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*This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities. This announcement does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. The securities have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any state of the United States or any other jurisdiction, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Bonds (as defined below) are being offered and sold only outside the United States in offshore transactions in compliance with Regulation S under the Securities Act. This announcement and the information contained herein are not for distribution, directly or indirectly, in or into the United States. No public offer of the securities referred to herein is being or will be made in the United States or in any other jurisdiction where such an offering is restricted or prohibited.*

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

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

PUBLICATION OF OFFERING CIRCULAR

HAIXI OVERSEAS INVESTMENT COMPANY LIMITED
(the "Issuer")
(incorporated in the British Virgin Islands with limited liability)

U.S.$100,000,000 5.30 per cent. Credit Enhanced Guaranteed Bonds due 2027
(the "Bonds")
Stock Code: 4557

金灌集团
JINGUANGROUP

Jiangsu Jinguan Investment Development Group Co., Ltd.
(江蘇金灌投資發展集團有限公司)
(the "Guarantor")
(incorporated in the People's Republic of China with limited liability)

with the benefit of an irrevocable Standby Letter of Credit issued by
Bank of Jiangsu Co., Ltd., Lianyungang Branch

Sole Global Coordinator, Joint Lead Manager and Joint Bookrunner

Guotai Junan International

Joint Lead Managers and Joint Bookrunners

CITIC Securities	**China Securities International**	**Industrial Bank Co., Ltd. Hong Kong Branch**	**CNCB Capital**

This announcement is issued pursuant to Rule 37.39A of the Listing Rules. Reference is made to the notice of listing of the Bonds on The Stock Exchange of Hong Kong Limited dated 25 March 2024 published by the Issuer.

The offering circular dated 20 March 2024 (the "**Offering Circular**") in relation to the Bonds is appended to this announcement.

Hong Kong, 26 March 2024

As at the date of this announcement, the sole director of the Issuer is Mr. Jia Jianshe; and the board of directors of the Guarantor comprises Mr. Zhou Zhou, Ms. Zhao Jinghui, Ms. Sun Yu, Mr. Song Jian, Mr. Liang Zhongye, Ms. Sun Mei and Mr. Wang Sheng.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION INTO THE UNITED STATES

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

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 IN THE UNITED STATES, EXCEPT IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT OR OTHERWISE 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 FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON, ELECTRONICALLY OR OTHERWISE, 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 THIS 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: The Offering Circular is being sent at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to have represented to the Issuer, the Guarantor and the Managers (each as defined in the Offering Circular), that (1) you and any customers you represent are not, and that the electronic mail address that you gave the Managers and to which this e-mail has been delivered is not, located in the United States, its territories or possessions, (2) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission, and (3) to the extent you purchase the securities described herein, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S thereunder.

You are reminded that the Offering Circular has been delivered to you 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 and you may not, nor are you authorised to, deliver the Offering Circular, electronically or otherwise, to any other person.

Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer or an invitation by or on behalf of any of the Issuer, the Guarantor, the Managers, the Trustee, the Agents, the Account Banks (each as defined in the Offering Circular) or any person who controls any of them or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates to subscribe or purchase any of the securities described herein, 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 general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction. Any securities to be issued in respect thereof will not be registered under the Securities Act and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from such registration. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described herein.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Guarantor, the Managers, the Trustee, the Agents, the Account Banks or any person who controls any of them, or any of their respective directors, officers, employees, agents, advisers, representatives or affiliates 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 the hard copy version available to you on request from the Managers.

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

Actions that you may not take: If you receive the Offering Circular by e-mail, you should not reply by e-mail to this electronic transmission, 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.

HAIXI OVERSEAS INVESTMENT COMPANY LIMITED

(incorporated in the British Virgin Islands with limited liability)

U.S.$100,000,000 5.30 per cent. Credit Enhanced Guaranteed Bonds due 2027

Unconditionally and Irrevocably Guaranteed by

金灌集团
JINGUANGROUP

JIANGSU JINGUAN INVESTMENT DEVELOPMENT GROUP CO., LTD.
(江蘇金灌投資發展集團有限公司)

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

with the benefit of an irrevocable Standby Letter of Credit issued by
Bank of Jiangsu Co., Ltd. Lianyungang Branch

Issue Price: 100.00 per cent.

The 5.30 per cent. credit enhanced guaranteed bonds in the aggregate principal amount of U.S.$100,000,000 (the "**Bonds**") will be issued by HAIXI OVERSEAS INVESTMENT COMPANY LIMITED (the "**Issuer**") and will be unconditionally and irrevocably guaranteed (the "**Guarantee**") by Jiangsu Jinguan Investment Development Group Co., Ltd. (江蘇金灌投資發展集團有限公司) (the "**Guarantor**"), a company incorporated under the laws of the People's Republic of China (the "**PRC**"). The Issuer is an indirect wholly-owned subsidiary of the Guarantor.

The Bonds will have the benefit of an irrevocable standby letter of credit (the "**Standby Letter of Credit**") issued by Bank of Jiangsu Co., Ltd. Lianyungang Branch (the "**LC Bank**"). See "*Appendix A — Form of Irrevocable Standby Letter of Credit*" for the form of the Standby Letter of Credit.

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

The Bonds will bear interest on their outstanding principal amount from and including 25 March 2024 (the "**Issue Date**") at the rate of 5.30 per cent. per annum, and such interest will be payable semi-annually in arrear in equal instalments on 25 March and 25 September in each year (each an "**Interest Payment Date**"), commencing on 25 September 2024. All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without set-off, counterclaim, withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the British Virgin Islands or the PRC or any political subdivision or authority therein or thereof having power to tax, to the extent described under "*Terms and Conditions of the Bonds — Taxation*".

In accordance with the Administrative Measures for the Review and Registration of Medium- and Long-term Foreign Debts of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) (the "**NDRC Measures**") issued by the the National Development and Reform Commission of the PRC (the "**NDRC**") and effective from 23 February 2023, the Guarantor has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC dated 23 November 2023 ("**Enterprise Foreign Debt Filing Certificate**") evidencing such registration, which, as at the date of this Offering Circular, remains valid and in full force and effect. The Guarantor will undertake to file or cause to be filed with the NDRC the requisite information and documents within ten PRC Business Days (as defined in the terms and conditions of the Bonds (the "**Conditions**")) after the Issue Date and in accordance with the NDRC Measures and any implementation rules, notices, regulations and guidelines as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**") and comply with all applicable PRC laws and regulations in relation to the issue of the Bonds (including but not limited to any related filing requirement under the NDRC Measures).

The Guarantor will enter into a deed of guarantee (the "**Deed of Guarantee**") with The Bank of New York Mellon, London Branch (the "**Trustee**") on the Issue Date. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable laws, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations. The Guarantor will undertake to submit all information and documents necessary to register or cause to be registered with the State Administration of Foreign Exchange or any relevant local branch thereof ("**SAFE**") the Deed of Guarantee, within 15 PRC Business Days after execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**"). The Guarantor shall use its best endeavours to comply with all applicable PRC laws and regulations in relation to the Guarantee.

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 25 March 2027 (the "**Maturity Date**"). The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) and to the Trustee and the Principal Paying Agent, at their principal amount (together with interest accrued to, but excluding, the date fixed for redemption), if the Issuer and/or the Guarantor (as the case may be) satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in the Conditions) as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction) which change or amendment becomes effective on or after 20 March 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. See "*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Taxation Reasons*". At any time following the occurrence of a Change of Control (as defined in the Conditions), the holder of any Bond (each a "**Bondholder**") will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date (as defined in the Conditions) at 100 per cent. of their principal amount, together in each case with interest accrued up to but excluding such Put Settlement Date. See "*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Change of Control*".

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

Investing in the Bonds involves risks. See "*Risk Factors*" beginning on page 18 for a discussion of certain factors to be considered in connection with an investment in the Bonds. Investors should take note of the risks associated with a guaranteed bond supported by a standby letter of credit and various other risks relating to the Bonds, the Issuer, the Guarantor and its subsidiaries, their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in the Bonds. **Particularly, under the Conditions, the Guarantor only undertakes to submit all information and documents necessary to register or cause to be registered with SAFE the Deed of Guarantee. There is no assurance that the SAFE would accept the Guarantor's registration of the Deed of Guarantee. Non-registration of the Deed of the Guarantee will not result in an event of default under the Conditions nor would it constitute a redemption event. Bondholders do not have a right to require the Issuer to redeem the Bonds if the Cross-Border Security Registration is not completed. See "*Risk Factors — Risks relating to the Bonds, the Guarantee and the Standby Letter of Credit — Bondholders do not have a right to require the Issuer to redeem the Bonds if the Cross-Border Security Registration is not completed*" on page 39 and "*Risks relating to the Bonds, the Guarantee and the Standby Letter of Credit — If the Guarantor fails to register the Guarantee with SAFE within the time period prescribed by SAFE, there may be logistical hurdles for cross-border payments under the Guarantee*" on page 40.**

The Bonds, the Guarantee and the Standby Letter of Credit have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds and the Guarantee are being offered in offshore transactions outside the United States in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds, the Guarantee, the Standby Letter of Credit and the distribution of this Offering Circular, see "*Subscription and Sale*".

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

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

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

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

Sole Global Coordinator, Joint Lead Manager and Joint Bookrunner

Guotai Junan International

Joint Lead Managers and Joint Bookrunners

CITIC Securities | **China Securities International** | **Industrial Bank Co., Ltd. Hong Kong Branch** | **CNCB Capital**

Offering Circular dated 20 March 2024

IMPORTANT NOTICE

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

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer, the LC Bank and the Guarantor and the Guarantor's subsidiaries taken as a whole (the "**Group**"). Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading. Investors are advised to read and understand the contents of the Offering Circular before investing. If in doubt, investors should consult their advisers.

Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor, the Group and the Bonds, the Guarantee and the Standby Letter of Credit which is material in the context of the issue and offering of the Bonds (including all information required by applicable laws and the information which, according to the particular nature of the Issuer, the Guarantor, the Group, the Bonds, the Guarantee, the LC Bank, the Standby Letter of Credit and the Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor and the Group, the LC Bank and of the rights attaching to the Bonds, the Guarantee and the Standby Letter of Credit), (ii) the statements of facts contained in this Offering Circular relating to the Issuer, the Guarantor, the Group, the Bonds, the Guarantee and the Standby Letter of Credit are in every material particular true and accurate and not misleading, (iii) the opinions and intentions expressed in this Offering Circular are, with regard to the Issuer, the Guarantor and the Group, honestly and reasonably 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, the Guarantee or the Standby Letter of Credit the omission of which would, in the context of the issue and offering of the Bonds, make any statement, opinion or intention expressed in this Offering Circular misleading in any material respect; (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 the light of the circumstances under which they were made, not misleading; and (vii) the statistical, industry and market-related data and forward looking statements, each of which are included in this Offering Circular, are based on or derived or extracted from sources which the Issuer, the Guarantor and the Group believe to be accurate and reliable in all material respects.

Notwithstanding the foregoing, the information included in this Offering Circular regarding the LC Bank is for information purposes only and is based on, or derived or extracted from, among other sources, publicly available information. The Issuer and the Guarantor have taken reasonable care in the compilation and reproduction of the information. However, none of Guotai Junan Securities (Hong Kong) Limited, CLSA Limited, China Securities (International) Corporate Finance Company Limited, Industrial Bank Co., Ltd. Hong Kong Branch and CNCB (Hong Kong) Capital Limited (collectively, the "**Managers**"), the Issuer, the Guarantor, the Trustee, the Agents (as defined in the Conditions), the

Pre-funding Account Bank or the LC Proceeds Account Bank (both as defined in the Conditions, and collectively the "**Account Banks**") or any person who controls any of them, or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers has independently verified such information. No representation or warranty, express or implied, is made or given by the Issuer, the Guarantor, the Managers, the Trustee, the Agents, the Account Banks or any person who controls any of them, or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers as to the accuracy, completeness or sufficiency of such information. Accordingly, such information should not be unduly relied upon.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Bonds, giving of the Guarantee and the Standby Letter of Credit described in this Offering Circular. The distribution of this Offering Circular, the offering of the Bonds and the giving of the Guarantee in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, the Managers, the Trustee, the Agents and the Account Banks to inform themselves about and to observe any such restrictions. None of the Managers represents that this Offering Circular or any other material connected thereto has been or will be lawfully distributed, or that the Bonds has been or will be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. No action is being taken to permit a public offering of the Bonds, giving of the Guarantee and the Standby Letter of Credit or the distribution of this Offering Circular or any offering or publicity material relating to the Bonds in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the giving of the Guarantee, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see "*Subscription and Sale*". By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, 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 LC Bank, the Bonds, the Standby Letter of Credit or the Guarantee other than as contained herein and, if given or made, any such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Group, the LC Bank, the Managers, the Trustee, the Agents, the Account Banks or any person who controls any of them, or any of their respective affiliates, directors, employees, agents, representatives, officers 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, the Group or the LC Bank or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Managers, the Trustee, the Agents, the Account Banks or any person who controls any of them, or any of their respective affiliates, directors, employees, agents, representatives, officers or adviser to subscribe for or purchase the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

None of the Managers, the Trustee, the Agents, the Account Banks or any person who controls any of them, or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates has separately verified the information contained in this Offering Circular and can give no assurance that such information is accurate, truthful or complete. None of the Managers, the Trustee, the Agents, the Account Banks or any person who controls any of them, or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates, makes any representation, warranty or undertaking, express or implied, or accepts any responsibility or liability, with respect to the accuracy or completeness of any of the information contained in this Offering Circular or any information supplied in connection with the Bonds, the Guarantee and the Standby Letter of Credit. Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers, the Trustee, the Agents, the Account Banks or any person who controls any of them, or any of their respective directors, officers, employees, agents, representatives, adviser or affiliates in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer, the Guarantor, the Group, the LC Bank, the Guarantee, the Standby Letter of Credit and the terms of the offering and the merits and risks involved in investing in the Bonds. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Managers, the Trustee, the Agents, the Account Banks or any person who controls any of them, or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates, accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by any such person or on its behalf, in connection with the Issuer, the Guarantor, the Group, the LC Bank, the issue and offering of the Bonds, the giving of the Guarantee or the Standby Letter of Credit. Each of the Managers, the Trustee, the Agents, the Account Banks or any person who controls any of them, and any of their respective directors, officers, employees, agents, representatives, advisers and affiliates 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 Managers, the Trustee, the Agents, the Account Banks or any person who controls any of them, or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates undertakes to review the financial condition or affairs of the Issuer, the Guarantor, the Group or the LC Bank during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Managers, the Trustee, the Agents, the Account Banks or any person who controls any of them, or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates.

