similar industries in other countries and should not be unduly relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, potential 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 AND THE GUARANTEE**

### **The Bonds and the Guarantee are unsecured obligations.**

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

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

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

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

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

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in or incorporated by reference into this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;

- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible economic scenarios, such as interest rate and all other factors which may affect its investment (including analysis of the overall yield and value of the Bonds) and the ability to bear the applicable risks.

**The Issuer currently does not have operating activities or revenue, and payments with respect to the Bonds are dependent upon the Group’s future business, financial condition and results of operations and cash flow from other members of the Group.**

The Issuer currently does not have any operating activities or revenue. The Issuer’s ability to pay principal, premium (if any) and interest on the Bonds will depend upon its timely receipt of funds from the Guarantor and/or other members of the Group. In the event that the Guarantor and/or other members of the Group do not provide such funds to the Issuer due to lack of available cash or other factors, the Issuer’s ability to make payment under the Bonds may be adversely affected.

**The PRC government has no obligations under the Bonds, the Guarantee or the Trust Deed.**

The PRC government, as the ultimate shareholder of the Issuer and the Guarantor, only has limited liability in the form of its equity contribution in the Guarantor and any ownership or control by the PRC government does not necessarily correlate to, or provide any assurance as to, the Issuer’s or the Guarantor’s financial condition. As such, the PRC government does not have any payment obligations under the Bonds. Investors of the Bonds shall have no recourse to the PRC government in respect of any obligation arising out of or in connection with the Bonds and the Guarantee in lieu of the Issuer or the Guarantor. This position has been reinforced by the MOF Circular and the Joint Circular, and because of the limited volume of published decisions, the interpretation and enforcement of these laws and regulations involve uncertainties. The Bonds are solely to be repaid by the Issuer and the Guarantor as independent legal persons.

**The SASAC or its local counterpart is not contractually obligated to repay any amount under the Bonds, the Guarantee or the Trust Deed if the Issuer or the Guarantor fails to meet its obligations under the Bonds.**

The Guarantor is directly wholly owned by Jinan Innovation Zone SASAC, a government agency under Jinan SASAC, which in turn is the local counterpart of the SASAC. However, the SASAC or its local counterpart is under no contractual obligation to pay any amount under the Bonds, the Guarantee or the Trust Deed if the Issuer or the Guarantor fails to meet its obligations under these instruments, and, as a result, no financial support from the SASAC or any other PRC governmental entity will be provided. The Bondholders shall have no recourse to any PRC governmental entity or the SASAC in respect of any obligation arising out of or in connection with the Bonds and the Guarantee in lieu of the Issuer or the Guarantor. This position has been reinforced by the MOF Circular and the Joint Circular. Investors should base their investment decision on the financial condition of the Issuer, the Guarantor 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.

**There may be logistical hurdles for cross-border payment under the Guarantee if registration of the Guarantee is not completed within the prescribed timeframe.**

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

There is no assurance that the Guarantor will be able to complete the registration of the Guarantee with SAFE within the prescribed timeframe or at all. Under the Conditions, Bondholders may require the Issuer to redeem their Bonds in the event that the Guarantee is not registered within a specified timeframe. Bondholders who do not exercise such redemption option should note that before requisite registration of the Guarantee made by the Guarantor is completed, it is uncertain whether the Guarantee given by the Guarantor can be enforced in practice. Although the failure to register does not render the Guarantee ineffective or invalid under PRC law, SAFE may impose penalties on the Guarantor if the Guarantor fails to complete the SAFE Registration. Further, there may be hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of SAFE Registration in connection with the Guarantee in order to effect such remittance. Prior to the performance or discharge of its obligations under the Guarantee, the Guarantor is also required to complete a verification process with banks for each remittance under the Guarantee.

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

**Any failure to complete the relevant filings under the NDRC Measures within the prescribed time frame following the issue of the Bonds may have adverse consequences for the Guarantor and/or the Bondholders.**

Pursuant to the NDRC Measures, the Guarantor is required to comply with certain reporting obligations by submission through the online system for the review, registration, management and service of enterprise foreign debts established by the NDRC (the “**NDRC Online Reporting System**”). Such reporting obligations include, among other things, (i) within ten PRC working days after the Issue Date, reporting certain information about the Bonds to the NDRC through the NDRC Online Reporting System, including, among others, the key operating indicators of the Guarantor and information on the Bonds; (ii) within ten PRC working days after the expiration of the validity of the NDRC Certificate, reporting information on foreign debt borrowed under the relevant NDRC Certificate; (iii) within five PRC working days before the end of January and the end of July during each year that the Bonds are outstanding, reporting information on the use of proceeds raised from the offering of the Bonds, the repayment of principal and interest on the Bonds and the related plans and key operating indicators of the Guarantor, among other matters, and (iv) reporting in a timely manner any material circumstance which may adversely affect the performance by the Guarantor of its payment obligations under the Bonds, including any potential non-repayment of debts and any major asset disposal or restructuring. The Guarantor also undertakes to complete the NDRC Post-Issue Filing and comply with other post-issuance reporting obligations relating to the Bonds within the relevant prescribed time frames in accordance with the NDRC Measures.

If the Guarantor fails to report the relevant information described above in accordance with the NDRC Measures, the NDRC may direct the Guarantor to make corrections within a prescribed time period, and if the violation is serious or if the Guarantor fails to correct any report within the prescribed time period, the NDRC may give a warning to the Guarantor and its main responsible persons. The administration and enforcement of the NDRC Measures may be subject to executive and policy discretion of NDRC. The NDRC Measures have been issued fairly recently, and 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 Measures and administration and enforcement of the NDRC Measures may be subject to a certain degree of executive and policy discretion by the NDRC. For example, while the NDRC Measures have set out the legal consequences for issuers and professional parties in cases of non-compliance of the NDRC Measures, the NDRC Measures are silent on whether any such non-compliance would affect the validity and enforceability of the Bonds and the Guarantee. There is no assurance that the failure to comply with the NDRC Measures would not result in adverse consequences on the Guarantor’s ability to perform or comply with any of its obligations under the Bonds, the Guarantee and the Trust Deed. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions.

**Obligations of the Guarantor under the Bonds are structurally subordinated to the current and future liabilities and obligations of the Guarantor’s subsidiaries.**

The obligations of the Guarantor under the Bonds will be effectively subordinated to all existing and future obligations of its existing or future subsidiaries, and all claims of creditors of its existing or future subsidiaries and rights of holders of preferred shares of such subsidiaries (if any) will have priority as to the assets of such subsidiaries over the claims of the Guarantor and those of the Guarantor’s creditors, including the holders of the Bonds. As a result, all of the existing and future liabilities of the Guarantor’s subsidiaries, including any claims of trade creditors and preferred stockholders, will be effectively senior to the Bonds. In addition, even if the Guarantor was a creditor of any subsidiary, its rights as a creditor would be subordinated to any security interest in the assets of such subsidiary and any indebtedness of the subsidiary senior to that held by the Guarantor.

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

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

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

The Conditions and the Transaction Documents (as defined in the Trust Deed) are governed by English law, whereas parties to these documents submit to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken.

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 (最高人民法院、香港特別行政區政府關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the “**2019 Judgment Arrangement**”) came into effect on 29 January 2024 and is applicable to civil and commercial judgments given by the Mainland and Hong Kong courts on or after such date. Under the 2019 Judgment Arrangement, PRC courts will generally recognise and enforce civil and commercial judgments given by Hong Kong courts provided that certain jurisdictional requirements are satisfied. A PRC court may refuse to recognise or enforce a Hong Kong judgment under the 2019 Judgement Arrangement if the PRC court considers that doing so would be manifestly contrary to the public principles of PRC law or the social and public interests of the PRC.

While it is expected that the PRC courts will recognise and enforce a judgment given by a Hong Kong court in respect of matters governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area.

In addition, 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序的會談紀要) (the "**Record of Meeting**"), which was signed on 14 May 2021, liquidators or provisional liquidators from Hong Kong may apply to the PRC courts in 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.

**Decisions that may be made on behalf of all Bondholders may be adverse to the interests of individual Bondholders.**

The Conditions contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally, and to pass resolutions in writing or by way of electronic consents through the relevant clearing system(s). These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of Bondholders may be adverse to the interests of individual Bondholders.

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

The Issuer and the Guarantor 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. As a result, the level of information that is available may not correspond to what Bondholders may be accustomed to.

**An active trading market for the Bonds may not develop.**

The Bonds are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. Application will be made to the SGX-ST for the listing and quotation of the Bonds on the SGX-ST, but no assurance can be given as to the liquidity of, or trading market for, the Bonds, or that the Issuer will be able to maintain a listing of the Bonds on the SGX-ST. The Joint Lead Managers are not obligated to make a market for the Bonds, and if any of the Joint Lead Managers does so, they may discontinue such market making activity at any time at their sole discretion. Therefore, Bondholders may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Further, the Bonds may be allocated to a limited number of investors, in which case liquidity may be limited. Such lack of liquidity may result in Bondholders suffering losses on the Bonds in secondary resales even if there is no decline in the performance of the business of the Group. It is not possible to predict which of these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Bonds and instruments similar to the Bonds at that time. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, Bondholders will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

**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 significant portion of or majority of the aggregate principal amount of the Bonds may be able to exercise certain rights and powers on its own under the Conditions and the Trust Deed, 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.

**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 Guarantor's revenue, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, changes in government regulations and changes in general economic conditions nationally or internationally could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the trading volume and price of the Bonds. There is no assurance that these developments will not occur in the future.

**Investors may be subject to foreign exchange risks.**

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

**International financial markets and global economic conditions 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 the Issuer or the Guarantor in other countries, including the PRC. Since the global financial crisis in 2008 and 2009, the international financial markets have experienced significant volatility. In December 2016, the U.S. Federal Reserve raised the federal funds rate for the first time in a year, and the second time since the 2008 financial crisis. The U.S. Federal Reserve raised the federal funds rate three times in 2017 and three times in 2018. However, the U.S. Federal Reserve lowered the rate for the first time since 2008 in July 2019 in light of the economic conditions and twice in March 2020 in response to the impact of the COVID-19 outbreak in the United States. Since March 2022, to combat inflation, the U.S. Federal Reserve approved multiple rate hikes. In July 2023, the federal funds rate reached 5.25 per cent. to 5.50 per cent. Interest rate fluctuations may increase the uncertainties relating to the prices of U.S. dollar denominated bonds. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

In addition, Russia's invasion of Ukraine in February 2022 and the resulting conflict have caused significant instability in global financial markets and have increased the threat of cyberattacks, nuclear incidents, environmental damage and further escalation of geopolitical tensions. The invasion has also led to multiple countries imposing economic sanctions and enhanced export controls on the activities of certain individuals and Russian entities, and to numerous market participants voluntarily ceasing, suspending or reducing business with counterparties connected to Russia. Global and local macroeconomic impacts including increased inflationary pressures, volatility in the price and supply of energy and other commodities, disruption to supply chains, economic pressure caused by movement of

displaced persons and significant uncertainty in the commercial, legal and political environment are likely to further adversely impact individuals and businesses. As a result, the global economy is facing significant uncertainties and the global financial markets are experiencing significant volatilities, which may adversely affect the market price of the Bonds. Investors must exercise caution before making any investment decisions.

**Any downgrading of the rating of the Bonds and/or the Guarantor's corporate rating by any rating agency could adversely affect the Group's business and the trading price of the Bonds.**

The Bonds are expected to be assigned a rating of "BBB" by Fitch and the Guarantor has been assigned a corporate rating of "BBB" with "stable" outlook by Fitch. Ratings are not recommendations to buy, sell or hold the Bonds and may be subject to revision, qualification, suspension, reduction or withdrawal at any time.

The rating of the Bonds only represents the current opinion of the rating agency and their current assessment of the ability of the Issuer and the Guarantor to perform their respective obligations under the Bonds, the Trust Deed and (in respect of the Guarantor) the Guarantee and credit risks in determining the likelihood that payments will be made when due under the Bonds. Neither the Issuer nor the Guarantor is obligated to inform Bondholders if the ratings are lowered or withdrawn. Each rating should be evaluated independently of the other rating.

Any adverse revision to the Guarantor's corporate rating by any rating agency may adversely affect the Group's business and its financial performance, and a downgrade or withdrawal of the rating of the Bonds and/or the Guarantor may materially and adversely affect the trading price of the Bonds and the Group's ability to obtain financing or to access the capital markets.

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

Upon maturity, the Bonds will be redeemed at their principal amount, or following the occurrence of a Relevant Event, the Issuer may, at the option of any Bondholder, be required to redeem all, but not some only, of such Bondholder's Bonds at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a Non-Registration Event) of their principal amount, together in each case with accrued interest up to (but excluding) the relevant Put Settlement Date. See "*Terms and Conditions of the Bonds – Redemption and Purchase*". On the Maturity Date or if such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds on the Maturity Date or in such event may also be limited by the terms of other debt instruments. The Issuer's failure to redeem the Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness of the Issuer or other members of the Group.

**The insolvency laws of the Cayman Islands and the PRC and other local insolvency laws may differ from those of another jurisdiction with which the Bondholders are familiar.**

As the Issuer and the Guarantor are incorporated under the laws of the Cayman Islands and the PRC, respectively, any insolvency proceeding relating to the Issuer or the Guarantor would likely involve insolvency laws of the Cayman Islands or the PRC, the procedural and substantive provisions of which may differ from comparable provisions of the insolvency laws of other jurisdictions with which the Bondholders are familiar. There can be no assurance that the Bondholders will be able to receive the same level of protection under the insolvency laws of the Cayman Islands or the PRC as those in their respective home jurisdictions.

**Modifications and waivers may be made in respect of the Conditions, the Trust Deed and the Agency Agreement by the Trustee or less than all of the Bondholders.**

The Conditions provide that the Trustee may, without the consent of the Bondholders, agree to any modification of the Conditions or any of the provisions of the Trust Deed, the Deed of Guarantee or the Agency Agreement (other than any modification relating to a Reserved Matter (as defined in the Conditions)) which in the opinion of the Trustee is not materially prejudicial to the interests of the Bondholders, or to any modification thereof which, in the opinion of the Trustee is of a formal, minor or technical nature or to correct a manifest error or to comply with any mandatory provision of applicable law.

In addition, the Trustee may, without the consent of the Bondholders, agree to the waiver or authorisation of any proposed breach or breach of, or any failure to comply with, any of the Conditions or any of the provisions of the Trust Deed, the Deed of Guarantee or the Agency Agreement if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby. See “*Terms and Conditions of the Bonds – Meetings of Bondholders, Modification, Waiver, Authorisation and Entitlement of Trustee*”.

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

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

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

**Gains on the transfer of the Bonds may be subject to income tax and value-added tax under PRC tax laws.**

Under the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “**EIT Law**”) which took effect on 29 December 2018 and its implementation rules, any gains realised on the transfer of the Bonds by Bondholders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by non-resident enterprise Bondholders would be treated as income derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, under the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) (the “**IIT Law**”) as amended on 31 August 2018, which became effective on 1 January 2019, any individual who has no domicile and does not live within the territory of the PRC or who has no domicile but has lived within the territory of the PRC for less than 183 days on a cumulative basis in a taxable year shall pay individual income tax for any income obtained within the PRC. There is uncertainty as to whether gains realised on the transfer of the Bonds by individual Bondholders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (the “**Tax Arrangement**”) which was promulgated on 21 August 2006, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempt from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that such Bondholders have in the PRC and all the other relevant conditions are satisfied.

On 23 March 2016, the MOF and the State Administration of Taxation issued the Circular of Full Implementation of Replacing Business Tax with Value-Added Tax Reform (關於全面推開營業稅改徵增值稅試點的通知) (Caishui [2016] No. 36) (“**Circular 36**”), which introduced a new value-added tax (“**VAT**”) from 1 May 2016. Under Circular 36, VAT is applicable where the entities or individuals provide services within the PRC. The Guarantor will be obligated to withhold VAT of 6 per cent. and certain surcharges (if any). VAT is unlikely to be applicable to any transfer of the Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of the Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of the Bonds is located inside the PRC.

**The Issuer may be treated as a PRC resident enterprise for PRC tax purposes and certain withholding taxes may be applicable.**

Under the EIT law, enterprises established outside the PRC whose “de facto management bodies” are located in China are considered “resident enterprises” for PRC tax purposes. The implementation rules define the term “de facto management body” as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise.

Although it is unclear under PRC tax law whether the Issuer has a “de facto management body” located in China for PRC tax purposes, the Group takes the position that the Issuer is not a PRC resident enterprise for tax purposes. There is no assurance that the tax authorities will agree with its position. If the Issuer is deemed to be a PRC resident enterprise for EIT purposes, the Issuer would be subject to the PRC enterprise income tax at the rate of 25.0 per cent. on its worldwide taxable income. Furthermore, if the Issuer is deemed to be a PRC resident enterprise, the Issuer may be under an obligation to withhold PRC income tax on payments of interest or redemption premium (if any) at a rate of 10 per cent. for non-PRC resident enterprises (enterprises which do not have an establishment or place of business in the PRC or, the relevant income is not effectively connected with its establishment or place of business in the PRC), or at a rate of 20 per cent. for non-PRC resident individuals. Furthermore, as the Guarantor is a PRC tax resident, the Guarantor will be required to withhold PRC tax on payments under the Guarantee with respect to interest or any redemption premium at the above rates regardless of whether the Issuer is treated as a PRC tax resident. The PRC tax liability may be reduced under applicable tax treaties, such as the Tax Arrangement. However, it is unclear whether in practice non-resident Bondholders would be able to obtain the benefit of income tax treaties entered into between the PRC and their countries. Subject to certain exceptions, the Issuer and Guarantor will be required to pay additional amounts with respect to any such PRC withholding taxes. The request to pay additional amounts will increase the cost in issuing the Bonds and may adversely impact the cash flows of the Issuer and Guarantor.

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

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

Owners of book-entry interests will not be considered owners or holders of the Bonds for purposes of the Trust Deed. A nominee of the common depository for Euroclear and Clearstream will be the sole registered holder of the Global Certificate. Accordingly, holders of a beneficial interest in a Global Certificate must rely on the procedures of Euroclear or Clearstream, and if such holder is not a participant in Euroclear or Clearstream, on the procedures of the participant through which such holder owns its interest, to exercise any rights and obligations of a holder of the Bonds under the Trust Deed.

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

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

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

The Issuer may redeem the Bonds at its option, in whole but not in part, at a redemption price equal to 100 per cent. of their principal amount, together with any interest accrued to (but excluding) the date fixed for redemption if, subject to certain conditions, as a result of a change in tax law, the Issuer (or, if the Guarantee is called, the Guarantor) has or will become obliged to pay Additional Tax Amounts, as further described in Condition 6(b) (*Redemption for Taxation Reasons*) of the Conditions. If the Issuer redeems the Bonds prior to the Maturity Date, investors may not receive the same economic benefits they would have received had they held the Bonds to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, the Issuer's ability to redeem the Bonds may reduce the market price of the Bonds.

**The Issuer may issue additional Bonds in the future.**

The Issuer may from time to time and without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date, the first payment of interest on them and the timing for completing the SAFE Registration and the NDRC Post-Issue Filing and the making of the consequent notifications thereof) or otherwise raise additional capital through such means and in such manner as it may consider necessary. See "*Terms and Conditions of the Bonds – Further Issues*". There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

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

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

## EXCHANGE RATE INFORMATION

The People's Bank of China (the "PBOC") sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. This change resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.9 per cent. from 21 July 2005 to 31 December 2013. On 11 August 2015, the PBOC authorised market-makers to provide daily central parity quotations to the China Foreign Exchange Trading Centre with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. This change, and other changes that may be implemented such as further widening the trading band, may increase volatility in the value of the Renminbi against foreign currencies. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. The PRC government may from time to time make further adjustments to the exchange rate system in the future.

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

Period end	Noon Buying Rate <sup>(1)</sup>			
	Average <sup>(2)</sup>	High	Low	
<i>(RMB per U.S.\$1.00)</i>				
2016 .....	6.9430	6.6549	6.9580	6.4480
2017 .....	6.5063	6.7569	6.9575	6.4830
2018 .....	6.8755	6.6292	6.9737	6.2649
2019 .....	6.9618	6.9014	7.1786	6.6822
2020 .....	6.5250	6.8878	7.1681	6.5208
2021 .....	6.3726	6.4508	6.5716	6.3435
2022 .....	6.8972	6.7290	7.3048	6.3084
2023 .....	7.0999	7.0809	7.3430	6.7010
September .....	7.2960	7.2979	7.3430	7.2606
October .....	7.3166	7.3071	7.3171	7.2948
November .....	7.1360	7.2226	7.3175	7.1300
December .....	7.0999	7.1402	7.1765	7.0999
2024				
January .....	7.1673	7.1707	7.1961	7.1426
February .....	7.1977	7.1935	7.1982	7.1799
March (through 29 March) .....	7.2203	7.2015	7.2289	7.1804

*Notes:*

- (1) Exchange rates between Renminbi and U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.
- (2) Annual averages are calculated from month-end rate. Monthly averages are calculated using the average of the daily rates during the relevant period.

## TERMS AND CONDITIONS OF THE BONDS

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

The U.S.\$180,000,000 in aggregate principal amount of 6.10 per cent. guaranteed bonds due 2027 (the “**Bonds**”, which expression, unless the context requires otherwise, includes any further bonds issued pursuant to Condition 15 and to be consolidated and forming a single series therewith) of JINAN HI-TECH INTERNATIONAL (CAYMAN) INVESTMENT DEVELOPMENT CO., LIMITED 濟高國際(开曼)投資發展有限公司 (the “**Issuer**”) are constituted by a trust deed (as amended or supplemented from time to time, the “**Trust Deed**”) dated 15 April 2024 (the “**Issue Date**”) made between the Issuer, Jinan Hi-tech Holding Group Co., Ltd. (济南高新控股集团有限公司) (the “**Guarantor**”) and The Hongkong and Shanghai Banking Corporation Limited (in such capacity, the “**Trustee**”, which expression shall include all persons for the time being trustee or trustees under the Trust Deed) as trustee for itself and the holders (as defined below) of the Bonds. The Bonds have the benefit of a deed of guarantee (as amended and/or supplemented from time to time, the “**Deed of Guarantee**”) dated 15 April 2024 executed by the Guarantor in favour of the Trustee (for itself and the Bondholders (as defined below)). The issue of the Bonds was authorised by written resolutions of the board of directors of the Issuer dated 18 March 2024. The giving of the Guarantee (as defined below) was authorised by written resolutions of the board of directors of the Guarantor dated 27 March 2023 and 10 November 2023. The Bonds are the subject of an agency agreement dated the Issue Date (as amended or supplemented from time to time, the “**Agency Agreement**”) made between the Issuer, the Guarantor, the Trustee, The Hongkong and Shanghai Banking Corporation Limited as principal paying agent (in such capacity, the “**Principal Paying Agent**”, which expression shall include any successor principal paying agent appointed from time to time in connection with the Bonds), as registrar (in such capacity, the “**Registrar**”, which expression shall include any successor registrar appointed from time to time in connection with the Bonds) and as transfer agent (in such capacity, the “**Transfer Agent**”, which expression shall include any additional or successor transfer agent appointed from time to time in connection with the Bonds) and any other agents appointed thereunder. Copies of the Deed of Guarantee, the Trust Deed and the Agency Agreement are available for inspection upon prior written request and satisfactory proof of holding and identity during normal business hours (being 9:00 a.m. to 3:00 p.m. Monday to Friday except for public holidays) by the Bondholders (as defined below) (i) at the principal place of business for the time being of the Trustee, being at the Issue Date at Level 26, HSBC Main Building, 1 Queen’s Road Central, Hong Kong or (ii) electronically via email from the Trustee. References herein to “**Paying Agents**” includes the Principal Paying Agent, together with any additional or successor paying agent appointed in connection with the issue of the Bonds, and “**Agents**” means the Principal Paying Agent, any other Paying Agents, the Registrar, any Transfer Agent and any other agent or agents and their successor(s) appointed from time to time under the Agency Agreement with respect to the Bonds.

These terms and conditions (these “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed (which includes the form of the certificates evidencing the Bonds) and the Deed of Guarantee. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Deed of Guarantee, and are deemed to have notice of those provisions of the Agency Agreement applicable to them.

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

### 1 FORM, AUTHORISED DENOMINATION AND TITLE

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

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

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

*Upon issue, the Bonds will be initially evidenced by a Global Certificate registered in the name of a nominee of, and deposited with, a common depository for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A (“**Clearstream**”). The Conditions are modified by certain provisions contained in the Global Certificate in respect of any of the Bonds that are evidenced by the Global Certificate. See “Summary of Provisions relating to the Bonds in Global Form”.*

## **2 STATUS OF THE BONDS AND THE GUARANTEE**

### **(a) Status of the Bonds**

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

### **(b) Status of the Guarantee**

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

## **3 TRANSFERS OF BONDS AND ISSUE OF CERTIFICATES**

### **(a) Register**

The Issuer will cause a register (the “**Register**”) of Bondholders to be kept at the specified office of the Registrar and in accordance with the terms of the Agency Agreement, on which shall be entered the names, addresses and details of the registered account (as defined in Condition 7(a)(ii)) of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers of the Bonds.

### **(b) Transfer**

Subject to the Agency Agreement and Conditions 3(e) and 3(f), a Bond may be transferred (in whole or in part but in any case in an Authorised Denomination) by surrendering the Certificate issued in respect of that Bond, with the form of transfer on the back of the Certificate (or in the form obtainable from the Register or any Transfer Agent) duly completed and signed and any other evidence as the Registrar or the relevant Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed such form of transfer at the specified office of the Registrar or any Transfer Agent. In the case of a transfer of only part of a holding of Bonds evidenced by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred (which shall be in an Authorised Denomination) shall be issued to the transferor. In the case of a transfer of the Bonds to a person who is already a holder of the Bonds, a new Certificate evidencing the enlarged holding shall only be issued against surrender of the Certificate evidencing the existing holding. No transfer of title to a Bond will be valid unless and until entered on the Register.

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

**(c) Delivery of New Certificates**

Each new Certificate to be issued upon transfer of Bonds pursuant to Condition 3(b) shall be made available for delivery within seven business days (as defined below) of receipt of a duly completed form of transfer, surrender of the existing Certificate(s) and provision of any other evidence required by the Registrar or the relevant Transfer Agent as provided in Condition 3(b). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Certificate and evidence shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise in writing and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify.

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

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

**(d) Formalities Free of Charge**

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

**(e) Closed Periods**

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

**(f) Regulations**

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds (the “**Regulations**”), the initial form of which is scheduled to the Agency Agreement. The Regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar, with the prior written approval of the Trustee. A copy of the current Regulations will be made available for inspection by the Registrar to any Bondholder who requests one in writing and upon satisfactory proof of holding and identity.

## 4 COVENANTS

### (a) Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and the Guarantor will ensure that none of its Subsidiaries (other than a Listed Subsidiary) will, create, or have outstanding, any mortgage, charge, lien, pledge or other security interest upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds (i) the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or (ii) such other security or other arrangement as either (x) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Bondholders or (y) shall be approved by an Extraordinary Resolution of the Bondholders.

### (b) SAFE Registration and Compliance with PRC Laws

The Guarantor shall (i) within 15 Registration Business Days after the Issue Date submit the relevant documents for the registration of the Deed of Guarantee with the local branch of the State Administration of Foreign Exchange of the PRC (“SAFE”) in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 and its operating guidelines issued by SAFE (the “SAFE Registration”), (ii) use its best endeavours to complete the SAFE Registration and obtain a registration record from SAFE on or before the Registration Deadline and (iii) comply with all applicable PRC laws and regulations in relation to the Bonds and the Guarantee, including but not limited to the NDRC Administrative Measures (as defined below).

### (c) Undertakings relating to NDRC Post-Issue Filing

The Guarantor undertakes that it will within ten Registration Business Days after the Issue Date file with the National Development and Reform Commission of the PRC (the “NDRC”, which for the purposes of this undertaking shall include any relevant local branch thereof) the requisite information and documents in respect of the issue of the Bonds (the “NDRC Post-Issue Filing”) in accordance with the Administrative Measures for the Examination and Registration of Medium- and Long-term Foreign Debts of Enterprises (NDRC Order No. 56) (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 which came into effect on 10 February 2023 and any related implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time (the “NDRC Administrative Measures”).

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

The Guarantor shall within 10 Registration Business Days after each of (i) the receipt of the registration certificate from SAFE (or any other document evidencing the completion of the SAFE Registration) and (ii) the submission of the NDRC Post-Issue Filing (provided each such date falls before the Registration Deadline), provide the Trustee with (aa) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Guarantor confirming the completion of the SAFE Registration or the submission of the NDRC Post-Issue Filing, as the case may be, and (bb) copies of the relevant documents evidencing the completion of the SAFE Registration or the due submission of the NDRC Post-Issue Filing, as the case may be, each certified in English as a true and complete copy of the original by an Authorised Signatory of the Guarantor (the items specified in (aa) and (bb) together, the “Registration Documents”).

The Issuer shall, within 10 Registration Business Days after the Registration Documents are delivered to the Trustee, give notice to the Bondholders (in accordance with Condition 16) confirming the completion of the SAFE Registration or the submission of the NDRC Post-Issue Filing. Neither the Trustee nor any of the Agents shall have any obligation or duty to monitor

or ensure that the NDRC Post-issue Filing is submitted or the SAFE Registration is completed on or before the Registration Deadline, or to translate or procure the translation into English of any such document which is in the Chinese language, or to give notice to the Bondholders confirming the submission or completion of the NDRC Post-issue Filing or SAFE Registration, and shall not be liable to the Bondholders or any other person for not doing so. The Trustee and the Agents may rely on the Registration Documents conclusively without liability to any Bondholder or any other person for the accuracy, validity and/or genuineness of any matters or facts stated therein.

**(e) Financial Information**

So long as any Bond remains outstanding (as defined in the Trust Deed), the Guarantor will furnish the Trustee with (i) a copy of the Audited Financial Reports within 150 days of the end of each Relevant Period prepared in accordance with PRC GAAP and audited by an internationally or nationally recognised firm of independent accountants; and (ii) a copy of the Unaudited Financial Reports within 90 days of the end of each Relevant Period prepared on a basis consistent with the Audited Financial Reports; and if such statements shall be in the Chinese language, together with an English translation of the same translated by (aa) an internationally or nationally recognised firm of independent accountants or (bb) a professional translation service provider and checked by an internationally or nationally recognised firm of independent accountants, together with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate (on each of which the Trustee may conclusively rely without liability to any Bondholder or any other person).

**(f) Compliance Certificate**

Each of the Issuer and the Guarantor shall send a Compliance Certificate (on which the Trustee may conclusively rely without liability to any Bondholder or any other person as to such compliance) to the Trustee (i) at the same time as the Audited Financial Reports are provided pursuant to Condition 4(e) and (ii) within 14 days of any written request by the Trustee.

**(g) Definitions**

In these Conditions:

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

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

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

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

- (ii) the Issuer or the Guarantor (as the case may be) has complied with all its respective obligations under the Trust Deed, the Bonds and (in the case of the Guarantor only) the Deed of Guarantee or, in the event of any non-compliance, giving details of it;

“**Listed Subsidiary**” means, at any time, any Subsidiary of the Guarantor the ordinary voting shares of which are at such time listed on The Stock Exchange of Hong Kong Limited, the Shanghai Stock Exchange or any nationally or internationally recognised stock exchange;

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China;

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

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

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

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

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

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

“**Relevant Indebtedness**” means any indebtedness incurred outside the PRC which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

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

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

“**Unaudited Financial Reports**” means the semi-annual unaudited consolidated balance sheet, consolidated income statement, consolidated statement of cash flows and consolidated statements of changes in owners’ equity of the Guarantor together with any statements, reports (including any directors’ and auditors’ review reports, if any) and notes attached to or intended to be read with any of them, if any; and

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

## 5 INTEREST

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 6.10 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.\$30.50 per Calculation Amount (as defined below) on 15 April and 15 October in each year (each an “**Interest Payment Date**”), commencing on 15 October 2024.

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate evidencing such Bond, payment of principal or premium (if any) is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holders, and (ii) the day falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders in accordance with Condition 16 of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

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

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

## 6 REDEMPTION AND PURCHASE

### (a) Final Redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 15 April 2027 (the “**Maturity Date**”). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

### (b) Redemption for Taxation Reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice (a “**Tax Redemption Notice**”), which shall specify the date for redemption, in accordance with Condition 16 (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at 100 per cent. of their principal amount (together with any interest accrued to (but excluding) the date fixed for redemption) if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands, the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 9 April 2024, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor, as the case may be, would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due.

Prior to the giving of any Tax Redemption Notice pursuant to this Condition 6(b), the Issuer or the Guarantor, as the case may be, shall deliver to the Trustee (A) a certificate in English signed by an Authorised Signatory of the Issuer or the Guarantor, as the case may be, stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer or the Guarantor, as the case may be, taking reasonable measures available to it, and (B) an opinion, in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer or the Guarantor, as the case may be, has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment. The Trustee and the Agents shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence (without further investigation or query and without liability to the Bondholders or any other person) of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(b), in which event they shall be conclusive and binding on the Bondholders.

**(c) Redemption for Relevant Events**

Following the occurrence of a Relevant Event, the holder of any Bond will have the right (the “**Relevant Event Put Right**”), at such holder’s option, to require the Issuer to redeem all, but not some only, of such holder’s Bonds on the Put Settlement Date (as defined below) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a Non-Registration Event) of their principal amount, together in each case with accrued interest up to (but excluding) the relevant Put Settlement Date. To exercise such right, the holder of the relevant Bond must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a “**Put Exercise Notice**”), together with the Certificate evidencing the Bonds to be redeemed, (i) by not later than 30 days following a Relevant Event (the “**Initial Exercise Period**”), or, (ii) if later, within 30 days following the date upon which notice of the Relevant Event is given to Bondholders by the Issuer as specified below (the “**Substituted Exercise Period**”). A Put Exercise Notice, once delivered, shall be irrevocable.

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

Not later than 14 days (in the case of a Change of Control) or five days (in the case of a Non-Registration Event) following the day on which the Issuer or the Guarantor becomes aware of a Relevant Event, the Issuer, failing which the Guarantor, shall procure that notice regarding such Relevant Event shall be delivered to the Trustee in writing and to the Bondholders (in accordance with Condition 16) stating:

- (i) the applicable Put Settlement Date;
- (ii) the date of the Relevant Event and, briefly, the events causing, as applicable, the Change of Control or Non-Registration Event;
- (iii) the date by which a Put Exercise Notice must be given;
- (iv) the redemption amount;
- (v) the names and addresses of all Paying Agents;
- (vi) the procedures that holders must follow and the requirements that holders must satisfy in order to exercise the Relevant Event Put Right; and
- (vii) that a Put Exercise Notice, once validly given, may not be withdrawn.

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

For the purpose of these Conditions:

- (A) a “**Change of Control**” occurs when:
- (i) the Government Entities together cease to hold or own, directly or indirectly, 100 per cent. of the issued share capital of the Guarantor; or
  - (ii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of its assets to one or more Persons other than any Government Entity; or
  - (iii) the Guarantor ceases to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer.
- (B) “**Control**” means (i) the ownership or control of more than 50 per cent. of the voting rights of the issued share capital of the relevant Person; or (ii) the right to appoint and/or remove all or the majority of the members of the relevant Person’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; the term “**Controlled**” has meanings correlative to the foregoing;
- (C) “**Government Entities**” means one or more of (i) the Jinan Innovation Zone SASAC, (ii) the Jinan Municipal Government, (iii) the People’s Government of Shandong Province, (iv) any Person directly or indirectly wholly-owned by the Jinan Municipal Government and/or the People’s Government of Shandong Province, and/or (v) any Person directly wholly-owned or Controlled by the Central People’s Government of the PRC (including but not limited to the Social Security Fund of the PRC);
- (D) “**Jinan Innovation Zone SASAC**” means the State-owned Assets Supervision and Administration Commission of the Jinan Hi-tech Industrial Development Zone of the PRC (濟南高新技術產業開發區國有資產管理委員會) or its successor;
- (E) “**Jinan Municipal Government**” means the People’s Government of Jinan City (濟南市人民政府) or its successor;
- (F) a “**Non-Registration Event**” occurs when the Registration Documents as set forth in Condition 4(d) are not received by the Trustee on or before the Registration Deadline;
- (G) a “**Person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include the Issuer’s or the Guarantor’s board of directors or any other governing board, as the case may be, and does not include the Issuer’s or the Guarantor’s wholly-owned direct or indirect Subsidiaries, as the case may be; and
- (H) a “**Relevant Event**” will be deemed to occur if there is a:
- (i) Non-Registration Event; or
  - (ii) Change of Control.

*So long as the Bonds are evidenced by the Global Certificate, a holder’s right to redemption of the Bonds due to a Relevant Event will be effected in accordance with the rules of the relevant clearing systems.*

**(d) Notice of Redemption**

All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date specified in the Tax Redemption Notice or, as the case may be, on the applicable Put Settlement Date. If there is more than one notice of redemption given in respect of any Bond (which shall include a Tax Redemption Notice given by the Issuer pursuant to Condition 6(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail. Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption and shall not be liable to Bondholders, the Issuer, the Guarantor or any other person for not doing so.

**(e) Purchase**

The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary prior to surrender to the Registrar for cancellation pursuant to Condition 6(f), shall not entitle the holder to vote at any meetings of the holders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quora at meetings of the holders or for the purposes of Condition 9, Condition 12(a) and Condition 13.

**(f) Cancellation**

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

**7 PAYMENTS**

**(a) Method of Payment**

- (i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Paying Agent if no further payment falls to be made in respect of the Bonds evidenced by such Certificates) in the manner provided in paragraph (ii) of this Condition 7(a).
- (ii) Interest on each Bond shall be paid to the holders at their registered accounts shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the “**Record Date**”). In these Conditions, the “**registered account**” of a Bondholder means the U.S. dollar account maintained by or on behalf of such holder with a bank that processes payments in U.S. dollars, details of which appear in the Register. Payments of interest on each Bond shall be made in U.S. dollars by electronic transfer to such registered account.
- (iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

*Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear, Clearstream or an Alternative Clearing System (as defined in the Trust Deed), each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive) except 1 January and 25 December.*

**(b) Payments subject to Fiscal Laws**

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

**(c) Payment Initiation**

Payment instructions (for value on the due date or, if that is not a 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 is not a Payment Business Day, the first following day which is a Payment Business Day, or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Paying Agent, on the first Payment Business Day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered. In this Condition 7, “**Payment Business Day**” means a day (other than a Saturday, a Sunday or a public holiday) on which banks and foreign exchange markets are generally open for business in New York City, Hong Kong and the place in which the specified office of the Principal Paying Agent is located. The holder shall not be entitled to payment earlier than the dates for payment specified in this paragraph.

**(d) Appointment of Agents**

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

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

**(e) Delay in Payment**

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

**8 TAXATION**

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

Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor within the PRC at a rate up to and including the aggregate rate applicable on 9 April 2024 (the “**Applicable Rate**”), the Issuer or the Guarantor, as the case may be, will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer or, as the case may be, the Guarantor is required to make a deduction or withholding by or within the PRC at a rate in excess of the Applicable Rate, or by or within the Cayman Islands, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts (“**Additional Tax Amounts**”) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond or the Guarantee, as the case may be:

- (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 having some connection with the Cayman Islands or the PRC other than the mere holding of the Bond; or
- (b) **Presentation or surrender more than 30 days after the Relevant Date:** in respect of which the Certificate evidencing it is presented or surrendered (where presentation or surrender is required) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on presenting or, as the case may be, surrendering the Certificate evidencing such Bond for payment on the last day of such period of 30 days.

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

In these Conditions, “**Relevant Date**” in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Bondholders in accordance with Condition 16 that, upon further presentation or, as the case may be, 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 presentation or surrender.

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

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, assessment, charge, withholding, deduction or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, or be responsible or liable for any failure by the Issuer, the Guarantor or the Bondholders or any other person to pay such tax, duty, assessment, charge, withholding, deduction or other payment or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in relation to the Bonds without deduction or withholding for or on account of any tax, duty, assessment, charge, withholding, deduction or other payment imposed by or in any jurisdiction.

## 9 EVENTS OF DEFAULT

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

- (a) **Non-Payment:** there has been a failure to pay (i) the principal of any of the Bonds when such amounts are due or (ii) any interest on any of the Bonds when such amounts are due and, in the case of interest, such default continues for a period of seven consecutive days; or
- (b) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of their respective obligations under the Bonds, the Deed of Guarantee or the Trust Deed (other than Condition 9(a) or where such default gives rise to a right of redemption pursuant to Condition 6(c)) and such default (i) is in the opinion of the Trustee incapable of remedy or, (ii) if in the opinion of the Trustee capable of remedy, is not remedied within 30 days after the Trustee has given written notice thereof to the Issuer and the Guarantor; or
- (c) **Cross-Default:** (i) any other present or future indebtedness of the Issuer, the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred in aggregate equals or exceeds U.S.\$30,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9(c) operates); or
- (d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or a material part of the property, assets or revenues of the Issuer, the Guarantor or any Material Subsidiary and is not discharged or stayed for a period of 45 days; or
- (e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any Material Subsidiary over all or a material part of the assets of the Issuer, the Guarantor or the relevant Material Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged within 45 days; or
- (f) **Insolvency:** (i) the Issuer, the Guarantor or any Material Subsidiary (aa) 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 as and when such debts fall due, (bb) stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, (cc) proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), (dd) proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of all or a material part of its debts, or (ii) a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Issuer, the Guarantor or any Material Subsidiary; or

- (g) **Winding-up:** an order of any court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution of the Issuer, the Guarantor or any Material Subsidiary (except for the voluntary solvent winding-up of any Material Subsidiary), or the Issuer, the Guarantor or any Material Subsidiary ceases or threatens to cease to carry on all or a substantial part of its business or operations, except for (i) the purpose of and followed by a voluntary and solvent winding-up, reconstruction, dissolution, amalgamation, reorganisation, merger or consolidation (aa) on terms approved by the Trustee acting on an Extraordinary Resolution, or (bb) in the case of a Material Subsidiary, whereby the undertaking and assets of such Material Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor or another Subsidiary of the Guarantor, or (ii) any disposal or sale of a Material Subsidiary to any other person on arms' length terms for market consideration where the assets (whether in cash or otherwise) resulting from such disposal are transferred to or otherwise vested in the Issuer, the Guarantor or another Subsidiary of the Guarantor; or
- (h) **Nationalisation:** any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer, the Guarantor or any Material Subsidiary; 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/or the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Trust Deed and the Deed of Guarantee, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Trust Deed and the Deed of Guarantee admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or
- (j) **Illegality:** it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of their respective obligations under any of the Bonds, the Trust Deed or the Deed of Guarantee; or
- (k) **Unenforceability of Guarantee:** except as permitted under the Trust Deed, any of the Guarantor's obligations under the Guarantee is unenforceable, invalid or cease to be in full force and effect, or is claimed to be unenforceable, invalid or not in full force and effect by the Guarantor; or
- (l) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 9(d) to 9(h) (both inclusive).

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

- (A) whose operating revenue (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries), net profits (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) or total assets (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) represents not less than five per cent. of the consolidated operating revenue, consolidated net profits or, as the case may be, consolidated total assets of the Guarantor and its consolidated Subsidiaries taken as a whole, all as calculated respectively by reference to the latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest Audited Financial Reports, provided that:
  - (I) in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated financial statements of the Guarantor relate for the purpose of applying each of the foregoing tests, the reference to the latest audited consolidated financial statements of the Guarantor shall be deemed to be a reference to such audited financial statements adjusted as if such Subsidiary had been shown therein by reference to its then latest relevant audited financial statements;
  - (II) if at any relevant time in relation to the Guarantor or any Subsidiary no financial statements are prepared and audited, its operating revenue, net profits and total assets (consolidated, if applicable) shall be determined on the basis of pro forma financial statements (consolidated, if applicable) prepared for this purpose by the Guarantor; and

- (III) if the financial statements of any Subsidiary (not being a Subsidiary referred to in proviso (I) above of this definition) are not consolidated with those of the Guarantor, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on a pro forma consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements (determined on the basis of the foregoing) of the Guarantor prepared for this purpose by the Guarantor; or
- (B) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon (i) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary; and (ii) the transferee Subsidiary shall immediately become a Material Subsidiary, provided that on or after the date on which the relevant audited financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of sub-paragraph (A) above of this definition.

A certificate in English signed by an Authorised Signatory of the Guarantor confirming that a Subsidiary is or is not, or was or was not at any particular time, a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

## **10 PRESCRIPTION**

Claims against the Issuer or the Guarantor for payment in respect of the Bonds or the Guarantee 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 the relevant Bonds.

## **11 REPLACEMENT OF CERTIFICATES**

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

## **12 MEETINGS OF BONDHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND ENTITLEMENT OF TRUSTEE**

### **(a) Meetings of Bondholders**

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any of the provisions of the Trust Deed, the Deed of Guarantee or the Agency Agreement. Such a meeting may be convened by the Trustee, the Issuer or the Guarantor, and shall be convened by the Trustee upon request in writing from Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed) and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed), or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented unless the business of such meeting includes the modification or abrogation of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed (each, a “**Reserved Matter**”), including consideration of proposals, inter alia, (i) to modify the Maturity Date or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions

concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or terminate the Deed of Guarantee (subject to Condition 12(b)) in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 75 per cent., or at any such meeting adjourned for lack of quorum not less than 25 per cent., in aggregate principal amount of the Bonds then outstanding (as defined in the Trust Deed). Any Extraordinary Resolution duly passed shall be binding on Bondholders, whether or not they were present at the meeting at which such resolution was passed.

The Trust Deed provides that (i) a resolution in writing signed or (ii) consent given by way of electronic consents through the relevant clearing system(s), in either case, by or on behalf of the Bondholders of not less than 90 per cent. in principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed) shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

**(b) Modification, Waiver and Authorisation**

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

**(c) Entitlement of the Trustee**

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

**13 ENFORCEMENT**

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

## **14 INDEMNIFICATION ETC. OF THE TRUSTEE AND AGENTS**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce payment unless first indemnified and/or secured and/or pre-funded to its satisfaction and for the Trustee to be paid or reimbursed for any fees, costs, expenses or liabilities in priority to the claims of Bondholders. The Trustee and the Agents are entitled to enter into business transactions with the Issuer, the Guarantor and/or any entity related to the Issuer or the Guarantor without accounting for any profit.

The Trustee and the Agents shall have no obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or these Conditions, or ascertain whether an Event of Default or a Potential Event of Default or a Relevant Event has occurred, and shall not be liable to the Bondholders or any other person for not doing so.

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

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

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

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and the Guarantor, and the Trustee shall not at any time have any responsibility for the same and each Bondholder shall not rely on the Trustee in respect thereof.

## **15 FURTHER ISSUES**

The Issuer is at liberty from time to time without the consent of the Bondholders to create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date, the first payment of interest on them and the timing for completing the SAFE Registration and the NDRC Post-Issue Filing and the making of the consequent notifications thereof) and so that the same shall be consolidated and form a single series with the outstanding Bonds. Any further bonds which are to form a single series with the outstanding Bonds shall be constituted by a deed supplemental to the Trust Deed and be guaranteed by the Guarantor pursuant to a deed supplemental to the Deed of Guarantee or an additional deed of guarantee.

## 16 NOTICES

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

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

## 17 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds, the Deed of Guarantee or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 except to the extent (if any) provided for in these Conditions, the Deed of Guarantee or the Trust Deed.

## 18 GOVERNING LAW AND JURISDICTION

### (a) Governing Law

The Trust Deed, the Deed of Guarantee, the Agency Agreement and the Bonds and any issues or disputes arising out of or in connection with them (whether such disputes are contractual or non-contractual in nature, such as claims in tort, for breach of statute or regulation or otherwise) are governed by, and shall be construed in accordance with, English law.

### (b) Jurisdiction

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

### (c) Agent for Service of Process

Each of the Issuer and the Guarantor has irrevocably appointed JINAN HI-TECH INTERNATIONAL (HK) INVESTMENT DEVELOPMENT CO., LIMITED 濟高國際(香港)投資發展有限公司 (“**Jinan Hi-tech International**”) at Unit 08, 15/F, Witty Commercial Building, 1A-1L Tung Choi Street, Kowloon, Hong Kong to receive service of process in any Proceedings in Hong Kong. Such service shall be deemed completed on delivery to Jinan Hi-tech International (whether or not it is forwarded to and received by the Issuer or the Guarantor, as the case may be). If for any reason Jinan Hi-tech International ceases to be able to act as such or no longer has an address in Hong Kong, each of the Issuer and the Guarantor has, in the Trust Deed and the Agency Agreement, and the Guarantor has in the Deed of Guarantee, irrevocably agreed to forthwith appoint a substitute process agent in Hong Kong and deliver to the Trustee a copy of the agent’s acceptance of that appointment within 30 days of such cessation, failing which the Trustee shall be entitled to appoint (at the expense of the Issuer or the Guarantor) such a person by notice to the Issuer and the Guarantor. Nothing shall affect the right to serve process in any manner permitted by law.

**(d) Waiver of Immunity**

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

## THE GUARANTEE

The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. Its obligations in that respect are contained in the Deed of Guarantee to be dated 15 April 2024.

Pursuant to the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the “**Foreign Exchange Cross-Border Guarantee Rules**”) and its operating guidelines issued by SAFE (the “**SAFE Guidelines**”), all proceeds raised outside the PRC by the Issuer under the Bonds (which are guaranteed by the Guarantor) may only be used for the relevant expenditures within the normal scope of business of the Issuer, and may not be used to support the Issuer in engaging in transactions beyond the normal scope of business, or conducting arbitrage activities through fabricating trade backgrounds, or engaging in speculative trading in other forms.

The Guarantor is required to register the Guarantee with SAFE in accordance with the Foreign Exchange Cross-Border Guarantee Rules and the SAFE Guidelines. Local courts in different cities and regions in China may adopt inconsistent interpretations on the impact on the enforceability of cross-border guarantees that are not registered. According to the Interim Measures for the Administration of Foreign Debt (外債管理暫行辦法), if a domestic institution fails to perform the prescribed approval procedures or fails to register as required when borrowing foreign debt or providing external guarantees, the loan contract or guarantee contract it has signed with foreign parties shall not be legally binding. Although completion of the SAFE registration is not a prerequisite for the effectiveness or validity of the Guarantee according to the SAFE Circular 29, SAFE may impose penalties on the Guarantor if the Guarantor fails to complete the SAFE Registration (as defined below). Further, there may be hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of SAFE Registration (as defined below) in connection with the Guarantee in order to effect such remittance. The Guarantor undertakes to (i) within 15 Registration Business Days after the Issue Date submit the relevant documents for the registration of the Deed of Guarantee with the local branch of SAFE in accordance with the Foreign Exchange Cross-Border Guarantee Rules and the SAFE Guidelines (the “**SAFE Registration**”), (ii) use its best endeavours to complete the SAFE Registration and obtain a registration record from SAFE on or before the Registration Deadline (the day falling 90 Registration Business Days after the Issue Date) and (iii) comply with all applicable PRC laws and regulations in relation to the Bonds and the Guarantee. If the registration is not completed on or before the Registration Deadline, each Bondholder will have the right to require the Issuer to redeem all of that holder’s Bonds and will need to rely on the Issuer to source sufficient U.S. dollars to fully discharge the Issuer’s obligations under the Bonds. See “*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Events*” and “*Risk Factors – Risks Relating to the Bonds and the Guarantee – There may be logistical hurdles for cross-border payment under the Guarantee if registration of the Guarantee is not completed within the prescribed timeframe*”. Prior to the performance or discharge of its obligations under the Guarantee, the Guarantor is also required to complete a verification process with banks for each remittance under the Guarantee.

On 26 January 2017, SAFE issued the Circular on Further Promoting the Reform of Foreign Exchange Administration and Improving the Genuineness and Compliance Review and Verification Process (關於進一步推進外匯管理改革完善真實合規性審核的通知) (“**SAFE Circular 3**”), which took into effect on the same day. Pursuant to this SAFE Circular 3, proceeds raised offshore under a “Neibaowaidai” (內保外貸) structure are generally allowed to be directly or indirectly repatriated to the PRC by means of loans or equity investments. However, the use of proceeds raised offshore under a “Neibaowaidai” (內保外貸) structure remains subject to certain restrictions, the application or exception of which is subject to SAFE’s discretion on a case by case basis. See “*PRC Regulations – Major Laws and Regulations – SAFE Registration in relation to Cross-Border Security*”.

## SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

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

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

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

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

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

Whenever the Global Certificate is to be exchanged for definitive Certificates, such definitive Certificates shall be issued in an aggregate principal amount equal to the principal amount of the Global Certificate. Such exchange will be effected in accordance with the provisions of the Trust Deed, the Agency Agreement and the regulations concerning the transfer and registration of the Bonds scheduled thereto and, in particular, shall be effected without charge to any holder of the Bonds or the Trustee, but against such indemnity as the Registrar may require in respect of any tax or other governmental charges which may be imposed in connection with such exchange.

The Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar with a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

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

### PAYMENT

Each payment made in respect of the Global Certificate will be made to, or to the order of, the person shown as the holder of the Bonds in the Register at the close of business (of the relevant clearing system) on the Clearing System Business Day immediately prior to the due date for such payments, where “**Clearing System Business Day**” means Monday to Friday, inclusive except 1 January and 25 December.

### NOTICES

Notices to holders of the Bonds evidenced by the Global Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream or (as the case may be) such Alternative Clearing System.

### MEETINGS

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

## **BONDHOLDER'S REDEMPTION OPTION**

The Bondholder's redemption option in Condition 6(c) (*Redemption for Relevant Events*) of the Conditions may be exercised by the holder of the Global Certificate giving written notice to the Principal Paying Agent specifying the principal amount of Bonds in respect of which the option is being exercised within the period specified in the Conditions.

## **TRANSFERS**

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

## **CANCELLATION**

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

## **AUTHENTICATION**

The Global Certificate shall not become valid for any purpose until it has been authenticated for and on behalf of the Registrar.

## **USE OF PROCEEDS**

The gross proceeds from the offering of the Bonds will be U.S.\$180 million. After deducting commissions, fees and other estimated expenses payable in connection with the offering of the Bonds, such proceeds will be applied to the repayment of the Issuer's medium- and long-term offshore bonds due within one year, funding construction projects and general working capital.

## CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated total indebtedness (both short-term and long-term portions), total shareholders' equity and total capitalisation of the Group as at 30 June 2023:

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

The information below should be read in conjunction with the Reviewed Financial Statements and the notes to those statements included elsewhere in this Offering Circular.

	As at 30 June 2023			
	Actual		As adjusted	
	<i>(RMB'000)</i>	<i>(U.S.\$'000)<sup>(1)</sup></i>	<i>(RMB'000)</i>	<i>(U.S.\$'000)<sup>(1)</sup></i>
<b>Short-term indebtedness:</b>				
Short-term loans . . . . .	4,205,453.8	579,958.6	4,205,453.8	579,958.6
Non-current liabilities due within one year . . . . .	20,573,709.2	2,837,244.2	20,573,709.2	2,837,244.2
<b>Total short-term indebtedness . . . . .</b>	<b>24,779,163.0</b>	<b>3,417,202.8</b>	<b>24,779,163.0</b>	<b>3,417,202.8</b>
<b>Long-term indebtedness:</b>				
Long-term loans . . . . .	6,352,663.3	876,072.3	6,352,663.3	876,072.3
Bonds payable . . . . .	23,637,740.0	3,259,793.4	23,637,740.0	3,259,793.4
Long-term payables . . . . .	4,821,072.9	664,856.4	4,821,072.9	664,856.4
Bonds to be issued <sup>(2)</sup> . . . . .	–	–	1,305,234.0	180,000.0
<b>Total long-term indebtedness . . . . .</b>	<b>34,811,476.2</b>	<b>4,800,722.1</b>	<b>36,116,710.2</b>	<b>4,980,722.1</b>
<b>Total indebtedness<sup>(3)</sup> . . . . .</b>	<b>59,590,639.2</b>	<b>8,217,925.0</b>	<b>60,895,873.2</b>	<b>8,397,924.9</b>
<b>Total shareholders' equity . . . . .</b>	<b>31,467,621.8</b>	<b>4,339,583.5</b>	<b>31,467,621.8</b>	<b>4,339,583.5</b>
<b>Total capitalisation<sup>(4)</sup> . . . . .</b>	<b>91,058,261.0</b>	<b>12,557,508.4</b>	<b>92,363,495.0</b>	<b>12,737,508.4</b>

*Notes:*

- (1) Unless otherwise specified, this amount has been translated into U.S. dollars for convenience purposes at a rate of RMB7.2513 to U.S.\$1.00 (the noon buying rate in New York City on 30 June 2023 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York).
- (2) Refers to the aggregate principal amount of the Bonds before deducting the commissions, fees and other estimated expenses payable in connection with the offering of the Bonds. This amount has been translated into Renminbi for convenience purposes at a rate of RMB7.2513 to U.S.\$1.00 (the noon buying rate in New York City on 30 June 2023 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York).
- (3) Total indebtedness equals the sum of total short-term indebtedness and total long-term indebtedness.
- (4) Total capitalisation represents the sum of total indebtedness and total shareholders' equity.

Except as otherwise disclosed in this Offering Circular, there has been no material adverse change in the consolidated total capitalisation and total indebtedness of the Group since 30 June 2023.

## DESCRIPTION OF THE ISSUER

### FORMATION

JINAN HI-TECH INTERNATIONAL (CAYMAN) INVESTMENT DEVELOPMENT CO., LIMITED 濟高國際(开曼)投資發展有限公司 is an exempted company incorporated with limited liability under the Companies Act (As Revised) of the Cayman Islands (Company Number: 367685). It was incorporated in the Cayman Islands on 4 November 2020 as a special purpose vehicle. Its registered office is situated at the offices of Osiris International Cayman Limited, P.O. Box 32311, Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, KY1-1209, Cayman Islands.

The Issuer is a special purpose vehicle indirectly wholly owned by the Guarantor. The Issuer has no subsidiaries.

### BUSINESS ACTIVITIES

The Issuer was established with unrestricted objects as set out in its memorandum of association and the Issuer has full power and authority to carry out any object not prohibited by law. The Issuer does not sell any products or provide any services and it has undertaken no business activities since the date of its incorporation, other than those activities incidental to its incorporation and establishment, those incidental to the authorisation, execution and issue of the Bonds, the authorisation, execution and issue of U.S.\$170,000,000 2.50 per cent. guaranteed bonds due 2024 on 23 June 2021, U.S.\$200,000,000 6.95 per cent. guaranteed bonds due 2025 on 14 November 2022, U.S.\$280,000,000 7.40 per cent. guaranteed bonds due 2026 on 27 October 2023 and the documents and matters which are incidental or ancillary to the foregoing.

### FINANCIAL STATEMENTS

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

### DIRECTORS AND OFFICERS

The Directors of the Issuer are Chengdong Wang and Yunguo Zheng. The Issuer does not have any employees.

### SHARE CAPITAL

Under its memorandum of association the Issuer has an authorised share capital of U.S.\$10,000 divided into 10,000 shares of a par value of U.S.\$1.00 each. The register of members of the Issuer is maintained at its registered office in the Osiris International Cayman Limited, P.O. Box 32311, Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, KY1-1209, Cayman Islands. No part of the equity securities of the Issuer is listed or dealt in on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

Save as disclosed above, as at the date of this Offering Circular, the Issuer does not have any other debt outstanding.

## DESCRIPTION OF THE GROUP

### OVERVIEW

The Group was established in 2001 and is the primary entity for the infrastructure development of Jinan Innovation Zone. Jinan Innovation Zone is a national level high-tech development zone and was authorised and established by the State Council of the PRC in 1991. The Group is wholly owned by Jinan Innovation Zone SASAC, an agency under Jinan SASAC, which in turn is the local counterpart of SASAC. The Group is a key facilitator of Jinan Innovation Zone Committee's plan for infrastructure construction in Jinan Innovation Zone.

Jinan Innovation Zone is strategically located in Jinan, Shandong Province, an important transportation hub and logistics centre in the PRC. Jinan is at the intersection of the Qingdao – Jinan Railway (膠濟鐵路) and the Beijing – Shanghai Railway (京滬鐵路), which connect Jinan with Beijing, Shanghai, Tianjin, Nanjing and Qingdao (a key port city in Shandong Province). Since its establishment in 2001, the Group believes it has grown with the economic development of Jinan and has developed a diversified business portfolio, implemented Jinan Innovation Zone Committee's plan and completed a large number of infrastructure and construction projects.

The Group operates and manages the following business segments: (i) industrial park investment and operation, (ii) residential development, (iii) infrastructure development, (iv) primary land development, (v) IT hardware and services, (vi) other sales, and (vii) miscellaneous. Set forth below is a summary of each of these business segments:

- *Industrial park investment and operation:* The Group's industrial park investment and operation business segment in Jinan Innovation Zone consists of construction and development of industrial, scientific research and commercial facilities including office buildings, factories and industrial bases. As at the date of this Offering Circular, the Group had a total site area of completed construction of approximately 3.85 million square metres under its industrial park investment and operation business segment. For the years 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, revenue generated from the Group's industrial park investment and operation business segment was RMB1,064.2 million, RMB3,428.3 million, RMB3,996.1 million, RMB3,175.0 million and RMB1,138.7 million, respectively, representing 15.2 per cent., 34.0 per cent., 20.2 per cent., 36.2 per cent. and 15.8 per cent., respectively, of the Group's revenue for the same periods.
- *Residential development:* The Group's residential development business segment in Jinan Innovation Zone consists of the construction of residential projects for the employees of companies operating in and other residents of Jinan Innovation Zone. This business segment complements the Group's industrial park investment and operation business segment. As at the date of this Offering Circular, the Group had completed construction of residential projects with a total construction area of approximately 3.14 million square metres. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, revenue generated from the Group's residential development business segment was RMB1,108.6 million, RMB348.7 million, RMB3,637.6 million, RMB78.8 million and RMB1,435.9 million, respectively, representing 15.8 per cent., 3.5 per cent., 18.4 per cent., 0.9 per cent. and 20.0 per cent., respectively, of the Group's revenue for the same periods.
- *Infrastructure development:* Under its infrastructure development business segment, the Group develops infrastructure projects and provides ancillary services for communities in Jinan Innovation Zone, including construction of water supply and waste water treatment projects; property leasing and management; media publishing and, to a lesser extent, providing guarantee and factoring services. In supporting its infrastructure development business segment, the Group operates a small loan business through its subsidiary, Dongfang Small Loan (as defined below). Dongfang Small Loan was established in 2011, following which got listed on National Equities Exchange and Quotations in 2015 (Code: 834339) and delisted in 2021. Dongfang Small Loan mainly grants loans to medium, small and micro enterprises, individual industrial and commercial entities and farmers upon its review, which is carried out according to internal audit standards. As at 30 June 2023, the Group's small loan business had three outstanding loans, the aggregate value of which was RMB35.0 million. For the years ended 31

December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, revenue generated from the Group's infrastructure development business segment was RMB283.5 million, RMB688.1 million, RMB625.0 million, RMB315.2 million and RMB431.1 million, respectively, representing 4.0 per cent., 6.8 per cent., 3.2 per cent., 3.6 per cent. and 6.0 per cent., respectively, of the Group's revenue for the same periods.

- *Primary land development:* Under its primary land development business segment, the Group conducts land consolidation and implements Jinan Innovation Zone Committee's urbanisation plans. As at the date of this Offering Circular, the Group had completed primary development of land in Jinan Innovation Zone with a total site area of approximately 1121.0 mu (equivalent to 747,317.1 square metres). For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, revenue generated from the Group's primary land development business segment was RMB2,221.2 million, RMB481.0 million, RMB84.2 million, RMB50.4 million and RMB20.9 million, respectively, representing 31.7 per cent., 4.8 per cent., 0.4 per cent., 0.6 per cent. and 0.3 per cent., respectively, of the Group's revenue for the same periods.
- *IT hardware and services:* In 2013, the Group acquired an equity interest in Shandong SinoChip. As at the date of this Offering Circular, the Group held 56.67 per cent. equity interest in Shandong SinoChip. Through this subsidiary, the Group operates its IT hardware and services business segment. The Group is primarily engaged in the testing, development, design, manufacturing, packaging and sale of integrated circuits with ultra-high speed interface and large data storage capability. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, revenue generated from the Group's IT hardware and services business segment was RMB66.4 million, RMB100.0 million, RMB111.6 million, RMB90.0 million and RMB22.2 million, respectively, representing 1.0 per cent., 1.0 per cent., 0.6 per cent., 1.0 per cent. and 0.3 per cent., respectively, of the Group's revenue for the same periods.
- *Other sales:* In 2020, the Group commenced its other sales business segment. The Group operates this business segment through its subsidiary Jigao Investment. As at the date of this Offering Circular, the Group held 100.0 per cent. equity interest in Jigao Investment. In October 2021, the Group acquired 5.0 per cent. equity interest in Yulong, aiming to expand this business segment. As at the date of this Offering Circular, the Group holds an aggregate of 29.0 per cent. equity interest in Yulong. Revenue generated from this business segment is primarily due to sales of coal, ferrous metal ore, ethylene glycol, agricultural products, chemicals, natural rubber, crude oil and other products. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, revenue generated from the Group's other sales business segment was RMB1,775.0 million, RMB4,958.5 million, RMB11,169.9 million, RMB5,006.1 million and RMB4,119.7 million, respectively, representing 25.3 per cent., 49.2 per cent., 56.6 per cent., 57.0 per cent. and 57.3 per cent. of the Group's revenue for the same period, respectively.
- *Miscellaneous:* Revenue generated from this business segment is primarily due to material sales, real estate sales, and brand royalties. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, revenue generated from the Group's miscellaneous business segment was RMB492.3 million, RMB83.6 million, RMB110.1 million, RMB62.0 million and RMB26.3 million, respectively, representing 7.0 per cent., 0.8 per cent., 0.6 per cent., 0.7 per cent. and 0.4 per cent., respectively, of the Group's revenue for the same periods.

The Group funds its business operations primarily with capital from its operations and investments, bank loans, and issue of debt securities in the PRC capital markets and offshore capital markets.

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the Group's revenue was RMB7,011.2 million, RMB10,088.1 million, RMB19,734.6 million, RMB8,777.5 million and RMB7,194.8 million, respectively. During the same periods, the Group's total profit was RMB373.7 million, RMB358.6 million, RMB606.8 million, RMB194.8 million and RMB421.1 million, respectively. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group's total assets were RMB83,626.6 million, RMB94,195.8 million, RMB101,986.4 million and RMB104,803.8 million, respectively.

## COMPETITIVE STRENGTHS

### **Sole directly-supervised state-owned enterprise for development, construction and operation of industrial parks in Jinan Innovation Zone, enjoying impeccable strategic position**

Jinan Innovation Zone Committee has established the following major management systems to develop Jinan Innovation Zone: (1) business attraction service system, (2) administrative management system, (3) social governance system and (4) financing development system.

The Group is the primary entity for the infrastructure development and public utility services of Jinan Innovation Zone and the exclusive state-owned entity for industrial park construction and development, as well as management and operation of state-owned assets in the industrial parks in Jinan Innovation Zone. The Group also operates as a public institution and plays a vital role in industrial finance. Since its establishment in 2001, the Group has successfully implemented Jinan Innovation Zone Committee's plan to develop land and construct infrastructure in Jinan Innovation Zone. As the top entity by asset size and institutional soundness in Jinan Innovation Zone, the Group is also known as the main constructor of infrastructure construction. As the most important investor and fundraiser for land consolidation in Jinan Innovation Zone, the Group is also the main driving force in the field of reconstructing the urban shanty area. The Group is dedicated to building Jinan Innovation Zone into a functional zone which can undertake projects, aggregate industries, and further open up and promote quality development. It has a unique position in Jinan, and undertakes capital intensive and large-scale projects. For example, the Group has completed or is currently undertaking construction of the following key projects:

- *Hanyu Jingu Project*: with a total construction area of 2.8 million square metres and a total investment of RMB19.8 billion, it is a regional science, technology and financial centre designated by the Shandong provincial government and Jinan municipal government;
- *Jinan Comprehensive Bonded Zone Airport Function Area*: this project is a national comprehensive bonded zone established by the Jinan municipal government;
- *Jinan Innovation Valley Incubator Project*: with a total construction area of 164,722 square metres, it is the first project in the innovation valley of Jinan Innovation Zone and an iconic building in western Jinan;
- *Budong Resettlement Area Phase I*: under this project, the Group has been conducting land consolidation and resettlement of four villages with a total construction area of 302,381 square metres;
- *Infrastructure and industrial construction for cross-border e-commerce project in the comprehensive insurance zone*: commence economic development and transform scientific management into social productivity in the relevant district;
- *Xin Zhuang Resettlement Area Phase II*: under this project, the Group conducted land consolidation and resettlement of six villages with a total construction area of 207,200 square metres;
- *Shandong Big Data Industry Base*: this project is a Shandong Provincial Key Project, and being positioned as an international big data collection and production base, as well as a R&D operation base and trading base for big data;
- *Shandong Industrial Technology Research Institute High-Tech Innovation Park Project*: with a total construction area of 572,500 square metres, this project involves the construction of workshops, apartments, a R&D headquarters and three R&D buildings;
- *China Calculation Valley Industrial Park Project*: located in the north of electrical appliances manufacturing industrial park, this project plays a leading role to promote and drive the high-tech development of the industry, and helps to develop the Shandong brand of "new generation of information technology industry"; and
- *Shuntai Plaza Smart Parking Project*: this project has advantageous geographical location, as it connects to various main roads of Jinan and has over 10 bus routes nearby.