This Offering Circular may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation. This Offering Circular does not constitute an offer or an invitation to subscribe for or to purchase any Bonds, is not intended to provide the basis of any credit or other evaluation, and should not be considered as a recommendation by the Issuer, the Guarantor, the Group, the LC Bank, the Managers, the Trustee, the Agents, the Account Banks or any person who controls any of them, or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates that any recipient of this Offering Circular should subscribe for or purchase any Bonds. Each recipient of this Offering Circular shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Guarantor with its own tax, legal and business advisers as it deems necessary.

This Offering Circular is provided solely for the purpose of enabling the recipient to consider purchasing the Bonds. The investors or prospective investors should read this Offering Circular carefully before making a decision regarding whether or not to purchase the Bonds. This Offering Circular cannot be used for any other purpose and any information in this Offering Circular cannot be disclosed to any other person. This Offering Circular is personal to each prospective investor and does not constitute an offer to any other person or to the public generally to purchase or otherwise acquire the Bonds.

This Offering Circular summarises certain material documents and other information, and the Issuer, the Guarantor, the LC Bank and the Managers refer the recipient of this Offering Circular to them for a more complete understanding of what is contained in this Offering Circular. None of the Issuer, the Guarantor, the Group, the LC Bank, the Managers, the Trustee, the Agents, the Account Banks or any person who controls any of them, or any of their respective directors, officers, employees, agents, representatives, advisers or affiliates are making any representations regarding the legality of an investment in the Bonds under any law or regulation. The recipient of this Offering Circular should not consider any information in this Offering Circular to be legal, business or tax advice. Any investor or prospective investor should consult his/her/its own attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Bonds.

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

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY MANAGERS (THE "STABILISATION MANAGER(S)") (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISATION MANAGER(S) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGER(S) (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

Any of the Managers and their respective affiliates may purchase the Bonds for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer, the Guarantor or any other member of the Group or their respective 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.

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

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

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

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

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Managers and/or any other third parties as may be required by the SFC Code, including to the Issuer, 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, among other sources, internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed by the Issuer and Guarantor to be reliable and accurate but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Issuer, the Guarantor, the LC Bank, the Managers, the Trustee, the Agents, the Account Banks or any person who controls any of them, or their respective affiliates, directors, employees, representatives, agents, officers or advisers makes any representation as to the correctness, accuracy or completeness of that information complied within or outside the PRC. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

PRESENTATION OF FINANCIAL INFORMATION

Presentation of Financial Information of the Group

This Offering Circular contains consolidated financial information of the Guarantor as at and for the years ended 31 December 2020, 2021 and 2022, which has been extracted from the audited consolidated financial statements of the Guarantor as at and for the three years ended 31 December 2022 (the "**Audited Annual Statements**") which are included elsewhere in this Offering Circular. The Audited Annual Statements have been audited by Asia Pacific (Group) CPAs (Special General Partnership) (亞太（集團）會計師事務所（特殊普通合夥）) ("**Asia Pacific CPAs**"), the independent auditor of the Guarantor for the three years ended 31 December 2022.

The Audited Annual Statements were prepared and presented in accordance with the Accounting Standards for Business Enterprises in China ("**PRC GAAP**"). The Guarantor has not prepared its financial statements or consolidated financial statements, as the case may be, in accordance with International Financial Reporting Standards ("**IFRS**"). PRC GAAP differs in certain material respects from IFRS. See "*Summary of Certain Differences between PRC GAAP and IFRS*". The Guarantor has not prepared any reconciliation of such consolidated financial information between PRC GAAP and IFRS and has not quantified such differences.

Starting from 1 January 2021, the Group has adopted a number of new accounting standards issued by MOF, including "Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments (Revised in 2017)" (Cai Kuai [2017] No. 7), "Accounting Standards for Business Enterprises No. 23 — Transfer of Financial Assets (Revised in 2017)" (Cai Kuai [2017] No. 8), "Accounting Standards for Business Enterprises No. 24 — Hedging Accounting (Revised in 2017)" (Cai Kuai [2017] No. 9) and "Accounting Standards for Business Enterprises No. 37 — Presentation of Financial Instruments (Revised in 2017)" (Cai Kuai [2017] No. 14) (together, the "**New Financial Instruments Standards**"), each with effect from 1 January 2021. With the adoption of the New Financial Instruments Standards, certain accounting items in the balance sheet as at 1 January 2021 were adjusted from the balance sheet of the Group as at 31 December 2020. For more information, please refer to Note V — "*III. Significant Accounting Policies and Accounting Estimates and Correction of Error*" to the Audited Consolidated Financial Statements.

The Guarantor has engaged Reanda Certified Public Accountants LLP (利安達會計師事務所（特殊普通合夥）) ("**Reanda**") as its independent auditor to audit the consolidated financial statements of the Group as at and for the year ended 31 December 2023. See "*Risk Factors — Risks relating to the Group's Business — The Guarantor has recently changed its auditors*".

Presentation of Financial Information of LC Bank

Copies of the published audited consolidated financial statements and unaudited but reviewed consolidated financial statements of Bank of Jiangsu Co., Ltd. ("**Bank of Jiangsu**"), as well as other public filings of Bank of Jiangsu, can be downloaded free of charge from the websites of Bank of Jiangsu and the Shanghai Stock Exchange at http://www.jsbchina.cn and http://www.sse.com.cn, respectively. Such financial statements and other public filings of Bank of Jiangsu are not included in and do not form part of this Offering Circular. Such information contained on the website of Bank of Jiangsu and the Shanghai Stock Exchange is subject to change from time to time. No representation is made by the Issuer, the Guarantor, the Group, the Managers, the Trustee, the Agents, the Account Banks or any person who controls any of them or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers and none of the Issuer, the Guarantor, the Group, the Managers, the Trustee, the Agents, the Account Banks or any person who controls any of them or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers takes any responsibility for any information contained on the websites of Bank of Jiangsu and the Shanghai Stock Exchange.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

This Offering Circular has been prepared using a number of conventions, which investors should consider when reading the information contained herein. Unless indicated otherwise, in this Offering Circular all references to (i) the "**Issuer**" are to HAIXI OVERSEAS INVESTMENT COMPANY LIMITED, (ii) the "**Guarantor**" or the "**Company**" are to Jiangsu Jinguan Investment Development Group Co., Ltd. (江蘇金灌投資發展集團有限公司) and (iii) the "Group" are to the Guarantor and its direct and indirect subsidiaries, taken as a whole.

Unless otherwise specified or the context otherwise requires, references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China, to the "**PRC**" or "**China**" are to the People's Republic of China, for the purpose of this Offering Circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan, to the "**U.S.**" or "**United States**" are to the United States of America, to "**Renminbi**" or "**RMB**" are to the lawful currency of the PRC, and to "**U.S.$**" or "**U.S. dollars**" are to the lawful currency of the United States of America.

Unless otherwise stated in this Offering Circular, all translations from Renminbi into U.S. dollars were made at the rate of RMB6.8972 to U.S.$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi on 30 December 2022 as set forth in the weekly H.10 statistical release of the Board of Governors of the Federal Reserve System. All such translations in this Offering Circular are provided solely for investors' convenience and no representation is made that the amounts referred to herein have been, could have been or could be converted into U.S. dollars or Renminbi, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see "*Exchange Rates*".

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to 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 of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese names prevail.

Unless the context otherwise requires, references to "**2020**", "**2021**" and "**2022**" in this Offering Circular are to the years ended 31 December 2020, 2021 and 2022, respectively.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains forward-looking statements. The forward-looking statements contain information regarding, among other things, the Group's future operations, performance, financial condition, expansion plans and business strategy. These forward-looking statements are based on the Group's current expectations and projections about future events. Although the Group believes that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- general economic and political conditions in the PRC and globally;
- financial condition, performance and business prospects of the Group;
- the Group's expenditure plans and its ability to carry out those plans;
- access and cost of capital and financing;
- risks associated with business activities in the PRC, including but not limited to the PRC regulatory environment;
- fluctuation in prices of and the demand for products and services that the Group provides;
- macroeconomic measures taken by the PRC government to manage economic growth;
- the Group's business strategy and plan of operation;
- fluctuations in interest rates and the availability of credit;
- various business opportunities that the Group may pursue;
- pandemics) natural disasters, industrial action, terrorist attacks and other event beyond the control of the Group; and
- those other risks identified in the "Risk Factors" section of this Offering Circular.

The words "believe", "will", "would", "expect", "anticipate", "estimate", "intend", "plan", "seek" and similar words identify forward-looking statements. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition and results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include but are not limited to statements as to the business strategy, operating income, profitability, planned projects and other matters as they relate to the Issuer, the Guarantor, the Group or the LC Bank discussed in this Offering Circular regarding matters that are not historical fact. Although the Group believes that the expectations reflected in the forward-looking statements are reasonable, the Group can give no assurance that such expectations will prove correct. The Group undertakes no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of the foregoing and the risks, uncertainties and assumptions in "Risk Factors" and elsewhere in this Offering Circular, the forward-looking statements in this Offering Circular are not and should not be construed as assurances of future performance and the Issuer's, the Guarantor's and the Group's actual results could differ materially from those anticipated in those forward-looking statements.

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SUMMARY

This summary does not contain all the information that may be important to investors in deciding to invest in the Bonds. Investors should read the entire Offering Circular, including the section entitled "Risk Factors" and the consolidated financial statements of the Group and related notes thereto, included elsewhere in this Offering Circular, before making an investment decision.

OVERVIEW

Established and indirectly wholly-owned by the Guannan County Government, the Group is a principal entity to undertake major urban infrastructure construction projects in Guannan County. The Group finances, develops and operates Guannan County's key infrastructure. By taking advantage of the strong support it receives from the Guannan County Government, the Group has undertaken and completed a large number of civil projects of strategic importance to Guannan County since its establishment in 2003. In recent years, the Group has diversified its business portfolio to include financial services, water-related business and supply chain services business. Since its establishment, the Group has actively responded to government policies and has played a key role in the urbanisation of Guannan County.

Guannan County is a county-level city under the administration of Lianyungang in Jiangsu Province and well positioned as the southern gate to Lianyungang. Guannan County is located at the interception of the Yangtze River Delta economic belt and the coastal economic belt, and has experienced rapid economic development in recent years. According to the annual report published by the Guannan County Government in February 2024, Guannan County attracted more than 160 projects each with an investment amount over RMB100.0 million in 2023 to further promote economic development in Guannan. Guannan County was accredited as among the first batch of pilot counties for overall promotion of the agricultural mechanisation in Jiangsu Province (江蘇省首批糧食生產全程機械化整體推進示範縣). The main industries in Guannan County include chemical medicine, iron and steel metallurgy, machinery and electronics, lumber manufacturing and furniture, vintage and food and edible fungi.

The Group's business portfolio consists of six business lines, namely: (i) infrastructure construction, (ii) land development, (iii) water-related business, (iv) financial services, (v) leasing services and (vi) supply chain services. Set forth below is an overview of each business line of the Group:

- **Infrastructure construction**. Since its establishment, the Group has undertaken the development of a number of infrastructure projects which are considered important to the urbanisation of Guannan County. The projects include those related to municipal road construction, shantytown redevelopment, water facilities construction, affordable housing and water transportation and port construction. For the years ended 31 December 2020, 2021 and 2022, the Group's operating income generated from its infrastructure construction business amounted to RMB262.2 million, RMB230.9 million and RMB214.4 million, respectively, representing 25.8 per cent., 22.8 per cent. and 21.5 per cent. of the Group's total operating income for the same periods.

- **Land development**. The Group engages in rural-to-urban balanced land conversion projects and specialised agricultural projects as its land development business. For the years ended 2020, 2021 and 2022, the Group's operating income generated from its land development business amounted to RMB383.9 million, RMB382.7 million and RMB251.0 million, respectively, representing 37.8 per cent., 37.8 per cent. and 25.1 per cent. of the Group's total operating income for the same periods.

- **Water-related business**. The Group principally engages in its water-related business through its wholly-owned subsidiary, Lianyungang Shuoxiang Lake Water Group Co., Ltd. ("**Shuoxiang Lake Water Group**"). The scope of its water-related business includes the provision of running water supply and wastewater treatment services. For the years ended 31 December 2020, 2021 and 2022, the Group's operating income from its water-related business amounted to RMB349.5 million, RMB356.1 million and RMB370.6 million, respectively, representing 34.4 per cent., 35.1 per cent. and 37.1 per cent. of the Group's total operating income for the same periods.

- **Financial services**. The Group offers financial guarantee and lending services. The Group principally engages in its financial guarantee services business. The Group also offers lending services, mainly to state-owned enterprises in Guannan County. For the years ended 31 December 2020, 2021 and 2022, the Group's operating income generated from its financial services business amounted to RMB9.3 million, RMB31.2 million and RMB26.5 million, respectively, representing 0.9 per cent., 3.1 per cent. and 2.6 per cent. of the Group's total operating income for the same periods.