The Group's full spectrum of business has contributed significantly to the development of Jinan Innovation Zone and achieved all-round coverage of businesses in the industrial parks therein, gathering numerous famous and key enterprises on the provincial level and some of the Top 500 companies globally.

The Group upholds the business philosophies of (i) “small management committee, big services and strong company” and (ii) “development and operation functions suitable to be performed in a market-oriented manner are uniformly undertaken by its operating companies”.

The Group enjoys an impeccable strategic position for the following reasons:

- *Being the major responsible party in public utility services:* In the segment of water supply, Jinan Dongquan Water Supply Co., Ltd. (濟南東泉供水有限公司), a wholly owned subsidiary of the Group, mainly engages in industrial and domestic water supply for public institutions and residents in the east of Jinan Innovation Zone. The company is a key provider of infrastructure services in the zone and undertakes important projects in Jinan’s infrastructure construction. Having settled in the east of Jinan Innovation Zone are mainly large and medium sized enterprises which are large consumers of industrial water, including Tsingtao Brewery Jinan Branch (青島啤酒廠(濟南)分公司), China Tobacco (國家菸草專賣局), China National Heavy Duty Truck Group Co., Ltd. (重汽集團), Youngman Automobile Group Co., Ltd. (青年汽車集團), Qingqi Peugeot Motorcycle Co., Ltd. (輕騎標緻汽車公司), FIN CNC Machine (法因數控機械股份有限公司), Geely Automobiles (吉利汽車), Tong Hsing Electronic (同欣電子), Inspur Group (浪潮集團), Xinhua Printing Co., Ltd. (新華印刷廠), Xinhua Media Co., Ltd. (新華傳媒), China CNR Corporation Limited (中國北車), Luneng Industrial Park (魯能工業園) and Hi Function Energy (紅帆能源). There are also domestic water users such as Sun Village Resettlement Housing Project (孫村安置房計劃), Wujia Village Resettlement Housing Project (武家安置房計劃), Dongzheng Village (東正村), Beixuma Village (北徐馬村), Tianjia Village (田家村) and Liuhai Village (劉海村).

In the segment of waste water treatment, the Guarantor has been granted concession for waste water treatment and has undertaken various projects. For details, see “– Business – Infrastructure Development – Project Description – Waste Water Treatment Projects” below.

- *Being the main driving force in the field of reconstructing the urban shanty area:* “Urban villages” as a historical product in the urbanisation process demonstrate both rural and urban features. Shanty area reconstruction is a significant project that concerns development and people’s livelihood. As an important step to propel the development of China’s urban house, the reconstruction project works improve in many aspects the harmonious development of economy and society. Given the increasingly tight per capita construction and supply in cities due to accelerating urbanisation and increasing urban population, rebuilding and developing urban villages can not only advance a city’s low income housing project and help improve the housing conditions of medium and low income households, but also facilitate the appropriate utilisation of some existing construction land, contributing to effective housing supply and healthy real estate industry development in the city.

Since the end of 2017, the Group has undertaken the construction in Jinan Innovation Zone’s shanty area reconstruction projects as commissioned by the government. To date, the Group’s ongoing reconstruction projects include Xinzhuang Resettlement Area Phase II, Budong Resettlement Area Phase I and Zhangjin Fifth Village Phase II, all of which have been listed on the Shandong Province’s shanty area reconstruction plan. These projects provide development space for the Life Science City and Smart Equipment City in the east part of Jinan Innovation Zone.

In terms of the operation model of the shanty area reconstructions projects, the Jinan Innovation Zone Committee, as the national land planning and construction administration bureau or office supervising the projects, designates the Jinan Innovation Zone Finance Bureau to arrange payments for services purchased by the government. The Jinan Innovation Zone Finance Bureau then makes timely payments to the project service purchaser under the government purchase agreement and relevant documents. The project service purchaser then enters into a government purchase agreement via government procurement process with the reconstruction undertaker (i.e. the Group), to whom the project service purchaser pays a sum of service fees under the government purchaser agreement. The fees paid by the project service purchaser for services within the service period have been arranged in the financial budget system in a centralised manner, and are included into the expenditure budget on an annual basis.

- *Being the main constructor of infrastructure:* The Group is the only wholly state-owned industrial park developer and constructor in Jinan Innovation Zone, in which it undertakes infrastructure construction projects. In recent years, the Group has built a batch of industry-leading infrastructure, developed a group of ancillary industries and formed a modern industrial cluster with closely interconnected upstream and downstream industries, setting a strong base for the zone’s industrial development.

For details of some of the infrastructure projects currently undertaken by the Group, see “– Business – Industrial Park Investment and Operation – Project Description – Current Projects” below.

### **Quality assets from the Jinan municipal government and Jinan Innovation Zone Committee**

In 2017, Jinan Innovation Zone Committee transferred 60.2 per cent. of its equity interest in Jinan Comprehensive Bonded Zone Development and Investment Group Co., Ltd. (濟南綜合保稅區開發投資集團有限公司), 20.0 per cent. of its equity interest in Jinan Dongrui Real Estate Co., Ltd. (濟南東瑞置業有限公司), 60.0 per cent. of its equity interest in Shandong Lianhe Technology Development Co., Ltd. (山東聯荷科技發展有限公司), 89.3 per cent. of its equity interest in Jinan Kexin Finance Guarantee Co., Ltd. (濟南科信融資擔保有限公司) and 43.3 per cent. of its equity interest in Jinan Sci-tech Venture Capital Co., Ltd. (濟南科技風險投資有限公司) to the Guarantor, at no consideration. In January 2018, Jinan Innovation Zone SASAC issued Document No. 6 [2018], pursuant to which it transferred 60.0 per cent. of its equity interest in Jinan Qilu Software Park Development Centre Co., Ltd. (濟南齊魯軟件園發展中心有限公司) to the Guarantor, at no consideration. In December 2019, Jinan Innovation Zone Committee issued Document No. 168 [2019], pursuant to which it transferred certain public rental housing assets in Jinan Innovation Zone to Jinan Hi-tech New Property Leasing Co., Ltd. (濟南高新房屋租賃有限公司). In May 2020, Jinan Innovation Zone Committee transferred 60.0 per cent. of equity interest in Jinan New Innovation and Entrepreneurship Service Co., Ltd. (濟南新創創業服務有限公司) to Jinan Comprehensive Bonded Zone Development and Investment Group Co., Ltd. (濟南綜合保稅區開發投資集團有限公司), and transferred 39.8 per cent. of equity interest in Jinan Comprehensive Bonded Zone Development and Investment Group Co., Ltd. (濟南綜合保稅區開發投資集團有限公司) to the Guarantor, at no consideration. Furthermore, in May 2020, Jinan Innovation Zone SASAC issued Document No. 6 [2020], pursuant to which it increased the Guarantor’s capital reserves by RMB200 million. As at 30 June 2021, Jinan Comprehensive Bonded Zone Development and Investment Group Co., Ltd. (濟南綜合保稅區開發投資集團有限公司) was wholly owned by the Guarantor. On 6 August 2021, Jinan Comprehensive Bonded Zone Development and Investment Group Co., Ltd. (濟南綜合保稅區開發投資集團有限公司) was renamed to Jinan Dongling Development Investment Development Co., Ltd. (濟南東瓊發展投資開發有限公司).

As a result of the aforementioned transfers and the transfer or planned transfer of certain other assets from the Jinan municipal government and Jinan Innovation Zone Committee to the Group, the Group holds quality assets which it expects will facilitate its development in the future. Set forth below are certain of these assets by type:

- *Property:* Jinan Qilu Software Park Development Centre (濟南齊魯軟件園發展中心); Jinan International Convention and Exhibition Centre (濟南國際會展中心); Environmental Technology Park (環保科技園); Jinan Medicine Valley (濟南藥谷); and Dinghao Plaza Hotel (丁豪廣場酒店);
- *Land:* 1,130 mu (equivalent to 753,333 square metres) of land reserves in the comprehensive insurance zone in Jinan Innovation Zone; 1,578 mu (equivalent to 1,052,000 square metres) of land reserves in the central district of Jinan Innovation Zone; 20,000 mu (equivalent to 13,333,333 square metres) of land in the eastern district of Jinan Innovation Zone; 9,430 mu (equivalent to 6,286,667 square metres) of land in the innovation valley of Jinan Innovation Zone; and 195,000 mu (equivalent to 130 million square metres) of land in the airport economic zone of Jinan Innovation Zone; and
- *Equity interest:* Qilu Bank Co., Ltd.; One Aqua Austrian Technology (山東華泰保爾水務農業裝備工程有限公司); Shandong SK Hi-tech Oil Co., Ltd. (山東SK高新石油有限公司); and Qilu Stock Trading Centre (齊魯股權交易中心).

### **Outstanding location with opportunities for growth**

Jinan Innovation Zone is strategically located in Jinan, Shandong Province, an important transportation hub and logistics centre in the PRC. Furthermore, in accordance with the “Outline of the Fourteenth Five-Year Plan for National Economic and Social Development of Jinan Innovation Zone” (濟南高新區國民經濟和社會發展第十四個五年規劃), Jinan Innovation Zone Committee will continue to focus on developing the strategic position of Jinan Innovation Zone, and the innovative industrial ecosystem and new industries focused on high-tech and cutting-edge technology in Jinan Innovation Zone.

## **Full services and diversified business portfolio and sources of revenue**

The Group's core business is industrial park investment and operation in Jinan Innovation Zone, under which the Group primarily constructs office buildings, factories, industrial base and infrastructure for industrial, research and development and commercial purposes. The Group operates and generates revenue from a diversified business portfolio of the following business segments based on the reform and development goals of Jinan Innovation Zone: (i) industrial park investment and operation, (ii) residential development, (iii) infrastructure development, (iv) primary land development, (v) IT hardware and services, (vi) other sales, and (vii) miscellaneous (which consists of the Group's material sales, real estate sales, and brand royalties). The Group believes that its diversified business portfolio will enable it to minimise the risk of relying on a single business segment and obtain more stable financial returns.

As the core business segment of the Group, the industrial park investment and operation covers the construction and development of office buildings, plants, industrial bases and other industrial, scientific research and commercial facilities within Jinan Innovation Zone. Along with the in-depth development of Jinan Innovation Zone, the Group's industrial park investment and operation segment has achieved revenue growth in both absolute value and percentage terms. The industrial park projects starting construction since 2018 include Hanyu Jingu, Shandong Big Data Industry Base, Knowledge Economy Headquarters Industrial Base, Inspur Industrial Park, China International ICT Innovation Cluster, Jinan Innovation Valley Incubator, and Import and Export Enterprises Service Centre of the Innovation Venture Base.

In terms of residential development, it is mainly operated through the Group's subsidiary, Jinan Dongtuo Real Estate Co., Ltd., primarily for employees of enterprises operating in the industrial parks and other residents of Jinan Innovation Zone. Due to strong housing demand from employees of the settling enterprises, the segment's revenue is relatively stable.

In terms of infrastructure development, it mainly includes water supply and waste water treatment, property leasing, management and consulting, media and publishing, and heat supply. The Group's water supply business is operated by Jinan Dongquan Water Supply Co., Ltd.; its waste water treatment business entrusted by the Guarantor, as approved by the Management Committee of Jinan Innovation Zone, to relevant institutions for construction and operation by the "Built-Operate-Transfer" or "Operation and Maintenance" model; and most of its property leasing and consulting business is operated by the Guarantor's head office.

In terms of primary land development, it is the Group's ancillary business for Jinan Innovation Zone's intensive land use, better planning and faster urbanisation. This segment includes resettlement house construction, and is operated mainly by the Guarantor's head office and subsidiaries which are responsible for the projects.

In terms of IT hardware and service, the Group has been conducting this business through Shandong SinoChip since its acquisition in 2013. The Group mainly engaged in the testing, development, design, manufacturing, packaging and sale of integrated circuits with ultra-high speed interface and large data storage capability.

In terms of other sales and miscellaneous, since the establishment of Jigao Investment by the Group in 2020 and the acquisition of 5.0 per cent. equity interest of Yulong in 2021, its revenue has mainly come from sales of coal, ferrous metal ores, ethylene glycol, agricultural products, chemicals, natural rubber, crude oil and other products.

## **Diversified sources of cash and balanced capital structure**

The Group has access to diversified sources of cash, generating stable cash flow to fund its projects. These sources include cash from its business operations (including industrial park investment and operation and land consolidation), government grants and subsidies, bank loans, issuance of bonds in the PRC capital markets and offshore capital markets and equity investments. Examples of sources of cash flow include:

- *Land consolidation:* By receiving land transfer revenue to cover upfront consolidation costs through the transfer of profit oriented land;
- *Subsidies:* By obtaining government subsidies through building industrial carriers such as incubators;
- *Industrial Park Operation:* By providing industrial infrastructure and maintaining stable operating cash flow through order-based development and operation;

- *Capital Operation:* By obtaining social capital through public private partnership and government's purchase services, etc., and carrying out dividend distribution for park development and investment promotion; and
- *Industrial Investment:* Taking other advanced park operation models as references, by investing in potential enterprises operating in Jinan Innovation Zone and cultivating unicorn enterprises to achieve high returns.

The Group has strived to maintain a balanced capital structure to control the risk of over-leveraging and to ensure financial stability. As at 30 June 2023, approximately 41.6 per cent. of the Group's total indebtedness (comprising short-term loans, non-current liabilities due within one year, long-term loans, bond payable and long-term payables) would become due within 12 months.

### **Sufficient capital from diversified sources of financing and unimpeded access to funds**

The Group has access to diversified financing channels to fund its projects, such as bank loans and issuance of debt securities in the PRC domestic capital markets and offshore capital markets. Furthermore, the Group has cultivated close relationships with a number of reputable commercial banks in the PRC, such as The State Development Bank of China, The Export-Import Bank of China, Bank of China, Industrial and Commercial Bank of China, Bank of Communications, China CITIC Bank, China Construction Bank, Agricultural Bank of China and Shanghai Pudong Development Bank. In addition, the Group has issued corporate bonds, short-term commercial papers and medium-term notes in the PRC capital markets and U.S. dollar denominated bonds in offshore capital markets to raise funds for its working capital. As at 30 June 2023, the Group had credit facilities in a total amount of RMB75.0 billion, of which RMB34.0 billion had not been used. As at 30 June 2023, 20.22 per cent., 8.74 per cent., 29.42 per cent., 18.04 per cent. and 23.58 per cent. of the Group's financing sources were bank loans, non-traditional financing methods, debt financing instruments, company debt securities and other debt issued, respectively. With its diverse sources of funding, the Group believes that it will continue to have access to sufficient capital to support its business operations. Examples of sources of funds include:

- *Direct financing:* Corporate bonds approved by NDRC, which open up offshore financing channels, including the issuance of an offshore bond due 2024 with an interest of 2.5 per cent. issued through a special purpose vehicle and guaranteed by the Guarantor, an offshore bond due 2024 with an interest of 2.8 per cent., an offshore bond due 2025 with an interest of 5.5 per cent., an offshore bond due 2025 with an interest of 6.95 per cent. issued through a special purpose vehicle and guaranteed by the Guarantor, an offshore bond due 2026 with an interest of 7.4 per cent. issued through a special purpose vehicle and guaranteed by the Guarantor, Medium Term Notes, short-term notes, ultra short-term commercial paper, principal protected notes, and perpetual bonds issued on National Association of Financial Market Institutional Investors; Corporate bonds listed on Shanghai and Shenzhen Stock Exchange;
- *Indirect financing:* Enjoying the advantages of long terms and low interest rate for loans offered by policy banks, seeking project loans and liquidity loans with long terms and low interest rate from commercial banks to fund the key construction projects and operating capital needs; and
- *Cooperation Funds:* The government may raise funds for specific projects. The Group may participate in municipal, educational, medical and other projects through coordination of public and private funds.

### **Sound, effective and rigorous corporate governance and internal control**

The Group has a sound corporate governance and internal control system. The Group's corporate governance is implemented by the board of directors, the board of supervisors and six departments undertaking different functions concerning the daily operations of the Group. The Group has an audit and supervision department, which is responsible for the establishment and implementation of the Group's audit system. In addition, the Group has established and implemented 11 other management systems, including financial management, project construction and data management, information disclosure management, investment management, subsidiary management, related party transaction management, external guarantee management system, financing management, budget management, internal audit, and engineering construction site and information management.

The Group's development plan and strategy, and financing and investment plan, are subject to approval by the Jinan Innovation Zone Committee, to whom the Group's key annual tasks must also be reported. The Group and its performance-based remunerations are evaluated regularly by authorities of Jinan

Innovation Zone according to the annual performance evaluation plan. The management of the Group periodically reports to the Jinan Innovation Zone Committee regarding the Group's major project decisions and arrangements as well as substantial capital operations. In terms of management appointment, the Group's chairman, Secretary of the Central Committee of the Chinese Communist Party and the management team are directly appointed by the Jinan Innovation Zone Committee, whereas the Secretary of Discipline Inspection Committee at the Group is appointed by Jinan Innovation Zone's Discipline Inspection Work Committee. The Group has set up the Discipline Inspection and Supervision Office to supervise its daily operation under rules on its management and supervision too.

#### **Dedicated senior management with extensive experience in government and state-owned enterprises**

The Group's senior management team and key operating personnel have numerous years of experience in the business the Group conducts, with strong experience in project management, finance and accounting, construction, operation and human resources management in various industries. A number of directors, supervisors and senior management have previously served as senior officials within various state-owned enterprises and government departments in Jinan. Their understanding of the regulatory framework and government policies helps the Group to develop its business. For further information, see "*Directors, Supervisors and Senior Management*". Under the sound leadership of its management team and leveraging on their past experience, the Group has successfully achieved its objectives over the years.

### **BUSINESS STRATEGIES**

#### **Focus on industrial park investment and operation and infrastructure development in Jinan Innovation Zone with a global vision**

The Group aims to continue to grow its core business of industrial park investment and operation and infrastructure development in Jinan Innovation Zone with a global vision and meet international market standards. As the primary entity for the development and construction of key projects in Jinan Innovation Zone, the Group will implement Jinan Innovation Zone Committee's strategic goals and development plans with the aim of creating a world-class science and technology park.

#### **Continue to expand the others sales business segment by adding new types of trading goods and implement a strategy for building its trading business in the PRC and abroad**

The Group aims to expand its other sales business segment to include the sale of metal ore, chemical products, agricultural products and other commodities in the future, and to conduct trading outside of the PRC through its offshore subsidiaries. The Group believes that this strategy lays a solid foundation for building its trading business in the PRC and abroad, with the potential for conducting investment and financing activities outside of the PRC.

#### **Transform and upgrade business with smart operation technologies**

The Group intends to transform and upgrade its business by adopting smart operation technologies. The Group strives to manage and operate industrial parks in Jinan Innovation Zone through smart operation technologies to build a future-ready business model.

#### **Internal and external synergistic development in Jinan Innovation Zone**

As it is located in Jinan, Shandong Province, an important transportation hub and logistics centre in the PRC, the Group aims to utilise the synergies generated from within and outside of Jinan Innovation Zone to build an urban industrial community with an industrial value chain and transform Jinan Innovation Zone into a world-class high-tech zone.

#### **Continue to optimise business operation and corporate structure**

The Group aims to optimise its business operation and corporate structure by focusing on its strategy of "Three ensure, two strive and one implementation" which is (i) to ensure major growth in total assets, operating income and market value of the listed companies controlled by the Group; (ii) strive to achieve major growth in operating income of the Group to enter the "Top 500 Chinese Enterprises"; and (iii) to build a well-known modern enterprise by realising the benefits of different capital structures of domestic listed enterprises and offshore listed enterprises, by the end of the 14th Five-Year Plan.

## RECENT DEVELOPMENTS

### Issue of debt instruments since 30 June 2023

Since 30 June 2023, the Group had successfully issued the following debt instruments:

- On 25 July 2023, the Group issued ultra short-term commercial paper due 2024 with a total principal amount of RMB1,000,000,000 and an interest rate of 2.68 per cent. per annum.
- On 2 August 2023, the Group issued medium term notes due 2026 with a total principal amount of RMB2,000,000,000 and an interest rate of 3.69 per cent. per annum.
- On 27 October 2023, the Group issued U.S.\$280,000,000 7.40 per cent. guaranteed bonds due 2026.
- On 9 November 2023, the Group issued non-public corporate bonds with a total principal amount of RMB730,000,000 and an interest rate of 3.35 per cent. per annum.
- On 9 November 2023, the Group issued ultra short-term commercial paper due 2024 with a total principal amount of RMB1,200,000,000 and an interest rate of 2.89 per cent. per annum.
- On 17 November 2023, the Group issued ultra short-term commercial paper due 2024 with a total principal amount of RMB1,200,000,000 and an interest rate of 2.83 per cent. per annum.
- On 22 November 2023, the Group issued medium term notes due 2025 with a total principal amount of RMB1,000,000,000 and an interest rate of 3.20 per cent. per annum, and medium term notes due 2028 with a total principal amount of RMB1,000,000,000 and an interest rate of 3.40 per cent. per annum.
- On 7 December 2023, the Group issued ultra short-term commercial paper due 2024 with a total principal amount of RMB1,000,000,000 and an interest rate of 3.03 per cent. per annum.
- On 25 January 2024, the Group issued ultra short-term commercial paper due 2024 with a total principal amount of RMB1,000,000,000 and an interest rate of 2.68 per cent. per annum.
- On 1 February 2024, the Group issued medium term notes due 2027 with a total principal amount of RMB1,000,000,000 and an interest rate of 3.18 per cent. per annum.

### Financial information as at and for the nine months ended 30 September 2023

On 30 October 2023, the Guarantor published the Quarterly Accounts. As at 30 September 2023, the Group's short-term loans and long-term loans increased as compared to the balances as at 31 December 2022, primarily due to the increase of bank loans obtained to meet the need of capital for the commencement of the Group's projects, while the Group's bonds payable, accounts payables and long-term payables as at 30 September 2023 increased slightly as compared to the balances as at 31 December 2022, primarily due to the preparation of funds in advance of the repayment of debts and the year-on-year increase in business activities, respectively.

No audit or review has been performed on the Quarterly Accounts and such financial information within the Quarterly Accounts may change if it is subject to an audit or a review. None of the Joint Lead Managers nor any of their respective directors, affiliates, officers, advisers, employees or agents makes any representation, warranty or undertaking, express or implied of, or accepts any responsibility or liability with respect to the Quarterly Accounts. The Quarterly Accounts are not indicative of the financial condition or results of operations of the Group for any period of a year or any full year. The Quarterly Accounts do not form part of this Offering Circular and should not be referred to or relied upon by potential investors. Potential investors must exercise extensive caution when using such information to evaluate the Group's financial condition, results of operations and results (financial or otherwise). See *"Risk Factors – Risks Relating to the Group's Business – The Guarantor has published and may continue to publish periodical financial information in the PRC pursuant to applicable PRC regulatory rules. Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular"*.

## HISTORY AND DEVELOPMENT

The Guarantor was formerly known as Jinan Hi-tech State-owned Capital Operations Co., Ltd. (濟南高新國有資本營運有限公司), which was established in 2001. As at the date of this Offering Circular, the Guarantor has a registered capital of RMB4.0 billion.

The following table lists certain important milestones and events throughout the Group's corporate history:

2001	The Guarantor's predecessor company, Jinan Hi-tech State-owned Capital Operations Co., Ltd. (濟南高新國有資本營運有限公司), was established with a capital of RMB100 million.
2002	Jinan Innovation Zone SASAC increased the registered capital of Jinan Hi-tech State-owned Capital Operations Co., Ltd. (濟南高新國有資本營運有限公司) to RMB270 million.
2005	Jinan Innovation Zone SASAC, the primary investment agency of Jinan Innovation Zone, Jinan Innovation Zone Investment Corporation (濟南高新技術產業開發區投資總公司) and the Jinxin Development Zone Kexin Guarantee Service Centre (濟南開發區科信擔保服務中心) increased the registered capital of Jinan Hi-tech State-owned Capital Operations Co., Ltd. (濟南高新國有資本營運有限公司) to RMB1 billion. Jinan Hi-tech State-owned Capital Operations Co., Ltd. (濟南高新國有資本營運有限公司) was renamed to Jinan Hi-tech Holding Group Co., Ltd.
2011	The Guarantor's registered capital increased to RMB2.0 billion.
2013	Construction of the key project Hanyu Jingu (planned by the Jinan municipal government and the Shandong provincial government) began.
2014	In May, the Jinan Innovation Zone Committee issued the Notice on Fully Supporting the Development of Jinan Hi-tech Holding Group Co., Ltd. According to the notice, the Jinan Innovation Zone Committee planned to constantly invest in the Guarantor within three years to enhance its competencies.
2015	The Guarantor's total assets exceeded RMB30 billion, and its net assets exceeded RMB10 billion for the first time.
2016	The Guarantor changed its focus to continue developing its business strategies.

The Guarantor established seven subsidiaries to implement the Group's principle of "outstanding main business and classified management".

In May, the Jinan Municipal Government issued the Notice on the Plan for Institutional and Mechanism Reform in Jinan innovation Zone, which clearly proposed to integrate the Group, its tier-2 subsidiaries and other enterprises engaged in the similar business, and to adjust and improve the Group's decision-making body and internal organs to build a financing platform with the Group.

- 2017 . . . . . The Group established its strategy of “one body and two wings” with the aim of establishing its primary land development business as its main business, and industrial park development and financial investment businesses as its two supporting businesses.
- As at 31 December 2017, the Group wholly owned or held a controlling interest in 35 subsidiaries and was a partner in 15 joint venture companies operating in diverse industries including the hi-tech, electronic, finance, energy and media industries.
2018. . . . . The Group aims to establish itself as a world-class high-tech industrial park construction and operator company.
- As at 31 December 2018, the Guarantor’s total assets exceeded RMB52 billion, and its the net assets exceeded RMB17 billion.
- The Guarantor’s registered capital increased to RMB4.0 billion.
- 2019 . . . . . The Group invested in the Sino European Manufacturing Industry Park which was among one of the first batch of 15 nationwide model industrial parks selected by the NDRC in April 2019.
- The Group was ranked in the “2019 China Top 30 Industrial Real Estate” (2019中國產業地產30強).
- The Group was named the “Iconic Enterprise for Governmental Park Platform Transformation” (政府園區平台轉型標桿企業) and received the “Jinan May Day Labor Award” (濟南市五一勞動獎狀) in 2019.
- 2020 . . . . . The Group was ranked in the “2020 China Top 30 Industrial Real Estate” as the only industrial park operator in Shandong Province (2020中國產業地產30強).
- The Group was ranked 2nd in the “Top 10 Influential Operators of China’s Industrial Parks in 2020” (2020年度中國產業園區運營商影響力10強).
- The Group was named the “Iconic Enterprise for Governmental Park Platform Transformation” (政府園區平台轉型標桿企業) and the “Shandong Social Responsibility Enterprise” (山東社會責任企業) in 2020.
- Jinan Innovation Zone Committee transferred 60 per cent. of its equity interest in Jinan New Innovation and Entrepreneurship Service Co., Ltd. (濟南新創創業服務有限公司) to Jinan Comprehensive Bonded Zone Development Investment Group Co., Ltd. (濟南綜合保稅區開發投資集團有限公司), and transferred 39.82 per cent. of its equity interest in Jinan Comprehensive Bonded Zone Development Investment Group Co., Ltd. (濟南綜合保稅區開發投資集團有限公司) to the Guarantor.
- Jinan Innovation Zone SASAC increased the Guarantor’s registered capital by RMB200 million.

The architectural design plan for “Jinan Big Data Centre” (山東省大數據產業基地), which was developed by the Guarantor and co-designed by other third parties, was awarded the Novum Design Award.

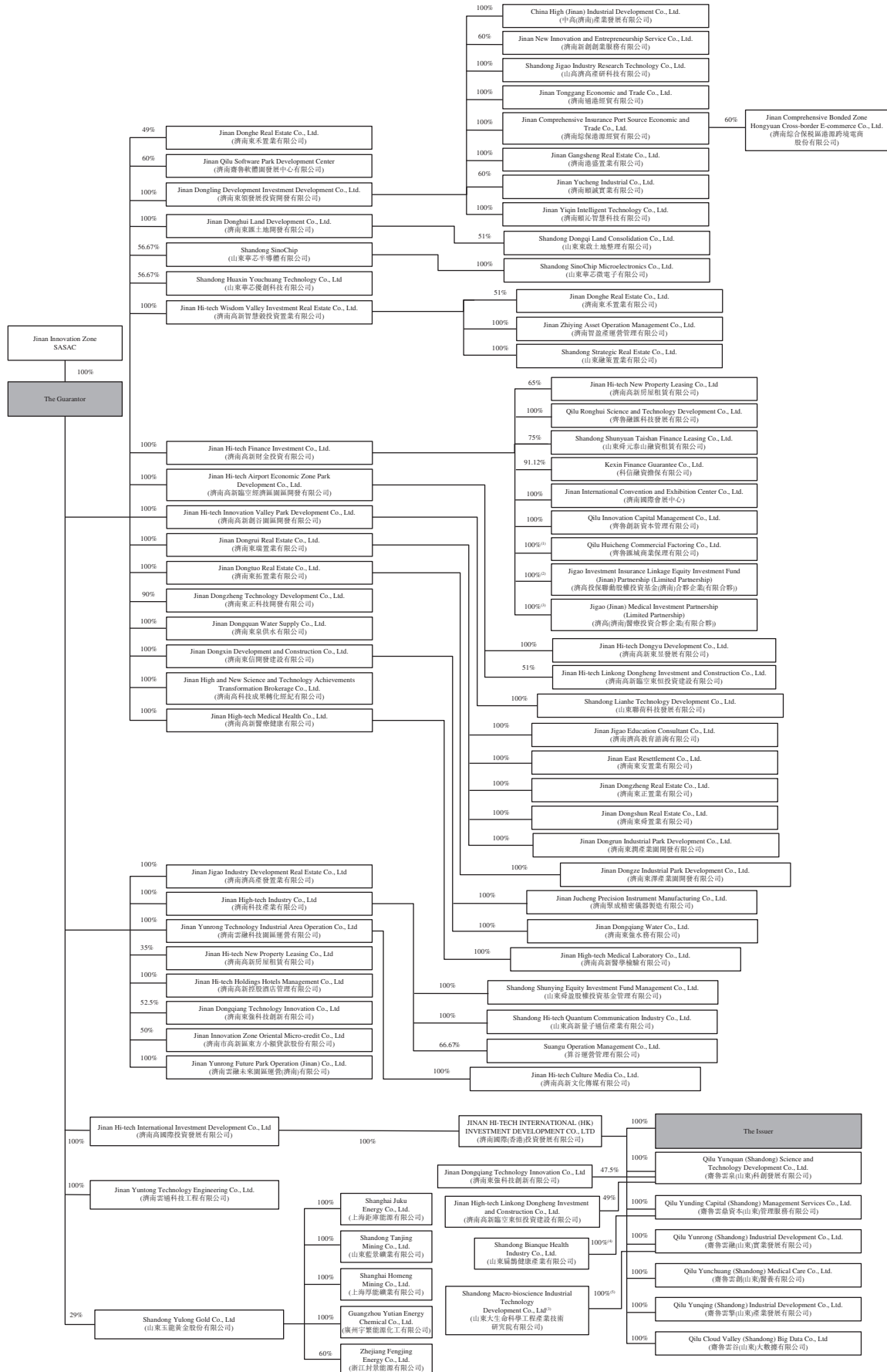
The Group was ranked 28th in the “Top 50 Chinese Industrial Park Operators in 2020” (2020年中國產業園區運營商50強). The Group received ratings of “AAA” with a stable outlook from Dagong Global Credit Rating Co., Ltd. (大公國際資信評估有限公司) and “AAA” with a stable outlook from Golden Credit Rating International Co., Ltd (東方金誠國際信用評估有限公司) in July 2020.

2021 . . . . . In October, the Guarantor and Hainan Houai Technology Co., Ltd. (海南厚皚科技有限公司) obtained the confirmation of transfer and registration from China Securities Depository and Clearing Co., Ltd. Shanghai Branch, evidencing the completion of the transfer and registration of 39,150,000 shares in Yulong. Prior to the Yulong Acquisition, the Guarantor held 24.0 per cent. of equity interest in Yulong. Further to the acquisition of Yulong, the equity interest in Yulong held by the Guarantor increased to 29.0 per cent. in aggregate.

The Group was ranked the “Top 30 Chinese Industrial Park Operators in 2021” (2021年中國產業園區運營商30強) and was named the “Chinese Respectable Real Estate Brand Enterprises in 2021” (2021中國值得尊敬的地產品牌企業).

# CORPORATE STRUCTURE

The following chart presents a simplified shareholding structure which sets out the key subsidiaries of the Group as at 30 June 2023:



## CORPORATE INFORMATION

The Guarantor is a company incorporated in the PRC with limited liability.

The Group's principal corporate offices are located at Building 6, Shuntai Plaza, No. 2000 Shunhua Road, Jinan Innovation Zone, Shandong, PRC. The Group's website is located at www.jhhg.net.cn. The Group's website and information relating to the Group contained on the website are not part of this Offering Circular.

## BUSINESS

### Overview

The Group is the primary entity for the development and construction of Jinan Innovation Zone. Since its establishment in 2001, the Group has successfully implemented Jinan Innovation Zone Committee's plan to develop land and construct infrastructure in Jinan Innovation Zone. The Group's business consists of the following segments, namely, (i) industrial park investment and operation, (ii) residential development, (iii) infrastructure development, (iv) primary land development, (v) IT hardware and services, (vi) other sales, and (vii) miscellaneous.

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

	For the year ended 31 December						For the six months ended 30 June			
	2020		2021		2022		2022		2023	
	<i>RMB</i> <i>(million)</i> <i>(audited)</i>	<i>Per cent.</i> <i>of total</i>	<i>RMB</i> <i>(million)</i> <i>(audited)</i>	<i>Per cent.</i> <i>of total</i>	<i>RMB</i> <i>(million)</i> <i>(audited)</i>	<i>Per cent.</i> <i>of total</i>	<i>RMB</i> <i>(million)</i> <i>(audited)</i>	<i>Per cent.</i> <i>of total</i>	<i>RMB</i> <i>(million)</i> <i>(audited)</i>	<i>Per cent.</i> <i>of total</i>
<b>Business segment</b>										
Industrial park investment and operation . . . . .	1,064.2	15.2	3,428.3	34.0	3,996.1	20.2	3,175.0	36.2	1,138.7	15.8
Residential development . . .	1,108.6	15.8	348.7	3.5	3,637.6	18.4	78.8	0.9	1,435.9	20.0
Infrastructure development . .	283.5	4.0	688.1	6.8	625.0	3.2	315.2	3.6	431.1	6.0
Primary land development . .	2,221.2	31.7	481.0	4.8	84.2	0.4	50.4	0.6	20.9	0.3
IT hardware and services . . .	66.4	1.0	100.0	1.0	111.6	0.6	90.0	1.0	22.2	0.3
Other sales . . . . .	1,775.0	25.3	4,958.5	49.2	11,169.9	56.6	5,006.1	57.0	4,119.7	57.3
Miscellaneous . . . . .	492.3	7.0	83.6	0.8	110.1	0.6	62.0	0.7	26.3	0.4
<b>Total . . . . .</b>	<b>7,011.2</b>	<b>100.0</b>	<b>10,088.1</b>	<b>100.0</b>	<b>19,734.5</b>	<b>100.0</b>	<b>8,777.5</b>	<b>100.0</b>	<b>7,194.8</b>	<b>100.0</b>

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

	For the year ended 31 December						For the six months ended 30 June			
	2020		2021		2022		2022		2023	
	<i>RMB</i> <i>(million)</i> <i>(audited)</i>	<i>Per cent.</i> <i>of total</i>	<i>RMB</i> <i>(million)</i> <i>(audited)</i>	<i>Per cent.</i> <i>of total</i>	<i>RMB</i> <i>(million)</i> <i>(audited)</i>	<i>Per cent.</i> <i>of total</i>	<i>RMB</i> <i>(million)</i> <i>(audited)</i>	<i>Per cent.</i> <i>of total</i>	<i>RMB</i> <i>(million)</i> <i>(audited)</i>	<i>Per cent.</i> <i>of total</i>
<b>Business segment</b>										
Industrial park investment and operation . . . . .	858.2	13.8	2,473.4	30.1	3,437.1	19.6	2,953.6	36.6	902.4	15.9
Residential development . . .	890.4	14.3	304.3	3.7	3,170.4	18.1	76.9	1.0	1,050.0	18.5
Infrastructure development . .	123.1	2.0	173.3	2.1	251.1	1.4	125.5	1.6	187.2	3.3
Primary land development . .	2,128.6	34.2	467.4	5.7	83.0	0.5	54.5	0.7	20.6	0.4
IT hardware and services . . .	55.8	0.9	64.4	0.8	80.6	0.5	66.2	0.8	21.6	0.4
Other sales . . . . .	1,767.3	28.4	4,694.8	57.0	10,475.6	59.7	4,786.2	59.3	3,478.8	61.4
Miscellaneous . . . . .	399.4	6.4	53.1	0.7	47.2	0.3	9.3	0.1	9.5	0.2
<b>Total . . . . .</b>	<b>6,222.8</b>	<b>100.0</b>	<b>8,230.8</b>	<b>100.0</b>	<b>17,545.0</b>	<b>100.0</b>	<b>8,072.2</b>	<b>100.0</b>	<b>5,670.2</b>	<b>100.0</b>

## Industrial Park Investment and Operation

### Overview

Industrial park investment and operation is the core business segment of the Group. The Group conducts construction of office buildings, factories, industrial base and infrastructure for industrial, research and development and commercial purposes in Jinan Innovation Zone. The Guarantor holds a class 1 real estate developer qualification. Prior to commencing a construction project, the Group must obtain from the relevant government authorities approval for the project, environmental impact assessment, and the relevant land, land use planning, engineering planning and engineering construction certificates.

With an established track record, the Group has demonstrated its strong execution capability to effectively develop land into infrastructure to be ready for commercial and industrial use. As at the date of this Offering Circular, the Group had a total site area of completed construction of approximately 3.85 million square metres under its industrial park investment and operation business segment.

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, revenue generated from the Group's industrial park investment and operation business segment was RMB1,064.2 million, RMB3,428.3 million, RMB3,996.1 million, RMB3,175.0 million and RMB1,138.7 million, respectively, representing 15.2 per cent., 34.0 per cent., 20.2 per cent, 36.2 per cent. and 15.8 per cent., respectively, of the Group's revenue for the same periods.

### Business Model

The Group acquires land and their land use rights for industrial park investment and operation projects through public tender-bidding, auction or listing. The Group enters into an agent construction agreement with the purchaser company seeking to operate in Jinan Innovation Zone prior commencing construction for the relevant project. This agreement sets out the description of the land to be used for construction, construction fee, contract price, construction specifications, payment schedule, delivery specifications and obligations relating to registration of title to the relevant property, development and construction. The Group, as the entity for project investment and development, selects the construction party responsible for the project construction through bidding. In the process of development and construction, the enterprises operating in Jinan Innovation Zone pay according to the project progress. After the completion of the project, such enterprises pay the Group at the agreed sales price in return for the Group's construction and development activities.

The Group subsequently invites tenders from third party construction companies and selects a third party construction company to conduct construction for the relevant project based on whether the third party construction company's qualifications meet our requirements and its tender price. The Group pays a construction fee to this third party construction company. After construction of this project has been completed to a certain extent, the purchaser company enters into a sale and purchase agreement with the Group and the purchaser company pays the purchase price to the Group in accordance with this sale and purchase agreement.

The following table sets forth (i) new site area under construction, (ii) site area of completed construction, (iii) investment amount and (iv) revenue of the Group's industrial park investment and operation business segment for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2020	2021	2022	2022	2023
New site area under construction (square metres) . . . . .	546,283.9	546,184.1	548,159.1	226,785.7	270,853.9
Site area of completed construction (square metres). . . . .	544,835.6	507,070.4	498,728.2	202,335.2	241,328.4
Investment amount (RMB million) . . . . .	5,950.4	6,779.4	488,939.0	749,325.9	301,208.3
Revenue (RMB million) . . . . .	1,064.2	3,428.3	3,996.1	3,175.0	1,138.7

The profit model is similar to the conventional commercial real estate developments. The difference is that the Group's projects are required to be in line with the development plan of Jinan Innovation Zone. Most of the industrial park investment and operation projects are arranged and ordered in advance, which may achieve high sales. In realisation of funds from sales, the cost of sales is the actual development cost invested by the Group in the early stage of development.

***Project Description***

Below is a summary of some key completed industrial park investment and operation projects of the Group.

*Knowledge Economy Headquarters Industrial Base*

The Knowledge Economy Headquarters Industrial Base is located in the central area of several major districts in Jinan Innovation Zone. The main purchaser companies of this project are small-and-medium size high-tech enterprises and Shandong branches of large-scale enterprises. This project consists of buildings for companies which conduct research, development and production for computer software and ancillary products.

*Inspur Industrial Park*

The Inspur Industrial Park was developed and constructed for Inspur Group Co., Ltd. ("**Inspur Group**"). The Inspur Industrial Park is located in the eastern district of Jinan Innovation Zone. This project consists of an office building for research and development, and apartments and a restaurant for the employees of Inspur Group.

*China International ICT Innovation Cluster*

The China International ICT Innovation Cluster (the "**CIIC Park**") was jointly established by the Ministry of Science and Technology of the PRC, the Ministry of Industry and Information Technology of the PRC, the Ministry of Commerce of the PRC and the Shandong provincial government. The CIIC Park consists of research and development, and industrial zones. The CIIC Park also has ancillary service facilities, including logistics and distribution, education and medical services. This project aims to build a world-class cluster for the software, integrated circuits, digital equipment, network communications, and information services industries. Certain well-known PRC and overseas information technology companies have opened offices in CIIC Park.

### *Jinan Innovation Valley Incubator Project*

Jinan Innovation Valley Incubator project is connected to the Jinan Economic Development Zone in the north and the main city of Changqing district in the west. This project aims to establish an industrial development system and integrate education, research, development and application in accordance with this project's four principles of "green, ecology, harmony and sustainability".

### *Import and Export Enterprises Service Centre of the Innovation Venture Base*

The Import and Export Enterprises Service Centre of the Innovation Venture Base and its affiliate facilities are located in the export processing areas of the Jinan Innovation Zone. The project aims to support the manufacturing and development of high technology products and to further open the export processing areas of Jinan Innovation Zone to the international market.

### *China-Europe Manufacturing International Enterprise Port (Phase I)*

The China-Europe Manufacturing International Enterprise Port (Phase I) project is located to the north of the planned Hangtian Avenue, east of Jiaxuan West Road, and west of Tianji Road. The project aims to be a modern, first-class, green and ecological industrial park.

### *Hanyu Jingu Project*

A key construction project in both Jinan and the entire Shandong Province, intended to drive fast development of all industries, particularly the modern service industry, in Jinan Innovation Zone, in order to form a new growth driver for the city. It performs the functions of finance and business, head office, commercial service, scientific research office, etc. in Jinan, and will gather and develop large-scale headquarter economy and trade activities as well as financial, insurance and securities businesses.

### *Sino-German Intelligence Centre*

The Sino-German Intelligence Centre comprises a total of seven multi-storey buildings which include offices, commercial facilities and hotels. It is the first business complex in the airport economic zone of Jinan Innovation Zone that is a one-stop shop for research and development, business operation and lifestyle services to serve the different needs of the enterprises located in the China-Europe Manufacturing Industrial Park. This project aims to enhance the image of the surrounding region and promotes the development of small and medium-sized enterprises in the region.

### *Current Projects*

The Group is also currently undertaking construction of certain key industrial park investment and operation projects, including but not limited to Shandong Province Big Data Industry Base, Shandong Industrial Technology Research Institute High-tech Innovation Park Project and China Calculation Valley Industrial Park Project, with their respective details as follows.

- *Shandong Industrial Technology Research Institute High-tech Innovation Park Project*: it is a provincial-level "investment and talent attraction" project with a total construction area of 572,500 square metres, intended to build a core engine for the province's innovation-driven development and a matrix of key and core technology. The project is being constructed in two phases, including factories, apartments and research buildings. It is mainly developed for cultivating and introducing enterprises engaging in and projects for the manufacturing, research and development, pilot-scale production and pollution-free production of chips, sensors, satellites, remote sensing equipment, radars and other special-purpose equipment.
- *Shandong Big Data Industry Base*: A provincial-level key project, intended to build a core engine for the province's innovation-driven development and a matrix of key and core technology, in order to enable transition from technological research achievements to productivity. It is intended to build three major bases in the data industry: a big data collection, storage and processing base; a research and development and operation base for big data innovation applications; and a big data sharing, circulation and trading base.

- *China Calculation Valley Industrial Park Project*: An important task determined at the provincial government's 54th executive meeting, indicating the provincial Central Committee of the Chinese Communist Party and government's support for Jinan to take the lead. Backed by Shandong Industrial Technology Institute's strong resources in project introduction and institutional innovation, the park is built mainly for cultivating and introducing enterprises engaging in and projects for the manufacturing, research and development, pilot-scale production and pollution-free production of chips, sensors, satellites, remote sensing equipment, radars and other special-purpose equipment.
- *Bianque Health Ecological Valley Project*: located in the western region of the Bianque International Development Centre of Traditional Chinese Medicine, this project focuses on the introduction of leading Chinese medicine enterprises and the upstream and downstream companies in the Chinese medicine industry to the industrial park, and aims to promote the development of organic tourism and the healthcare development supply chain. This will be the first industrial park complex in Jinan that integrates traditional Chinese medicine system with scientific research, cultural inheritance exchange, and residential healthcare.

## **Residential Development**

### *Overview*

The Group's residential development business segment in Jinan Innovation Zone consists of the construction of residential projects for the employees of companies operating in and other residents of Jinan Innovation Zone. The Group's residential development business is primarily carried out by its subsidiary Jinan Dongtuo Real Estate Co., Ltd. (濟南東拓置業有限公司), which holds the Grade II qualification of real estate development and Grade II qualification certificate of real estate development enterprise (No. 012535) issued by the Housing and Urban-rural Department of Shandong Province.

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, revenue generated from the Group's residential development business segment was RMB1,108.6 million, RMB348.7 million, RMB3,637.6 million, RMB78.8 million and RMB1,435.9 million, respectively, representing 15.8 per cent., 3.5 per cent., 18.4 per cent, 0.9 per cent. and 20.0 per cent., respectively, of the Group's revenue for the same periods.

### *Business Model*

The Group acquires land and their land use rights for its residential projects through public tender-bidding, auction or listing. The acquired land is all transferred residential use land, which is included as the development cost account under inventory. The developed residences will be priced according to the market pricing mechanism and sold directly to the enterprises in and residents of Jinan Innovation Zone. The Group procures raw materials through tenders from third party suppliers in accordance with applicable PRC laws and regulations. After construction of the relevant residential project, the Group sells individual residential units at market value.

## Project Description

The following table sets forth completed residential projects of the Group as at 30 June 2023:

Residential project	Gross floor area	Construction site area	Sold gross floor area	Unsold gross floor area	Year of completion
	<i>(square metres)</i>	<i>(square metres)</i>	<i>(square metres)</i>	<i>(square metres)</i>	
Yajuyuan . . . . .	51,000	140,000	94,600	0	2013
Hanyucuilng (Phase I) . . . . .	123,100	399,000	222,100	200	2013
Hanyucuilng (Phase II). . . . .	16,200	38,800	29,500	0	2013
Fengaohuafu . . . . .	112,100	379,000	262,800	100	2013
Longyuan . . . . .	138,700	319,000	240,800	0	2011
Lixiangjiayuan . . . . .	43,100	159,000	128,200	0	2010
Donganjiayuan . . . . .	92,900	295,000	220,000	9,100	2014
Shunaohuafu . . . . .	148,000	572,900	522,700	11,300	2018
Fenghuangguoji . . . . .	160,000	680,100	491,600	13,500	2020
Guanshanyue . . . . .	62,900	150,800	573,000	62,800	2018
Hanyucuilng (Phase III) . . . . .	28,000	30,300	287,000	800	2019
<b>Total . . . . .</b>	<b>976,000</b>	<b>3,163,900</b>	<b>3,072,300</b>	<b>97,800</b>	

### Yajuyuan

Yajuyuan is located on Chonghua Road, between Shidong Road and Qingqi Road, and has an aggregate construction site area of 140,000 square metres. It consists of two phases, low-rise and high-rise buildings, and corresponding facilities. This project was completed in 2013. As at 30 June 2023, the Group had sold 100.0 per cent. of this project.

### Hanyucuilng (Phase I), Hanyucuilng (Phase II) and Hanyucuilng (Phase III)

Hanyucuilng (Phase I) and Hanyucuilng (Phase II) are located in the centre of the Donghan area, near the Dongcheng central business district, and has an aggregate construction site area of 468,100 square metres. It consists of low-rise, mid-rise and high-rise buildings and houses. As at 30 June 2023, the Group had sold almost 100.0 per cent. of Hanyucuilng (Phase I), 100.0 per cent. of Hanyucuilng (Phase II) and 89.8 per cent. of Hanyucuilng (Phase III).

### Fengaohuafu

Fengaohuafu is located at the intersection of West Olympic Road and Kanghong Road and has an aggregate construction site area of 379,000 square metres. It consists of high-rise and mid-rise buildings and houses. As at 30 June 2023, the Group had sold almost 100.0 per cent. of this project.

### Longyuan

Longyuan is located north of Jingshi Road and west of Fenghuang Road, in the new government and economic centre of Jinan. It has an aggregate construction site area of 319,000 square metres. It consists of mid-rise and multi-storey buildings, townhouses, houses and a kindergarten. As at 30 June 2023, the Group had sold 100.0 per cent. of this project.

### Lixiangjiayuan

Lixiangjiayuan is located southeast of the intersection of South Industrial Road and Pioneer Road, adjacent to the International Convention and Exhibition Centre and China Railway International Exhibition. It has an aggregate construction site area of 159,000 square metres. It consists of apartments, car parks and commercial units. As at 30 June 2023, the Group has sold almost 100.0 per cent. of this project.

### *Donganjiayuan*

Donganjiayuan is located southeast of the intersection of Jingshi Road and Gangxi Road and has an aggregate construction site area of 295,000 square metres. It consists of high-rise buildings, mid-rise buildings and duplexes. As at 30 June 2023, the Group had sold almost 100.0 per cent. of this project.

### *Shunaohuafu*

Shunaohuafu is located at the intersection of the Olympic district, Jinan Innovation Zone and Hangujinju area, and has an aggregate construction site area of 572,900 square metres. It consists of high-rise buildings and duplexes. As at 30 June 2023, the Group had sold almost 100.0 per cent. of this project.

### *Fenghuangguoji*

Fenghuangguoji is located in the centre of Jinan Innovation Zone and has an aggregate construction site area of 680,100 square metres. It consists of high-rise buildings. As at 30 June 2023, the Group had sold almost 100.0 per cent. of this project.

### *Guanshanyue*

Guanshanyue is located in the Innovation Valley next to the Jinan Garden Expo and has an aggregate construction site area of 150,800 square metres. It consists of low density housing, classrooms, vertical garden, library and activity rooms for seniors. As at 30 June 2023, the Group had sold 33.9 per cent. of this project.

The following table sets forth the Group's residential projects which were under construction as at 30 June 2023:

<b>Residential project</b>	<b>Gross floor area</b>	<b>Construction site area</b>	<b>Actual/Expected year of completion</b>
	<i>(square metres)</i>	<i>(square metres)</i>	
Wutongjun . . . . .	29,872	127,700	2023
Longyue Area B . . . . .	47,100	133,213	2023
Longyue Area A . . . . .	26,600	79,800	2024
Yunxifu . . . . .	26,400	96,700	2025
Haitangjun . . . . .	119,200	366,100	2025
<b>Total . . . . .</b>	<b>249,172</b>	<b>803,513</b>	

### *Wutongjun*

Wutongjun is located in the Hanyu area of Jinan Innovation Zone and has an aggregate construction site area of 29,872 square metres. It consists of residential buildings, ancillary community facilities, car parks and storage rooms. As at 30 June 2023, the Group had completed 67.0 per cent. of this project.

### *Longyue Area B*

Longyue Area B is located at the intersection of Aoti Middle Road and Kanghong Road in Jinan Innovation Zone, and has an aggregate construction site area of approximately 133,213 square metres. It consists of residential buildings and ancillary facilities. As at 30 June 2023, the Group had completed 73.0 per cent. of this project.

### *Longyue Area A*

Longyue Area A is located in the west of Olympic Middle Road, the north of Kanghong Road, and the east of Zhengfeng Road in the High-tech Zone, with a total construction area of 79,800 square meters. It consists of residential buildings and ancillary community facilities. As at 30 June 2023, the Group had completed 68.0 per cent. of this project.

### *Yunxifu*

Yunxifu is located in the south of Dahanyu Road and the east of Shunhua South Road, with a total construction area of 96,700 square meters. It consists of residential buildings and car parks. As at 30 June 2023, the Group had completed 81.0 per cent. of this project.

### *Haitangjun*

Haitangjun is located in the south of Century Road, the east of Chunhui Road, the north of Jingshidong Road, and the west of Xijuye River in Jinan Innovation East Zone, with a total construction area of 366,100 square meters. It consists of residential buildings, ancillary community facilities. As at 30 June 2023, the Group had completed 19.0 per cent. of this project.

The following table sets forth the planned residential project of the Group which have not commenced construction as at 30 June 2023:

<b>Residential project</b>	<b>Gross floor area</b>	<b>Construction site area</b>	<b>Expected total investment amount</b>	<b>Invested amount</b>
	<i>(square metres)</i>	<i>(square metres)</i>	<i>(RMB' million)</i>	<i>(RMB' million)</i>
Sun Village Dazheng Road . . . . .	102,600	21,000	2,257	596
<b>Total . . . . .</b>	<b>102,600</b>	<b>21,000</b>	<b>2,257</b>	<b>596</b>

## **Infrastructure Development**

### *Overview*

Since its establishment, the Group has undertaken the development of a number of infrastructure projects which are considered important for communities in Jinan Innovation Zone, including the construction of water supply and waste water treatment projects, property leasing and management, and media publishing. The Group also provides, to a lesser extent, guarantee and factoring services under the infrastructure development business segment.

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, revenue generated from the Group's infrastructure development business segment was RMB283.5 million, RMB688.1 million, RMB625.0 million, RMB315.2 million and RMB431.1 million, respectively, representing 4.0 per cent., 6.8 per cent., 3.2 per cent., 3.6 per cent. and 6.0 per cent., respectively, of the Group's revenue for the same periods.

### *Business Model*

The Group's water supply projects provide water to companies and residents in Jinan Innovation Zone for industrial and domestic purposes. The Group constructs waste water treatment projects through either the build-operate-transfer model or agent construction model under the authorisation of Jinan Innovation Zone Committee. The Group's property leasing and management projects include leasing commercial properties. The Group's media publishing project consists of media production and distribution, television operation, outdoor advertising, and investment in the cultural industry.

## ***Project Description***

Below is a summary of the key infrastructure development projects of the Group.

### ***Water Supply Projects***

The Group, primarily through its wholly-owned subsidiary Jinan Dongquan Water Supply Co., Ltd. (濟南東泉供水有限公司), provides water to companies and residents in Jinan Innovation Zone for industrial and drinking purposes. The fee for which the Group receives is in accordance with the standards set by the Jinan Price Bureau. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the Group received fees for its provision of water of approximately RMB43.9 million, RMB33.0 million, RMB38.1 million, RMB17.4 million and RMB21.1 million, respectively.

### ***Waste Water Treatment Projects***

The Group is authorised by Jinan Innovation Zone Committee to construct and operate waste water treatment projects under the build-operate-transfer model or agent construction model. The Group has five waste water treatment plants with an aggregate capacity of 122,000 cubic metres per day. The fee for which the Group receive is in accordance with the standards set by the Jinan Price Bureau. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the Group's waste water treatment projects generated revenue of approximately RMB10.4 million, RMB8.6 million, RMB24.6 million, RMB7.6 million and RMB21.1 million, respectively.

Set forth below are some of the waste water treatment projects which the Group has undertaken:

<b>Project Name</b>	<b>Operator</b>
Sun Village Sewage Treatment Plant (孫村污水處理廠) . . . . .	Jinan Dalu Mechanism & Electron Co., Ltd. (濟南大陸機電股份有限公司)
Sewage Treatment Plant for Central Area of Jinan High-tech Industrial Development Zone (濟南高新技術產業開發區中心區污水處理廠) . . . . .	Jinan Zhongkecheng Water Purification Co., Ltd. (濟南中科成水質淨化有限公司)
Waste Water Treatment Station for Tsingtao Brewery (青啤配套污水處理站) . . . . .	Jinan Zhongkecheng Water Purification Co., Ltd. (濟南中科成水質淨化有限公司)
Juye River Sewage Treatment Plant of Jinan High-tech Industrial Development Zone (濟南高新區巨野河污水處理廠) . . . . .	Jinan Dongquan Water Supply Co., Ltd. (濟南東泉供水有限公司)
Sewage Treatment Plant of Jinan Export Processing Zone (濟南出口加工區污水處理廠) . . . . .	Jinan Huantong Waste Water Treatment Co., Ltd. (濟南環通污水處理有限公司)

The Sun Village Waste Water Treatment Plant mainly provides municipal waste water treatment services for the Suncun area. The Group cooperates with a third party entity to construct, operate and manage this plant under the build-operate-transfer construction model. The waste water treatment permit of this plant will expire in 2032. One year prior to this expiration date, the Group and this third party entity have the option to continue this cooperation or transfer all rights and interests of this plant to the Group. Otherwise, upon expiration of this permit, this third party entity must transfer all rights and interests of this plant to the Group without compensation.

The Sewage Treatment Plant for Central Area of Jinan High-tech Industrial Development Zone mainly provides municipal waste water treatment services for this central area. The Group cooperates with a third party entity to construct, operate and manage this plant under the build-operate-transfer construction model. The waste water treatment permit of this plant will expire in 2038. Upon expiration of this permit, this third party entity must transfer all rights and interests of this plant to the Group.

The Tsingtao Brewery Waste Water Treatment Plant mainly serves the Tsingtao brewery production plant. The Group entrusts a third party entity to operate this plant. The commissioned operation period of this entrustment expires in 2023. During the operation period, this third party entity is responsible for the management, operation and maintenance of the waste water treatment equipment and facilities of this plant.

The Group entrusts a third party entity to operate Jinan Innovation Zone Juye River Waste Water Treatment Plant. The commissioned operation period of this entrustment is 30 years and expires in 2045. During the operation period, this third party entity is responsible for the management, operation and maintenance of the waste water treatment equipment and facilities of this plant.

The Group is entrusted by the Jinan Export Processing Zone to operate the waste water treatment plant of the Jinan Export Processing Zone. The commissioned operation period of this entrustment is permanent subject to the terms and conditions of the entrustment. During the operation period, the Group is responsible for the management, operation and maintenance of the waste water treatment equipment and facilities of this plant, and receives a fee for the provision of such services.

#### *Property Leasing and Management Projects*

The Group leases commercial property (including factories and office buildings) and residential property to third party entities under its property leasing and management business. These commercial properties include (i) Dongzheng Factory, (ii) Dinghao Plaza, (iii) Shuntai Plaza and (iv) Hanyu Jingu.

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the Group leased an aggregate gross floor area of approximately 718,609 square metres, 730,525 square metres, 864,914 square metres, 784,892 square metres and 858,829 square metres respectively, and received rental fees in the amount of RMB124.2 million, RMB442.0 million, RMB192.1 million, RMB321.6 million and RMB232.9 million for the same periods, respectively.

#### *Media Publishing Projects*

The Group carries out media publishing projects through Jinan Hi-tech Culture Media Co., Ltd. (濟南高新文化傳媒有限公司) which holds a PRC publication business license, providing publication, graphic design, network technology and advertising services under its media publishing business. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the Group generated revenue of approximately RMB4.5 million, RMB11.5 million, RMB3.8 million, RMB9.8 million and RMB2.4 million, respectively, from its media publishing business.

#### *Small loan business*

In supporting its infrastructure development business segment, the Group operates its small loan business through its subsidiary, Jinan Gaoxin Dongfang Small Loan Co., Ltd. (濟南市高新區東方小額貸款股份有限公司) (“**Dongfang Small Loan**”). Dongfang Small Loan was established in 2011, it got listed on National Equities Exchange and Quotations in 2015 (Code: 834339) and delisted in 2021. Dongfang Small Loan mainly grants loans to medium, small and micro enterprises, individual industrial and commercial entities and farmers upon its review, which is carried out according to internal audit standards. As at 30 June 2023, the Group’s small loan business had three outstanding loans, the aggregate value of which was RMB35.0 million.

Dongfang Small Loan’s credit department proactively obtains the information of the development and financial status of various industries and enterprises in their region. It analyses the relevant information and actively contacts potential customers from these industries and enterprises with financing needs and requirements. On the other hand, some of Dongfang Small Loan’s customers who seek assistance are engaged through referrals.

Dongfang Small Loan grants loans with its own funds and generating income from interest earned. It also borrows from commercial banks and in turn grant loans to customers at an interest rate higher than the bank lending rate, making an additional profit by capitalising on the interest margins.

## **Primary Land Development**

### ***Overview***

The Group is the primary entity for conducting (i) land consolidation and (ii) urbanisation in the Jinan Innovation Zone.

Since 2011, the Group has been conducting land consolidation of Nanhu, Beihu, Dahanyu and Xiaohanyu through demolition of these villages. The Group completed substantially all of the land consolidation work by the end of 2020. The Group expects to implement the development strategy of the Jinan municipal government by expanding the eastern boundaries of Jinan Innovation Zone and conduct land consolidation in Suncun and the Linkong Economic Zone. After such land consolidation, the Group expects to construct infrastructure for the IT hardware, transportation, biomedicine, manufacturing, and power generation industries.

Since 2017, the Group has undertaken urbanisation projects by entering into procurement service contracts with the relevant government project entity. These urbanisation projects include implementing parts of the urbanisation plan for Shandong province, including Xinzhuang Resettlement Area Phase II, Budong Resettlement Area Phase I, Zhangjin Fifth Village Phase II and Innovation Zone urbanisation. The implementation of these projects provides space for the development of Gaoxin East District Life Science City and Intelligent Equipment City.

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, revenue generated from the Group's primary land development business segment was RMB2,221.2 million, RMB481.0 million, RMB84.2 million, RMB50.4 million and RMB20.9 million, respectively, representing 31.7 per cent., 4.8 per cent., 0.4 per cent., 0.6 per cent. and 0.3 per cent., respectively, of the Group's revenue for the same periods.

### ***Business Model***

#### *Land Consolidation*

The Group, through its subsidiary, Jinan Dongxin Development and Construction Co., Ltd (濟南東信開發建設有限公司), conducts land consolidation under the authorisation of Jinan Innovation Zone Committee. The costs of land consolidation for the Group mainly include the construction costs of demolition, residential resettlement, residential production and operation, and production facilities. The Group enters into a framework agreement with the village committee of the land consolidation area and initially bears all of these costs. After such land consolidation is completed, the Jinan Land Reserve Centre confirms the cost of land consolidation, and collects and sells the relevant land through public tender, auction or purchase of land from the PRC government. The finance bureau of the Jinan municipal government transfers the land consolidation fee to the village committee of the land consolidation area, who subsequently pays the land consolidation fee to the Group in accordance with the relevant framework agreement. The current land consolidation related projects of the Group are near completion.

#### *Urbanisation*

The Group enters into procurement service contracts with the relevant government project entity to conduct urbanisation projects. Under these service contracts, a project feasibility study is initially conducted. The costs of these urbanisation projects incurred by the Group include planning and design, exploration, creating construction blueprint designs, land transfer fee, land tax and construction costs. The finance department of Jinan Innovation Zone pays the service fee to the relevant government project entity in accordance with the payment schedule set out in the relevant service contract. This relevant government project entity subsequently transfers the service fee to the Group.

## ***Project Description***

Below is a summary of the key primary land development projects of the Group which are under construction.

### *Xin Zhuang Resettlement Area Phase II*

Xin Zhuang Resettlement Area Phase II is located in the Suncun, the eastern area of Jinan. The total construction area of this project is 207,200 square metres. This project has been approved by Jinan Innovation Zone Committee. The Group entered into the government procurement service contract with the relevant government project entity for this project in September 2017.

### *Budong Resettlement Area Phase I*

Budong Resettlement Area Phase I is located at the former site of Ganggou village on the east side of Juye River. The total construction area of this project is 302,381 square metres. This project has been approved by Jinan Innovation Zone Committee. The Group entered into the government procurement service contract with the relevant government project entity for this project in October 2017.

### *Zhangjin Fifth Village Phase II*

Zhangjin Fifth Village Phase II is located east of Gangxingyuan Road, south of Lvyou Road, and west of Gangxing No. 1 Road. The total construction area of this project is 163,700 square metres. This project has been approved by Jinan Innovation Zone Committee. The Group entered into the government procurement service contract with the relevant government project entity for this project in February 2018.

## **IT Hardware and Services**

### ***Overview***

The Group conducts its IT hardware and services business segment through its subsidiary, Shandong SinoChip, which is one of the leading companies for the research, design, development, testing and packaging of integrated circuit chips in the PRC. Shandong SinoChip also sells touch screen controllers, which are used to input instructions into integrated circuit chips.

Shandong SinoChip developed one of the first domestic Dynamic Random Access Memory (“**DRAM**”) chip and holds a number of independent intellectual property rights for certain of its products in the PRC. In 2013, it was awarded “National Torch Program Key High-Tech Enterprise” (國家火炬計劃重點高新技術企業) and “Integrated Circuit Design Enterprise within National Planning Layout” (國家規劃佈局內集成電路設計企業) in 2013 and 2014.

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, revenue generated from the Group’s IT hardware and services business segment was RMB66.4 million, RMB100.0 million, RMB111.6 million, RMB90.0 million and RMB22.2 million, respectively, representing 1.0 per cent., 1.0 per cent., 0.6 per cent., 1.0 per cent. and 0.3 per cent., respectively, of the Group’s revenue for the same periods.

### ***Business Model***

The production of integrated circuit chips primarily consists of the following three areas:

- (1) *Manufacturing integrated circuit chips*: wafer manufacturing, integrated circuit chip manufacturing, and integrated circuit chip packaging.
- (2) *Industrial support for manufacturing integrated circuit chips*: integrated circuit chip design, photomask production, integrated circuit chip testing, chemical processing, and production of electrical conductors.
- (3) *Production support for manufacturing integrated circuit chips*: supply of equipment, instruments, and computer-aided design tools.

Shandong SinoChip specialises in the research and design, development of testing solutions and sales of integrated circuit chip products. Its partners for manufacturing integrated circuit chips and production support for manufacturing integrated circuit chips are third party entities that are primarily located in the PRC.

## **Other Sales**

### *Overview*

The Group commenced its other sales business segment in 2020, and operates this business segment through its subsidiaries, Jigao Investment and Yulong. In October 2021, the Group acquired 5.0 per cent. equity interest in Yulong, a public company listed on the Shanghai Stock Exchange (SSE stock code: 601028), aiming to expand this business segment. As at the date of this Offering Circular, the Group held a 29.0 per cent. equity interest in aggregate in Yulong.

Jigao Investment's commodities trading business is primarily involved in sales of coal, ferrous metal ore and ethylene glycol. Yulong's bulk commodities trading business is primarily involved in the procurement and sales of coal, agricultural products, chemicals, gold, natural rubber, crude oil and other products. The Group's upstream suppliers and downstream customers focus on commodity trading and have extensive experience, which the Group believes may mitigate industry-related risks.

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, revenue generated from the Group's other sales business segment was RMB1,775.0 million, RMB4,958.5 million, RMB11,169.9 million, RMB5,006.1 million and RMB4,119.7 million respectively, representing 25.3 per cent., 49.2 per cent. 56.6 per cent., 57.0 per cent. and 57.3 per cent. of the Group's revenue for the same period, respectively.

### *Jigao Investment*

#### *Procurement*

Jigao Investment purchases commodity products from its upstream suppliers upon confirmation of purchase orders from downstream customers. After Jigao Investment conducts market research, Jigao Investment negotiates prices with upstream suppliers, determines the delivery and transportation logistics of the commodity products, and completes the purchase with such upstream suppliers after internal review and approval.

#### *Business Model*

Jigao Investment's bulk commodity trading business primarily facilitates the distribution of commodity products to industrial customers based on the demands of such customers. By integrating the needs of downstream customers, purchasing from upstream suppliers, and then reselling to downstream customers, Jigao Investment gains profits from transaction price differences. With the established stable supply and sales channels, rich customer and supplier resources, Jigao Investment secured the sustainable development of its business.