- **Leasing services**. The Group leases office buildings mainly to government agencies, institutions and business enterprises in Guannan County. For the years ended 31 December 2020, 2021 and 2022, the Group's operating income generated from its leasing services business amounted to RMB11.4 million, RMB11.8 million and RMB12.4 million, respectively, representing 1.1 per cent., 1.2 per cent. and 1.2 per cent. of the Group's total operating income for the same periods.

- **Supply chain services**. The Group commenced its supply chain services business in 2022 and primarily through Guannan County Shengguan Industrial Co., Ltd. (灌南縣晟灌實業有限公司). The Group trades iron ores and sells to local enterprises in Lianyungang. For the year ended 31 December 2022, the Group's operating income generated from its supply chain services business amounted to RMB123.3 million, representing 12.3 per cent. of the Group's total operating income for the same periods.

The Group relies on its internal cash, annual subsidies and grants allocated by the Guannan County Government and external financing to fund its business operations. The Group maintains long-term relationships with commercial banks and other financial institutions in the PRC, which have provided low-cost capital to support its business. As at 31 December 2022, the Group had credit facilities amounting to a total of approximately RMB10.8 billion, of which approximately RMB2.8 billion had not been utilised.

For the years ended 31 December 2020, 2021 and 2022, the Group's total operating income was RMB1,016.3 million, RMB1,013.1 million and RMB999.7 million, respectively, and its net profit was RMB93.3 million, RMB161.8 million and RMB92.6 million, respectively. As at 31 December 2022, the Group's total assets were valued at RMB31,832.3 million.

In the future, the Group will continue to consolidate its leading position as a key entity in infrastructure construction and land development in Guannan County and to further develop its business into industries which it identifies as having long-term growth potential. The Group also aims to continue to grow its asset base, optimise its capital structure and enhance operational efficiency.

COMPETITIVE STRENGTHS

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

- Well-positioned to leverage the strategic location of Guannan County to achieve stable business Growth
- Strong support of the Guannan County Government
- A key entity of urban construction and development in Guannan County
- Sound and effective corporate governance and internal control
- Access to diversified financing channels
- Dedicated senior management with extensive experience in government and state-owned enterprises

BUSINESS STRATEGIES

The Group aims to maintain its leading position in implementing the Guannan County Government's blueprint for urban planning, municipal construction and rural development while continuing to grow its asset base, optimise its capital structure and enhance operational efficiency. To do so, the Group intends to focus on the following strategies:

- Actively continue to focus on urban infrastructure development in Guannan County
- Diversify business portfolio and increase investments in new businesses
- Strengthen management structure and internal control systems
- Adhere to prudent financial policy with stringent risk control and enhanced financial management
- Explore new financing channels

RECENT DEVELOPMENTS

Change in the Direct Ownership of the Guarantor

In November 2023, the Guannan County Government transferred its holding in the Guarantor to Jiangsu Guorun Industrial Investment Holding Group Co., Ltd. (江蘇國潤產業投資控股集團有限公司) (formerly known as Guannan County Guancheng Consultancy Services Co., Ltd. (灌南縣灌誠諮詢服務有限公司), "**Jiangsu Guorun**"), which is in turn indirectly wholly-owned by Guannan County Government. After such equity transfer, the Guarantor became a direct wholly-owned subsidiary of Jiangsu Guorun and is indirectly wholly-owned by the Guannan County Government.

Additional indebtedness since 31 December 2022

Since 31 December 2022, the Group has incurred additional indebtedness to satisfy its capital needs. For instance, in April 2023, the Group issued bonds in the aggregate principal amount of RMB229.0 million with a term of two years at the rate of 6.85 per cent.

THE OFFERING

The following summary contains some basic information about the Bonds. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in the Conditions shall have the same meanings in this summary. For a more complete description of the Conditions, see "Terms and Conditions of the Bonds".

Issuer	HAIXI OVERSEAS INVESTMENT COMPANY LIMITED.
Guarantor	Jiangsu Jinguan Investment Development Group Co., Ltd. (江蘇金灌投資發展集團有限公司).
LC Bank	Bank of Jiangsu Co., Ltd. Lianyungang Branch.
Issue	U.S.$100,000,000 5.30 per cent. Credit Enhanced Guaranteed Bonds due 2027.
Guarantee	The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect will be contained in the Deed of Guarantee.
Issue Price	100.00 per cent.
Form, Specified Denomination and Title	The Bonds will be issued in registered form in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Interest	The Bonds will bear interest on their outstanding principal amount from and including 25 March 2024 at the rate of 5.30 per cent. per annum, payable semi-annually in arrear in equal instalments on 25 March and 25 September in each year (each an "**Interest Payment Date**"), commencing on 25 September 2024.
Issue Date	25 March 2024.
Maturity Date	25 March 2027.
Use of Proceeds	See "*Use of Proceeds*".

Standby Letter of Credit	The Bonds will have the benefit of the Standby Letter of Credit issued in favour of the Trustee, on behalf of itself and the holders of the Bonds, by the LC Bank. The Standby Letter of Credit shall be drawable by the Trustee as beneficiary under the Standby Letter of Credit on behalf of itself and the holders of the Bonds upon the presentation of a demand by authenticated SWIFT (or by such method of communication otherwise permitted under the Standby Letter of Credit) sent by or on behalf of the Trustee by the Delegate (as defined in Condition 4(b)) to the LC Bank in accordance with the Standby Letter of Credit (the "**Demand**") stating that (i) the Issuer has failed to comply with Condition 4(b) in relation to pre-funding the amount that is required to be pre-funded under the Conditions and/or failed to provide the Required Confirmations (as defined below) in accordance with Condition 4(b) or (ii) an Event of Default (as defined in the Conditions) has occurred and the Trustee has given notice in writing to the Issuer that the Bonds are immediately due and payable in accordance with the Conditions or (iii) the Issuer has failed to pay the fees, costs, expenses and other amounts it is obliged to pay under these Conditions in connection with the Bonds, the Trust Deed, the Agency Agreement and/or any other transaction documents relating to the bonds when due and such failure has continued for a period of seven days from the date of the Trustee delivering its demand therefor to the Issuer in accordance with these Conditions. Only one drawing under the Standby Letter of Credit is permitted. Such drawing on the Standby Letter of Credit will be payable in U.S. dollars to or to the order of the Trustee at the time and to the account specified in the Demand presented to the LC Bank. Payment received by the Trustee in respect of the Demand will be deposited into the LC Proceeds Account. The payment made under the Standby Letter of Credit in respect of any amount payable under the Conditions or in connection with the Bonds, the Agency Agreement, the Guarantee and/or the Trust Deed shall, to the extent of the drawing paid to or to the order of the Trustee, satisfy the obligations of the Issuer and the Guarantor in respect of such amount payable under the Conditions or in connection with the Bonds, the Agency Agreement, the Guarantee and/or the Trust Deed.

	The LC Bank's aggregate liability under the Standby Letter of Credit shall be expressed and payable in U.S. dollars and shall not in any circumstances exceed U.S.$103,650,000, an amount representing only (i) the aggregate principal amount of the Bonds plus interest payable for one interest period (being six months) in accordance with these Conditions and (ii) U.S.$1,000,000 being the maximum amount payable under the Standby Letter of Credit for any fees, costs, expenses, indemnity payments and all other amounts payable by the Issuer under or in connection with the Bonds, the Trust Deed, the Agency Agreement and/or any other transaction document relating to the Bonds. The Standby Letter of Credit expires at 6:00 p.m. (Hong Kong time) on 25 April 2027. See "*Terms and Conditions of the Bonds — Standby Letter of Credit and Pre-funding — Standby Letter of Credit*" and "*Appendix A — Form of Irrevocable Standby Letter of Credit*".
Pre-funding	In order to provide for the payment of any amount in respect of the Bonds (other than the amounts payable under Condition 7(d)) (the "**Relevant Amount**") as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than 10:00 a.m. (London time) on the Business Day falling nine Business Days (the "**Pre-funding Date**") prior to the due date for such payment under the Conditions: (i) unconditionally pay or procure to be paid the Relevant Amount into the Pre-funding Account; and (ii) deliver to the Trustee and the Principal Paying Agent by facsimile (x) a Payment and Solvency Certificate signed by any Authorised Signatory (as defined in the Trust Deed) of the Issuer, and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (London time) on the Business Day immediately preceding the due date for such payment (together, the "**Required Confirmations**").

If the Relevant Amount has not been paid into the Pre-funding Account in full and the Pre-funding Account Bank has notified the Trustee of such failure, or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (London time) on the Business Day immediately following the Pre-funding Date (a "**Pre-funding Failure**"), the Trustee shall (1) send the notice (the "**Pre-funding Failure Notice**") to the Bondholders by the second Business Day immediately following the Pre-funding Date of (a) the Pre-funding Failure and (b) the redemption of the Bonds in accordance with Condition 7(d) to occur as a result of the Pre-funding Failure and (2) by no later than 6:00 p.m. (Hong Kong time) on the second Business Day immediately following the Pre-funding Date issue a Demand to the LC Bank (which will be presented by the Trustee or on behalf of the Trustee by The Bank of New York Mellon, Hong Kong Branch acting as the Trustee's delegate in relation to the Standby Letter of Credit) for the principal amount in respect of all of the Bonds then outstanding, together with interest accrued to, but excluding, the Mandatory Redemption Date (as defined in Condition 7(d)) and all fees, costs, expenses, indemnity payments and all other amounts under or in connection with the Bonds, the Agency Agreement, the Trust Deed and/or any other transaction document relating to the Bonds, provided that, in accordance with the Standby Letter of Credit, the Trustee need not physically present the Demand to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT provided that in the event that the SWIFT system is not available for any reason, the Trustee may instead present a Demand via facsimile transmission as contemplated in the Standby Letter of Credit. Following receipt by the LC Bank of such Demand by 6:00 p.m. (Hong Kong time) on a Business Day, the LC Bank shall by 10:00 a.m. (Hong Kong time) on the fourth Business Day after the Business Day on which the LC Bank receives such Demand (or, if such Demand is received after 6:00 p.m. (Hong Kong time) on a Business Day, the fifth Business Day after the Business Day on which the LC Bank receives such Demand), pay to or to the order of the Trustee the amount in U.S. dollars specified in the Demand to the LC Proceeds Account.

"**Business Day**" means a day (other than a Saturday, a Sunday or a public holiday) on which banks and foreign exchange markets are open for business in Hong Kong, Beijing, London and New York City.

See "*Terms and Conditions of the Bonds — Standby Letter of Credit and Pre-funding — Pre-funding*" and "*Appendix A — Form of Irrevocable Standby Letter of Credit*".

Status of the Bonds	The Bonds will constitute direct, unsubordinated, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Status of the Guarantee	The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable law, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Events of Default	The Bonds will contain certain events of default as further described in Condition 10.
Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without set-off, counterclaim, or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the British Virgin Islands or the PRC or any political subdivision or authority therein or thereof having power to tax, unless such set-off, counterclaim, 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 by or within the PRC up to and including the aggregate rate applicable on 20 March 2024, the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required. If the Issuer or, as the case may be, the Guarantor is required to make such deduction or withholding (i) by or within the PRC in excess of the Applicable Rate or (ii) by or within the British Virgin Islands, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions. See "*Terms and Conditions of the Bonds — Taxation*".
Final Redemption	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 25 March 2027.

Redemption for Taxation Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) and to the Trustee and the Principal Paying Agent, at their principal amount (together with interest accrued to, but excluding, the date fixed for redemption), if the Issuer and/or the Guarantor (as the case may be) satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in Condition 9) as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 20 March 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 such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due. See "*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Taxation Reasons*".
Redemption for Change of Control	At any time following the occurrence of a Change of Control, the Control holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date (as defined in the Conditions) at 100 per cent. of their principal amount, together in each case with interest accrued up to but excluding such Put Settlement Date. See "*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Change of Control*".
Mandatory Redemption upon Pre-Funding Failure	The Bonds shall be redeemed at their principal amount on the Interest Payment Date immediately falling after the date the Pre-funding Failure Notice is given to the Bondholders in accordance with Condition 4(b) (the "**Mandatory Redemption Date**") (together with interest accrued to, but excluding, the Mandatory Redemption Date), provided that if the holder of any Bond shall have exercised its right to require the Issuer to redeem its Bond pursuant to Condition 7(c) and a Pre-funding Failure Notice is given to the Bondholders in accordance with Condition 4(b) as a result of the Pre-funding Failure relating to the amount payable pursuant to such redemption, all the Bonds then outstanding shall be redeemed in whole, but not in part, at their principal amount in accordance with this Condition 7(d) on the Put Settlement Date, together with interest accrued to, but excluding, the Put Settlement Date, and the term "Mandatory Redemption Date" shall be construed accordingly.

Further Issues	The Issuer may from time to time 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 except for the issue date and first payment of interest on them, the making or submission of the NDRC Post-issue Filing and the Cross-Border Security Registration and the giving of consequent notices thereof) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. See "*Terms and Conditions of the Bonds — Further Issues*".
Clearing Systems	The Bonds will be represented by beneficial interests in a Global Certificate in registered form, which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except in the limited circumstances as described in the Global Certificate, definitive certificates for Bonds will not be issued in exchange for interests in the Global Certificate.
Trustee	The Bank of New York Mellon, London Branch.
Principal Paying Agent	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent . . .	The Bank of New York Mellon SA/NV, Dublin Branch.
LC Proceeds Account Bank and Pre-funding Account Bank . . .	The Bank of New York Mellon, London Branch.
Listing	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only.
Selling Restrictions	The Bonds have not been and will not be registered under the Securities Act or under any state securities laws of the United States, are being offered only outside the United States in reliance of Regulation S of the Securities Act and will be subject to customary restrictions on transfer and resale. See "Subscription and Sale".
Legal Entity Identifier	254900P8XE0WEZVQ3944.
ISIN	XS2782414168.
Common Code	278241416.