#### *Pricing*

There are two types of pricing models: sales-based procurement and procurement-based sales. Under the sales-based procurement model, Jigao Investment initially confirms the sales price of the finished products from downstream customers, and reserves a certain percentage of gross profit on the basis of this price. This percentage of gross profit covers variable expenses and fixed expenses, and varies depending on the commodity product being procured. Jigao Investment then considers the quotations of commodity products from upstream suppliers, and subsequently determines the procurement price. Under the procurement-based sales model, the procurement price is based on the quotation from upstream suppliers and the gross profit that will be earned. The gross profit covers variable expenses and fixed expenses.

## *Yulong*

### *Business Model*

Yulong leverages on its financial advantages and follows industry practice. Yulong prepays a certain percentage of the purchase price of the products to upstream suppliers pursuant to the sales and purchase agreement, following which the supplier delivers the product in accordance with the agreed delivery method under the agreement. Upon receipt of the products, Yulong will pay to the supplier the balance of the purchase price. In dealing with downstream customers, Yulong uses a combination of advance receipts and receivables in its sales contract. Downstream customers are to pick up the products stored at a third-party designated warehouse, and the goods will be transported by way of shipping or land transfers. A confirmation of time of sales and delivery order is obtained at the point of transfer, pursuant to which the downstream customer becomes the owner of the product. Yulong will issue a sales invoice to the downstream customer, which will factor in the amount of advance receipt and receivables and reflect the balance of payment to be collected under the sales contract.

### *Pricing*

Yulong's pricing of its commodities is based on the real-time announcement of cargo prices, waterway transportation prices, and railway transportation prices available on major business platforms and is further negotiated with its upstream suppliers and downstream customers by after taking into account their specific needs and its financial advantages. Pursuant to the agreements entered into between Yulong and its downstream customers, prior to transfer of the goods to the customer, Yulong possess control over and shall bear the risks and expenses pertaining to such goods.

### **Miscellaneous**

Revenue generated from the Group's miscellaneous business segment is primarily due to the Group's material sales, real estate sales, and brand royalties.

### **OCCUPATIONAL HEALTH AND WORK SAFETY**

The Group imposes safety measures at all stages of its operational process to minimise the possibility of work-related accidents, injuries and occupational illness. The Group also monitors the safety aspects of its contractors' operations. In addition, the Group provides safety trainings to its employees and has established safety standards for its contractors. The Group believes that its safety control systems are adequate to comply with applicable national and local regulations. As at the date of this Offering Circular, the Group is not aware of any claims or penalties associated with any material breach of or non-compliance with any safety laws and regulations.

### **ENVIRONMENT MATTERS**

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

### **INTELLECTUAL PROPERTY**

As at 30 June 2023, the Group owned 145 registered trademarks, 34 patents and seven software copyright.

### **INSURANCE**

The Group is required to obtain for 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 completion of the project. In addition, with regard to its construction business, the Group generally purchases insurance for certain of its fixed assets. The Group also purchases pension insurance, unemployment insurance and medical insurance for its employees according to the relevant PRC laws and regulations. The Group has also purchased public liability insurance. The Group

maintains insurance coverage in amounts that it believes are commensurate with its risk of loss and industry practice. Consistent with what the Group believes to be customary practice in the PRC, it does not carry any business interruption insurance, key-man insurance or insurance covering potential environmental damage claims. Such insurance is not mandatory under the laws and regulations of the PRC, and such insurance is either unavailable in the PRC or requires substantial cost.

## **EMPLOYEES**

As at 30 June 2023, the Group had 594 employees.

In accordance with the applicable PRC laws and regulations, the Group makes contributions to the relevant pension contribution plans, and medical, unemployment, maternity and personal injury insurance schemes of its employees. The amount of contributions is based on the specified percentages of employees' aggregate salaries as required by relevant PRC authorities. The Group also makes contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, the Group provides annual bonuses 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.

## **LEGAL PROCEEDINGS**

The Group is from time to time involved in disputes and legal proceedings arising in the ordinary course of its business. See "*Risk Factors – Risks Relating to the Group's Business – The Group is exposed to litigation risks*".

To the best of the Group's knowledge, there are no current litigation or arbitration proceedings against the Group or any of its directors as at the date of this Offering Circular that could have a material adverse effect on its financial condition or results of operations.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### DIRECTORS

As at the date of this Offering Circular, the Guarantor's board of directors consists of seven directors. The board of directors determines major matters of the Guarantor including its management policies, internal regulations, decisions with respect to the increase, decrease, transfer or adjustment of the registered capital of the Guarantor, and the appointment or removal of the management team of the Guarantor. The Guarantor's articles of association provide that the Guarantor shall have a board of directors comprising nine directors. However, as at the date of this Offering Circular, the board of directors of the Guarantor only consists of seven members. 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 shows certain information in respect of these directors:

<u>Name</u>	<u>Age</u>	<u>Position</u>
SUN Meng (孫萌) . . . . .	44	Chairman of the board and general manager
LI Jun (李軍) . . . . .	49	Director and vice general manager
WANG Chengdong (王成東) . . . . .	48	Director and vice general manager
JIA Wei (賈為) . . . . .	44	Director
NIU Lei (牛磊) . . . . .	43	Employee director and vice general manager
WU Baojian (吳寶健) . . . . .	46	Director and General manager assistant
WANG Zulei (王祖壘) . . . . .	50	Director and Vice general manager

**Mr. Sun Meng (孫萌)**, aged 44, serves as chairman of the board and general manager of the Guarantor. Mr. Sun currently holds the position of legal representative. Mr. Sun graduated with a bachelor's degree. Mr. Sun had previously held positions as assistant to director of the management committee of National Information and Communication International Innovation Park, and director of the investment department of Jinan Innovation Technological and Industrial Development Zone.

**Mr. Li Jun (李軍)**, aged 49, serves as director and vice general manager of the Guarantor. Mr. Li graduated with a master's degree. He had previously held positions as vice general manager at the Jinan and Harbin branches of Wanda Plaza Commercial Management Co., Ltd., general manager of Kunshan World Trade Plaza Commercial Management Co., Ltd., and general manager of Baoshan Wuzhou International Business Operation Co., Ltd.

**Mr. Wang Chengdong (王成東)**, aged 48, serves as director and vice general manager of the Guarantor. Mr. Wang graduated with a master in business administration. He had previously held positions as chief financial officer of the expatriate enterprise, and deputy director and head of the group financial management department of the Guarantor. He is a senior accountant.

**Mr. Jia Wei (賈為)**, aged 44, serves as director of the Guarantor. Mr. Jia graduated with a master's degree in business administration. He had previously held positions as the deputy section head of engineering department of the Guarantor, the chairman of the board of directors and general manager of Jinan Xiantou Industrial Development Co., Ltd. He is an economist, senior engineer, registered supervising engineer and constructor.

**Mr. Niu Lei (牛磊)**, aged 43, serves as employee director and vice general manager of the Guarantor. Mr. Niu graduated with a master's degree in business administration. He had previously held positions as the director and vice general manager of the investment department of Jinan Hi-tech Finance Investment Co., Ltd., and vice chairman of the board of directors and general manager of Shandong Yulong Gold Co., Ltd. He is a senior economist.

**Mr. Wu Baojian (吳寶健)**, aged 46, serves as director and general manager assistant of the Guarantor. Mr. Wu graduated with a bachelor degree. He had previously held positions as engineering director of Jinan Inspur Real Estate Co., Ltd., director of planning and development department of the Guarantor, and vice president of Jinan Hi-tech Wisdom Valley Investment and Real Estate Co., Ltd. He is a senior engineer.

**Mr. Wang Zulei (王祖壘)**, aged 50, serves as director and vice general manager of the Guarantor. Mr. Wang graduated with a bachelor's degree. He had previously held positions as the assistant to the supervisor and deputy director of the Investment and Financing Management Centre, vice general manager of Jinan Comprehensive Bonded Zone Development and Investment Group Co., Ltd. and general manager of Jinan Dongtuo Real Estate Co., Ltd.

## SUPERVISORS

As at the date of this Offering Circular, the Guarantor's board of supervisors consists of five supervisors. The board of supervisors is responsible for monitoring the Guarantor's financial matters and overseeing the actions of the board of directors and the management of the Guarantor, and other functions and powers stipulated by laws and administrative regulations. The table below shows certain information in respect of these supervisors:

Name	Age	Position
HAN Qiang (韓強) . . . . .	60	Chairman of the board of supervisors
FENG Demin (馮德民) . . . . .	59	Employee supervisor
WANG Hao (王浩) . . . . .	58	Employee supervisor
LIU Yang (劉洋) . . . . .	50	Supervisor
ZHOU Chuantao (周傳濤) . . . . .	48	Supervisor

**Mr. Han Qiang (韓強)**, aged 60, serves as chairman of the board of supervisors. Mr. Han graduated with a master's degree. He had previously held the positions as the deputy general manager of Jinan Hi-tech State-owned Capital Operations Company, deputy general manager of Shandong Jinqiao Group, director, deputy general manager and vice chairman of the board of supervisors of the Guarantor.

**Mr. Feng Demin (馮德民)**, aged 59, serves as employee supervisor of the Guarantor. Mr. Feng graduated with a bachelor's degree. He had previously held positions as the deputy general manager of Jinan High-tech State-owned Capital Operations Company, general manager of Dongxin Thermal Power Co., Ltd. and director and deputy general manager of the Guarantor.

**Mr. Wang Hao (王浩)**, aged 58, serves as employee supervisor of the Guarantor. Mr. Wang graduated with a master's degree. He had previously held positions as the director of the chief engineering office and assistant to the chief of factory of Shandong Plastics Experimental Plant, manager of the industrial development department of Jinan Hi-tech State-owned Capital Operations Company, director of the investment and financing department of the Guarantor, visiting director of Jinan Dongfang Small Loan Co., Ltd. and deputy general manager of the Guarantor. He is a senior engineer.

**Mr. Liu Yang (劉洋)**, aged 50, serves as supervisor of the Guarantor. Mr. Liu graduated with a master of business administration. He had previously held positions as manager of capital management department of Jinan Hi-tech State-owned Capital Operations Company, deputy general manager of Jinan Hi-tech Airport Economic Park Development Co., Ltd., general manager of Jinan Hi-tech Financial Investment Co., Ltd. and general manager assistant of the Guarantor. He is a senior economist.

**Mr. Zhou Chuantao (周傳濤)**, aged 48, serves as supervisor and head of the audit and legal department of the Guarantor. Mr. Zhou graduated with a master of engineering. He had previously held positions as manager and director of investment planning department of Jinan Dongtuo Real Estate Co., Ltd., deputy head of the planning and development department and deputy head of the audit and legal department of the Guarantor. He is a senior engineer.

## SENIOR MANAGEMENT

The Guarantor's senior management is responsible for the day-to-day management of the business. The following table sets forth certain information in respect of these senior management:

<b>Name</b>	<b>Age</b>	<b>Position</b>
SUN Meng (孫萌) . . . . .	44	Chairman of the board and general manager
LI Jun (李軍) . . . . .	49	Director and vice general manager
WANG Chengdong (王成東) . . . . .	48	Director and vice general manager
NIU Lei (牛磊) . . . . .	43	Employee director and vice general manager
WANG Zulei (王祖壘) . . . . .	50	Director and Vice general manager
WU Baojian (吳寶健) . . . . .	46	Director and General manager assistant

For the business and working experience of Mr. Sun Meng, see “– *Directors*” above for detailed information.

For the business and working experience of Mr. Li Jun, see “– *Directors*” above for detailed information.

For the business and working experience of Mr. Wang Chengdong, see “– *Directors*” above for detailed information.

For the business and working experience of Mr. Niu Lei, see “– *Directors*” above for detailed information.

For the business and working experience of Mr. Wang Zulei, see “– *Directors*” above for detailed information.

For the business and working experience of Mr. Wu Baojian, see “– *Directors*” above for detailed information.

## CORPORATE GOVERNANCE

The Guarantor has established a corporate governance structure to comply with relevant laws and regulations. Its corporate governance structure consists of six departments, namely, (1) human resources department, (2) planning and development department, (3) finance department, (4) audit and legal department, (5) general department, and (6) asset management department. The primary duties of these six departments are set forth as follows:

- (1) *Human resources department*: establishes and implements the Guarantor's human resources policies and regulations, organises performance appraisals of the Guarantor's employees, and manages the Guarantor's staff recruitment.
- (2) *Planning and development department*: establishes the Guarantor's development strategy, manages the operation of the projects and manages the Guarantor's relationship with investors.
- (3) *Finance department*: establishes and implements the Guarantor's financial budget, and manages the Guarantor's tax budget.
- (4) *Audit and legal department*: establishes and implements the Guarantor's audit system, audits and evaluates the Guarantor's risk management systems, assists external agencies in conducting auditing of the Guarantor, and supervises in anti-corruption practices in the Guarantor.
- (5) *General department*: prepares meeting minutes and manages internal information of the Guarantor.
- (6) *Asset management department*: evaluates and classifies the quality of the Guarantor's assets.

## PRC REGULATIONS

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

### 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 (formerly Ministry of Construction of the PRC, the "MOC") and the competent local departments of MOHURD at various levels are responsible for the comprehensive supervision over the construction industry as well as the real estate development qualifications. Such management mainly includes: management on the competency and qualification of market players, 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.
- Ministry of Transport of the PRC (the "MOT") and the competent local departments of MOT at various levels are responsible for the construction projects of ports and highways nationwide.
- NDRC and the local development and reform commissions at various levels are responsible for the investment planning, examination and approval of city infrastructure construction projects.
- Ministry of Environmental Protection of the PRC (former State Environmental Protection Administration, the "SEPA") and the competent local departments of environmental protection at various levels are responsible for the environmental protection management of construction projects.

### MAJOR LAWS AND REGULATIONS

#### SAFE Registration in relation to Cross-Border Security

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

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

a “Neibaowaidai” transaction, and a PRC non-financial institution as the guarantor shall register such cross-border security with SAFE within 15 working days after the execution of the guarantee; (iii) the proceeds of loans or bonds under the “Neibaowaidai” structure shall be used for the relevant expenses in the normal course of business of the foreign debtor, and shall not be used by the foreign debtor to engage in transactions other than in the normal course of business, to arbitrage any trade with fictitious transaction background, to carry out other forms of speculative transactions, or to directly or indirectly remit proceeds back to PRC by way of security investment; (iv) the proceeds of loans or bonds under the “Neibaowaidai” structure shall not be repatriated onshore and used in the PRC without the approval of the SAFE; (v) where “Neibaowaidai” is provided to secure the repayment obligations of an offshore entity under its offshore bond issuance, the offshore issuer shall be directly or indirectly owned by the PRC domestic institutions and the proceeds from the offshore bond issuance shall be applied to the overseas investment projects which are associated with the PRC domestic institutions in terms of equity interest and the relevant overseas institutions or projects shall have obtained or completed approvals, registrations, records or confirmations from or with the relevant PRC domestic authorities in charge of administration of overseas investment; and (vi) in case of performance of the “Neibaowaidai” which has been duly registered with SAFE, the PRC non-financial institution as the guarantor, may make the payment in relation to the performance of the “Neibaowaidai” under the registered “Neibaowaidai” at its own discretion, and shall de-register the “Neibaowaidai” and perform registration formalities in relation to its creditor rights against the offshore debtor arising out of the performance of the “Neibaowaidai”. On 26 January 2017, SAFE issued the Circular on Further Promoting the Reform of Foreign Exchange Administration and Improving the Genuineness and Compliance Review and Verification Process (關於進一步推進外匯管理改革完善真實合規性審核的通知) (“**SAFE Circular 3**”), which eases certain restrictions on the use of proceeds raised under a “Neibaowaidai” structure and generally allows the proceeds raised under a “Neibaowaidai” structure to be repatriated onshore and used in the PRC by way of loans and equity investments. The second series of the Policy Q&As in relation to the SAFE Circular 3 (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知(匯發[2017]3號)政策問答(第二期), “**Policy Q&As in relation to the Circular 3**”) published by SAFE on its official website on 27 April 2017 further clarified that, for offshore bond issuance by offshore entities which is secured by PRC onshore guarantees, the restrictions on the use of proceeds as mentioned in sub-paragraph (iii) and sub-paragraph (v) above still apply despite of SAFE Circular 3. However, in practice, application or exemption of such restrictions on the use of proceeds as mentioned in sub-paragraph (v) above to a large extent remains subject to SAFE’ discretion on a case by case basis.

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

### **Regulation on Fiscal Debts of Local Governments**

In accordance with Guidance on Further Strengthening Adjustment of Credit Structure to Promote Fast and Smooth Development of National Economy (中國人民銀行、中國銀行業監督管理委員會關於進一步加強信貸結構調整促進國民經濟平穩較快發展的指導意見) issued jointly by the PBOC and CBRC (reformed and known as the China Banking and Insurance Regulatory Commission (the “**CBIRC**”) since March 2018) in March 2009, local governments are encouraged to establish financing platforms to issue financing instruments such as enterprise bonds and medium-term notes. In order to strengthen the management of financing platforms and effectively prevent fiscal financial risks, Circular 19 (國務院關於加強地方政府融資平台公司管理有關問題的通知) (“**Circular 19**”) and Circular 2881 (關於進一步規範地方政府投融資平台公司發行債券行為有關問題的通知) (“**Circular 2881**”) were separately promulgated in June 2010 and November 2010, respectively. In accordance with Circular 19, all levels of local governments shall clear up the debts of their respective financing platform. In accordance with Circular 2881, indebtedness of local governments will impact financing platform’s issuance of enterprise bonds.

On 21 September 2014, Circular 43 was promulgated by the State Council. Circular 43 aims at regulating financing system of local government and the 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, since the new Budget Law of the PRC (中華人民共和國預算法) (the “**New Budget Law**”), which took effect on 29 December 2018, empowers local governments to issue 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 State Council for approval, and then included in the budget plan of local governments.

On 11 May 2015, Opinion on the Proper Solution of the Follow-up Financing Issues for Projects under Construction of Financing Platform of Local Governments issued jointly by the Ministry of Finance of the PRC, the PBOC and the CBRC (reformed and known as the CBIRC since March 2018) (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專案後續融資問題意見的通知) (“Circular 40”) was promulgated by the General Office of the State Council of the PRC. In accordance with Circular 40, local governments at all levels and banking financial institutions shall properly deal with follow-up financing issues for projects under construction of financing platform companies. Projects under construction refer to projects that have started construction upon the completion of examination, approval or filing procedures in accordance with relevant regulations manuscript by competent investment authorities before the date when the Circular 43 was promulgated.

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

## **Regulation on the Issuance of Foreign Debt**

The NDRC issued the NDRC Measures on 5 January 2023, which came into effect on 10 February 2023 and are supplemented and amended by other applicable implementation rules, regulations, certificates, circulars, notices or policies thereof as issued by the NDRC from time to time. According to the NDRC Measures, where domestic enterprises, overseas enterprises controlled by them or their overseas branches issue foreign debts outside the PRC with a tenor of one year or longer, such enterprise shall procure the registration of the debt securities issued with the NDRC prior to the issue of the securities. The enterprise shall submit the information report within ten PRC working days after the completion of the issue of the securities and file with the NDRC the requisite information and documents of the relevant issues through the NDRC Online Reporting System within ten PRC working days after both the completion of the issue of the securities and the expiration date of the examination registration certificate (企業借用外債審核登記證明) obtained from the NDRC. The NDRC shall accept or reject the application within five PRC working days upon the receipt of the application and provide the Record-filing and Registration Certification of Issuance of Foreign Debts by Enterprises within three months after acceptance. 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 the due performance of its obligations under the securities issued.

As the NDRC Measures have been issued fairly recently, they may be subject to further change upon the issuance of clarification rules or interpretation by competent authorities. There is uncertainty as to the application of the NDRC Measures and administration and enforcement of the NDRC Measures may be subject to a certain degree of executive and policy discretion by the NDRC. For example, while the NDRC Measures set out the legal consequences for debtors and professional parties for non-compliance, the NDRC Measures are silent on whether any such non-compliance would affect the validity and enforceability of the securities issued.

In addition, the PRC government issued the MOF Circular which aims to strengthen oversight of the PRC state-owned financial institutions and increase the responsibility of such 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 be of good quality with clear ownership and public interest assets are prohibited from being included in corporate assets.

## **Bidding and Tendering Management**

Bidding and tendering of various construction projects have been provided in the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法) promulgated by SCNPC on 30 August 1999 and amended by No. 86 Presidential Decree in 2017 which became effective on 28 December 2017, Regulation on the Implementation of the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法實施條例) promulgated by State Council on 20 December 2011 and amended on 1 March 2017, 19 March 2018 and 2 March 2019, Measures for the Construction Bidding and Tendering of Construction Projects (工程建設項目施工招標投標辦法) jointly promulgated by NDRC, Ministry of Industry and Information Technology, MOF, MOHURD, MOT, Ministry of Railways, Ministry of Water Resources of the People's Republic of China, State Administration of Radio, Film and Television and Civil Aviation Administration of China on 8 March 2003 which became effective on 1 May 2003, amended on 11 March 2013 and became effective on 1 May 2013, Administrative Measures for the Bidding and Tendering of Design of Construction Projects (建築工程設計招標投標管理辦法) issued by MOHURD on 24 January 2017 and became effective on 1 May 2017. 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 MOHURD on 13 March 2019.

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

The process of bidding and tendering consists of five stages including bid invitation, tendering, bid opening, bid evaluation and bid award. The principle of openness, fairness and equal competition shall be followed in the bidding and tendering for construction project contracting, and the contractor shall be chosen after evaluation. After the contractor is determined, the tenderee shall issue the notification to the successful bidder. The notification is legally binding on both the tenderee and the bid winner. In accordance with the Bidding and Tendering Law of the People's Republic of China and Measures for the Construction Bidding and Tendering of Construction Projects, if any project that shall undergo bidding as required by law fails to go through the bidding process, or the items subject to bidding are broken up into pieces or the bidding requirement is otherwise evaded, the relevant administrative supervision department shall order rectification within a specified period, and may impose a fine of 0.5 per cent. 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(一)) issued by the Supreme People's Court on 29 December 2020 and became effective on 1 January 2021, if any project that is required to undergo a bidding process fails to go through the bidding process or the bid award is invalid, the construction contract for building projects shall become invalid.

### **Quality Management**

Laws and regulations on project quality mainly include Construction Law of the People's Republic of China, Regulation on Quality Management of Construction Projects (建設工程質量管理條例) issued by the State Council on 30 January 2000 which was subsequently amended on 7 October 2017 and on 23 April 2019 and became effective on the same day, Administrative Measures for Quality Management of Construction Project Survey (建設工程勘察質量管理辦法) amended by MOHURD on 1 April 2021, the Measures for the Administration of Quality Warranty Funds of Construction Projects (建設工程質量保證金管理辦法) issued jointly by MOHURD and MOF and amended on 20 June 2017 which became effective on 1 July 2017, 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, which has been dismantled now, on 30 June 2000 and became effective on the same date, and Measures for Completion (Delivery) Acceptance of Highway Works (公路工程竣(交)工驗收辦法) promulgated by Ministry of Communications, which has been dismantled now, on 15 March 2004 and became effective on 1 October 2004, and its Implement which is promulgated on 27 January 2010.

According to the Regulation on Quality Management of Construction Projects, all the building, surveying, designing, construction and supervision units shall be responsible for the quality of the construction projects. The competent administrative department of construction at or above county level is the competent authority for quality supervision and management of construction projects.

### **Environmental Protection Management**

Major laws and regulations on environmental protection during the project construction process include the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) amended by SCNPC on 24 April 2014 which became effective on 1 January 2015, Law on Environmental Impact Assessment of the People's Republic of China (中華人民共和國環境影響評價法) promulgated by SCNPC on 28 October 2002 and amended on 2 July 2016 and on 29 December 2018 and became effective on the same day, Administrative Regulations on Environmental Protection of Construction Projects (建設項目環境保護管理條例) issued by State Council on 29 November 1998, amended on 16 July 2017 and became effective on 1 October 2017.

In accordance with the provisions of the Administrative Regulations on Environmental Protection of Construction Projects and Administrative Measures for Environmental Protection Acceptance of Construction Projects upon Completion, the PRC Government implements the system of environmental impact assessment on construction projects. After the completion of a construction project, the competent administrative department of environmental protection will undergo environmental protection acceptance process and assess whether the construction project has met the requirements for environmental protection.

### **Environmental Protection**

The Environmental Protection Law (中華人民共和國環境保護法), promulgated on 26 December 1989 by the Standing Committee of the National People's Congress, as amended on 24 April 2014 and became effective on 1 January 2015, establishes the legal framework for environmental protection in the PRC. The environmental protection department of the State Council supervises environmental protection work in the PRC, and establishes national standards for the discharge of pollutants. Each of the local environmental protection bureaus is responsible for the environmental protection work within their respective jurisdictions.

#### ***Air Pollution***

The Air Pollution Prevention Law (大氣污染防治法), amended on 29 August 2015 and 26 October 2018 by the Standing Committee of the National People's Congress, which became effective on 26 October 2018, establishes the legal framework for air pollution prevention in the PRC. The environmental protection department of the State Council formulates national air quality standards. Each of the local environmental protection bureaus is authorised to regulate air pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation.

#### ***Water Pollution***

The Water Pollution Prevention Law (水污染防治法), amended on 28 February 2008 and 27 June 2017 and became effective on 1 January 2018, establishes the legal framework for water pollution prevention in the PRC. The environmental protection department of the State Council formulates national waste discharge standards. Enterprises that discharge waste into water shall pay a treatment fee. Each of the local environmental protection bureaus is authorised to regulate water pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation, including suspending operations.

#### ***Noise Pollution***

The Noise Pollution Prevention Law (環境噪聲污染防治法), promulgated by the Standing Committee of the National People's Congress on 29 October 1996, which became effective on 1 March 1997, amended by Law of the People's Republic of China on the Prevention and Control of Noise Pollution (中華人民共和國噪聲污染防治法) issued by the Standing Committee of the National People's Congress on 24 December 2021, which took effect on 5 June 2022, establishes the framework for noise pollution prevention in the PRC. Under the Noise Pollution Prevention Law, any person undertaking a construction, decoration or expansion project which might cause environmental noise pollution, shall prepare and submit an environmental impact report to the environmental protection authority for approval. Facilities for prevention and control of environmental noise pollution shall be designed and approved by the environmental protection authority prior to the commencement of the project, and be built and put into use simultaneously with the project works. Facilities for prevention and control of environmental noise pollution may not be dismantled or suspended without the approval of the environmental protection authority.

#### ***Construction Projects***

The Environmental Impact Appraisal Law (環境影響評價法), promulgated by the Standing Committee of the National People's Congress on 28 October 2002, amended on 2 July 2016 and on 29 December 2018 and became effective on the same day, the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例), promulgated by the State Council on 29 November 1998, amended on 16 July 2017 and effected on 1 October 2017, and the Interim Measures for the Acceptance Inspection for Environmental Protection upon Completion of Construction Projects (建設項目

竣工環境保護驗收暫行辦法), promulgated by the Ministry of Environmental Protection, which has been dismantled now, on 20 November 2017, which became effective on the same date, require enterprises planning construction projects to engage qualified professionals to provide assessment reports on the environmental impact of such projects. The assessment report shall be filed with and approved by the relevant environmental protection bureau, prior to the commencement of any construction work. The construction project shall not commence operation, unless inspected and approved by the relevant environmental protection bureau.

## **Labour**

### ***Employment Contracts***

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

### ***Employee Funds***

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

## **REGULATIONS REGARDING OVERSEAS INVESTMENT, FINANCING AND ACQUISITION ACTIVITIES**

### **NDRC Supervision**

According to the Measures for the Administration of Approval and Filing of Overseas Investment Projects (境外投資項目核准和備案管理辦法) effective from 8 May 2014, amended on 27 December 2014, abolished on 1 March 2018 and replaced by the Administrative Measures for the Outbound Investment of Enterprises (企業境外投資管理辦法), the procedure of approval and filing apply to different overseas investment projects. In particular, overseas investment projects involving sensitive countries and regions or sensitive industries are subject to confirmation by the NDRC.

Specifically, overseas investment projects carried out by enterprises under central management, or those carried out by local enterprises for which the amount of Chinese investment reaches or exceeds U.S.\$300 million are subject to filing with NDRC. Those carried out by local enterprises for which the amount of Chinese investment is below U.S.\$300 million shall be subject to the filing with competent investment departments of the provincial government.

Investment projects to be carried out in Hong Kong and/or Macau shall be governed by the Measures for the Administration of Approval and Filing of Overseas Investment Projects.

According to the Administrative Measures for the Outbound Investment of Enterprises (企業境外投資管理辦法) which was promulgated by the NDRC on 26 December 2017 and became effective on 1 March 2018, the procedure of approval and filing shall apply to different overseas investment projects. In particular, overseas investment projects involving sensitive countries and regions or sensitive industries shall be subject to confirmation by the NDRC.

The Administrative Measures for the Outbound Investment of Enterprises apply when investors make investments abroad through enterprises that are located in Hong Kong, Macau and Taiwan and under their control while the Measures do not apply when natural persons within the territory of China directly make investments abroad or in Hong Kong, Macau and Taiwan.

The NDRC Measures took effect on 10 February 2023, and relate to the matters listed below:

- **Tighten Requirements for Borrowing Foreign Debts**

The NDRC Measures have tightened the conditions for enterprises to incur foreign debt. Each controlling shareholder and de facto controlling person of an enterprise must not (i) have any criminal records relating to corruption, bribery, embezzlement or misappropriation of assets or other criminal offences that may impede the order of the socialist market economy within the past three years, or (ii) be the subject of lawful investigation for criminal offences or breach of major laws or regulations within the past three years.

- **Pre-issuance Approval and Registration Procedure**

Pursuant to the NDRC Measures, before incurring any foreign debt, an enterprise shall submit a registration application to the NDRC to obtain the examination registration certificate (企業借用外債審核登記證明).

- **Use of Proceeds**

Pursuant to the NDRC Measures, proceeds from foreign debt shall not be used for any purpose which would threaten the national interests and data security of the PRC, increase local government's hidden debts or is speculative.

- **Post-issuance Filing and Reporting Procedure**

After incurring any foreign debt, the relevant enterprise subject to the NDRC Measures shall undertake to (i) file or cause to be filed with the NDRC the requisite information and documents relating to such foreign debt within ten PRC working days after the completion of borrowing of such foreign debts, (ii) file or cause to be filed with the NDRC the requisite information and documents within ten PRC working days upon the expiry of the certificate of approval and registration, (iii) file or cause to be filed with the NDRC the requisite information and documents within five PRC working days before the end of January and July of each year as long as any foreign debt remains outstanding, and (iv) file or cause to be filed the requisite information and documents with the NDRC upon the occurrence of any material event that may affect the relevant enterprise's due performance of its debt obligations as long as any foreign debt remains outstanding. An enterprise and its main responsible person(s) may be subject to public warning if the enterprise makes any concealment, false record, misleading statement or material omission in its application documents and information disclosed by such enterprise, or if it fails to comply with reporting obligations under the NDRC Measures.

## **MOFCOM Supervision**

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

An enterprise that intends to invest in a sensitive country or region or a sensitive industry shall apply for the verification by MOFCOM. “Sensitive countries and regions” refer to those countries without a diplomatic relationship with the PRC, or subject to the UNSC sanctions or otherwise under the list of verified countries and regions published by MOFCOM from time to time. “Sensitive industries” refer to those industries involving the products and technologies which are restricted from being exported, or affecting the interests of more than one country (or region). In accordance with the New Overseas Investment Rules, a central enterprise shall apply to MOFCOM for verification and MOFCOM shall, within 20 working days after accepting such application, decide whether or not the verification is granted. For a local enterprise, it shall apply through the provincial department of commerce to MOFCOM for such verification. The provincial department of commerce shall give a preliminary opinion within 15 working days after accepting such local enterprise’s application, and submit all application documents to MOFCOM. MOFCOM shall decide whether or not to grant the verification within 15 working days of receipt of such preliminary opinion from the provincial department of commerce. Upon verification, the Enterprise Overseas Investment Certificate shall be issued to the investing enterprise by MOFCOM.

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

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

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

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

## **Foreign Exchange Administration**

On 12 May 2014, SAFE promulgated SAFE Circular 29 which took effect on 1 June 2014.

SAFE Circular 29 allows cross-border security to be granted in respect of an offshore bond issuance, provided that (a) the offshore issuer is directly or indirectly owned by the onshore security provider; (b) the proceeds obtained from the offshore bond are used for certain offshore projects which are related to the onshore security provider from a shareholding perspective; and (c) the issuer and such offshore projects have been duly approved by, registered and filed with, the relevant PRC authorities in charge of outbound investment.

Restrictions on the repatriation of proceeds from offshore debt still apply, which provide that such proceeds may not be repatriated, whether directly or indirectly, from offshore to onshore, whether by way of equity investment or lending (which includes direct or indirect equity investment in an offshore company where 50 per cent. or more of its assets are located in the PRC) without obtaining the prior approval from SAFE. However, according to the Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving Authenticity and Compliance Review (關於進一步推進外匯管理改革完善真實合規性審核的通知) promulgated by SAFE on 26 January 2017, proceeds from offshore debt secured by cross-border security may be repatriated to the PRC for use directly or indirectly by way of loans, equity investment, etc.

### **State-owned Assets Supervision**

The Interim Measures for Administration of Overseas State-owned Property Rights of Central Enterprises (中央企業境外國有產權管理暫行辦法) and the Interim Measures for the Supervision and Administration of Overseas State-owned Assets of Central Enterprises (中央企業境外國有資產監督管理暫行辦法) also apply to overseas investment projects. Where overseas enterprises wholly owned or controlled by central enterprises or their subsidiaries at all levels conduct economic activities such as transferring or acquiring properties, making non-monetary contribution, changing the state-owned shareholding in non-listed companies, consolidation, division, dissolution or liquidation, they shall appoint a professional agency with the corresponding qualifications, professional experiences and good reputation to evaluate or assess the subject matters, and the evaluation items or valuation results shall be submitted to SASAC for record-filing or approval (as the case may be).

Pursuant to the Interim Measures for Administration of Overseas State-owned Property Right of Central Enterprises, the central enterprise shall, in a unified way, apply for property right registration with the SASAC, where any of the following events take place in connection with a central enterprise or its subsidiaries at all levels:

- (1) where an overseas enterprise is established by way of investment, division or consolidation, or the property right of an overseas enterprise is obtained for the first time by way of acquisition or equity investment;
- (2) where any change occurs to an overseas enterprise's basic information including its name, registration place, registered capital and the main business scope, or the overseas enterprise's property right information changes due to any changes in the capital contributors, amount of capital contributions and proportions of capital contributions;
- (3) where an overseas enterprise no longer keeps state-owned property right due to dissolution, bankruptcy, or property right transfer and capital reduction; or
- (4) other circumstances in which property right registration needs to be made.

## TAXATION

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

### PRC

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

### Income Tax

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

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of Bonds by non-resident enterprise Bondholders would be treated as income derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, according to the IIT Law amended on 31 August 2018, which will become effective on 1 January 2019, any individual who has no domicile and does not live within the territory of the PRC or who has no domicile but has lived within the territory of China for less than 183 days on a cumulative basis in a taxable year shall pay individual income tax for any income obtained within the PRC. There is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Tax Arrangement, Bondholders who are Hong Kong residents, including both enterprise Bondholders and individual Bondholders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

## VAT

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

According to Circular 36, entities and individuals providing services within the PRC are subject to VAT. The services potentially subject to VAT include the provision of financial services such as the provision of loans. Although the issuance of the Bonds is likely to be treated as financial services for VAT purposes, Circular 36 stipulates that services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. In connection with the issue of the Bonds, none of the Issuer and/or the Bondholders is located in the PRC.

Further, the payments of the interest and other interest like earnings may be subject to VAT at the rate of 6 per cent. in the event that the Guarantor is required to discharge its obligations under the Guarantee. The Guarantor will be obligated to withhold VAT of 6 per cent. and certain surcharges on VAT for payments of interest and certain other amounts on the Bonds paid by the Guarantor to Bondholders that are non-resident enterprises or individuals. As the withholding agent, the Guarantor shall calculate the withholding tax according to the following formula:  $\text{withholding tax} = \text{price paid by the purchaser} \div (1 + \text{tax rate}) \times \text{tax rate}$ .

However, Circular 36 and laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties, and 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.

## Stamp Duty

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

## HONG KONG

### Withholding Tax

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

### Profits Tax

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).

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

- (i) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong, notwithstanding that the moneys in respect of which the interest is received or accrues are made available outside Hong Kong; or
- (ii) 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; or
- (iii) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person (other than a corporation) carrying on a trade, profession or business in Hong Kong and such interest is derived from Hong Kong and is in respect of the funds of the trade, profession or business; or

- (iv) 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 Bonds will be subject to profits tax.

Sums derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired or 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 addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 of Hong Kong (the “**Amendment Ordinance**”) which amended the provisions in relation to the foreign-sourced income exemption (“**FSIE**”) regime under the Inland Revenue Ordinance (Cap. 112), came into effect on 1 January 2023. Under the new FSIE regime, certain foreign-sourced interest on the Bonds accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong is regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when it is received in Hong Kong. The Amendment Ordinance also provides for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

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.

### **CAYMAN ISLANDS**

The Cayman Islands currently have no exchange control restrictions and no income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax applicable to the Issuer or any holder of Bonds.

Accordingly, payment of principal of (including any premium) and interest on, and any transfer of, the Bonds will not be subject to taxation in the Cayman Islands, no Cayman Islands withholding tax will be required on such payments to any holder of the Bonds and gains derived from the sale of the Bonds will not be subject to Cayman Islands capital gains tax.

No stamp duty is payable under the laws of the Cayman Islands in respect of the execution and issue of the Bonds. However, an instrument of transfer in respect of the Bonds is stampable if executed in or brought into the Cayman Islands.

## SUBSCRIPTION AND SALE

The Issuer and Guarantor have entered into a subscription agreement with the Joint Lead Managers dated 9 April 2024 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds at an issue price of 100.00 per cent. of their principal amount set forth opposite its name below:

<b>Joint Lead Managers</b>	<b>Principal amount of the Bonds to be subscribed</b>
	<i>(U.S.\$)</i>
China International Capital Corporation Hong Kong Securities Limited . . . . .	20,000,000
Guotai Junan Securities (Hong Kong) Limited . . . . .	20,000,000
CEB International Capital Corporation Limited . . . . .	10,000,000
China Securities (International) Corporate Finance Company Limited . . . . .	10,000,000
Haitong International Securities Company Limited . . . . .	10,000,000
Industrial Bank Co., Ltd. Hong Kong Branch . . . . .	10,000,000
Shenwan Hongyuan Securities (H.K.) Limited . . . . .	10,000,000
Bank of China Limited . . . . .	5,000,000
BOCOM International Securities Limited . . . . .	5,000,000
CCB International Capital Limited . . . . .	5,000,000
China Everbright Securities (HK) Limited . . . . .	5,000,000
China Galaxy International Securities (Hong Kong) Co., Limited . . . . .	5,000,000
China Industrial Securities International Brokerage Limited . . . . .	5,000,000
China Zheshang Bank Co., Ltd. (Hong Kong Branch) . . . . .	5,000,000
CLSA Limited . . . . .	5,000,000
CMB International Capital Limited . . . . .	5,000,000
CMBC Securities Company Limited . . . . .	5,000,000
CNCB (Hong Kong) Capital Limited . . . . .	5,000,000
GF Securities (Hong Kong) Brokerage Limited . . . . .	5,000,000
Huatai Financial Holdings (Hong Kong) Limited . . . . .	5,000,000
ICBC International Securities Limited . . . . .	5,000,000
Orient Securities (Hong Kong) Limited . . . . .	5,000,000
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch . . . . .	5,000,000
Soochow Securities International Brokerage Limited . . . . .	5,000,000
SPDB International Capital Limited . . . . .	5,000,000
<b>Total . . . . .</b>	<b>180,000,000</b>

The Issuer and the Guarantor have agreed in the Subscription Agreement to pay the Joint Lead Managers customary fees and commissions and to reimburse the Joint Lead Managers its out-of-pocket expenses in connection with the initial sale and distribution of the Bonds. The Subscription Agreement also provides that the Joint Lead Managers and their respective subsidiaries, affiliates or any person who controls any of them or any of their respective directors, officers, employees or agents will be indemnified against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer and the Guarantor.

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

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliate(s) may act as investors for their own accounts and may take up Bonds in the offering and in that capacity may retain, purchase or sell for their own accounts such securities and any securities of the Issuer or the Guarantor and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the Bonds being “offered” should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliate(s) 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 – An active trading market for the Bonds may not develop.*” and “*Risk Factors – Risks Relating to the Bonds – Certain initial investors will purchase a significant portion of the Bonds and may therefore be able to exercise certain rights and powers on their own.*”). The Issuer and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors.

In the ordinary course of their various business activities, the Joint Lead Managers or their respective affiliate(s) may purchase the Bonds for their own accounts or for the accounts of their customers and enter into transactions, including credit derivative, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer, the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds).

In connection with the issue of the Bonds, the Stabilisation Manager or any person acting on its behalf 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 its behalf shall act as principal and not as agent of the Issuer or the Guarantor. However, there is no assurance that the Stabilisation Manager or any person acting on its behalf will undertake any stabilisation action. Any loss resulting from over-allotment and stabilisation will be borne, and any profit arising therefrom shall be beneficially retained, by the Joint Lead Managers in the manner agreed between them. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

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

## **GENERAL**

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds are subject to restrictions and may not be made except pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or the Joint Lead Managers that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Offering Circular comes are required by the Issuer, the Guarantor and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Bonds or have in their possession, distribute or publish this Offering Circular or any other offering material relating to the Bonds, in all cases at their own expense.

## UNITED STATES

The Bonds and the Guarantee have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds and the Guarantee are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

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

- (a) it has not offered or sold, and agrees that it will not offer or sell, any Bonds and the Guarantee constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S; and
- (b) none of it, its affiliates or any persons acting on its or their behalf have engaged or will engage in any “directed selling efforts” (as defined in Regulation S) with respect to the Bonds and the Guarantee.

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

## UNITED KINGDOM

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

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

## HONG KONG

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

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

## **SINGAPORE**

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, 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 Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

## **JAPAN**

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

## **PRC**

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

## **CAYMAN ISLANDS**

Each of the Joint Lead Managers has represented, warranted and agreed that it has not made and will not make any invitation, whether directly or indirectly, to the public in the Cayman Islands to offer or sell the Bonds.

### **Important Notice to CMI (including private banks)**

This notice to CMI (including private banks) is a summary of certain obligations the SFC Code imposes on CMI, which require the attention and cooperation of other CMI (including private banks). Certain CMI 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 Guarantor, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the Guarantor, the CMI or the relevant group company. CMI 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 Guarantor or any CMI (including its group companies) and inform the Joint Lead Managers accordingly.

CMI are informed that, unless otherwise notified, 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.

CMI 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 Guarantor. 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: [ib\\_goldvalley@cicc.com.cn](mailto:ib_goldvalley@cicc.com.cn), [dcm.goldvalley@gtjas.com.hk](mailto:dcm.goldvalley@gtjas.com.hk), [project\\_goldvalley9@icbci.icbc.com.cn](mailto:project_goldvalley9@icbci.icbc.com.cn), [DCM@ccbintl.com](mailto:DCM@ccbintl.com), [dcm@swhyhk.com](mailto:dcm@swhyhk.com) and [cmd\\_dcm@cibhk.com](mailto:cmd_dcm@cibhk.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 Guarantor, 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.

## **SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS**

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

*Accordingly, no assurance is provided that the following summary of differences between PRC GAAP and IFRS is complete. In making an investment decision, each investor must rely upon its own examination of the Group, the terms of the offering and other disclosure contained herein. Each investor should consult its own professional advisors for an understanding the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.*

### **GOVERNMENT GRANT**

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

### **REVERSAL OF AN IMPAIRMENT LOSS**

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

### **RELATED PARTY DISCLOSURES**

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

### **FIXED ASSETS AND INTANGIBLE ASSETS**

Under PRC GAAP, only the cost model is allowed.

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

## GENERAL INFORMATION

- 1 Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 279196007 and the International Securities Identification Number for the Bonds is XS2791960078. The Issuer's legal entity identifier is 549300P4D6D7TIQMKO58.
- 2 Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by resolutions of the board of directors of the Issuer passed on 18 March 2024. The Guarantor has obtained all necessary consents, approvals and authorisations and completed all necessary filing, registration and other actions in connection with the giving and performance of its obligations under the Deed of Guarantee, the Trust Deed and the Agency Agreement, except for (i) the submission of the relevant documents for the registration of the Deed of Guarantee with SAFE within 15 Registration Business Days after the Issue Date, and/or if applicable, the filing of the information of the Bonds with local branch of SAFE after the execution of the foreign debt contracts but no later than three business days before the withdrawal date pursuant to the Circular of the People's Bank of China on Issues Concerning the Overall Macro Prudential Management System for Cross-border Financing and (ii) the filing of the requisite information and documents relating to the Bonds with the NDRC within 10 Registration Business Days after the Issue Date according to the NDRC Measures. The giving of the Guarantee was authorised by the resolutions of the board of directors of the Guarantor passed on 27 March 2023 and 10 November 2023.
- 3 No Material Adverse Change:** Save as disclosed in this Offering Circular, there has been no material adverse change, or any development or event involving a prospective change, in the financial condition, prospects, results of operations or general affairs of the Issuer, the Guarantor or the Group since 30 June 2023.
- 4 Litigation:** Save as disclosed in this Offering Circular, none of the Issuer, the Guarantor or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer or the Guarantor believes are material in the context of the Bonds and the giving of the Guarantee, and to the best knowledge of the Issuer or the Guarantor (after due and careful enquiry), no such litigation or arbitration proceedings are pending or threatened.
- 5 Listing:** Application will be made to the SGX-ST for the listing and quotation of the Bonds on the Official List of the SGX-ST. For so long as the 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 foreign currencies). In addition, for so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore where the Bonds may be presented or surrendered for payment or redemption, in the event that a the Global Certificate is exchanged for definitive certificates. In addition, in the event that the Global Certificate is exchanged for definitive certificates, an announcement of such exchange shall be made by the Issuer or on its behalf through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive certificates, including details of the paying agent in Singapore.
- 6 Available Documents:** As long as any Bond is outstanding, copies of the following documents will be available for inspection upon prior written request and satisfactory proof of holding and identity during normal business hours (being 9:00 a.m. to 3:00 p.m. Monday to Friday except for public holidays) by the Bondholders (i) at the principal place of business for the time being of the Trustee, being at the Issue Date at Level 26, HSBC Main Building, 1 Queen's Road Central, Hong Kong or (ii) electronically via email from the Trustee:
  - (a) the Agency Agreement;
  - (b) the Trust Deed; and
  - (c) the Deed of Guarantee.
- 7 Independent Auditors:** The Guarantor's Audited Financial Statements, which are included elsewhere in this Offering Circular have been audited by Hexin CPA, the independent auditors of the Group, as stated in its reports appearing herein.

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济南高新控股集团有限公司  
Jinan Hi-tech Holding Group Co., Ltd.  
AUDITOR'S REVIEW REPORT

He Xin zhuan Zi (2023) No. 000498

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**Hexin Certified Public Accountants LLP**

**20 September 2023**

# AUDITORS' REVIEW REPORT

He Xin Zhuan Zi (2023) No. 000498

## To the Shareholders of Jinan Hi-tech Holding Group Co., Ltd.

We have reviewed the accompanying financial statements of 济南高新控股集团 有限公司 (Jinan Hi-tech Holding Group Co., Ltd., hereinafter "Hi-tech Holding" or the "Company") which comprise the consolidated balance sheet as of 30 June 2023, the consolidated income statement, consolidated cash flow statement and notes to financial statements from January to June, 2023. The management of Hi-tech Holding is responsible for the preparation of these financial statements. Our responsibility is to issue a review report on these financial statements based on our review.

We conducted our review in accordance with China Standard on Review Engagements 2101 – Engagements to Review Financial Statements. This Standard requires us to plan and perform the review to obtain limited assurance about whether the financial statements are free from material misstatement. A review consists principally of making enquiries of the Company's personnel and applying analytical procedures to the financial information, and provides a lower level of assurance than an audit. We have not performed an audit, and accordingly we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the financial statements are not prepared, in all material respects, in accordance with Accounting Standards for Business Enterprises, and do not present fairly, in all material respects, the financial position, the results of operations and cash flows of the Company.

Hexin Certified public Accountants LLP

Certified public accountant of  
P.R.C:Certified public accountant of  
P.R.C:

20 Sep 2023



Hexin Certified public Accountants LLP

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# Consolidated balance sheet

At June 30, 2023

Prepared by: Jinan Hi-tech Holding Group Co., Ltd.

Unit: Yuan Currency: RMB

Property	Notes	30-Jun-23	31-Dec-22
<b>Current Assets:</b>			
Monetary capital	V.1	12,213,733,598.79	11,899,427,604.07
Transactional financial assets	V.2	3,335,000.00	2,400,000.00
Derivative financial assets		12,855,000.05	
Notes receivable	V.3	172,062,101.00	776,468,642.92
Accounts receivable	V.4	7,492,670,389.11	3,272,447,387.78
Accounts receivable financing		-	11,542,637.00
Advance payment	V.5	5,171,446,544.30	6,995,190,020.77
Other receivables	V.6	15,808,019,025.27	16,050,319,762.65
Including: Interest receivable			
Dividend receivable			21,980,000.00
Inventory	V.7	29,264,063,011.25	30,627,696,676.46
Contract assets			
Assets Held for Sale			
Non-current assets due within one year	V.8	505,551,974.67	482,177,689.12
Other current assets	V.9	1,217,056,354.64	1,278,034,140.39
<b>Total of current assets</b>		<b>71,860,792,999.08</b>	<b>71,395,704,561.16</b>
<b>Non-current assets:</b>			
Debt investment			
Other debt investments			
Long-term receivable	V.10	646,953,682.31	465,194,658.88
Long-term equity investments	V.11	6,306,843,905.87	5,937,578,277.55
Investment in other equity instruments	V.12	2,333,459,130.22	2,348,014,945.84
Other non-current financial assets	V.13	4,217,170,421.48	4,350,179,321.48
Investment real estate	V.14	14,554,576,934.73	12,917,916,686.91
Fixed assets	V.15	1,296,704,928.14	1,099,064,757.87
Construction in progress	V.16	549,675,358.01	915,529,945.82
Productive living assets			
Oil and gas assets			
Right to use assets	V.17	21,670,186.82	8,380,786.77
Invisible assets	V.18	598,833,686.61	578,004,834.81
Development expenditure	V.19	87,471,697.84	42,490,565.82
Business reputation	V.20	1,378,821,509.67	1,378,821,509.67
Long-term amortized expenses	V.21	12,228,513.09	12,662,926.99
Deferred tax assets	V.22	147,862,549.72	134,648,836.19
Other non-current assets	V.23	790,774,167.71	402,210,937.76
<b>Total of non-current assets</b>		<b>32,943,046,672.22</b>	<b>30,590,698,992.35</b>
<b>Total assets</b>		<b>104,803,839,671.30</b>	<b>101,986,403,553.51</b>

## Consolidated balance sheet (Continued)

As at 30 June 2023

Prepared by: Jinan Hi-tech Holding Group Co., Ltd

Unit: Yuan Currency: RMB

Liabilities or owner's equity (or shareholder's equity)	Notes	30-Jun-23	31-Dec-22
<b>Current liabilities:</b>			
Short-term loans	V.24	4,205,453,757.23	3,726,692,137.96
Trading financial liabilities			
Derivative financial liabilities			
Notes payable	V.25	740,970,736.81	1,495,933,570.17
Accounts payable	V.26	2,772,592,325.17	1,469,679,443.03
Advance collections	V.27	82,620,941.52	82,827,404.92
Contractual liabilities	V.28	3,968,878,252.34	4,264,732,880.91
Payroll payable	V.29	48,912,784.49	76,984,908.93
Taxes payable	V.30	680,687,094.14	834,931,409.08
Other payables	V.31	3,826,542,750.44	4,110,343,947.92
Including: Interest payable			
Dividends payable			-
Liabilities Held for Sale			
Non-current liabilities due within one year	V.32	20,573,709,185.75	21,198,759,832.97
Other current liabilities	V.33	458,382,393.91	1,052,822,367.01
<b>Total of current liabilities</b>		<b>37,358,750,221.80</b>	<b>38,313,707,902.90</b>
<b>Non-current liabilities:</b>			
Long-term loans	V.34	6,352,663,302.15	6,420,631,832.38
Bonds payable	V.35	23,637,739,988.64	21,004,269,190.88
Including: Preference shares			
Perpetual bond			
Lease liabilities	V.36	14,063,255.18	6,908,067.09
Long-term payable	V.37	4,821,072,908.64	1,164,291.25
Long term accounts payable		9,231,276.75	4,489,271,486.56
Estimated liabilities		119,991,952.99	115,486,609
Deferred income	V.38	334,844,294.84	334,790,134.52
Deferred tax liabilities		623,632,319.56	614,334,124.95
Other Non-current liabilities	V.39	64,228,320.95	55,268,320.95
<b>Total of non-current liabilities</b>		<b>35,977,467,619.70</b>	<b>33,042,124,057.61</b>
<b>Total of liabilities</b>		<b>73,336,217,841.50</b>	<b>71,355,831,960.51</b>
<b>Shareholder's equity:</b>			
Paid-up capital	V.40	4,000,000,000.00	4,000,000,000.00
Other equity instruments	V.41	3,487,275,490.56	4,100,915,490.56
Including: Preference shares			
Perpetual bond		3,487,275,490.56	4,100,915,490.56
Capital reserve	V.42	18,377,989,101.25	18,374,321,242.80
Less: treasury stock			
Other comprehensive income		-69,450,409.87	-35,043,450.16
Special reserve	V.43	2,369,297.74	2,320,089.59
Surplus reserve	V.44	225,476,115.30	234,225,261.80
General risk preparation			
Undistributed profits	V.45	125,118,227.17	349,046,535.60
<b>Total parent company shareholders' equity</b>		<b>26,148,777,822.15</b>	<b>27,025,785,170.18</b>
Non-controlling interest		5,318,844,007.65	3,604,786,422.82
<b>Total Shareholder's equity</b>		<b>31,467,621,829.80</b>	<b>30,630,571,593.00</b>
<b>Total Liabilities and Shareholder's equity</b>		<b>104,803,839,671.30</b>	<b>101,986,403,553.51</b>

Legal representative

**孙萌**  
(3)  
3701207752118

Chief Financial Officer:

**刘洋**

Financial manager:

**郑云国**

## Balance Sheet of the Company as the Parent

As at 30 June 2023

Prepared by: Jinan Hi-tech Holding Group Co., Ltd

Unit: Yuan Currency: RMB

Property	Notes	30-Jun-23	31-Dec-22
<b>Current Assets:</b>			
Monetary capital		4,188,875,299.82	4,089,180,432.12
Transactional financial assets			
Derivative financial assets			
Notes receivable			-
Accounts receivable	VI.1	364,300,357.59	386,701,194.31
Accounts receivable financing			
Advance payment		760,711,062.47	752,510,652.93
Other receivables	VI.2	30,120,910,172.03	32,418,349,096.06
Including: Interest receivable			
Dividend receivable			
Inventory		7,166,515,847.63	8,583,714,863.25
Contract assets			
Assets Held for Sale			
Non-current assets due within one year			
Other current assets		117,016,523.21	202,882,188.55
<b>Total of current assets</b>		<b>42,718,329,262.75</b>	<b>46,433,338,427.22</b>
<b>Non-current assets:</b>			
Debt investment			
Other debt investments			
Long-term receivable		36,000,000.00	35,000,000.00
Long-term equity investment	VI.3	12,938,356,059.27	12,588,794,321.45
Investment in other equity instruments		357,044,080.01	493,517,025.04
Other non-current financial assets		1,465,682,988.61	1,465,682,988.61
Investment real estate		5,445,452,588.49	5,446,842,321.25
Fixed assets		73,712,578.31	71,973,628.95
Construction in progress		37,346,637.35	37,417,372.80
Productive living assets			
Oil and gas assets			
Right to use assets			
Invisible assets		9,703,828.03	11,093,214.26
Development expenditure			
Business reputation			
Long-term amortized expenses			-
Deferred tax assets		8,746,868.13	8,746,868.13
Other non-current assets			
<b>Total of non-current assets</b>		<b>20,372,045,628.20</b>	<b>20,159,067,740.49</b>
<b>Total assets</b>		<b>63,090,374,890.95</b>	<b>66,592,406,167.71</b>

# Balance Sheet of the Company as the Parent(continued)

As at 30 June 2023

Prepared by: Jinan Hi-tech Holding Group Co., Ltd

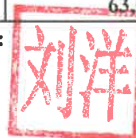
Unit: Yuan Currency: RMB

Liabilities or owner's equity (or shareholder's equity)	Notes	30-Jun-23	31-Dec-22
<b>Current liabilities:</b>			
Short-term loans		3,550,000,000.00	3,300,000,000.00
Trading financial liabilities			
Derivative financial liabilities			
Notes payable		35,939,562.20	207,614,481.11
Accounts payable		200,169,014.51	259,569,193.42
Advance collections		21,919,907.18	48,596,485.04
Contractual liabilities		-	719482.96
Payroll payable		2,574,854.32	2,128,872.40
Taxes payable		8,875,602.62	8,304,971.20
Other payables		4,016,508,826.39	7,962,485,711.42
Including: Interest payable			
Dividends payable			
Liabilities Held for Sale			
Non-current liabilities due within one year		17,257,963,900.00	19,150,152,725.00
Other current liabilities			
<b>Total of current liabilities</b>		<b>25,093,951,667.22</b>	<b>30,939,571,922.55</b>
<b>Non-current liabilities:</b>			
Long-term loans		1,451,026,036.60	1,662,026,035.60
Bond payable		21,008,937,200.00	17,741,988,245.44
Including: Preference shares			
Perpetual bond			
Lease liabilities			
Long-term payable		1,063,461,350.00	696,719,824.47
Long term accounts payable			
Estimated liabilities			
Deferred income		29,250,000.00	29,250,000.00
Deferred tax liabilities		314,503,613.04	319,049,704.27
Other Non-current liabilities			
<b>Total of non-current liabilities</b>		<b>23,867,178,199.64</b>	<b>20,449,033,809.78</b>
<b>Total of liabilities</b>		<b>48,961,129,866.86</b>	<b>51,388,605,732.33</b>
<b>Shareholder's equity:</b>			
Paid-up capital		4,000,000,000.00	4,000,000,000.00
Other equity instruments		3,487,275,490.56	4,100,915,490.56
Including: Preference shares			
Perpetual bond		3,487,275,490.56	4,100,915,490.56
Capital reserve		6,207,763,771.36	6,172,763,771.36
Less: treasury stock			
Other comprehensive income		-2,162,431.03	11,475,842.63
Special reserve		298,916.65	476,857.23
Surplus reserve		225,476,115.30	234,225,261.80
Undistributed profits		210,593,161.25	683,943,211.80
<b>Total Shareholder's equity</b>		<b>14,129,245,024.09</b>	<b>15,203,800,435.38</b>
<b>Total Liabilities and Shareholder's equity</b>		<b>63,090,374,890.95</b>	<b>66,592,406,167.71</b>

Legal representative:

  
孙萌  
(3) 董  
3701207752118

Chief Financial Officer:

  
刘洋

Financial manager:

  
郑云国

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# Consolidated income statement

January-June 2023

Prepared by: Jinan Hi-tech Holding Group Co., Ltd

Unit: Yuan Currency: RMB

Project	Notes	Current amount	Amount in the same period of last year
<b>I. Total operating income</b>		<b>7,194,840,603.78</b>	<b>8,777,511,760.90</b>
<b>Operating income</b>	V.46	7,194,840,603.78	8,777,511,760.90
<b>II. Operating Costs and Expenses</b>		<b>6,778,666,999.22</b>	<b>8,849,313,069.35</b>
Less: Operating costs	V.46	5,670,214,666.42	8,072,218,745.49
Tax and surcharges	V.47	210,234,924.41	92,472,945.86
Sales expenses		119,606,296.37	108,183,590.30
Administrative expenses		222,157,323.80	193,790,739.51
Research and development expense		-	6,891,332.50
Financial expenses	V.48	556,453,788.22	375,755,715.69
Including: Interest expense		456,249,634.16	365,793,846.06
Interest income		33,749,527.17	53,531,639.12
Add: Other income		14,067,179.86	5,605,960.97
Investment incomes("-" for loss)	V.49	71,642,969.80	284,047,573.86
Including: profit or loss from investment in associated and joint ventures		28,054,808.13	287,549,046.97
Income from derecognition of financial assets measured at amortized cost (loss expressed with "-")			
Net exposure hedging income (loss expressed with "-")			
Gain on changes in fair value ("-" for loss)	V.50	1,520,462.26	3,194,763.98
Credit impairment loss	V.51	-76,403,276.94	-22,188,410.76
Asset impairment loss("-" for loss)		-3,530,554.78	47,898.72
Asset disposal income ("-" for loss)		9,610,301.25	-
<b>III. Operating profit ("-" for loss)</b>		<b>433,080,686.01</b>	<b>198,906,478.32</b>
Add: Non-operating income	V.52	8,636,375.58	529,242.66
Less: Non-operating expense	V.53	20,634,529.01	4,602,726.17
<b>IV. Profit before tax ("-" for loss)</b>		<b>421,082,532.58</b>	<b>194,832,994.81</b>
Less: Income tax expense	V.54	209,547,138.10	45,176,334.60
<b>V. Net profit ("-" for net loss)</b>		<b>211,535,394.48</b>	<b>149,656,660.21</b>
Breakdown by continuity of operations			
1 Net profit from continuing operations ("-" for net loss)		211,535,394.48	149,656,660.21
2 Net profit from discontinued operations ("-" for net loss)			
Breakdown by attributable interests			
Net profit attribute to parent company		30,294,610.07	68,001,850.17
Net profit attribute to non-controlling interest		181,240,784.41	81,654,810.04
<b>VI. Other comprehensive income, net of tax</b>		<b>-89,221,770.96</b>	<b>-76,091,947.98</b>
After-tax net income of other comprehensive income attribute to parent company		-121,898,424.70	-83,642,180.42
(I) Other comprehensive income which cannot be re-classified		-119,209,874.97	-86,726,078.18
1. To measure once again and set the variation caused by net debt or equity			
2. Share owned by the variation of other comprehensive income which cannot be classified into profits and losses of invested entity under equity Method.			
3. Changes in fair value of other equity instrument investments		-119,209,874.97	-86,726,078.18
4. Changes in fair value of the enterprise's own credit risk			
(II) other comprehensive income which cannot be classified into profits and losses		-2,688,549.73	3,083,897.76
1. Share owned by the variation of other comprehensive income which can be classified into profits and losses of invested entity under equity Method		-	-
2. Changes in fair value of other debt investments		-	-
3. Amount of financial assets reclassified into other comprehensive income		-	-
4. Provision for credit impairment of other debt investments		-	-
5. Cash flow hedging reserve (effective part of cash flow hedging profit and loss)		-	-
6. Translation difference of foreign currency financial statements		-2,688,549.73	3,083,897.76
After-tax net income of other comprehensive income attribute to non-controlling interest		32,676,653.74	7,550,232.44
<b>VII. Total Comprehensive Income</b>		<b>122,313,623.52</b>	<b>73,564,712.23</b>
Total Comprehensive income attribute to parent company		-91,603,814.63	-15,640,330.25
Total Comprehensive income attribute to non-controlling interest		213,917,438.15	89,205,042.48

Legal representative:

  
孙明  
(3)  
3701207752118

Chief Financial Officer:

  
刘洋

Financial manager:

  
郑云国  
6

# Income Statement of the Company as the Parent

January-June 2023

Prepared by: Jinan Hi-tech Holding Group Co., Ltd

Unit: Yuan Currency: RMB

Project	Notes	Current amount	Amount in the same period of last year
<b>I. Operating income</b>	VI.4	212,329,584.66	759,478,598.62
Less: Operating costs	VI.4	90,241,233.94	632,793,439.74
Tax and surcharges		59,611,372.46	36,074,446.30
Sales expenses		3,401,921.54	17,413,970.98
Administrative expenses		46,017,904.10	44,491,232.98
Research and development costs		-	-
Finance expenses		244,060,237.09	226,605,087.77
Including: Interest expense		256,268,975.47	256,266,786.06
Interest income		42,206,670.44	30,065,980.17
Add: Other income		5,000,000.00	886,642.59
Investment incomes ("-" for loss)	VI.5	8,121,503.90	6,262,140.19
Including: profit or loss from investment in associated and joint ventures		69,053.90	6,262,140.19
Gain on changes in fair value ("-" for loss)		-	-
Net exposure hedging income (loss expressed with "-")		-	-
Gain on changes in fair value ("-" for loss)		-	-
Credit impairment loss		-	-
Asset impairment loss ("-" for loss)		-	-
Asset disposal income ("-" for loss)		-	-
<b>II. Operating profit ("-" for loss)</b>		-217,881,580.57	-190,750,796.37
Add: Non-operating incomes		2,500.00	6,501.00
Less: Non-operating expenses		1,248,051.49	2,352,729.79
<b>III. Profit before tax ("-" for loss)</b>		-219,127,132.06	-193,097,025.16
Less: Income tax expenses		-	-
<b>IV. Net profit ("-" for net loss)</b>		-219,127,132.06	-193,097,025.16
1 Net profit from continuing operations ("-" for net loss)		-219,127,132.06	-193,097,025.16
2 Net profit from discontinued operations ("-" for net loss)		-	-
<b>V. Other comprehensive income, net of tax</b>		-101,129,738.65	-67,496,525.67
(I) Other comprehensive income which cannot be re-classified		-101,129,738.65	-67,496,525.67
1.To measure once again and set the variation caused by net debt or equity		-	-
2. Share owned by the variation of other comprehensive income which cannot be classified into profits and losses of invested entity under equity Method.		-	-
3. Changes in fair value of other equity instrument investments		-101,129,738.65	-67,496,525.67
4. Changes in fair value of the enterprise's own credit risk		-	-
(II) Other comprehensive income which cannot be classified into profits and losses		-	-
1.Share owned by the variation of other comprehensive income which can be classified into profits and losses of invested entity under equity Method		-	-
2. Changes in fair value of other debt investments		-	-
3. Amount of financial assets reclassified into other comprehensive income		-	-
4. Provision for credit impairment of other debt investments		-	-
5. Cash flow hedging reserve (effective part of cash flow hedging profit and loss)		-	-
6. Translation difference of foreign currency financial statements		-	-
<b>VI. Total Comprehensive Income</b>		-320,256,870.71	-260,593,550.83

Legal representative:

**孙萌**  
(3)  
3701207752118

Chief Financial Officer:

**刘洋**

Financial manager:

**郑云国**

# Consolidated cash flow statement

January-June 2023

Prepared by: Jinan Hi-tech Holding Group Co., Ltd

Unit: Yuan Currency: RMB

Project	Notes	Current amount	Amount in the same period of last year
<b>I. Cash flows from operating activities:</b>			
Cash inflow from sale of goods and provision of services		5,401,075,657.47	11,194,963,043.78
Refunds of taxes		196,469,061.61	196,519,803.55
Received other cash related to operating activities		1,018,709,010.39	450,476,592.11
<b>Subtotal of cash inflows from operating activities</b>		<b>6,616,253,729.47</b>	<b>11,841,959,439.44</b>
Cash paid for purchasing goods and receiving services		6,298,622,819.82	10,655,983,073.53
Cash paid to and on behalf of employees		289,864,903.87	191,377,235.53
Various taxes and fees paid		692,134,854.35	422,007,138.78
Other cash payments related to operating activities		440,766,723.68	3,083,305,656.87
<b>Subtotal of cash used in operating activities</b>		<b>7,721,389,301.72</b>	<b>14,352,673,104.71</b>
<b>Net cash generated from/used in operating activities</b>		<b>-1,105,135,572.25</b>	<b>-2,510,713,665.27</b>
<b>II. Cash flows from investing activities:</b>			
Cash received from investment recovery		54,843,243.86	74,106,113.67
Cash received from obtaining investment income		75,167,124.33	77,148,616.91
Net cash received from disposal of fixed assets, intangible assets, and other long-term assets		16,639,990.00	27,000.00
Net cash received from disposal of subsidiaries and other business units		-	-
Received other cash related to investment activities		55,882,157.80	-
<b>Subtotal of cash inflows from investment activities</b>		<b>202,532,515.99</b>	<b>151,281,730.58</b>
Cash paid for the purchase and construction of fixed assets, intangible assets, and other long-term assets		123,164,438.00	96,781,306.38
Cash paid for investment		1,009,699,490.88	722,879,568.31
Net cash paid for acquiring subsidiaries and other business units		-	-
Other cash payments related to investment activities		98,000,000.00	22,519,738.70
<b>Subtotal of cash outflows from investment activities</b>		<b>1,230,863,928.88</b>	<b>842,180,613.39</b>
<b>Net cash flow generated from investment activities</b>		<b>-1,028,331,412.89</b>	<b>-690,898,882.81</b>
<b>III. Cash flow generated from financing activities:</b>			
Cash received from absorbing investments		3,531,360,000.00	2,111,300,000.00
Among them: Cash received from subsidiaries absorbing minority shareholder investments		1,500,000,000.00	4,900,000.00
Cash received from obtaining loans		14,684,101,736.93	13,603,130,897.15
Received other cash related to financing activities		182,451,067.91	2,514,895.39
<b>Subtotal of cash inflows from financing activities</b>		<b>18,397,912,804.84</b>	<b>15,716,945,792.54</b>
Cash paid for debt repayment		12,240,968,083.07	12,326,238,498.79
Cash paid for distributing dividends, profits, or paying interest		1,314,875,749.13	1,359,454,242.31
Among them: Dividends and profits paid by subsidiaries to minority shareholders		19,322,883.75	-
Other cash payments related to financing activities		2,689,471,063.80	1,033,483,270.78
<b>Subtotal of cash outflows from financing activities</b>		<b>16,245,314,896.00</b>	<b>14,719,176,011.88</b>
<b>Net cash flow generated from financing activities</b>		<b>2,152,597,908.84</b>	<b>997,769,780.66</b>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>-944,520.12</b>	<b>73,969,439.92</b>
<b>V. Net increase in cash and cash equivalents</b>		<b>18,186,403.58</b>	<b>-2,129,873,327.50</b>
Add: Cash and cash equivalents, beginning of the period		10,550,497,611.31	11,941,372,136.92
<b>VI. Cash and cash equivalents, end of the period</b>		<b>10,568,684,014.89</b>	<b>9,811,498,809.42</b>