SUMMARY FINANCIAL INFORMATION OF THE GROUP

The following tables set forth the summary consolidated financial information of the Group as at and for the years indicated.

The consolidated financial information of the Guarantor as at and for the years ended 31 December 2020, 2021 and 2022 has been derived from the Audited Consolidated Financial Statements. The Audited Consolidated Financial Statements have been audited by Asia Pacific, the independent auditor of the Guarantor for the three years ended 31 December 2022.

The Audited Consolidated Financial Statements were prepared and presented in accordance with PRC GAAP. See "Presentation of Financial Information of the Group". PRC GAAP differs in certain material respects from IFRS. The Group has not prepared any reconciliation of such consolidated financial information between PRC GAAP and IFRS. For a discussion of certain differences between PRC GAAP and IFRS, see "Summary of Certain Differences between PRC GAAP and IFRS".

The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the Audited Consolidated Financial Statements including the notes thereto, which are included elsewhere in this Offering Circular.

SUMMARY CONSOLIDATED INCOME STATEMENT DATA

	For the year ended 31 December		
	2020	**2021**	**2022**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**
	(audited)	**(audited)**	**(audited)**
Total operating income	**1,016,281**	**1,013,124**	**999,652**
Including: Operating income	1,016,281	1,013,124	999,652
Total operating cost	**910,567**	**958,353**	**995,914**
Including: Operating cost	786,258	731,572	802,428
Taxes and surcharges	15,637	52,013	53,490
Selling expenses	4,993	1,922	7,127
Administrative expenses	77,748	92,451	103,145
Financial expenses	25,931	80,394	29,725
Including: Interest expense	19,531	58,271	32,981
Interest income	12,690	9,670	12,980
Add: Other income	31,509	58,579	67,562
Investment income/(loss)	(1,334)	(6,962)	55,226
Investments in associates and joint ventures/(loss)	(4,052)	(7,210)	(7,210)
Gains /(loss) from changes in fair value	–	103,346	27,470
Credit impairment loss	5,731	(9,245)	(29,249)
Gains /(loss) on asset disposal	–	3,499	18
Operating profit	**141,620**	**203,989**	**124,764**
Add: Non-operating income	3,324	5,691	2,675
Less: Non-operating expenses	4,811	2,806	1,430
Total profit	**140,134**	**206,874**	**126,008**
Less: Income tax expenses	46,833	45,119	33,490
Net profit (or Less: Net Loss)	**93,301**	**161,755**	**92,519**
Categorised by operation continuity			
Net Profits from sustainable operation	93,301	161,755	92,519
Categorised by ownership			
Net profit attributable to owners of the parent	91,776	162,335	93,325
Net profit attributable to non-controlling interests	1,525	(580)	(806)
Other comprehensive income, net of tax	**3,101**	**808,025**	**(765)**
Other comprehensive income, net of tax, attributable to owners of the parent company	3,101	808,025	(765)
Other comprehensive income that cannot be transferred into profits or losses under the equity method	–	2,130	(765)
Changes in fair value of other investment in other equity instrument	–	2,130	(765)
Other comprehensive income to be reclassified into profit and loss	3,101	805,895	–
Conversion of other assets into investment real estate measured using the fair value model	–	805,895	–
Others	3,101	–	–
Total comprehensive income	**96,402**	**969,780**	**91,754**
Total comprehensive income attributable to owners of parent company	94,876	970,360	92,560
Total comprehensive income attributable to minority shareholders	1,525	(580)	(806)

SUMMARY CONSOLIDATED BALANCE SHEET DATA

	As at 31 December		
	2020	2021	2022
	(RMB'000) (audited)	(RMB'000) (audited)	(RMB'000) (audited)
Current assets:			
Cash at bank and on hand	1,296,025	3,200,303	3,414,343
Transactional financial assets	–	–	321,209
Notes receivable	–	2,560	800
Accounts receivable	2,698,174	2,106,897	2,343,584
Accounts receivable financing	–	600	–
Prepayments	23,747	16,616	32,670
Other receivables	2,110,515	2,634,711	2,437,122
Inventories	12,703,877	14,160,411	16,149,334
Other Current Assets	73,446	142,016	41,611
Total current assets	**18,905,784**	**22,264,115**	**24,740,673**
Non-Current Assets:			
Debt investment	200,992	261,968	61,629
Long-term receivables	4,477	–	–
Long-term equity instrument investments	129,942	122,732	56,429
Other equity instrument investments	47,410	50,250	101,180
Other non-current financial assets	–	2,000	2,000
Investment properties	2,199,380	3,547,940	3,575,410
Fixed assets	2,174,781	2,145,705	2,033,681
Construction in progress	454,096	337,469	569,365
Intangible assets	1,264,819	36,919	35,468
Long-term deferred expenses	74	374	229
Deferred tax assets	575	269	27,878
Other non-current assets	–	364,473	628,390
Total non-current assets	**6,476,546**	**6,870,099**	**7,091,659**
Total assets	**25,382,330**	**29,134,213**	**31,832,333**
Current liabilities:			
Short-term borrowings	896,739	1,089,328	1,804,500
Notes payable	124,000	339,010	638,139
Accounts payable	306,000	192,481	135,367
Contract liabilities	21,982	55,172	97,555
Accrued payroll	1,354	1,656	1,861
Taxes payable	435,523	470,509	539,077
Other payables	968,216	742,589	1,103,228
Non-current liabilities due within one year	1,274,627	1,910,919	2,405,120
Other current liabilities	32,849	23,980	32,060
Total current liabilities	**4,061,291**	**4,825,644**	**6,756,907**
Non-current liabilities:			
Long-term borrowings	3,583,670	4,393,830	5,457,847
Bonds payable	1,122,942	2,178,361	2,089,184
Long-term payables	1,184,695	691,573	409,899
Deferred income	–	109,018	78,577
Deferred income tax liabilities	367,986	662,590	669,322
Total non-current liabilities	**6,259,293**	**8,035,371**	**8,704,829**
Total liabilities	**10,320,584**	**12,861,015**	**15,461,736**

	As at 31 December		
	2020	2021	2022
	(RMB'000) (audited)	(RMB'000) (audited)	(RMB'000) (audited)
Owner's equity (or shareholder's equity):			
Paid-in capital (or share capital)	600,000	1,070,000	1,100,000
Capital reserve	10,920,018	10,690,589	10,665,257
Other comprehensive income	1,102,234	1,910,259	1,909,494
General risk preparation	878	1,306	2,283
Surplus reserve	224,732	232,457	240,339
Undistributed profits	2,105,308	2,259,918	2,345,360
Total owners' equity attributable to parent company	**14,953,170**	**16,164,528**	**16,262,733**
Minority interest	108,576	108,670	107,864
Total owner's equity	**15,061,746**	**16,273,198**	**16,370,597**
Total liabilities and owner's equity	**25,382,330**	**29,134,213**	**31,832,333**

SUMMARY CONSOLIDATED CASH FLOW STATEMENT DATA

	For the year ended 31 December		
	2020	2021	2022
	(RMB'000) (audited)	(RMB'000) (audited)	(RMB'000) (audited)
Net Cash Flows from Operating Activities	347,564	15,310	(621,772)
Net Cash Flows from/(used in) Investing Activities	(343,768)	(253,213)	(440,930)
Net Cash Flows from/(used in) Financing Activities	(783,066)	1,924,011	757,701
Net Increase in Cash and Cash Equivalents	(779,270)	1,672,669	(211,391)
Add: Opening Balance of Cash and Cash Equivalents	1,705,745	926,474	2,599,144
Closing Balance of Cash and Cash Equivalents	926,474	2,599,144	2,387,752

SUMMARY OF PAYMENT ARRANGEMENTS ON EACH SCHEDULED DUE DATE UNDER THE BONDS

The following diagram sets forth a summary of the pre-funding arrangements under the Bonds and the drawing arrangements in respect of the Standby Letter of Credit on each scheduled due date under the Bonds. The following diagram is not intended to be comprehensive. This diagram should be read in conjunction with "Terms and Conditions of the Bonds", the Trust Deed and the Agency Agreement referred to therein and "Appendix A — Form of Irrevocable Standby Letter of Credit". Words and expressions defined in the "Terms and Conditions of the Bonds" shall have the same meaning in this summary.

T-9 Business Days Pre-funding Date

By 10:00 a.m. (London time):

The Issuer to unconditionally pay or procure to be paid the Relevant Amount into the Pre-funding Account

The Issuer to deliver to the Trustee and the Principal Paying Agent by facsimile the Required Confirmations[(1)]

T-8 Business Days Pre-funding Failure

Pre-funding Account Bank to confirm receipt of the Relevant Amount to the Principal Paying Agent[(2)]

OR

A pre-funding failure has occurred (each event, a "**Pre-funding Failure**") if:

(a) the Relevant Amount has not been paid into the Pre-funding Account in full and the Pre-funding Account Bank has notified the Trustee of such failure, or

(b) the Trustee does not receive the Required Confirmations

in each case by **10:00 a.m. (London time)**.

In the event the Pre-funding Account Bank does not receive the Relevant Amount, the Pre-funding Account Bank to inform each of the Trustee and the Principal Paying Agent of such non-receipt by no later than **10:00 a.m. (London time)**.

T-7 Business Days Pre-funding Failure Notification SBLC Demand Date

The Trustee shall:

(a) give Pre-funding Failure Notice to the Bondholders of (i) the Pre-funding Failure and (ii) the redemption of the Bonds to occur as a result of the Pre-funding Failure; and

(b) by 6:00 p.m. (Hong Kong time) issue the Demand to the LC Bank[(3)] for the principal amount in respect of all of the Bonds then outstanding, together with interest accrued to, but excluding, the Mandatory Redemption Date (as defined in Condition 7(d)) and all fees, costs, expenses, indemnity payments and all other amounts under or in connection with the Bonds, the Agency Agreement, the Trust Deed and/or any other transaction document relating to the Bonds

T-3 Business Days SBLC Transfer Date Confirmation to Principal Paying Agent

By 10:00 a.m. (Hong Kong time):

LC Bank to pay to or to the order of the Trustee the amount in U.S. dollars specified in the Demand immediately after receipt by the LC Bank of the Demand provided that the Demand has been received by 6:00 p.m. (Hong Kong time) on the T-7 Business Days

By 10:00 a.m. (London time):

LC Proceeds Account Bank to notify Trustee of any amount received from the LC Bank and to deposit the amount in U.S. dollars specified in the Demand and received from the LC Bank to the LC Proceeds Account

T-3 Business Days SBLC Transfer Date

By 10:00 a.m. (Hong Kong time):

LC Bank to pay to or to the order of the Trustee the amount in U.S. dollars specified in the Demand to the LC Proceeds Account following receipt by the LC Bank of the Demand if the Demand is received after 6:00 p.m. (Hong Kong time) on the T-7 Business Days paid to the Principal Paying Agent[(2)]

T-1 Business Days Payment to Principal Paying Agent

By 10:00 a.m. (London time):

In the case where the Issuer has paid the Relevant Amount into the Pre-funding Account, the Pre-funding Account Bank to pay the USD amount deposited in full to the Principal Paying Agent; or

In the case where the LC Bank pays to or to the order of the Trustee the amount of USD specified in the Demand, the LC Proceeds Account Bank to pay the USD amount deposited in full to the Principal Paying Agent

T Bond Payment Date

Principal Paying Agent to pay USD funds into Euroclear and Clearstream for same day value on the Bond Payment Date for the benefit of the Bondholders

If amounts have been drawn on the SBLC, the Bonds will be mandatorily redeemed at their principal amount, together with interest accrued up to, but excluding, the Mandatory Redemption Date

Notes:

(1) The Required Confirmations consist of: (a) a Payment and Solvency Certificate signed by any authorised signatory of the Issuer; and (b) a copy of the irrevocable payment instruction setting forth the request from the Issuer to the Pre-funding Account Bank to pay the Relevant Amount paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment.

(2) The confirmation of receipt or notification of non-receipt, as the case may be, from the Pre-funding Account Bank to the Trustee and the Principal Paying Agent shall be by way of authenticated SWIFT or other means of communication as the Trustee or the Principal Paying Agent may agree with the Pre-funding Account Bank.

(3) The Trustee need not physically present the Demand under the Standby Letter of Credit to the LC Bank and shall be entitled to draw on the Standby Letter of Credit by way of a Demand by authenticated SWIFT. The Demand will be presented by the Trustee or on behalf of the Trustee by The Bank of New York Mellon, Hong Kong Branch acting as the Trustee's delegate in relation to the Standby Letter of Credit.

RISK FACTOR

An investment in the Bonds is subject to a number of risks. Investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below, before deciding to invest in the Bonds. The following describes some of the significant risks relating to the Group, its business, the market in which the Group operates and the value of Bonds. Some risks may be unknown to the Issuer 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 Issuer, the Guarantor and the Group or the value of the Bonds. The Issuer and the Guarantor believe that the risk factors described below represent the principal risks inherent in investing in the Bonds, but their ability to pay interest, principal or other amounts on or in connection with any Bonds may be affected by some factors that may not be considered as significant risks by the Issuer and the Guarantor 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 neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular.

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

RISKS RELATING TO THE GROUP'S BUSINESS

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

The Group operates its business mainly in Jiangsu Province in the PRC, particularly in Guannan County where its assets are highly concentrated. 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 Guannan County and the PRC.