Legal representative:

  
孙萌  
(3) 董  
3701207752118

Chief Financial Officer:

  
刘洋

Financial manager:

  
郑云国

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# Cash Flow Statement of the Company as the Parent

January-June 2023

Prepared by: Jinan Hi-tech Holding Group Co., Ltd

Unit: Yuan Currency: RMB

Project	Notes	Current amount	Amount in the same period of last year
<b>I. Cash flows from operating activities:</b>			
Cash inflow from sale of goods and provision of services		196,396,234.89	608,523,783.10
Refunds of taxes		22,264,268.93	11,951,739.77
Received other cash related to operating activities		934,846,772.10	1,542,759,279.86
<b>Subtotal of cash inflows from operating activities</b>		<b>1,153,507,275.92</b>	<b>2,163,234,802.73</b>
Cash paid for purchasing goods and receiving services		465,705,943.83	332,983,569.95
Cash paid to and on behalf of employees		47,426,713.90	42,117,076.20
Various taxes and fees paid		76,378,003.60	123,095,233.83
Other cash payments related to operating activities		1,940,432,401.37	1,129,710,985.52
<b>Subtotal of cash used in operating activities</b>		<b>2,529,943,062.70</b>	<b>1,627,906,865.50</b>
<b>Net cash generated from/used in operating activities</b>		<b>-1,376,435,786.78</b>	<b>535,327,937.23</b>
<b>II. Cash flows from investing activities:</b>			
Cash received from investment recovery		1,515,847,223.94	-
Cash received from obtaining investment income		126,734,832.36	-
Net cash received from disposal of fixed assets, intangible assets, and other long-term assets		1,490.00	-
Net cash received from disposal of subsidiaries and other business units		-	-
Received other cash related to investment activities		-	-
<b>Subtotal of cash inflows from investment activities</b>		<b>1,642,583,546.30</b>	<b>-</b>
Cash paid for the purchase and construction of fixed assets, intangible assets, and other long-term assets		6,209,555.24	2,207,426.08
Cash paid for investment		353,567,895.07	92,300,000.00
Net cash paid for acquiring subsidiaries and other business units		-	-
Other cash payments related to investment activities		-	-
<b>Subtotal of cash outflows from investment activities</b>		<b>359,777,450.31</b>	<b>94,507,426.08</b>
<b>Net cash flow generated from investment activities</b>		<b>1,282,806,095.99</b>	<b>-94,507,426.08</b>
<b>III. Cash flow generated from financing activities:</b>			
Cash received from absorbing investments		2,031,360,000.00	2,036,400,000.00
Cash received from obtaining loans		12,963,708,333.33	11,955,730,000.00
Received other cash related to financing activities		46,950,924.19	2,350,808.56
<b>Subtotal of cash inflows from financing activities</b>		<b>15,042,019,257.52</b>	<b>13,994,480,808.56</b>
Cash paid for debt repayment		11,379,909,596.48	11,748,434,732.63
Cash paid for distributing dividends, profits, or paying interest		980,167,058.79	1,124,952,658.08
Other cash payments related to financing activities		2,629,337,029.95	1,011,947,934.31
<b>Subtotal of cash outflows from financing activities</b>		<b>14,989,413,685.22</b>	<b>13,885,335,325.02</b>
<b>Net cash flow generated from financing activities</b>		<b>52,605,572.30</b>	<b>109,145,483.54</b>
<b>IV. Effect of foreign exchange rate changes on cash and cash equivalents</b>			
		-	-
<b>V. Net increase in cash and cash equivalents</b>			
		-41,024,118.49	549,965,994.69
Add: Cash and cash equivalents, beginning of the period		3,870,951,662.25	3,109,926,552.37
<b>VI. Cash and cash equivalents, end of the period</b>			
		<b>3,829,927,543.76</b>	<b>3,659,892,547.06</b>

Legal representative:

  
孙萌  
(3)  
3701207752113

Chief Financial Officer:

  
刘洋

Financial manager:

  
郑云国

9

# Consolidated statement of changes in equity

January-June 2023

	Current amount										Unit: Yuan Currency: RMB				
	Equity attributable to the shareholders of parent company														
	Shares	Other equity instruments		Capital Reserve	Less: Treasury Stocks	Other comprehensive income	Special reserves	Surplus Reserve	General Risk Provision	Retained earnings		Non-controlling interest	Total Shareholder's Equity		
	Preference shares	Perpetual bond	Others												
1. Previous year ending balance	4,000,000,000.00		4,100,915,490.56		18,374,321,242.80			-35,043,450.16		2,320,089.59	234,225,261.80		349,046,535.60	3,604,786,422.82	30,630,571,593.00
Add: Accounting policy change															
Correction of previous-period accounting errors															
Business combinations under the same control															
Others															
2. Beginning balance	4,000,000,000.00		4,100,915,490.56		18,374,321,242.80			-35,043,450.16		232,0089.59	234,225,261.80		349,046,535.60	3,604,786,422.82	30,630,571,593.00
3. Increase/decrease			-613,640,000.00		3,667,858.45			-34,406,959.71		49,208.15	-8,749,146.50		-223,928,308.42	1,714,057,594.83	837,050,236.80
(1) Total comprehensive income								-121,898,424.70					30,294,610.07	213,917,438.15	122,313,623.52
(2) Owner inputs and reducing capital			-613,640,000.00		3,667,858.45									1,519,370,052.22	909,397,910.67
1. Common stocks invested by stockholders														1,500,000,000.00	1,500,000,000.00
2. Capital invested by holders of other equity instruments															
3. Shares included in owners' equity															
4. Others															
(3) Profit distribution															
1. Surplus reserve															
2. Extract general risk provision															
3. Distribution to owners or shareholders															
4. Others															
(4) Internal transfer of owners' equity															
1. Capital reserve turn to stock equity															
2. Surplus reserve turn to stock equity															
3. Surplus reserve to recover loss															
4. Carryover of changes in defined benefit plans to retained earnings															
5. Other comprehensive income carried forward to retained earnings															
6. Others															
(5) Special reserves															
1. Appropriation for current year															
2. Used in current year															
(6) Others															
4. Ending balance	4,000,000,000.00		3,487,275,490.56		18,377,989,101.25			-69,450,409.87		2,369,297.74	225,476,115.30		125,118,227.17	5,318,844,007.65	31,467,621,829.80

Financial manager:

Chief Financial Officer:

Legal representative:

# Statements of Changes in Owners' Equity of the Company as the Parent

January-June 2023

Prepared by: Jifan Hi-tech Holding Group Co., Ltd

Unit: Yuan Currency: RMB

	Shares	Other equity instruments			Capital Reserve	Less: Treasury Stocks	Current amount			Total Shareholder's Equity	
		Preference shares	Perpetual bond				Special reserves	Surplus Reserve	Retained earnings		Other comprehensive income
			Others	Others							
1. Previous year ending balance	4,000,000,000.00		4,100,915,490.56		6,172,763,771.36		11,475,842.63	476857.23	234,225,261.80	683,943,211.80	15,203,800,435.38
Add: Accounting policy changes											
Correction of misstatements-period accounting errors											
Others											
2. Beginning balance	4,000,000,000.00		4,100,915,490.56		6,172,763,771.36		11,475,842.63	476857.23	234,225,261.80	683,943,211.80	15,203,800,435.38
3. Increase/decrease			-613,640,000.00		35,000,000.00		-13,638,273.66	-177,940.58	-8,749,146.50	-473,350,050.55	-1,074,555,411.29
(1) Total comprehensive income							-101,129,738.65			-219,127,132.06	-320,256,870.71
(2) Owner inputs and reducing capital											
1. Common stocks invested by stockholders											
2. Capital invested by holders of other equity instruments			-613,640,000.00								-613,640,000.00
3. Shares included in owners' equity											
4. Others					35,000,000.00						35,000,000.00
(3) Profit distribution											
1. Surplus reserve											
2. Distribution to owners or shareholders											
3. Others											
(4) Internal transfer of owners' equity											
1. Capital reserve turn to stock equity											
2. Surplus reserve turn to stock equity											
3. Surplus reserve to recover loss											
4. Carryover of changes in defined benefit plans to retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
(5) Special reserves											
1. Appropriation for current year											
2. Used in current year											
(6) Others											
4. Ending balance	4,000,000,000.00		3,487,275,490.56		6,207,763,771.36		-2,162,431.03	298,916.65	225,476,115.30	210,593,161.25	14,129,245,024.09

Chief Financial Officer:

Financial manager:



# Jinan High-tech Holdings Group Co., Ltd

## Notes to Financial Statements for January-June 2023

(Presented in RMB unless otherwise specified)

### I. Company Overview

#### 1. Company introduction

Company name: Jinan High-tech Holding Group Co., Ltd.

Registered address: Room 3301, Building 6, Shuntai Plaza, No.2000, Shunhua Road, Jinan High-tech Zone.

Registered capital: RMB 4,000,000,000 yuan

Registration number: 91370100729261870L

Legal Representative: Sun Meng.

#### 2. Business scope & Main products or services offered

Business scope of the company: operating state-owned assets as authorized by the State-owned Assets Supervision and Administration Commission of High-tech Zone; manage the investment and financing business of high-tech zone management Committee projects; lease of self-owned property; property management; enterprise management consulting services; real estate development and management; development and construction of public infrastructure; land consolidation; sales of building materials and general machinery and equipment.

#### 3. Historical evolution of the company

Established in 2005, Jinan High-tech Holding Group Co., Ltd. is a wholly state-owned company invested by the State-owned Assets Management Committee of Jinan High-tech Industrial Development Zone. It mainly undertakes the tasks of infrastructure construction, project development, investment, financing, and park management, etc., providing excellent investment and living environment for the High-tech Zone and promoting industrial accumulation and development.

#### 4. Scope of consolidated financial statements

The scope of consolidated financial statements for this year includes the Company and its 27 directly controlled subsidiaries and 63 indirectly controlled subsidiaries.

### II. Presentation of Basis of Financial Statements

The Company's financial statements are based on going concern, according to the actual transactions and events, in accordance with the Accounting Standards for Business Enterprises-Basic Standards, specific accounting standards and subsequent guidelines for the application of accounting standards for business enterprises, explanations of accounting standards for business enterprises and other relevant provisions (hereinafter referred to

as "Accounting Standards for Business Enterprises"), and based on the following important accounting policies and accounting estimates.

According to the relevant provisions of the Accounting Standards for Business Enterprises, the accounting of the Company is based on accrual basis. Except for some financial instruments and investment real estate, this financial statement is based on historical cost. If the assets are impaired, the corresponding impairment reserve shall be accrued in accordance with relevant regulations.

The company has the ability to continue to operate for 12 months from the end of this reporting period, and there are no major issues affecting its ability to continue as a going concern.

### **III. Principle Accounting Policies and Accounting Estimates**

#### **1. Statement of compliance with accounting standards for business enterprises**

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises. It truly and completely reflects the financial status of the Company, and its operating results and cash flow in 2022 and other related information on December 31, 2022.

#### **2. Accounting Period**

The accounting year of the Group is from January 1 to December 31 of each calendar year.

#### **3. Business Period**

The business cycle of the Company is 12 months.

#### **4. Reporting Currency**

The functional and presentation currency is RMB.

#### **5. Accounting treatment of business combinations under common control and non-common control**

##### **(1) Business combination under the common control**

If the long-term equity investment merger party formed by business combination under the common control takes cash payment, transfer of non-cash assets or assumption of debts as the merger consideration, the Company will take the share of the book value of the net assets of the merged party in the consolidated financial statements of the final controlling party as the initial investment cost of the long-term equity investment on the merger date. If the book value of the net assets of the merged party on the merger date is negative, the long-term equity investment cost shall be determined at zero. If the merged party is controlled by the ultimate controlling party through a business combination not under the same control before the merger, the initial investment cost of the merged party's long-term equity investment includes the relevant goodwill amount. The capital reserve (capital premium or equity premium) shall be adjusted for the difference between the initial investment cost of long-term equity investment and the book value of cash paid, non-cash assets transferred and debts undertaken. If the balance of capital reserve (capital premium or equity premium) is insufficient to be offset, the surplus reserve and undistrib-

uted profit shall be offset in turn. If the merger party takes the issuance of equity instruments as the merger consideration, the capital reserve (capital premium or equity premium) shall be adjusted according to the difference between the initial investment cost of long-term equity investment and the total face value of the issued shares. If the capital reserve (capital premium or equity premium) is insufficient to be offset, the surplus reserve and undistributed profit shall be offset in turn.

Intermediary expenses such as audit, legal services, evaluation and consultation and other related management expenses incurred by the merging party shall be counted as current profits and losses when incurred. The transaction costs directly related to the issuance of equity instruments as the merger consideration will be offset against the capital reserve (equity premium). If the capital reserve (equity premium) is insufficient to be offset, the surplus reserve and undistributed profit will be offset in turn. Transaction costs directly related to the issuance of debt instruments as the merger consideration are included in the initial recognition amount of debt instruments.

If the merger of enterprises under the same control is realized step by step through multiple transactions, which belongs to a package transaction, the merging party shall treat each transaction as a transaction that has obtained control. If it is not a "package deal", in the financial statements of the parent company, the share of the book owner's equity of the merged party should be taken as the initial investment cost of the investment on the merger date calculated by the shareholding ratio on the merger date. The difference between the initial investment cost and the book value of the original long-term equity investment plus the book value of the new consideration for further shares obtained on the merger date will be adjusted to the capital reserve (equity premium). If the capital reserve is insufficient to be offset, the retained earnings will be offset.

In the consolidated financial statements, for the long-term equity investment held by the merging party before the merger, the relevant gains and losses, other comprehensive income and other changes in owners' equity have been confirmed between the acquisition date and the date when the merging party and the merged direction are in the same final control, and the initial retained earnings or current gains and losses during the comparative statement period should be offset respectively.

#### (2) Business combination under non-common control

For business combination under non-common control, the combination cost is the sum of the assets paid by the buyer, the liabilities incurred or assumed and the fair value of the equity securities issued on the purchase date to gain control over the purchased party. Intermediary expenses such as audit, legal services, evaluation and consultation and other related management expenses incurred by the buyer for business combination shall be included in the current profit and loss when incurred. The transaction costs of the equity instruments or debt instruments issued by the buyer as the merger consideration shall be included in the initial recognition amount of the equity instruments or debt instruments.

The identifiable assets, liabilities and contingent liabilities of the acquiree that meet the recognition conditions obtained in the business combination not under the same control shall be measured at fair value on the

purchase date. The difference between the buyer's merger cost and the fair value share of the identifiable net assets of the acquiree obtained in the merger is reflected in the goodwill value. If the merger cost of the purchaser is less than the fair value share of the identifiable net assets of the acquiree obtained in the merger, the merger cost is still less than the difference of the fair value share of the identifiable net assets of the acquiree obtained in the merger after review, and it is included in the current non-operating income.

If the merger of enterprises under non-common control is realized step by step through multiple transactions, the sum of the book value of the equity investment of the acquiree held before the purchase date and the new investment cost on the purchase date shall be taken as the initial investment cost of the investment in the financial statements of the parent company.

In the consolidated financial statements, the equity of the purchased party held before the purchase date is re-measured according to the fair value of the equity on the purchase date, and the difference between the fair value and its book value is included in the current investment income. If the equity of the purchased party held before the purchase date involves other comprehensive income, other comprehensive income related to it shall be converted into the investment income of the current period belonging to the purchase date, except other comprehensive income that cannot be reclassified into the current profit and loss.

The Company takes the sum of the fair value of the equity of the acquiree held before the purchase date and the fair value of the consideration paid for the newly purchased equity as the merger cost, and compares it with the fair value of the acquiree's identifiable net assets on the purchase date obtained by the purchaser according to the shareholding ratio on the purchase date, so as to determine the goodwill that should be recognized on the purchase date or the amount that should be included in the current profit and loss of the merger.

## **6. Preparation method of consolidated financial statements**

### **(1) Scopes of consolidated financial statements**

The Company includes all controlled subsidiaries (including individual entities controlled by the Company) in the scope of consolidated financial statements, including enterprises controlled by the Company, divisible parts of invested units and structured entities. Control means that the Company has power over the investee, the ability to enjoy variable returns through participation in the investee's relevant activities, and the ability to use its power over the investee to affect the amount of such returns.

### **(2) Account policies of unified parent-subsidiary company and balance sheet date of unified parent-subsidiary company and accounting period**

If the accounting policies or accounting periods adopted by subsidiaries are inconsistent with those adopted by the Company, the financial statements of subsidiaries shall be adjusted according to the accounting policies or accounting periods of the Company when preparing consolidated financial statements.

### **(3) Offsetting matters in the consolidated financial statements**

The consolidated financial statements are based on the financial statements of the Company and its subsidiaries, and are prepared by the Company according to other relevant information. When preparing consolidated financial statements, all major current balances, transactions and unrealized profits between the Company and its subsidiaries are offset. In preparing consolidated financial statements, the Company regards the whole enterprise group as an accounting entity, and reflects the overall financial position, operating results and cash flow of the enterprise group according to the requirements of confirmation, measurement and presentation of relevant accounting standards for business enterprises and unified accounting policies. The share of the owner's equity of subsidiaries that does not belong to the company, as minority shareholders' equity, is listed separately as "minority shareholders' equity" under the owner's equity item in the consolidated balance sheet. The share belonging to minority shareholders' equity in the current net profit and loss of subsidiaries is listed as "minority shareholders' profit and loss" under the net profit item in the consolidated income statement. The loss of the subsidiary shared by minority shareholders exceeds the share of minority shareholders in the initial shareholders' equity of the subsidiary, and the minority shareholders' equity is still offset.

The long-term equity investment held by subsidiaries in the parent company is regarded as the treasury stock of the enterprise group. As a deduction of the owner's equity, it is listed as "minus: treasury stock" under the owner's equity item in the consolidated balance sheet.

(4) Accounting treatment of subsidiaries acquired through merger.

For the subsidiaries acquired by business combination under the same control of the Company, it is deemed that the business combination has occurred since the real-time control of the final controlling party began, and the opening number of the consolidated balance sheet is adjusted, the income, expenses and profits of the subsidiaries or business combinations from the beginning of the current period to the end of the reporting period are included in the consolidated income statement, and the cash flows of the subsidiaries or business combinations from the beginning of the current period to the end of the reporting period are included in the consolidated cash flow statement, and relevant items in the comparative statements are adjusted at the same time;

For the subsidiaries acquired by business combination under different control, the opening number of the consolidated balance sheet is not adjusted, and the income, expenses and profits of the subsidiaries or businesses from the purchase date to the end of the reporting period are included in the consolidated income statement. The cash flow of the subsidiary or business from the purchase date to the end of the reporting period is included in the consolidated cash flow statement.

(5) Accounting treatment method of disposing the equity of subsidiaries until they lose control.

① General treatment method

During the reporting period, if the Company disposes of a subsidiary or business, the income, expenses and profits of the subsidiary or business from the beginning to the disposal date shall be included in the consolidated income statement of the Company, and the cash flow of the subsidiary or business from the beginning to the

disposal date shall be included in the consolidated cash flow statement of the Company.

When the control right of the investee is lost due to the disposal of part of the equity investment or other reasons, the Company shall re-measure the remaining equity investment after disposal according to its fair value on the date of loss of control. The sum of the consideration obtained from the disposal of the equity and the fair value of the remaining equity, minus the difference between the share of the net assets that should be continuously calculated by the original subsidiary from the purchase date or the merger date and the sum of goodwill, is included in the investment income in the current period when the control right is lost, and the goodwill is also offset. Other comprehensive income related to the original subsidiary's equity investment shall be converted into current investment income when losing control.

② Dispose of subsidiaries step by step.

If the Company disposes of the equity investment in its subsidiaries step by step through multiple transactions until it loses control. If the terms, conditions and economic impact of the transactions on the equity investment in its subsidiaries meet one or more of the following conditions, the Company will treat the multiple transactions as a package transaction:

- I. These transactions were entered into simultaneously or with regard to each other;
- II. These transactions as a whole are needed to achieve a complete business outcome;
- III. The occurrence of one transaction depends on the occurrence of at least one other transaction;
- IV. A single transaction is not economical, but it does economical when taken together with other transactions.

If the transactions involving the disposal of equity investment in subsidiaries until the loss of control rights belong to a package transaction, the Company will treat each transaction as a transaction involving the disposal of subsidiaries and the loss of control rights. However, the difference between the price of each disposal before the loss of control and the share of the subsidiary's net assets corresponding to the disposal investment is recognized as other comprehensive income in the consolidated financial statements, and transferred to the profit and loss of the current period when the control right is lost.

If the transactions involving the disposal of equity investment in subsidiaries until the loss of control rights are not package transactions before the loss of control rights, the Company will make accounting treatment according to the relevant policies of partial disposal of equity investment in subsidiaries without losing control rights. When the control right is lost, the accounting treatment shall be carried out according to the general treatment method of disposing of subsidiaries.

(7) Buy minority shares of subsidiaries

The Company will adjust the equity premium in the capital reserve in the consolidated balance sheet for the difference between the newly acquired long-term equity investment cost due to the purchase of minority equity and the net assets share of the subsidiary that should be continuously calculated from the purchase date (or the merger date) according to the new shareholding ratio. If the equity premium in the capital reserve is insufficient

to be offset, the retained earnings will be adjusted.

(8) Partial disposal of equity investment in subsidiaries without losing control.

Without losing control, the Company will adjust the equity premium in the capital reserve in the consolidated balance sheet due to the difference between the disposal price obtained from the partial disposal of the long-term equity investment in the subsidiary and the share of the net assets that the subsidiary has continuously calculated since the purchase date or the merger date. If the equity premium in the capital reserve is insufficient to offset, the retained earnings will be adjusted.

#### **7. Classification of joint venture arrangements and accounting treatment methods of joint operation**

Joint venture arrangements are divided into joint ventures and joint ventures. The Company confirms the following items related to the share of interests in joint operation, and carries out accounting treatment in accordance with the relevant accounting standards for business enterprises:

- (1) Confirm the assets held separately, and confirm the assets held jointly according to their shares;
- (2) Confirm the liabilities undertaken separately, and confirm the liabilities jointly undertaken according to their share;
- (3) Confirm the income generated from the sale of its share of joint operation output;
- (4) Confirm the income generated by the sale of the output of the joint operation according to its share;
- (5) Confirm the expenses incurred separately, and confirm the expenses incurred in joint operation according to its share.

#### **8. Criteria for determining cash and cash equivalents**

The cash determined by the Company when compiling the cash flow statement refers to the cash on hand of the Company and the deposits that can be used for payment at any time.

The cash equivalent determined by the Company when compiling the cash flow statement refers to the investment held by the Company with short term, strong liquidity, easy conversion into known cash and little risk of value change.

#### **9. Financial instruments**

A financial asset or financial liability is recognized when the Company becomes a party to a financial instrument contract.

(1) Classification, confirmation and measurement 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: financial assets measured in amortized cost, financial assets measured at fair value and whose changes are included in other comprehensive income, and financial assets measured at fair value and whose changes are included in current profits and losses.

Financial assets are measured at fair value upon initial recognition. For financial assets measured at fair value and whose changes are included in the current profit and loss, relevant transaction costs are directly included in

the current profit and loss. For other types of financial assets, relevant transaction costs are included in the initial recognition amount. For accounts receivable or bills receivable arising from the sale of products or the provision of labor services, which do not contain or consider significant financing components, the Company shall take the amount of consideration that it is expected to be entitled to receive as the initial confirmation amount.

Debt instruments:

① Financial assets measured in amortized cost.

The Company's business model for managing such financial assets is to collect contractual cash flow, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. That is, the cash flow generated on a specific date is only the payment of principal and interest based on the unpaid principal amount. The Company confirms the interest income of such financial assets according to the effective interest rate method, and carries out subsequent measurement according to amortized cost. The gains or losses arising from amortization or impairment are included in the current profits and losses. Such financial assets of the Company mainly include monetary funds, notes receivable, accounts receivable, other receivables, debt investment and long-term receivables, etc. The Company lists debt investment and long-term receivables due within one year (including one year) from the balance sheet date as non-current assets due within one year. Creditor's rights investment with a maturity of one year (including one year) at the time of acquisition is listed as other current assets.

② Financial assets measured at fair value and whose changes are included in other comprehensive income.

The Company's business model for managing such financial assets is to collect the contracted cash flow and sell it, and the characteristics of the contracted cash flow of such financial assets are consistent with the basic lending arrangements. Such financial assets are measured at fair value and their changes are included in other comprehensive income, but impairment losses or gains, exchange gains and losses, and interest income calculated according to the effective interest rate method are included in current profits and losses. Such financial assets mainly include receivables financing and other creditor's rights investments. The Company lists other creditor's rights investments due within one year (including one year) from the balance sheet date as non-current assets due within one year, and other creditor's rights investments with a maturity of one year (including one year) at the time of acquisition are listed as other current assets.

③ Financial assets measured at fair value and whose changes are included in current profits and losses.

The Company classifies financial assets other than those at amortized cost and those at fair value through other comprehensive income, as described above, as financial assets at fair value through profit or loss, and presents them as financial assets held for trading. In addition, at the time of initial recognition, in order to eliminate or significantly reduce accounting mismatch, the Company designated some financial assets as financial assets measured at fair value and whose changes are included in current profits and losses. For such financial assets, the Company adopts fair value for subsequent measurement, and changes in fair value are included in current profits

and losses. Those that expire more than one year from the balance sheet date and are expected to be held for more than one year are listed as other non-current financial assets.

Equity instruments:

The Company classifies equity instruments over which it has no control, joint control and significant influence as financial assets measured at fair value and whose changes are included in current profits and losses, and lists them as trading financial assets. If it is expected to be held for more than one year from the balance sheet date, it will be listed as other non-current financial assets.

In addition, the Company designated some investments in non-trading equity instruments as financial assets measured at fair value and whose changes are included in other comprehensive income, and listed them as investments in other equity instruments, and this designation cannot be revoked once made. The Company included the relevant dividend income of such financial assets in the current profit and loss, and the changes in fair value were included in other comprehensive income. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income will be transferred from other comprehensive income to retained income and will not be included in the current profit and loss.

#### (2) Classification, recognition and measurement of financial liabilities

The Company classifies the financial instruments or their components as financial liabilities or equity instruments at the time of initial recognition according to the contract terms of the issued financial instruments and their economic essence, not just in legal form, combined with the definitions of financial liabilities and equity instruments.

Financial liabilities are classified as financial liabilities and other financial liabilities measured at fair value through profit or loss. For financial liabilities measured at fair value and whose changes are included in the current profit and loss, the related transaction costs are directly included in the current profit and loss, and the related transaction costs of other financial liabilities are included in their initial recognition amount.

The Company's financial liabilities are mainly those measured in amortized cost, including notes payable and accounts payable, other payables, loans and bonds payable. Such financial liabilities are initially measured at their fair value after deducting transaction costs, and subsequently measured by the effective interest method. If the term is less than one year (including one year), it shall be listed as current liabilities. If the term is more than one year but expires within one year (including one year) from the balance sheet date, it is listed as non-current liabilities that expire within one year. The rest are listed as non-current liabilities.

When all or part of the current obligations of a financial liability have been discharged, the Group ceases to recognize the part of the financial liability or obligation that has been discharged. The difference between the book value of the derecognized part and the consideration paid is included in the current profit and loss.

#### (3) Confirmation basis and measurement method of financial asset transfer

The Company will terminate the recognition of financial assets that meet one of the following conditions:

① The contractual right to collect the cash flow of the financial assets is terminated; ② The financial asset has been transferred, and almost all risks and rewards of ownership of the financial asset have been transferred to the transferee; ③ The financial asset has been transferred. Although the Company has neither transferred nor retained almost all the risks and rewards in the ownership of the financial asset, it has given up the control of the financial asset. If the Company has neither transferred nor retained almost all the risks and rewards in the ownership of financial assets, and has not given up the control of the financial assets, the relevant financial assets shall be recognized according to the degree of continuous involvement in the transferred financial assets, and the relevant liabilities shall be recognized accordingly. The degree of continuous involvement in the transferred financial assets refers to the risk level faced by the enterprise due to the change of the value of the financial assets.

When the investment in other equity instruments is derecognized, the Company will include the difference between its book value and the sum of the consideration received and the accumulated amount of changes in fair value originally directly included in other comprehensive income into retained income; When the remaining financial assets are derecognized, the difference between their book value and the sum of the consideration received and the accumulated amount of changes in fair value originally directly included in other comprehensive income is included in the current profit and loss.

For the financial assets sold with recourse or transferred by endorsement, the Company needs to determine whether almost all risks and rewards in the ownership of the financial assets have been transferred. If almost all the risks and rewards of ownership of the financial asset have been transferred to the transferee, the recognition of the financial asset will be terminated; If almost all the risks and rewards in the ownership of a financial asset are retained, the recognition of the financial asset will not be terminated; If almost all the risks and rewards in the ownership of financial assets are neither transferred nor retained, it will continue to judge whether the enterprise retains control over the assets and conduct accounting treatment according to the principles mentioned in the preceding paragraphs.

#### (4) Derecognition of financial liabilities

If the current obligations of a financial liability (or part of it) have been lifted, the Company will stop recognizing the financial liability (or part of it). The Company (the borrower) signs an agreement with the lender to replace the original financial liabilities by assuming new financial liabilities, and if the contract terms of the new financial liabilities are substantially different from those of the original financial liabilities, the original financial liabilities will be terminated and a new financial liability will be confirmed at the same time. If the Company substantially modifies the contract terms of the original financial liabilities (or part thereof), the recognition of the original financial liabilities will be terminated, and a new financial liability will be recognized according to the modified terms.

If the financial liabilities (or part of them) are derecognized, the Company will record the difference between the book value and the consideration paid (including the transferred non-cash assets or liabilities) into the current

profits and losses.

(5) Offset of financial assets and financial liabilities

When the Company has the legal right to offset the financial assets and financial liabilities with the confirmed amount, and this legal right is currently enforceable, and the Company plans to settle the financial assets and pay off the financial liabilities with net amount, the financial assets and financial liabilities will be listed in the balance sheet with the net amount offset. In addition, the company's financial assets and financial liabilities are listed separately in the balance sheet and do not offset each other.

(6) Methods for determining the fair value of financial assets and financial liabilities

Fair value refers to the price that market participants can receive or transfer a liability when selling an asset in an orderly transaction on the measurement date. If there is an active market for financial instruments, the Company will determine their fair value by using the quotations in the active market. Quotation in an active market refers to the price that can be easily obtained from exchanges, brokers, trade associations, pricing service agencies, etc., and represents the price of actual market transactions in fair trade. If there is no active market for financial instruments, the Company adopts valuation technology to determine their fair value. Valuation techniques include referring to the prices used in recent market transactions by parties who are familiar with the situation and voluntarily trade, referring to the current fair value of other financial instruments that are essentially the same, cash flow discount method and option pricing model. At the time of valuation, the company adopts the valuation technology that is applicable in the current situation and supported by sufficient available data and other information, selects the input values that are consistent with the characteristics of assets or liabilities considered by market participants in the transaction of related assets or liabilities, and gives priority to the use of relevant observable input values as much as possible. In the case that the relevant observable input value is not available or it is not feasible to obtain it, the non-input value is used.

(7) Impairment of financial assets

For financial assets measured in amortized cost, creditor's rights investments measured at fair value and whose changes are included in other comprehensive income, the Company confirms loss reserves based on expected credit losses.

① Measurement of expected credit loss

Considering the reasonable and well-founded information about past events, current situation and forecast of future economic situation, the Company takes the risk of default as the weight, calculates the probability weighted amount of the present value of the difference between the cash flow receivable under the contract and the expected cash flow, and confirms the expected credit loss.

On each balance sheet date, the Company separately measures the expected credit losses of financial instruments at different stages. If the credit risk of financial instruments has not increased significantly since the initial recognition, it is in the first stage, and the company will measure the loss reserve according to the expected credit

loss in the next 12 months; If the credit risk of a financial instrument has increased significantly since the initial recognition, but the credit impairment has not occurred, it is in the second stage, and the company measures the loss reserve according to the expected credit loss of the instrument throughout its duration; If the financial instrument has suffered credit impairment since its initial recognition, it will be in the third stage, and the Company will measure the loss reserve according to the expected credit loss of the instrument throughout its duration.

For financial instruments with low credit risk on the balance sheet date, the Company assumes that the credit risk has not increased significantly since the initial recognition, and measures the loss reserve according to the expected credit loss in the next 12 months.

For financial instruments in the first and second stages and with low credit risk, the Company calculates interest income according to their book balance and actual interest rate without deducting impairment reserve. For financial instruments in the third stage, the interest income shall be calculated according to the book balance minus the amortized cost and the actual interest rate after the provision for impairment has been made.

For the bills receivable, accounts receivable, contract assets and accounts receivable financing formed by daily business activities such as selling goods and providing services, whether there are significant financing components or not, the Company measures the loss reserve according to the expected credit loss during the whole duration.

A accounts receivable:

For bills receivable, accounts receivable, other receivables, receivables financing and long-term receivables with objective evidence indicating impairment, separate impairment tests are conducted to confirm the expected credit loss and make provision for individual impairment. For bills receivable, accounts receivable, other receivables and receivables financing without objective evidence of impairment, or when a single financial asset cannot evaluate the expected credit loss at a reasonable cost, the Company divides the bills receivable, accounts receivable, other receivables, receivables financing and long-term receivables into several combinations according to the credit risk characteristics, and calculates the expected credit loss on the basis of the combinations. The basis for determining the combinations is as follows:

A the basis for determining the combination of bills receivable is as follows:

Project	Determine the basis of combination
Bank's Acceptance Bill	Banks with low credit risk
Trade acceptance	Enterprises with high credit risk

For the bills receivable divided into portfolios, the Company refers to the historical credit loss experience, combines the current situation and the forecast of the future economic situation, and calculates the expected credit loss through the default risk exposure and the expected credit loss rate throughout the duration.