While the PRC economy has seen continuous growth in the past decades, its growth rate has fluctuated in recent years. According to the National Statistics Bureau of the PRC, the annual growth rate of China's GDP in 2020, 2021 and 2022 were 2.2 per cent., 8.1 per cent. and 3.0 per cent. respectively. Any further slowdown of the PRC economy 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 national economic conditions of the PRC materially affect regional economic conditions including those of Jiangsu Province. According to the Statistics Bureau of Jiangsu Province, the annual growth rate of Jiangsu's GDP decreased from 8.5 per cent. in 2015 to 3.7 per cent. in 2020, and further decreased to 2.8 per cent. in 2022. Similarly, the annual growth rate of Guannan's GDP also slowed down in recent years. The annual growth rate of Guannan's GDP has decreased from 6.5 per cent. in 2020 to 2.2 per cent. in 2022, according to the Statistics Bureau of Guannan County. The economic conditions and future development of the PRC, Jiangsu Province and Guannan County may be affected by many factors beyond the Group's control.

The future prospects of the economy of the PRC, Jiangsu Province and Guannan County depend on many different factors, most of which are beyond the Group's control. Continued slowdown in the economic growth in Jiangsu Province or Guannan County may affect the fiscal income and financial condition of the Jiangsu Provincial Government and the Guannan County Government as well as their plans and budgets for urban construction and development. This may in turn decrease the demand for the Group's business and adversely affect its business, financial condition, results of operations and prospects.

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

Various PRC government entities maintain and enforce regulations related to local government financing vehicles ("**LGFV**"). Although the Guarantor is currently not on the list of LGFVs maintained by CBIRC, the Guarantor may still be treated as an LGFV by other government entities. These government entities, including MOF, may from time to time interpret relevant laws and regulations differently based on their own interpretation of the specific activities engaged in by enterprises such as the Guarantor. The Guarantor 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) ("**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, PBOC, China Securities Regulatory Commission, the CBIRC and the Ministry of Justice, released the Notice concerning Further Regulation of Local Government Borrowing and Financing Conduct (關於進一步規範地方政府舉債融資行為的通知) to emphasise the principles and policies set out in Circular 43. In the event the 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 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 23**"), effective on 28 March 2018, which aims to increase the responsibility of the PRC state-owned financial institutions to investigate the financial independence and liquidity level of local government financing vehicles that they assist in fundraising. On 11 May 2018, the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (國家發展改革委、財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知) (the "**Joint Circular 706**") 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 706 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. Pursuant to the Circular on Relevant Requirements of the Registration of the Application for the Issuance of Foreign Debts by Local State-owned Enterprises (《國家發展改革委辦公廳關於對地方國有企業發行外債申請備案登記有關要求的通知》) promulgated by the NDRC and came into effect on 6 June 2019 ("**Circular 666**"), foreign debts issued by local state-owned enterprises that undertake local government's financing functions will only be used to repay medium and long-term foreign debts due within one year. See "— *Risks relating to the Bonds, the Guarantee and the Standby Letter of Credit — The PRC government has no obligations under the Bonds or the Guarantee*". The PRC government may continue to release new policies or amend existing regulations to control the increase in local government debts in China, and there is no assurance that the Group's financing model and business model will not be materially affected as a result.

The Group faces risks associated with contracting with public bodies, such as the Guannan County Government.

The Guarantor is indirectly wholly-owned by the Guannan County Government. Certain of the Group's business activities are conducted with the Guannan County Government and its controlled entities. The Group carries on some of its business activities at the direction of the Guannan County Government. Accordingly, the Guannan County Government has a significant influence on the Group's business, major investment decisions, development strategies, management and financial condition. The Guannan County Government may take actions that are not in the Group's best commercial interests or do not aim to maximise the Group's profit when it carries out its administrative function and implements the PRC government's policies. Those actions, which may be beneficial to Guannan County or Jiangsu Province as a whole, could have an adverse impact on the Group's business, financial condition, results of operations and prospects.

The Group's operating income from infrastructure construction is generated from the purchase price paid by the Guannan County Government pursuant to a project agent construction agreement entered into between the Guarantor and the Guannan County Government on a project-by-project basis. The project agent construction agreement usually sets out the payment amount, method and schedule. Pursuant to the project agent construction agreement, the Guannan County Government will pay to the Guarantor the total construction cost as a construction management fee on an annual instalment basis. If a construction project involves the demolishment of residential buildings, the Guannan County Government will reimburse the Guarantor in full for all relocation compensation paid to the affected residents. For the years ended 31 December 2020, 2021 and 2022, the Group's operating income generated from its infrastructure construction business amounted to RMB262.2 million, RMB230.9 million and RMB214.4 million, respectively.

Any change to the Guannan County Government's policies may require the Group to adjust or modify its business plans and may materially affect its business and operating results. If there is any material disagreement between the Group and the Guannan County Government or any of its controlled entities, there is no assurance that the Group will successfully resolve them in a timely manner, or at all. Any dispute or legal proceeding with or against the Guannan County Government may last for a long period of time and cost considerable financial and managerial resources. Any of these may severely damage the business relationships between the Group and the Guannan County Government and its controlled entities affected, and in turn materially and adversely affect the Group's business, financial condition, results of operations and prospects.

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

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

The ability of the Group to generate sufficient operating cash flows is affected by a number of factors, such as the Group's ability to carry on its business activities in an efficient manner, the budget and spending of the Guannan County Government on infrastructure development and fixed asset investments, due performance of the Group's contractors, relationships with key commercial banks, prevailing conditions in capital markets, changes in the general market conditions and regulatory environment and the competition in certain sectors in which the Group operates. As at 31 December 2022, the Group had credit facilities amounting to a total of approximately RMB10.8 billion, of which approximately RMB2.8 billion had not been utilised. 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.

The Guannan County Government provided subsidies to the Group in a total amount of RMB31.5 million, RMB58.6 million and RMB67.6 million for the years ended 31 December 2020, 2021 and 2022, respectively. The ability of the Guannan County Government to provide continued financial support to the Group depends to a large extent on the future fiscal income and policies of the Guannan County Government. There is no assurance that the Group will continue to receive the same government subsidies and grants or enjoy the same preferential treatments from the Guannan County Government in the future.

Insufficient cash flows generated from the Group's operating activities will increase the Group's reliance on external financing. 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, success of the Group's business;
- the Group's ability to obtain the PRC government approvals required to access domestic or international financing;
- provisions of tax and securities laws that may be applicable to the Group's efforts to raise capital; and
- political and economic conditions in the rest of the PRC generally.

There 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 affects the Group's business, financial condition, results of operations and prospects. In addition, substantial indebtedness may in turn increase the pressure on the Group's liquidity and cause additional operational risks. See "*— Substantial indebtedness may restrict the Group's business activities and increase the Group's exposure to various operational risks*" below.

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

The Group relies on proceeds of bank and other borrowings and issuance of corporate bonds and medium-term notes to satisfy a portion of its capital requirements and the Group has had a significant amount of outstanding indebtedness. As at 31 December 2022, the Group's total indebtedness (comprising short-term borrowings, non-current liabilities due within one year, long-term borrowings, bonds payable and long-term payables) was RMB12,166.6 million, of which RMB4,209.6 million would become due within 12 months. See "*Capitalisation and Indebtedness*". As at 31 December 2022, the gearing ratio of the Group (representing the ratio of total indebtedness over total assets) was 38.2 per cent. In addition, the Group had outstanding external guarantees in a total amount of RMB7,110.3 million as at 31 December 2022 (see note X of the Audited Annual Statements), which mainly related to borrowings of state-owned enterprises in Guannan County to fund local economic development plans and projects.

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

- requiring the Group to divert its operating cash flows to service its indebtedness;
- increasing the Group's finance expenses, 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 the Group's ability to borrow additional funds; and
- increasing the Group's vulnerability to adverse general economic and industry conditions.

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

The Group recorded negative net cash flow from investing activities and may not be able to obtain sufficient funding for the Group's investing activities on commercially reasonable terms, or at all.

The Group recorded negative net cash flow from investing activities of RMB343.8 million, RMB253.2 million and RMB440.9 million for the years ended 31 December 2020, 2021 and 2022, respectively, primarily due to cash outflows associated with payment for investing activities during such periods and such investing activities included but not limited to investments in infrastructure projects and land development projects. Such cash outflows may not always be completely offset by various investing cash inflow sources. As a result, there could be a period during which the Group experiences net cash flow from investing activities. Although the Group seeks to effectively manage its working capital and capital commitment, there can be no assurance that the Group will be able to match the timing and amount of its cash inflows with the timing and amounts of its payment obligations and other cash outflows.

Restrictive covenants contained in the bank loans and credit facilities of the Group may limit its ability to incur additional indebtedness and restrict its future operations.

Certain financing contracts entered into by members of the Group contain operational and financial restrictions that prohibit the borrower from incurring additional indebtedness, restrict the borrower from creating security or granting guarantees or prohibit the borrower from changing its business and corporate structure, or amending its articles of association, in each case without the lender's prior consent. Such restrictions may negatively affect the relevant companies' ability to respond to changes in market conditions, pursue the business opportunities the Group believes to be desirable, to obtain future financing, fund capital expenditures, or withstand a continuing or future downturn in its business. Any of these factors could materially and adversely affect the Group's ability to satisfy its obligations under outstanding financial obligations, such as the Bonds after issuance. If the Guarantor or any of its relevant subsidiaries is unable to comply with the restrictions (including restrictions on future investments) and covenants in its current or future debt obligations and other financing agreements, a default under the terms of such agreements may occur. 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 Guarantor or its subsidiaries would be sufficient to repay in full all of their respective debts as they become due, or that the Guarantor or its subsidiaries would be able to find alternative financing. Even if the Guarantor and its subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Guarantor or, as the case may be, its subsidiaries.

In addition, the Group mortgages some of its assets, including portion of its cash and cash equivalents and certain of its land use rights to secure its bank borrowings and other borrowings. Third-party security rights may limit the Group's use of the underlying collateral assets and adversely affect its operation efficiency. If the Guarantor and its subsidiaries are unable to service and repay their debts under such loan facilities on a timely basis, the assets mortgaged or charged to secure the Group's bank loans and other borrowings may be foreclosed, which may adversely affect the Group's business, financial condition, results of operations and prospects.

The Group's infrastructure construction and land development businesses are subject to risks inherent to project-based operations.

There are inherent risks associated with project-based operations of the Group's infrastructure construction and land development businesses. The Group recognises revenue of its infrastructure construction and land development projects upon the completion and delivery of the project. The timing of delivery of the Group's projects varies according to the development schedule and the Group's operating income and results of operations may vary significantly from period-to-period depending on the number of projects delivered during a specific period. Further, the projects the Group engages in are mostly awarded through public tenders and the Group generally selects its suppliers through competitive bids. It therefore does not enter into any long-term arrangement with its customers or suppliers. There is no assurance that the Group will be awarded a similar number of projects or more in any given period. For example, the Group's land development business is highly dependent on the Guannan County Land Resources Bureau's assignment of construction projects, which has led to substantial fluctuations in the Group's operating income generated from its land development business over the years. These uncertainties pose challenges in management to assess the performance of the Group without meaningful period-to-period comparisons and to devise plans in a timely manner to ensure the Group achieves the level of operating income required each period to cover administrative costs, labour costs and other fixed costs to remain profitable. Changes in suppliers also pose challenges for the Group to maintain a consistent standard of quality across all projects delivered. Despite the objective of selecting suppliers through competitive bids is to allow the Group to select the most suitable suppliers based on qualifications and costs, there is no assurance that the Group would not need to incur additional time or costs as may be required to ensure a smooth operation with new suppliers that the Group has not engaged with before. Any failure to manage the above challenges could materially and adversely affect the Group's business, financial condition and results of operations.

The Group is exposed to risks relating to its high level of inventories.

As at 31 December 2020, 2021 and 2022, the balance of the Group's inventories was RMB12,703.9 million, RMB14,160.4 million and RMB16,149.3 million, respectively, representing 50.1 per cent., 48.6 per cent. and 50.7 per cent. of the total assets of the Group as at the corresponding dates. Such inventories mainly consist of the Guarantor's land reserve. Land is inherently illiquid asset 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. High level of inventories not only increases the pressure on the Group's cash flows, but it also causes the Group to make provisions for impairment of fair value of inventories. Any failure to effectively manage the Group's inventory level will have a material impact on the Group's cash flows and adversely affect its ability to carry on ordinary business activities and to serve its outstanding indebtedness, such as the Bonds.

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

As at 31 December 2020, 2021 and 2022, the Group's other receivables amounted to RMB2,120.5 million, RMB2,634.7 million and RMB2,437.1 million, respectively, representing 8.3 per cent., 9.0 per cent. and 7.7 per cent. of the Group's total assets as at the corresponding dates. The Group's other receivables primarily comprise the amounts due from the government agencies and contractors. There are inherent risks associated with the ability of the Guannan County Government and the Group's contractors to make timely payments. See "*— The Group faces risks associated with contracting with public bodies, such as the Guannan County Government*". Any failure to make timely payments by these entities could materially and adversely affect the Group's liquidity and in turn affect its business, financial condition and results of operations.

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

Construction projects require substantial capital expenditures prior to and during the construction period, which may take many months or several years before they generate positive cash flows. Meanwhile, the progress and cost for a development project can be adversely affected by many factors, including:

- delays in obtaining necessary licenses, permits or approvals from governmental agencies or authorities;
- relocation of existing residents and/or demolition of existing structures;
- shortages of materials, equipment, contractors and skilled labour;
- labour disputes;
- construction accidents;
- natural catastrophes;
- adverse weather conditions; and
- changes in city zoning, planning and plot ratios.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedules or budgets as a result of the above factors may adversely affect the Group's results of operations and financial position and may cause reputational damage.

The Group's business and prospects to a large extent depend upon the budget and spending of the Guannan County Government on infrastructure development and fixed asset investments.