B the basis for determining the combination of accounts receivable is as follows:

Project	Determine the basis of combination
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Accounts receivable from related parties and government units	This portfolio is low-risk receivables from related parties and government units.
Accounts receivable from other units	This portfolio takes the aging of accounts receivable as the credit risk feature.

For the accounts receivable divided into groups, the Company refers to the historical credit loss experience, combines the current situation and the forecast of the future economic situation, and prepares the comparison table between the overdue days of accounts receivable and the expected credit loss rate of the whole duration, and calculates the expected credit loss.

C the basis for determining the combination of other receivables is as follows:

Project	Determine the basis of combination
Dividends receivable	This portfolio is dividends receivable.
Interest receivable	This portfolio represents interest receivable from financial institutions.
Accounts receivable from related parties and government units	This portfolio is low-risk receivables from related parties and government units.
Reserves receivable	This combination is temporary reserve fund receivable from employees of this unit.
Deposit receivable	This combination is all kinds of deposits that should be collected in daily activities.
Other receivables	This portfolio includes all kinds of advances, business performance bonds and other funds that should be collected in daily regular activities.

For other receivables classified as portfolios, the Company refers to the historical credit loss experience, combines the current situation and the forecast of the future economic situation, and calculates the expected credit loss through the default risk exposure and the expected credit loss rate in the next 12 months or the whole duration.

D the basis for determining the portfolio of receivables financing is as follows:

Project	Determine the basis of combination
Bank's Acceptance Bill	Banks with low credit risk
Trade acceptance	Enterprises with high credit risk
Accounts receivable	Receivable from general dealers

For the receivables financing divided into portfolios, the Company refers to the historical credit loss experience, combines the current situation and the forecast of the future economic situation, and calculates the expected credit loss through the default risk exposure and the expected credit loss rate throughout the duration.

B Debt investment and other debt investment

For creditor's rights investment and other creditor's rights investment, the Company calculates the expected credit loss according to the nature of the investment, the types of counterparties and risk exposures, and the expected credit loss rate in the next 12 months or the whole duration.

②It has low credit risk.

If the default risk of a financial instrument is low, the borrower's ability to fulfill its contractual cash flow obligations in a short period of time is strong, and even if the economic situation and operating environment have adverse changes in a long period of time, it may not necessarily reduce the borrower's ability to fulfill its contractual cash flow obligations, the financial instrument is considered to have low credit risk.

## ③Credit risk increased significantly.

By comparing the default probability of financial instruments in the estimated duration determined on the balance sheet date with the default probability in the estimated duration determined at the time of initial recognition, the Company determines the relative change of the default probability of financial instruments in the estimated duration, so as to evaluate whether the credit risk of financial instruments has increased significantly since the initial recognition.

When determining whether the credit risk has increased significantly since the initial recognition, the Company considers reasonable and well-founded information, including forward-looking information, that can be obtained without unnecessary extra cost or effort. The information considered by the Company includes:

A. Whether the internal price index caused by the change of credit risk has changed significantly;

B. Adverse changes in business, financial or economic conditions that are expected to lead to significant changes in the debtor's ability to perform its debt service obligations;

C. Whether the debtor's operating results have actually changed or are expected to change significantly; Whether the regulatory, economic or technical environment in which the debtor is located has undergone significant adverse changes;

D. Whether the value of collateral as debt collateral or the quality of guarantee or credit enhancement provided by a third party has changed significantly. These changes are expected to reduce the debtor's economic motivation to repay within the time limit stipulated in the contract or affect the probability of default;

E. Whether the economic motivation that is expected to reduce the debtor's repayment within the time limit agreed in the contract has changed significantly;

F. Expected changes to the loan contract, including whether the expected breach of contract may lead to the exemption or revision of contractual obligations, granting interest-free period, interest rate jumping, requiring additional collateral or guarantee or making other changes to the contractual framework of financial instruments;

G. Whether the debtor's expected performance and repayment behavior have changed significantly;

H. Whether the contract payment is overdue for more than 30 days (inclusive).

According to the nature of financial instruments, the Company evaluates whether the credit risk has increased significantly on the basis of a single financial instrument or a combination of financial instruments. When evaluating on the basis of financial instrument portfolio, the Company can classify financial instruments based on common credit risk characteristics, such as overdue information and credit risk rating.

Under normal circumstances, if the overdue period exceeds 30 days, the Company determines that the credit risk of financial instruments has increased significantly. Unless the company can obtain reasonable and well-founded information without paying too much cost or effort, it can prove that the credit risk has not increased significantly since the initial confirmation, although the payment period agreed in the contract has exceeded 30 days.

④ Financial assets with credit impairment.

On the balance sheet date, the Company evaluates whether the financial assets measured in amortized cost and the debt investment measured in fair value whose changes are included in other comprehensive income have suffered credit impairment. When one or more events that adversely affect the expected future cash flow of a financial asset occur, the financial asset becomes a financial asset with credit impairment. Evidence of credit impairment of financial assets includes the following observable information: the issuer or debtor has major financial difficulties; Debtor's breach of contract, such as default or overdue payment of interest or principal; Creditors give concessions to debtors that they will not make under any other circumstances due to economic or contractual considerations related to their financial difficulties; The debtor is likely to go bankrupt or carry out other financial restructuring; The financial difficulties of the issuer or debtor lead to the disappearance of the active market of the financial asset; Purchase or generate a financial asset at a large discount, which reflects the fact that credit losses have occurred.

⑤ Presentation of expected credit loss reserve

In order to reflect the change of credit risk of financial instruments since the initial recognition, the Company re-measures the expected credit loss on each balance sheet date, and the resulting increase or reversal amount of loss reserve shall be included in the current profit and loss as impairment loss or gain. For financial assets measured in amortized cost, the loss reserve shall be deducted from the book value of the financial assets listed in the balance sheet; For creditor's rights investments measured at fair value and whose changes are included in other comprehensive income, the Company confirms its loss provision in other comprehensive income, without offsetting the book value of the financial assets.

⑥ Write off

If the Company no longer reasonably expects that the contractual cash flow of a financial asset can be fully or partially recovered, it will directly write down the book balance of the financial asset, which constitutes the derecognition of the relevant financial asset. This usually happens when the company determines that the debtor has no assets or income sources to generate enough cash flow to repay the amount to be written down. If the written-down financial assets are recovered later, they will be included in the profit and loss of the recovery period as the reversal of impairment losses.

#### 10. Notes receivable

For details of the determination method and accounting treatment method of expected credit loss of notes receivable, please refer to Notes III and IX, Financial Instruments.

#### 11. Accounts receivable

For details of the determination method and accounting treatment method of expected credit loss of accounts receivable, please refer to Notes III and IX, Financial Instruments.

#### 12. Receivable financing

When bills receivable and accounts receivable meet the following conditions at the same time, the Company classifies them as measured at fair value and their changes are included in other comprehensive accounts.

For financial assets with combined income, please refer to financial instruments for specific accounting treatment, and list them as accounts receivable financing in the statements:

- (1) Contract cash flow is the payment of principal and interest based on the unpaid principal amount;
- (2) The Company's business model of managing bills receivable and accounts receivable aims at both collecting contract cash flow and selling.

### **13. Receivable other**

For the determination method and accounting treatment method of expected credit loss of other receivables, please refer to Notes III and IX, Financial Instruments.

### **14. Goods in stock**

#### **(1) Classification of inventory**

The company's inventory is divided into raw materials, self-made semi-finished products and products in process, inventory goods, turnover materials, development costs, etc. The cost of developing products includes land leasing, expenditure on infrastructure, expenditure on construction and installation projects, borrowing costs incurred before the completion of development projects and other related expenses in the development process.

#### **(2) Valuation method of issued inventory**

The acquisition of inventory is initially measured according to the actual cost. The cost of goods and materials in stock is determined by weighted average method. The cost of issuing development products is determined according to the individual pricing method.

(3) The basis for determining the net realizable value of inventory and the method for drawing the inventory depreciation reserve.

Net realizable value refers to the estimated selling price of inventory minus the estimated cost, estimated sales expenses and related taxes and fees at the time of completion in daily activities. When determining the net realizable value of inventory, it is based on the conclusive evidence obtained, and the purpose of holding inventory and the influence of events after the balance sheet date are also considered.

On the balance sheet date, inventories are measured according to the lower of cost and net realizable value. When the net realizable value is lower than the cost, the inventory depreciation reserve is withdrawn. Inventory depreciation reserve is usually drawn according to the difference between the cost of a single inventory item and its net realizable value.

After the provision for depreciation of inventory is withdrawn, if the influencing factors of previous write-down of inventory value have disappeared, resulting in the net realizable value of inventory being higher than its book value, it will be reversed within the original amount of provision for depreciation of inventory, and the reversed amount will be included in the current profit and loss.

## (4) Inventory system of inventory

The company's inventory system is perpetual inventory system.

## (5) Amortization method of low-value consumables and packaging materials

Low-value consumables and packaging materials are amortized by one-time write-off method.

**15. Assets classified as held-for-sale**

## (1) Confirmation standards

Corporate constituents are classified as held-for-sale if the following conditions are satisfied: resolution has been made by the Group concerning the disposition of such constituent irrevocable transfer agreement has been entered into with transferee; The transfer will be completed within one year.

## (2) accounting treatment

For fixed assets held for sale, expected net salvage value shall adjust the fixed assets, make the fixed assets of expected net salvage value reflect the fair value minus the disposal expenses after the amount, but shall not be more than meet for sale condition of the fixed assets of the original book value, the original book value is higher than the difference between the expected net salvage value after adjustment, shall be recorded into the profits and losses of the current asset impairment loss.

For other non-current assets held for sale, according to the above principles, hold illiquid assets for sale include single item assets and group disposal, refers to the treatment groups as a whole sale or a group of assets disposal along with all the other way.

**16. Long - term equity investment**

## (1) Determination of initial investment cost

① For the long-term equity investment obtained by business combination, if it is a business combination under the same control, it shall be recognized as the initial cost according to the share of the book value of the owner's equity of the merged party; Business combination not under the same control shall be recognized as the initial cost according to the merger cost determined on the purchase date;

② For the long-term equity investment obtained by paying cash, the initial investment cost is the purchase price actually paid;

③ For the long-term equity investment obtained by issuing equity securities, the initial investment cost is the fair value of issuing equity securities;

④ The initial investment cost of long-term equity investment obtained through debt restructuring shall be determined in accordance with the relevant provisions of Accounting Standards for Enterprises No.12-Debt Restructuring.

⑤ For the exchange of non-monetary assets, the initial investment cost shall be determined according to the relevant provisions of the Standards.

## (2) Subsequent measurement and profit and loss confirmation methods

Long-term equity investment in which the investor can exercise control over the invested entity shall be

accounted for by the cost method. The book value of long-term equity investment accounted by cost method is generally unchanged except for additional or recovered investment. When the distributed profits or cash dividends are announced, the share should be calculated and the investment income should be recognized.

The investors shall use the equity method to account for the long-term equity investments of joint ventures and joint ventures. Part of the investor's equity investment in an associated enterprise is indirectly held through venture capital institutions, mutual funds, trust companies or similar entities including investment-linked insurance funds. Regardless of whether the above entities have a significant impact on this part of investment, the investor can choose to measure the indirectly held part of the investment at fair value in accordance with the relevant provisions of the Accounting Standards for Enterprises No.22-Recognition and Measurement of Financial Instruments, and its changes will be included in profits and losses, and the remaining part will be accounted for by the equity method. For the long-term equity investment accounted by the equity method, the investment income shall be confirmed and the long-term equity investment shall be adjusted according to the share of the net profit and loss realized by the investee. When the distributed profits or cash dividends are declared, the book value of the long-term equity investment shall be reduced accordingly.

### (3) Conversion of accounting methods for long-term equity investment

Transfer from fair value measurement to equity method accounting: if the original equity investment in the investee (which has no control, joint control or significant influence) is accounted for according to the financial instrument recognition and measurement standards, and the shareholding ratio increases due to additional investment and other reasons, which can exert joint control or significant influence on the investee, when transferring to equity method accounting, the investor shall take the fair value of the original equity investment determined according to the financial instrument recognition and measurement standards plus the fair value of the consideration that should be paid to obtain new investment as the change.

Fair value measurement or equity method accounting is converted to cost method accounting: the equity investment originally held by the investor that has no control, joint control or significant influence on the invested entity and is accounted for according to the financial instrument recognition and measurement standards, or the long-term equity investment originally held in the associated enterprise or joint venture can control the invested entity due to additional investment, etc., shall be accounted for according to the long-term equity investment formed by the merger of relevant enterprises.

Equity method accounting is transferred to fair value measurement: if the original long-term equity investment that has joint control or significant influence on the investee is reduced due to partial disposal and other reasons, the remaining equity investment should be accounted for according to the recognition and measurement criteria of financial instruments, and the difference between fair value and book value for the purpose of losing joint control or significant influence is included in the current profit and loss.

Cost-to-equity method: If the investee is changed from being able to exercise control to having significant

influence or exercising joint control with other investors due to the disposal of investment, the long-term equity investment cost that should be derecognized should be carried forward according to the proportion of the disposal of investment. Then compare the cost of the remaining long-term equity investment with the share of the fair value of the identifiable net assets of the investee when calculating the original investment according to the remaining shareholding ratio. The former is greater than the latter, which belongs to the goodwill part reflected in the investment pricing, and the book value of the long-term equity investment will not be adjusted; If the former is less than the latter, the retained earnings shall be adjusted while adjusting the long-term equity investment cost.

(4) To determine the basis of joint control and significant influence on the invested entity.

Joint control refers to the common control of an arrangement according to relevant agreements, and the related activities of the arrangement must be agreed by the participants who share the control rights before making decisions. If all participants or a group of participants must act in concert to decide the activities related to an arrangement, it is considered that all participants or a group of participants collectively control the arrangement. When judging whether there is joint control, firstly, it is judged whether all participants or a combination of participants collectively control the arrangement, and secondly, it is judged whether the decision of the related activities of the arrangement must be unanimously agreed by the participants who collectively control the arrangement. If there are two or more participants who can collectively control an arrangement, it does not constitute joint control. When judging whether there is joint control, the protective rights enjoyed are not considered.

Significant influence means that the investor has the right to participate in the decision-making of the financial and operating policies of the invested entity, but it cannot control or jointly control the formulation of these policies with other parties. When determining whether it can exert significant influence on the investee, the Company shall consider the influence of directly or indirectly holding the voting shares of the investee and the potential voting rights of the current period held by the Company and other parties after being converted into the equity of the investee, including the influence of the current convertible warrants, stock options and convertible corporate bonds issued by the investee.

When the company directly or indirectly owns more than 20% (including 20%) but less than 50% of the voting shares of the investee, it is generally considered to have a significant impact on the investee, unless there is clear evidence that it cannot participate in the production and operation decisions of the investee in this case, which will not have a significant impact.

Our company usually judges whether it has a significant impact on the invested entity through one or more of the following situations:

- (1) Have representatives in the board of directors of the invested unit or similar authority.
- (2) To participate in the process of making financial and business policies of the invested unit.

- (3) There is an important transaction with the invested entity.
- (4) To send management personnel to the invested unit.
- (5) Provide key technical data to the invested unit.

The existence of one or more of the above situations does not mean that the company must have a significant impact on the invested unit, and the company needs to comprehensively consider all the facts and circumstances to make an appropriate judgment.

- (6) Impairment test method and impairment reserve accrual method

On the balance sheet date, the Company checks whether there are signs of possible impairment of the long-term equity investment. When there are signs of impairment, it shall conduct impairment test to confirm its recoverable amount, and make provision for impairment according to the part of the recoverable amount that is lower than the book value. Once the impairment loss is made, it will not be reversed in future accounting periods.

The recoverable amount shall be determined according to the higher of the net fair value of the long-term equity investment and the present value of the expected future cash flow.

- (7) Disposal of long-term equity investment

When the Company disposes of the long-term equity investment, the difference between the book value of the investment and the actual purchase price is included in the current profit and loss. Long-term equity investment accounted by the equity method shall be disposed of on the same basis as the direct disposal of related assets or liabilities by the investee, and the part originally included in other comprehensive income shall be accounted for according to the corresponding proportion.

#### **17. Investment real estate**

- (1) Types and measurement modes of investment real estate

Types of investment real estate of the Company: leased land use right, leased buildings, land use right held and ready to be transferred after appreciation.

The company's investment real estate is initially measured according to the cost, and the fair value model is adopted for subsequent measurement.

- (2) Adopting fair value accounting policy.

The Company does not accrue depreciation or amortization for investment real estate, but adjusts its book value based on the fair value of investment real estate on the balance sheet date, and the difference between the fair value and the original book value is included in the current profit and loss.

The Company has conclusive evidence that the use of real estate has changed. When converting investment real estate into self-use real estate, the fair value on the day of conversion is taken as the book value of self-use real estate, and the difference between the fair value and the original book value is included in the current profit and loss. When self-occupied real estate or inventory is converted into investment real estate measured by fair

value model, the investment real estate is priced according to the fair value on the conversion date. If the fair value on the conversion date is less than the original book value, the difference will be included in the current profit and loss; If the fair value on the conversion date is greater than the original book value, the difference shall be included in the owner's equity.

### 18. Fixed assets

#### (1) Confirmation conditions of fixed assets

Fixed assets refer to tangible assets held for producing goods, providing services, leasing or management, with a service life of more than one fiscal year. Confirm when the following conditions are met simultaneously:

- ① The economic benefits related to the fixed assets are likely to flow into the enterprise
- ② The cost of the fixed assets can be measured reliably

#### (2) Classification and depreciation methods of fixed assets

The company's fixed assets are mainly divided into: buildings, machinery and equipment, electronic equipment, transportation equipment, etc. The depreciation method adopts the life average method. According to the nature and usage of various fixed assets, the service life and estimated net salvage value of fixed assets are determined. At the end of the year, the service life, estimated net salvage value and depreciation method of fixed assets will be reviewed, and if there is any difference with the original estimate, corresponding adjustments will be made. Except for the fixed assets that have been fully depreciated and continue to be used and the land that has been separately priced, the company depreciates all fixed assets.

Asset category	Estimated service life (year)	Estimated net salvage rate (%)	Annual depreciation rate (%)
Houses, buildings and ancillary facilities	30-50	0-5	2.00-3.33
Machinery equipment	10	3	9.70
Means of transport	9	3	12.13
Electronic equipment and other office equipment	5	5	19.00
Production equipment	9	3	12.13
Special equipment	20	3	4.85

#### (3) Methods of impairment test and provision for impairment of fixed assets.

On the balance sheet date, the Company checks the fixed assets for signs of possible impairment, and when there are signs of impairment, it shall conduct impairment test to confirm its recoverable amount, and make provision for impairment according to the part where the recoverable amount is lower than the book value. Once the impairment loss is made, it will not be reversed in future accounting periods.

#### (4) The basis for the determination and valuation method of the fixed assets leased by financing.

The basis for the determination of financing lease into fixed assets: lease that essentially transfers all risks and rewards related to asset ownership. The specific identification basis is that it meets one or more of the following conditions: ① At the expiration of the lease term, the ownership of the leased assets is transferred to the Company; ② The Company has the option to purchase the leased assets, and the purchase price is expected to be

much lower than the fair value of the leased assets when exercising the option, so it can be reasonably determined that the Company will exercise this option on the lease start date; ③ Even if the ownership of the assets is not transferred, the lease term accounts for most of the service life of the leased assets; ④ The present value of the Company's minimum lease payment on the lease start date is almost equivalent to the fair value of the leased assets on the lease start date; ⑤ The leased assets are of a special nature, and only the company can use them without major transformation.

Valuation method of financial leased fixed assets: the initial valuation of financial leased fixed assets is the lower of the fair value of leased assets and the present value of the minimum lease payment at the beginning of the lease period as the entry value;

The subsequent valuation of fixed assets leased by finance adopts the depreciation policy consistent with its own fixed assets to accrue depreciation and impairment reserve.

### 19. Construction in progress

#### (1) Categories of projects under construction

The company's projects under construction are divided into two types: self-operated construction and outsourcing construction.

#### (2) Standards and time points for carrying forward fixed assets for projects under construction

The Company's construction in progress will be carried over to fixed assets when the project is completed and ready for use. The criteria for judging the scheduled usable state shall meet one of the following conditions:

① The physical construction (including installation) of fixed assets has been completed or substantially completed;

② The fixed asset has been used for trial operation and it is evidenced that the asset can operate ordinarily or produce steadily qualified products; or the result of trial operation proves that it can operate normally;

③ Few or no expenditure was incurred for construction of the fixed assets;

④ The purchased fixed assets have reached the design or contract requirements, or are basically consistent with the design or contract requirements.

#### (3) Method of impairment test and provision for impairment of construction in progress.

On the balance sheet date, the Company checks whether there are signs of possible impairment in the construction in progress. When there are signs of impairment, it shall conduct impairment test to confirm its recoverable amount, and make provision for impairment according to the part of the recoverable amount that is lower than the book value. Once the impairment loss is made, it will not be reversed in future accounting periods.

The recoverable amount of the construction in progress is determined according to the higher of the net amount after deducting the disposal expenses from the fair value of the assets or the present value of the estimated future cash flow of the assets.

### 20. Borrowing expense

(1) Confirmation principle of capitalization of borrowing costs

If the borrowing costs incurred by the Company can be directly attributed to the purchase, construction or production of assets eligible for capitalization, they shall be capitalized and included in the cost of related assets; Other borrowing costs are recognized as expenses when incurred according to the amount incurred, and included in the current profits and losses. Assets eligible for capitalization refer to fixed assets, investment real estate, inventory and other assets that need a long period of purchase, construction or production activities to reach the predetermined usable or saleable state.

(2) Calculation method of capitalized amount

Capitalization begins when the following three conditions are met at the same time: ① asset expenditure has occurred; (2) borrowing costs have occurred; ③ The purchase and construction activities necessary to make the assets reach the predetermined usable state have started.

Capitalization period: refers to the period from the time when borrowing costs are capitalized to the time when capitalization stops. The period during which the capitalization of borrowing costs is suspended is not included.

Suspension of capitalization period: If there is an abnormal interruption in the process of purchase, construction or production, and the interruption lasts for more than 3 months, the capitalization period of borrowing costs shall be suspended.

Capitalized amount calculation: ① Borrowing special loans is determined according to the actual interest expenses incurred in the current period of special loans, minus the interest income obtained by depositing unused loan funds in the bank or the investment income obtained by temporary investment; ② Occupation of general loans is calculated and determined by multiplying the weighted average of accumulated asset expenditures over the special loan portion by the capitalization rate of occupied general loans, and the capitalization rate is the weighted average interest rate of general loans; ③ If there is a discount or premium on the loan, the discount or premium amount to be amortized in each accounting period shall be determined according to the effective interest rate method, and the interest amount in each period shall be adjusted.

## 21. Intangible assets

(1) The valuation method of intangible assets

The intangible assets of the Company are initially measured at cost. The purchased intangible assets shall be regarded as the actual cost according to the actual paid price and related expenses. The actual cost of intangible assets invested by investors shall be determined according to the value agreed in the investment contract or agreement, but if the value agreed in the contract or agreement is unfair, the actual cost shall be determined according to the fair value. The cost of self-developed intangible assets is the total expenditure incurred before reaching the intended purpose.

Subsequent measurement of intangible assets of the Company are as follows: ① Intangible assets with limited

service life are amortized by the straight-line method, and at the end of the year, the service life and amortization method of intangible assets are rechecked, and if there is any difference from the original estimate, corresponding adjustments are made. ② Intangible assets with uncertain service life are not amortized, but at the end of the year, the service life is reviewed. When there is conclusive evidence that their service life is limited, their service life is estimated and amortized by the straight-line method.

(2) The judgment basis of service life uncertainty

The Company will identify intangible assets with uncertain service life, such as the period when the asset will bring economic benefits to the Company, or the period when the service life is uncertain.

The judgment basis of uncertain service life: ① It comes from contractual rights or other legal rights, but there is no clear service life stipulated in the contract or law; ② It is still impossible to judge the time limit for intangible assets to bring economic benefits to the company based on the situation of the same industry or the argumentation of relevant experts.

At the end of each year, the service life of intangible assets with uncertain service life is rechecked, mainly in a bottom-up way, and the relevant departments of intangible assets use the basic recheck to evaluate whether the judgment basis of service life uncertainty has changed.

(3) Impairment test method for intangible assets and provision method for impairment.

On the balance sheet date, the Company shall check whether there are signs of possible impairment of intangible assets. When there are signs of impairment, it shall conduct impairment test to confirm its recoverable amount, and make provision for impairment according to the part where the recoverable amount is lower than the book value. Once the impairment loss is made, it will not be reversed in future accounting periods.

The recoverable amount of intangible assets is determined according to the net amount after deducting the disposal expenses from the fair value of the assets or the present value of the estimated future cash flow of the assets, which is higher.

(4) The specific standards for the research stage and development stage of internal research and development projects, and the specific standards for the expenditures in the development stage to meet the capitalization conditions.

Expenditures in the research phase of internal research and development projects are included in the current profits and losses when incurred; Expenditures in the development stage are recognized as intangible assets if they meet the following conditions at the same time: (1) It is technically feasible to complete the intangible assets so that they can be used or sold; (2) It has the intention to complete the intangible asset and use or sell it; (3) The ways in which intangible assets generate economic benefits, including the ability to prove that the products produced by using the intangible assets exist in the market or the intangible assets themselves exist in the market, and the intangible assets will be used internally, can prove their usefulness; (4) Having sufficient technical, financial and other resources to support the development of the intangible assets, and having the ability to use or sell the

intangible assets; (5) Expenditure attributable to the development stage of the intangible assets can be reliably measured.

Specific criteria for dividing the research stage and development stage of internal research and development projects: the planned investigation stage for acquiring new technologies and knowledge should be determined as the research stage, which has the characteristics of planning and exploration; Before commercial production or use, the stage of applying research results or other knowledge to a plan or design to produce new or substantially improved materials, devices, products, etc. should be determined as the development stage, which has the characteristics of pertinence and great possibility of forming results.

## 22. Long-term asset impairment

Long-term assets such as long-term equity investment, investment real estate measured by cost model, fixed assets, construction in progress, intangible assets, etc., which show signs of impairment on the balance sheet date, shall be tested for impairment. If the impairment test results show that the recoverable amount of an asset is lower than its book value, the impairment reserve shall be withdrawn according to the difference and included in the impairment loss. The recoverable amount is the higher of the net amount after deducting the disposal expenses from the fair value of the asset and the present value of the expected future cash flow of the asset. The asset impairment reserve is calculated and confirmed on the basis of individual assets. If it is difficult to estimate the recoverable amount of individual assets, the recoverable amount of the asset group shall be determined by the asset group to which the asset belongs. Asset group is the smallest asset combination that can generate cash inflow independently.

Goodwill shall be tested for impairment at least at the end of each year.

The Company conducts goodwill impairment test, and the book value of goodwill formed by business combination is allocated to relevant asset groups according to reasonable methods from the date of purchase; If it is difficult to allocate to the relevant asset group, allocate it to the relevant asset group combination. When allocating the book value of goodwill to the relevant asset group or asset group combination, it shall be allocated according to the proportion of the fair value of each asset group or asset group combination to the total fair value of the relevant asset group or asset group combination. If it is difficult to reliably measure the fair value, it shall be apportioned according to the proportion of the book value of each asset group or asset group combination to the total book value of the relevant asset group or asset group combination.

When carrying out impairment test on related asset groups or asset group combinations containing goodwill, if there are signs of impairment on asset groups or asset group combinations related to goodwill, first carry out impairment test on asset groups or asset group combinations that do not contain goodwill, calculate the recoverable amount, and compare it with the relevant book value to confirm the corresponding impairment loss. Then the asset group or asset group combination containing goodwill is tested for impairment, and the book value of these related asset groups or asset group combinations (including the book value of the allocated goodwill) is

compared with its recoverable amount. If the recoverable amount of the related asset group or asset group combination is lower than its book value, the impairment loss of goodwill is confirmed. Once the above-mentioned asset impairment losses are confirmed, they will not be reversed in future accounting periods.

### **23. Long - term deferred and prepaid expenses**

The Company's long-term deferred expenses refer to the expenses that have been paid, but the benefit period is over one year (excluding one year). It mainly includes the greening fee, renovation fee, house decoration fee, etc. The long-term deferred expenses are amortized by installments according to the benefit period of the expense items. If the long-awaited expense item cannot benefit the future accounting period, all the amortized value of the item that has not been amortized will be transferred to the current profit and loss.

### **24. Employee compensation**

Employee compensation refers to various forms of remuneration and other related expenses given by the Company for obtaining services provided by employees, including short-term salary, post-employment benefits, dismissal benefits and other long-term benefits.

Short-term salary includes short-term wages, bonuses, allowances, subsidies, employee welfare funds, housing accumulation fund, trade union funds and employee education funds, medical insurance premiums, work injury insurance premiums, maternity insurance premiums, short-term paid absences, and short-term profit sharing plans. During the accounting period when employees provide services, the actual short-term salary payable is recognized as a liability, and it is included in the current profit and loss or related asset cost according to the beneficiary according to the accrual principle.

After-service benefits mainly include basic old-age insurance premiums and enterprise annuities, which are classified into defined contribution plans and defined benefit plans according to the risks and obligations assumed by the company. Set the deposit plan: the deposit paid to a separate entity on the balance sheet date in exchange for the services provided by employees during the accounting period is recognized as a liability, and is included in the current profit and loss or related asset cost according to the beneficiary. Defined benefit plans: The actuarial valuation is made by independent actuaries on the semi-annual and annual balance sheet date, and the cost of providing benefits is determined by the expected cumulative benefit unit method. The employee compensation cost caused by defined benefit plans of the Company includes the following components: (1) Service cost, including current service cost, past service cost and settlement gain or loss. Among them, the current service cost refers to the increase in the present value of the defined benefit obligation caused by the provision of services by employees in the current period; The past service cost refers to the increase or decrease of the present value of the defined benefit obligation related to the employee service in the previous period caused by the revision of defined benefit plans; (2) the interest expense of the beneficiary obligation; (3) Re-measure the changes caused by defined benefit plans's liabilities. Unless other accounting standards require or allow employee welfare costs to be included in the cost of assets, the Company will include the above items (1) and (2) in

the current profit and loss; Item (3) is included in other comprehensive income and will not be reversed to profit or loss in subsequent accounting periods.

Dismissal benefits: The Company terminates the labor relationship with employees before the expiration of the labor contract, or proposes compensation to encourage employees to voluntarily accept the reduction. When the following conditions are met at the same time, the estimated liabilities arising from the compensation for the termination of the labor relationship with employees are recognized and included in the current profits and losses: The Company has formulated a formal plan for the termination of labor relations or proposed voluntary reduction, which will be implemented soon; Our company can't unilaterally withdraw the plan of dissolving labor relations or the proposal of reduction. The employee's internal retirement plan shall be treated in the same way as the above-mentioned dismissal benefits. The Company will include the wages of retired employees and social insurance premiums to be paid during the period from the date when employees stop providing services to the normal retirement date, and include them in the current profits and losses when the conditions for recognizing the estimated liabilities are met.

## **25. Estimated liabilities**

### **(1) Recognition criteria of estimated liabilities**

When the obligations related to contingencies are the current obligations undertaken by the Company, and the fulfillment of the obligations is likely to lead to the outflow of economic benefits, and the amount can be reliably measured, the obligations are recognized as estimated liabilities.

### **(2) Measurement method of estimated liabilities**

The Company's estimated liabilities are initially measured according to the best estimate of the expenditure needed to fulfill the relevant current obligations. If there is a continuous range of the required expenditure and the possibility of various results within this range is the same, the best estimate is determined according to the middle value within this range; If multiple projects are involved, calculate and determine the best estimate according to various possible results and related probabilities.

The Company rechecks the book value of the estimated liabilities on the balance sheet date. If there is conclusive evidence that the book value cannot truly reflect the current best estimate, the book value will be adjusted according to the current best estimate.

If all or part of the expenses required to pay off the estimated liabilities are expected to be compensated by a third party, the compensation amount will be recognized separately as an asset when it is basically confirmed that it can be received, and the confirmed compensation amount will not exceed the book value of the estimated liabilities.

## **26. Income**

### **(1) Revenue from commodity sales**

When the main risks and rewards of commodity ownership have been transferred to the buyer, the right to

continue management, which is usually associated with ownership, has not been retained, and the sold goods have not been effectively controlled, the amount of income can be reliably measured, the related economic benefits are likely to flow into the enterprise, and the related costs that have occurred or will occur can be reliably measured, the realization of commodity sales income is confirmed.

(2) Income from providing labor services

Under the condition that the result of the transaction of providing labor services can be estimated reliably, the income from providing labor services shall be recognized according to the percentage of completion method on the balance sheet date. The completion progress of labor service transaction shall be determined according to the measurement of completed work.

The reliable estimation of the result of providing labor service transaction means that: ① the amount of income can be measured reliably; ② Relevant economic benefits are likely to flow into the enterprise; ③ The degree of completion of the transaction can be reliably determined; ④ The costs that have occurred and will occur in the transaction can be measured reliably.

If the result of the transaction of providing labor services cannot be reliably estimated, the income from providing labor services shall be confirmed according to the amount of labor costs that have occurred and are expected to be compensated, and the labor costs that have occurred shall be regarded as the current expenses. If the labor costs that have already occurred are not expected to be compensated, the income will not be recognized.

(3) Income from construction contracts

Under the condition that the result of the construction contract can be estimated reliably, the contract income and contract expenses are confirmed according to the percentage of completion method on the balance sheet date. The contract completion schedule shall be determined according to the proportion of the accumulated actual contract cost to the estimated total contract cost.

The reliable estimation of the results of the construction contract means that: ① the total contract income can be measured reliably; ② The economic benefits related to the contract are likely to flow into the enterprise; ③ The actual contract cost can be clearly distinguished and reliably measured; (4) The completion schedule of the contract and the costs to be incurred for completing the contract can be reliably determined.

If the result of the construction contract cannot be estimated reliably, but the contract cost can be recovered, the contract income shall be recognized according to the actual contract cost that can be recovered, and the contract cost shall be recognized as the contract cost in the current period in which it occurs; If it is impossible to recover the contract cost, it will be recognized as the contract cost immediately when it occurs, and the contract income will not be recognized. If the uncertain factors that make the result of the construction contract unreliable no longer exist, the income and expenses related to the construction contract shall be determined according to the percentage of completion method.