The Group is one of the main entities that the Guannan County Government tasks to implement urban infrastructure development plans in Guannan County. As a result, the Group's business and prospects are heavily affected by the fiscal budget and spending of the Guannan County Government on infrastructure development and fixed asset investments. There are many factors affecting the amount, time and priority of such budget and spending of the Guannan County Government, such as national and regional policies affecting the development of different industries and fiscal and monetary policies. Government budget and spending are also affected by government income and the general economic conditions in the PRC, Jiangsu Province and Guannan County. Any adverse turn in the economic growth of the PRC, Jiangsu Province and Guannan County may negatively impact the financial condition and fiscal income of the Guannan County Government, which may in turn cause the Guannan County Government to reduce its spending and budget on infrastructure development and fixed asset investments. See "— *Risks Relating to the PRC — Changes in the economic, political and social conditions in China and government policies adopted by the PRC government could affect the Group's business and prospects*". There is no assurance that the fixed asset investments in Guannan County will continue to be of priority and accordingly increase. If the Guannan County Government decides to reduce its fiscal budget and spending on infrastructure development and fixed asset investments, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

The Group relies on third-party contractors for certain services in its infrastructure construction and land development.

The Group engages third-party contractors to provide various services, including construction, landscaping, gardening, mechanical and electrical installation and gas, water and other utilities installation. It generally selects third-party contractors through its standardised open tender process. As a result, the Group's contractors may change from project to project. This may result in the Group incurring more time, resources and costs in managing new relationships with its contractors. Further, these third-party contractors may not always provide satisfactory services of the quality required by the Group. If the performance of any third-party contractor fails to meet the Group's requirements, it may need to replace such contractor or take other remedial actions, which could increase the cost and prolong the development schedule of its projects. In addition, the Group may be asked to undertake one or more projects by the Guannan County Government on short notice and may not be able to engage third-party contractors that meet its quality requirements in a timely manner. Moreover, the Group's contractors may undertake projects from other enterprises operating similar businesses, 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 Group's reputation, credibility, financial position and business operations.

The Group's land development activities are exposed to certain risks associated with resettlement of local residents.

Many of the Group's land development projects involve resettlement of local residents and businesses. The Group is responsible for relocating the residents affected and paying the compensation in accordance with applicable PRC urban housing relocation regulations. Such compensation will be reimbursed by the Guannan County Government as part of the payment of the land use right purchase price paid by real property developers to the Guannan County Government. The relocation of indigenous residents or businesses may not proceed smoothly. It is possible that the local residents or businesses may refuse the amount of the compensation and refuse to be relocate, and in this case, the Guannan County Government may be asked to resolve the dispute by reviewing the arrangement and amount of compensation. An unfavourable final ruling by the Guannan County Government may result in the Group having to pay more compensation. The local residents' resistance or refusal to relocate may also delay the timetable of, or increase the development costs of, the Group's development projects. In addition, the compensation that the Group pays is calculated in accordance with formulae published by relevant governmental authorities. These formulae take into account the location, type of building subject to demolition, local income levels and many other factors. The governmental authorities may change or adjust their formulae from time to time without sufficient advance notice. If they do so, the land costs may be subject to substantial increases, which can adversely affect the Group's cash flows, financial condition and results of operations.

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

Under applicable PRC laws and regulations, the Ministry of Land and Resources may impose an idle land fee equal to 20 per cent. of the land premium or allocation fees for land which has been idle for one full year but less than two years. According to the Measures for the Disposal of Idle Land (閒置土地處置辦法), the State-owned construction land may be defined as idle land if (a) the user of State-owned construction land fails to commence construction within one year after the date specified in the Contract for Paid Use of State-owned Construction Land or the Land Allocation Decision, or (b) its development and construction has been suspended for one year where the construction has commenced with its development area accounts for less than one third of the total development area or its actual investment accounts for less than 25 per cent. of the total investment. The Ministry of Land and Resources has the power to revoke the land use rights certificate without compensation if the Group does not commence development for more than two years after the date specified in the relevant land use rights grant contract without compelling causes. The State Council issued the Notice on Promoting the Saving and Intensification of Use of Land (國務院關於促進節約集約用地的通知) which states, for land that is left idle, in particular idle real estate, a value-added land fee should be imposed for which the Ministry of Land and Resources should, in conjunction with relevant authorities, research and formulate detailed measures in a timely manner. Furthermore, the Ministry of Land and Resources issued in August 2009 the Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (關於嚴格建設用地管理促進批而未用土地利用的通知) which reiterates its policy on idle land. The Group currently has certain parcels of land that are idle. It is in the process of applying for the corresponding certificates. As at the date of this Offering Circular, it has not yet been subject to any penalty or received by warning notice from the governmental authorities in relation to such idle land. If the Group fails to comply with the relevant policies on idle land, the relevant governmental authorities may impose fine or penalty, which could in turn have a material and adverse effect on the Group's business, financial condition and results of operations.

Some of the Group's businesses serve public interest functions and may not be profitable.

The Group's wastewater treatment operations and some of the Group's infrastructure construction projects are for general public interest and the Group may fail to recover all of its costs for such operations and projects. The Group receives financial and other support from the Guannan County Government intended to cover certain of these costs, however, such financial support may not always be available due to the government's liquidity, budgeting priority and other considerations. Further, the Guannan County Government may change the plans for such projects which may cause an increase in the investment after the construction begins. Further, fees charged by the Group for water supply in the PRC are either fixed by local pricing bureaus or must fall within a price range set by local pricing bureaus. Pricing bureaus may not increase price limits in response to cost increases and the Group could suffer declining profit or loss as a result. In addition, it is uncertain whether the government will be able to provide such financial support as a result of the promulgation of Circular 43. Despite the above, the Group may continue to participate in businesses and projects for general public interest from time to time. However, the Group has limited resources, and engagement in these business and projects may reduce its ability to participate in other profit-generating projects. The Group's business, financial condition, results of operations and prospects may be adversely affected as a result.

Any failure of the Group to obtain required licenses or qualifications or comply with applicable laws, rules and regulations may adversely affect its business, financial condition and results of operations.

The Group needs to obtain a number of approvals, certificates, licenses and permits from different governmental authorities and to comply with extensive procedural requirements in order to carry on its business activities under PRC law and regulations. For example, the Group is required to obtain a project approval and the environmental assessment approval at the outset of the project before it is permitted to commence construction of the relevant project. As the projects progress, it also needs to receive the construction land planning permit (建設用地規劃許可證), the construction project planning permit (建設工程規劃許可證) and the construction permit (建築工程施工許可證). It normally takes six to 12 months to obtain all of these approvals and certificates. Governmental authorities in the PRC have broad discretion in implementing and enforcing applicable laws and regulations and in determining the grant of approvals, licenses, permits and certificates necessary for conducting the business. For this reason, there are significant uncertainties in the interpretation and implementation of PRC laws, rules, regulations, policies and measures and verbal clarifications given by the governmental authorities may be inconsistent with the regulations concerned, increasing the Group's compliance risk.

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, licenses and certificates are fulfilled, governmental authorities normally conduct regular or special inspections, investigations and inquiries. As at the date of this Offering Circular, the Group has not obtained the relevant land use right certificate, the construction land planning permit, the construction project planning permit and the construction permit within the prescribed time for some of its land development projects, infrastructure construction projects and real property development projects, and the Group has not obtained the requisite completion and inspection documents in respect of some of its infrastructure construction projects. There can be no assurance that the Group will be able to remedy the current situation or obtain such certificates, permits and documentations in a timely manner or at all. If the Group fails to obtain such certificates, permits and documentations or experiences any significant delay in doing so, it may result in regulatory actions against the Group and/or a disruption to the Group's business operations. As at the date of this Offering Circular, the Group has not received any fines or penalties as a result of such non-compliance. If there is any material non-compliance of the Group or its business, the Group's permits, licenses and certificates may be suspended or revoked, and it may receive fines or other penalties, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group has not yet obtained valid titles or rights to use certain properties.

As at the date of this Offering Circular, the Group has not obtained the valid use right certificates and/or ownership rights certificates with respect to certain land, buildings and assets that the Group occupies or possesses. As a result, the Group is subject to legal actions, claims or investigations by third parties or government authorities challenging its use of such properties. As at the date of this Offering Circular, it is not aware of any actions, claims or investigations being contemplated by government authorities or any challenges by third parties to its use of these properties. However, any dispute or claim on the rights to the properties occupied by the Group, including any litigation involving allegations of illegal or unauthorised use of these properties, may disrupt the Group's business operations or force the Group to relocate its operations. In addition, the PRC government may amend or revise existing property laws or regulations to require additional approvals, licenses or permits, or impose more stringent requirements on obtaining or maintaining the title certificates required for the properties occupied or held by the Group.

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

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

The Group's financial services business may be subject to other factors affecting the banking industry, such as material fluctuation in the interbank rates and media reports on any increase in non-performing loans in the PRC banking industry. These factors which generally affect the banking industry may result in a liquidity crunch and the subsequent reductions in the amount of, or tightened approval requirements for loans available to the Group's customers or the Group. If the customers' businesses are negatively affected as a result of tightened liquidity, the default risk in respect of the Group's customers may increase. In addition, the business performance in the SME sector may be adversely affected by turmoil in regional financial markets, such has been widely reported in Wenzhou and Henan in recent years, as well as changes in global credit policies. This may result in a reduction in the amount of, or tightened approval requirements for, funding from banks or other financial institutions to SMEs in the PRC which may consequently be exposed to greater liquidity risks. In this situation, the quality of the Group's loan portfolio and related results of operations may be adversely and materially affected.

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

The credit evaluation of the Group's financial services depends primarily on customer due diligence. A majority of the customers of the Group's financial services are SMEs and individuals, and available information about such customers sometimes is limited. For example, the accounting records or other financial information of the customers might not have been well maintained, their business model and procedures might not have been documented and they may not have effective internal controls as larger corporate entities. Inadequate information not only could result in additional work and related costs, but it may also undermine the effectiveness of its customer due diligence. The Group normally conducts customer due diligence independently. The Group's investigation may not be able to procure all material information necessary to make a fully informed decision and its due diligence may fail to detect customer fraud. If the Group fails to perform thorough due diligence or discover customer fraud or intentional deceit, the quality of its credit evaluation may be compromised. The Group's failure to effectively measure and limit the credit risk associated with its credit guarantee and loan portfolio could have a material adverse effect on the Group's financial services business, financial condition and results of operations. In addition, the Group typically does not monitor the use of the financing it guaranteed or provided to its customers. If its customers engage in any illegal transactions, such as money laundering activities, the Group may face administrative and criminal liabilities and suffer financial and/or reputational damage.

The Group's diversification into the financial guarantee service industry may increase its exposure to credit risks.

The Group's businesses in the financial industry involve many inherent risks, including the risk that the loans the Group guarantees are not repaid on time or at all. Some of the guarantees given by the Group are provided in support of policy programs implemented by the Guannan County Government. These customers have limited financial resources or relatively weaker credit profiles, making it difficult for them to obtain capitals from large state-owned financial institutions. For the same reason, these customers are more vulnerable to adverse competitive, economic or regulatory conditions, and create greater credit risks relating to the Group's loan and guarantee business than larger or more established businesses with longer operating histories. Further, 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 and liquidity risks. Although the Group seeks to manage its credit risk exposure through internal customer due diligence, credit approvals, establishing credit limits and portfolio monitoring and other risk management measures, these measures may not be effective. Any of these factors may have a material adverse impact on the Group's financial guarantee business.

The Group may not successfully implement its growth strategy.

The Group has historically been focused on infrastructure construction and land development in Guannan County. It later diversified its business into water-related business, leasing services, financial services and supply chain services business. As one of its strategies, the Group plans to continue to develop other new businesses while maintaining sustainable growth of its existing business. Whether the Group could successfully implement this strategy, to some extent, depends on the Group's ability to identify attractive projects, obtain required approvals from relevant regulatory authorities in the PRC, obtain sufficient capital on acceptable terms in a timely manner and maintain close working relationships with various governmental authorities and agencies. The success of negotiations with respect to any particular project is not guaranteed. The Group may not be able to successfully implement its strategy to diversify. Failure to do so could have a material adverse impact on its business, financial condition and results of operations.

The Group's supply chain services business is dependent on a number of key customers and the loss of any of such customers could materially and adversely affect its business and financial position.

The Group relies on some key customers for its supply chain services business for the sale of iron ores. A significant portion of the Group's revenue from the supply chain services business has been, and is expected to continue to be, derived from a limited number of customers, which mainly comprise state-owned enterprises. There can be no assurance that the Group will be able to maintain or improve its relationships with its major customers, or that it will be able to continue to supply products and services to these customers at current pricing and levels or at all. In addition, demand for the Group's products and services is affected by the performance of its customers in the PRC. Therefore, any decline in its major customers' businesses in such markets could lead to a decline in purchase orders from these customers. If any of the Group's major customers were to substantially reduce the size or value of the orders it places with the Group or terminate its business relationship with the Group entirely, the Group may not be able to obtain orders from other customers to replace any such lost sales on comparable terms or at all. If any of these relationships were to be so terminated and the Group were unable to obtain replacement orders, its business, financial condition, results of operations and prospects may be materially and adversely affected.

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

The Group may diversify its business portfolio by the acquisition of other companies in the future. Although the Group conducts due diligence investigations on the target companies, the due diligence may not reveal all facts that are necessary or material in evaluating the target company and the acquisition. Any failure to do so could increase the Group's exposure to financial and legal risks and liabilities. When determining the price for any acquisition, the Group needs to consider various factors, including the quality of the target business, estimated costs associated with the acquisition and the management of the target business, prevailing market conditions and intensity of competition. The Group needs to address different issues arising from the acquisition after the relevant transaction is completed, such as business, operation and management integration. The Group may not be able to address these issues effectively at all times. In addition, any major acquisition or transaction of similar nature may consume substantial management attention and financial resources of the Group or even cause the Group to incur significant indebtedness. Any material decrease in its financial resources may limit the Group's ordinary operating activities and increase pressure on its liquidity, and in turn could adversely affect its business, financial condition and results of operations.

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

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

- hiding unauthorised or unsuccessful activities, resulting in unknown and unmanaged risks or losses;

- intentionally concealing material facts, or failing to perform necessary due diligence procedures designed to identify potential risks, which are material to the Group in deciding whether to make investments or dispose of assets;

- improperly using or disclosing confidential information;

- recommending products, services or transactions that are not suitable for the Group's customers;

- misappropriation of funds;

- conducting transactions that exceed authorised limits;

- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities when marketing or selling products;

- engaging in unauthorised or excessive transactions to the detriment of the Group's customers;

- making or accepting the bribery activities;

- conducting any inside dealing; or

- otherwise not complying with applicable laws or the Group's internal policies and procedures. The Group's internal control procedures are designed to monitor its operations and ensure overall compliance. However, such internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner if at all. Furthermore, the precautions the Group takes to prevent fraud and other misconducts may not be effective. If such fraud or other misconduct does occur, the Group's reputation may suffer as a result.

The Group's business operations involve inherent industrial risk and occupational hazards.

The Group's wastewater treatment business is exposed to inherent industrial risks as its operations involve the operation of heavy machinery and hazardous chemical substances that could lead to industrial accidents and personal injuries. The particular safety and health laws and regulations that apply to any given project development site vary according to the site's location, the site's environmental condition, the present and former uses of the site, as well as adjoining properties. Efforts taken to comply with safety laws and regulations may result in delays in development, cause the Group to incur substantial compliance costs.

The Group from time to time reviews its internal guidance and implements new measures to enhance the awareness of employee safety. Accidents, however, may still occur. The Group may be liable for loss of life and property damages, medical expenses, medical leave payments and fines and penalties for violation of applicable PRC laws and regulations if any material industrial accident happens. The Group may also experience interruptions in its operations and may be required to change the manner in which it operates as a result of governmental investigations or the implementation of safety measures due to accidents. Any of the foregoing could adversely affect the business and results of operations of the Group's wastewater treatment business.

The Group may incur significant costs or liability relating to its environmental responsibilities.

The Group is subject to extensive and increasingly stringent environmental protection laws, regulations and decrees, the non-compliance of which may lead to penalties or fines and, if related to its wastewater treatment facilities, suspension of operations. As a result, the Group may incur significant expense in order to ensure compliance with such laws and regulations. Further, the Group may be required to take remedial actions or suspend operations if it causes damages to the environment or third parties. There is also a growing awareness of environmental issues and the Group may sometimes be expected to meet a standard which is higher than the requirements under the prevailing environmental laws and regulations. If the Group fails to meet public expectations in relation to environmental matters, its reputation may be damaged. More stringent environmental protection requirements that increase compliance costs may be imposed by relevant governmental authorities in the future. Any of the above events could have a material adverse effect on the business, financial position and results of operations of the Group's wastewater treatment business.

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

The Group relies on its quality control system to ensure the quality of its projects. The effectiveness of the Group's quality control system may be affected by a number of factors, such as timely update of the quality control system to address the changing business need and the Group's and the contractors' willingness and ability to adhere to its quality control policies and guidelines. The quality of the projects developed by the Group may be undermined by the under-performance of the Group's contractors. Any failure or deterioration of the Group's quality control system could result in defects in its projects, which in turn may subject the Group to contractual, product liability and other claims. Any such claims, regardless of whether they are ultimately successful, could cause the Group to incur significant costs, harm its business reputation and result in significant disruption to its operations. If any of such claims were ultimately successful, the Group could be required to pay substantial monetary damages or penalties.

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

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

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

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

The Group's business may be affected by an outbreak, or threatened outbreak, of any severe contagious disease which may in turn significantly reduce demand for the Group's services and have an adverse effect on its financial condition and results of operations.

The Group's businesses could be adversely affected by the effects of force majeure events, natural disasters, catastrophe, epidemics and other outbreaks, such as the coronavirus (COVID-19), avian influenza, severe acute respiratory syndrome (SARS), influenza A (H1N1), Ebola and other acts of God which are beyond their control. Any such occurrences could adversely affect the Group's business operations, cause delays in the Group's projects, increase the costs associated with its operations and could in turn, materially and adversely affect its revenue, profit and cash flows and, accordingly, negatively impact its ability to repay any debt.

In early 2020, COVID-19 spread globally throughout Asia, Europe, North America and other regions. COVID-19 is highly infectious and has resulted in numerous deaths around the world. The World Health Organisation announced in March 2020 that COVID-19 has developed into a pandemic. In an effort to contain the spread of COVID-19, the PRC government took a number of measures, including, among other steps, extending the Chinese New Year holidays, and imposing travel, quarantine and other work-related restrictions. Although the World Health Organisation has declared the end to COVID-19 as a global health emergency in May 2023, there are uncertainties as to how COVID-19 and related policies will evolve and there can be no assurance that COVID-19 would not have a material adverse effect on the Group's business.

In addition, some of the Group's contracts may have force majeure provisions that permit such parties to suspend, terminate or otherwise not perform their obligations under the relevant contracts upon the occurrence of certain events, such as strikes and other industrial or labour disturbances, terrorism, restraints of government, civil protests or disturbances, international conflicts and tensions, military and other actions, heightened security measures in response to these threats, or any natural disasters; all of which are beyond the control of the party asserting such force majeure event. If one or more of the Group's counterparties do not fulfil their contractual obligations for any extended period of time due to a force majeure event or otherwise, the Group's results of operations and financial condition could be materially and adversely affected.

The Group relies 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 operations depend on the integrity and performance of its business, accounting and other data processing systems. If the Group's systems are not able to effectively address issues that arise or otherwise fail to perform, the Group could experience unanticipated disruptions in business, slower response times and limitations on its ability to monitor and manage data and risk exposures, control financial and operation conditions, and keep accurate records. These consequences may result in operating outages, poor operating performance, financial losses, and intervention of regulatory authorities. The Group's systems may experience future systems failures and delays, or the measures taken by the Group to reduce the risk of system disruptions may be inadequate. Further, the Group may need to expand and upgrade its technology, systems and network infrastructure if the Group increases its use of technology in its business operations or administrative management. The Group may inaccurately project the rate, timing or cost of any increases, or fail to upgrade the Group's systems and infrastructure to accommodate any additional requirements in a timely manner.

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

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

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

The success of the Group's business is dependent to a large extent on its ability to attract and retain key personnel who possess in-depth knowledge and understanding of investment, as well as the industries in which the Group invests or operates. These key personnel include members of the Group's senior management, experienced investment managers and finance professionals, project development and management personnel, legal professionals, risk management personnel, information technology and other operation personnel. Competition for attracting and retaining these individuals is intensive. Such competition may require the Group to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could materially and adversely affect the Group's financial condition and results of operations. As a result, the Group may be unable to attract or retain these personnel to achieve its business objectives or hire enough qualified personnel to support its new investment projects or business expansion. Such failure to do so could severely disrupt its business and prospects. As the Group expands its business or hires new employees, the employees may take time to get accustomed to any new standard procedures and consequently may not comply with the standard procedures of any new business in an accurate and timely manner. The occurrence of any of the events discussed above could lead to unexpected loss to the Group and adversely affect its financial condition and results of operations.

The Group is exposed to litigation risks.

The Group may from time to time be involved in disputes with governmental entities, indigenous residents, contractors, suppliers, employees and other third-party service providers during the course of its daily operations. Claims may be brought against members of the Group based on a number of causes such as defective or incomplete work, personal injuries, property damages, breach of warranty or delay in completion and delivery of projects. In addition, the Group may bring up claims against project contractors for additional costs incurred as a result of the contractors' under-performance or non-performance, project defects or default by the contractors. If the disputes or claims are not resolved or settled through negotiation or mediation, the Group may be involved in lengthy and costly litigation or arbitration proceedings, which may distract its financial and managerial resources. In the event that the Group prevails in those legal proceedings, the judgement or awards may not be effectively enforced. If a judgment or award is rendered against the Group, the amounts payable by the Group may not be fully covered by the Group's insurance, and the amounts could differ from the provisions made by the Group based on its estimates. Any material charges associated with claims brought against the Group and material write downs associated with the Group's claims could have a material adverse impact on its financial condition, results of operations and cash flows.

The Group may not be able to protect its intellectual property rights successfully.

The Group relies on a combination of copyright, trademarks and patent registrations to protect its intellectual property. There can be no assurance that these measures will be sufficient to prevent any misappropriation of the Group's intellectual property, or that the Group's competitors will not independently develop alternative technology that are equivalent or superior to technology based on the Group's intellectual property. The legal regime governing intellectual property in the PRC is still evolving and the level of protection of intellectual property rights in the PRC differs from those in other jurisdictions. In the event that the steps that the Group has taken and the protection afforded by law do not adequately safeguard its proprietary technology, the Group could suffer losses due to the sales of competing products that exploit its intellectual property.

Material fluctuations in interest rates may adversely affect the Group's financial condition and results of operations.

Most of the Group's bank loans bear interest that accrue at rates linked to the benchmark lending rates published by the PBOC. A material fluctuation in the benchmark lending rates may have a material impact on the Group's interest expenses and payables under its bank loans and in turn negatively affect its financing costs and results of operations. The PBOC from time to time adjusts interest rates as implementation of its economic and monetary policies. Any increase in the benchmark lending rate by the PBOC in the future will increase the Group's financing costs and adversely affect its profitability, financial condition and results of operations.

As the Group explores sources of funding outside China, it will be exposed to the risks arising from interest rate fluctuation overseas. For example, the Bonds, upon issue, will bear fixed coupon linked to the yield of the U.S. government's treasury bonds with a corresponding maturity. If the Guarantor considers refinancing the Bonds by way of issuing new U.S. dollar-denominated bonds in the future, an increase in the Federal Reserve interest rate as a result of policy changes may cause the new bonds to be priced at higher rates, which may increase the Group's financing costs.

The Guarantor 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 certain unaudited and unreviewed periodical financial statements. The semi-annual financial information published by the Group in the PRC is normally derived from the Group's management accounts which have not been audited or reviewed by independent auditors. As such, this financial information published in the PRC should not be referred to or relied upon by potential purchasers to provide the same quality of information associated with any audited information. The 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 investors should not place any reliance on any such financial information.

The Group's historical financial information is not directly comparable with its future financial information.

The historical financial information of the Guarantor is sometimes adjusted or restated to address subsequent changes in accounting standards, the Guarantor's accounting policies and/or applicable laws and regulations with retrospective impact on its financial reporting, correction of certain errors due to miscalculations or to reflect the comments provided by the Guarantor's independent auditors during the course of their audit or review in subsequent financial periods. Such adjustment or restatement may cause discrepancies between the financial information with respect to a particular period or date contained in the Guarantor's historical financial statements and that contained in its future financial statements. For example, in preparing its consolidated financial statements as at and for the year ended 31 December 2021, the Group adopted the New Financial Instruments Standards and certain accounting items in the balance sheet as at 1 January 2021 were adjusted from the audited consolidated balance sheet of the Group as at 31 December 2020. For details of such adjustments, see Note V to the Audited Annual Statements, which are included elsewhere in this Offering Circular.

The Guarantor's reporting auditor, Asia Pacific CPAs, has received adverse regulatory decisions and warnings issued by relevant PRC authorities in recent years.

In recent years, as part of an effort to improve effective regulatory oversight, PRC regulators have increased their examinations of PRC public accountants. As a result, auditors in the PRC have been subject to more frequent examinations. Asia Pacific CPAs, the auditors who audited the financial statement included in this Offering Circular, is a registered accounting firm in the PRC supervised by relevant PRC regulatory agencies and are subject to investigations by such relevant PRC regulatory agencies. Asia Pacific CPAs and certain of its auditors have previously received warning letters issued by the China Securities Regulatory Commission (the "**CSRC**"). The CSRC regulatory warnings focused on issues relating to the performance of Asia Pacific CPAs' audit services for corporate clients that are unrelated to the Group. Asia Pacific CPAs has confirmed that the auditors who participate in the audit of the Audited Annual Statements were not the subject of, or involved in, the abovementioned CSRC regulatory matters and are qualified to provide audit services under applicable PRC laws, rules, and guidelines. The CSRC warning letters do not disqualify Asia Pacific CPAs team from participating in this offering as the Guarantor's reporting auditor or have any impact on Asia Pacific CPA's opinions for the Audited Annual Statements. There is no assurance that Asia Pacific CPAs' involvement in such administrative actions or any negative publicities would not affect investors' confidence in the audit or review of the Guarantor's financial statements.

The Guarantor has recently changed its auditors.

The Guarantor has appointed Reanda as its independent auditor to audit the consolidated financial statements of the Group as at and for the year ended 31 December 2023 and Asia Pacific CPAs resigned from the position as the Guarantor's independent auditor. Onboarding a new auditor is time-consuming. Prolonged discussions on the Group's businesses, operations, accounting systems and accounting treatments between the Guarantor and the incoming auditors may drain management time and resources. These discussions may also lead the Guarantor to reconsider and adjust certain accounting treatment, departing from practices adopted for the preparation of its previous financial statements. Adjustment or restatement of previous years' financial results may also result due to differences in professional judgment between the Group's outgoing and incoming auditors.

The Audited Consolidated Financial Statements were prepared and presented in accordance with PRC GAAP which may be different from IFRS in certain aspects.

The Audited Annual Statements were prepared and presented in accordance with the PRC GAAP. Although PRC GAAP is substantively in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. 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.

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

As neither the Issuer nor the Guarantor is listed on any stock exchange, there may be less information about it publicly available than is regularly made available by listed companies. As a result, the level of information that is available may not correspond to what investors in the Bonds are accustomed to.

RISKS RELATING TO THE PRC

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

The Group primarily engages in businesses in the PRC. The Group relies, to a significant degree, on the development and economic of the PRC, particularly of Guannan County, to achieve revenue growth. The growth of infrastructure construction demand in China depends heavily on China's economic growth. The future performance of China's economy will be affected not only by the PRC government's economic and monetary policies, but also by any material changes in global economic and political environments, including the economic performance of specific major developed economies, such as the United States and the European Union. There have been concerns over unrest in the Middle East and Africa, the political situation regarding the Korean Peninsula, the withdrawal of the United Kingdom from the European Union and China-U.S. trade friction and the bilateral tariffs on imports imposed by both countries. For example, the United Kingdom's exit from the European Union and the Sino-American trade friction have brought uncertainty to the economic conditions of the world, including but not limited to increased foreign exchange volatility and a possible economic recession involving more countries and areas. In addition, the Russo-Ukrainian and the Israel-Palestinian conflicts have led to significant volatility in the global markets across all asset classes, including stocks, bonds, oil and other commodities and this volatility may persist for some time. If economic conditions in the key markets of. the Group remain uncertain and deteriorate further, the Group may experience a material impact on its business, operating results and financial condition.

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

As substantially all of the Group's businesses are conducted, and substantially all of the Group's assets are located, in China, the Group's operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes while prior court decisions can only be cited as reference. The Chinese legal system has been undergoing changes and development 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. Some of these laws and regulations are relatively new, and because of the limited volume of published decisions, the interpretation of them involve uncertainties. In addition, the PRC legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Group may not be aware of the Group's violation of these policies and rules until sometime after the violation. In addition, any litigation may be protracted and result in substantial costs and diversion of resources and management's attention and it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgements by a court of another jurisdiction. These uncertainties relating to the interpretation and implementation 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 require specific procedures in effecting service of legal process and enforcing judgments against the Group and the Group's management.

The Guarantor and a number of its subsidiaries are incorporated in the PRC. A substantial portion of the Group's assets are located in the PRC. In addition, most of the Guarantor's directors and executive officers reside within the PRC and the assets of the Guarantor's directors and officers may be located within the PRC. As a result, it may be required specific procedures to effect service of process outside the PRC upon most of the Guarantor's directors 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. In the case of Hong Kong, see "*— Risks relating to the Bonds, the Guarantee and the Standby Letter of Credit — Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the holders of the Bonds would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.*"

In addition, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with many countries, including Japan, the United States and the United Kingdom. Therefore, it may be difficult for Investors to enforce any judgments obtained from foreign courts against the Issuer, the Guarantor, any of their respective directors, supervisors or senior management in the PRC.

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

Most of the Group's revenue is denominated in Renminbi, which is also the reporting currency of the Group. Renminbi conversions are subject to regulations. A portion of the Group's cash may be required to be converted into other currencies in order to meet the Group's foreign currency needs, including cash payments on declared dividends, if any, on the Bonds. On the other hand, foreign exchange transactions under capital account in the PRC are also subject to regulations 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 expenditures.

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

Facts, forecasts and other statistics in this Offering Circular relating to China, 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 Group, the Managers, the Trustee, the Agents, the Account Banks or any person who controls any of them or any of their respective affiliates, employees, officers, directors, agents, advisers or representatives, and, therefore, none of the Issuer, the Group, the Managers, the Trustee, the Agents, the Account Banks or any person who controls any of them or any of its or their respective affiliates, employees, officers, directors, agents, advisers or representatives makes any representation as to the completeness, accuracy or fairness of such facts or other statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be incomplete, inaccurate or unfair or may not be comparable to statistics produced for other economies or the same or similar industries in other countries and should not be unduly relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or other statistics.

RISKS RELATING TO THE BONDS, THE GUARANTEE AND THE STANDBY LETTER OF CREDIT

The PRC government has no obligations under the Bonds or the Guarantee.

The PRC government (including Guannan County Government) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds, the Guarantee or the transaction documents in relation to the Bonds. Circular 23 and Circular 706 emphasised that local state-owned enterprises shall bear the responsibility for the repayment of foreign debt as independent legal persons, and local governments and their departments shall not pay the foreign debt of local state-owned enterprises directly or commit to the payment of foreign debt, nor shall they provide guarantees for the issuance of foreign debt by local state-owned enterprises.

Any ownership or control by the PRC government (including Guannan County Government) in or over the Group does not necessarily correlate to, or provide any assurance as to, the Issuer's, the Guarantor's or the Group's financial condition. Investments in the Bonds involve the credit risk of the Issuer and the Guarantor rather than that of the PRC government. The Bonds are solely to be repaid by the Issuer and the Guarantor as obligors and the obligations of the Issuer and the Guarantor under the Bonds and the Guarantee shall solely be fulfilled by the Issuer and the Guarantor as independent legal persons. In the event that the Issuer or the Guarantor does not fulfil its obligations under the Bonds, investors will only be able to claim as an unsecured creditor against the Issuer and the Guarantor and their respective assets, and not any other person, including the PRC government and Guannan County Government. The Bondholders shall have no recourse to the PRC government (including Guannan County Government) in respect of any obligation arising out of or in connection with the Bonds, the Guarantee and the transaction documents relating to the Bonds.

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

The Issuer was established by the Guarantor specifically for the purpose of issuing bonds (including the Bonds) and will on-lend the net proceeds from the issue of such bonds to the Guarantor, which may in turn on-lend to other members of the Group for use in accordance with the NDRC approval. Moreover, the Issuer has issued and may issue other bonds in the future and on-lend the proceeds to other entities of the Group. The Issuer does not and will not have any assets other than such loans and its ability to make payments under the Bonds will depend on its receipt of timely payments from the Group under such loan arrangement.

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

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

The NDRC Measures is a new regulation and its implementation may involve significant uncertainty. Any failure to complete the relevant filings under the NDRC Measures within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Issuer, the Guarantor, and/or the investors of the Bonds.

According to the NDRC Measures, domestic enterprises and their overseas controlled entities prior to issuing any foreign debts with a tenor of more than one year shall obtain from the NDRC a certificate of review and registration of enterprise borrowing of foreign debts (the "**Certificate of Review and Registration**") and shall notify the NDRC of the particulars of such approved issuances of foreign debts within ten PRC working days after the relevant issue date. The Guarantor has undertaken to, within 10 PRC Business Days after the Issue Date, file or cause to be filed with the NDRC the requisite information and documents to the NDRC through the online system for the review, registration, management and service of enterprise foreign debts established by the NDRC (the "**NDRC Network System**"), including, among other things, the major business indicators of the Guarantor and information about the Bonds. Within 10 working days upon the expiration of the validity of the Enterprise Foreign Debt Filing Certificate, the Guarantor shall report through the NDRC Network System the foreign debts borrowing information of the Bonds. Within five PRC working days before the end of January and the end of July during each year that the Bonds are outstanding, the Guarantor shall report through the NDRC Network System the 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. For any major event that may affect the normal performance of debt obligations by the Issuer (failing whom, the Guarantor), such as overseas and domestic debt repayment risk or significant assets restructuring, the Guarantor shall timely submit in a timely manner relevant information and take measures for isolation of risks to prevent spillover of default risks and cross-default risks of domestic bonds. Legal liability and consequences with respect to an enterprise's violation of the NDRC Measures are stipulated in the NDRC Measures. If any enterprise borrows foreign debt in violation of the NDRC Measures, the NDRC will take disciplinary action such as holding an interview and giving a public warning against the relevant enterprise and its principal responsible person. If any application documents submitted by enterprises contain any concealment, false record, misleading statement, or material omission, the NDRC will give a warning to relevant enterprise and its principal responsible person. If the approval is obtained by concealment, deception, bribery, or any other improper means, such approval will be revoked. For any enterprise failing to comply with filing and reporting requirements under the NDRC Measures, the NDRC will order such enterprise to take rectification actions within a prescribed time limit; and if the circumstances are severe or the enterprise fails to take rectification action within the prescribed time limit, give a warning to the relevant enterprise and its principal responsible person. Furthermore, conduct in violation of the NDRC Measures committed by enterprises will be publicised on, among others, the Credit China (信用中國) website and the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統).

In addition, the administration of the NDRC Measures may be subject to a certain degree of executive and policy discretion by the NDRC. There is no assurance that the NDRC will not, for instance, revoke or amend the NDRC Measures. Furthermore, there is no assurance that any future change in PRC laws and regulations relating to the interpretation of the NDRC Measures and its related rules would not have a negative impact on the validity and/or enforceability of the Bonds in the PRC. Potential investors in the Bonds are advised to exercise due caution when making their investment decision.

Bondholders do not have a right to require the Issuer to redeem the Bonds if the Cross-Border Security Registration is not completed.

Under the Conditions, the Guarantor is only required to submit all information and documents necessary to register or cause to be registered with SAFE the Deed of Guarantee within 15 PRC Business Days after execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014. Non-registration of the Deed of the Guarantee will not result in an event of default under the Conditions nor would it constitute a redemption event. If the registration of the Deed of Guarantee is not completed, Bondholders are not entitled to exercise any right to require the Issuer to redeem the Bonds. As part of the Guarantor's preliminary consultation with the local SAFE, the Guarantor was informed that, in line with local practice, the SBLC will be registered on record in lieu of the Deed of Guarantee. As a result, although the Guarantor has undertaken to submit all information and documents necessary to register the Cross-Border Security Registration with SAFE, there is no assurance that SAFE will register the Deed of Guarantee. See "— *If the Guarantor fails to register the Guarantee with SAFE within the time period prescribed by SAFE, there may be logistical hurdles for cross-border payments under the Guarantee*".

If the Guarantor fails to complete the Cross-Border Security Registration within the time period prescribed by SAFE, there may be logistical hurdles for cross-border payments under the Guarantee.

Under the Deed of Guarantee to be executed by the Guarantor, the Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The Guarantor is only required under the Conditions to submit all information and documents necessary to register or cause to be registered with SAFE the Deed of Guarantee within 15 PRC Business Days after execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014. Although non-registration does not render the Deed of Guarantee ineffective or invalid under PRC law, SAFE may impose penalties on the Guarantor if registration is not carried out within the stipulated time frame.

The Guarantor intends to use its best endeavours to complete the Cross-Border Security Registration. Although the failure to register does not render the Deed of Guarantee ineffective or invalid under PRC laws, SAFE may impose penalties on the Guarantor if the Guarantor fails to procure the completion of the Cross-Border Security Registration. Further, there may be logistical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of the Cross-Border Security 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 the domestic bank for each remittance under the Guarantee. As a result, there is no assurance that the Guarantor can remit money outside of the PRC to comply with its obligations under 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 future secured indebtedness or other unsecured indebtedness; or

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

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

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

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

An active trading market for the Bonds may not develop.

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

International financial markets and world 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 issuers 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 interest rates for the first time in a year, and the second time since the 2008 financial crisis. The U.S. Federal Reserve further raised interest rates three times in 2017 and four times in 2018 but lowered them three times in 2019 and twice in 2020 as a result of the impact of the COVID-19 pandemic on the economy of the United States. In 2022, however, the U.S. Federal Reserve raised interest rates seven times. The U.S. Federal Reserve further raised its benchmark interest rate in May and July 2023, bringing the federal funds rate to 5.5 per cent. in order to tackle the inflation and cost of living crisis. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

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

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

The Issuer is a special purpose finance vehicle and payments with respect to the Bonds are dependent upon cash flow from other members of the Group.

As at the date of this Offering Circular, the Issuer is a special purpose finance vehicle which does not have operating activities or revenue and therefore depend upon the receipt of sufficient funds from other members of the Group to meet its obligations under the Bonds. The Group conducts its operations primarily through the Guarantor and its subsidiaries in the PRC. The Issuer's primary assets will be intra-group loans to the Guarantor and/or other subsidiaries within the Group. Accordingly, payments of principal and interest on the Bonds will depend upon the Issuer's receipt of principal and interest payments on the intra-group loans from such subsidiaries and capital injection by the Guarantor, and the ability of the Guarantor to honour its obligations under the Guarantee. In the event that the recipients of such intra-group loans do not make such payments due to limitation in such loans or other agreements or the Guarantor lacks the available cash flow, the Issuer's ability to make payments under the Bonds may be adversely affected. For more details about the Issuer, please refer to the section entitled "*Description of the Issuer*".

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

The Guarantor may, to a certain extent, depend on the receipt of dividends and interest and principal payments on intercompany loans or advances from its subsidiaries and associated companies to satisfy its obligations, including its obligations under the Bonds and the Guarantee. The ability of the Guarantor's subsidiaries and associated companies to pay dividends and make payments on intercompany loans or advances to their shareholders, including the Guarantor, is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of the Guarantor's subsidiaries and associated companies, restrictions contained in relevant debt instruments, and applicable laws. There can be no assurance that the Guarantor's subsidiaries and associated companies will have distributable earnings or will be permitted to distribute their distributable earnings to it as it anticipates, or at all. In addition, dividends payable to it by these companies are limited by the percentage of its equity ownership in these companies. Some portfolio companies may conclude that it is in the best interest of their shareholders to retain earnings, if any, for use in the operation and expansion of their businesses. The shareholders or the board of directors of a portfolio company (as the case may be) have the power to determine whether to pay dividends based on conditions then existing, including such portfolio company's earnings, financial condition and capital requirements, as well as economic and other conditions the shareholders or the board may deem relevant. These factors could reduce the payments that the Guarantor receives from its subsidiaries and associated companies, which would restrict its ability to meet its payment obligations under the Guarantee.

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

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

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

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

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

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

- have the ability to understand and evaluate all information and materials with respect to the Issuer, the Guarantor, the Group and the LC Bank, including those in Chinese language;

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

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

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

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

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

The Bonds will be mandatorily redeemed upon a pre-funding failure.

The Conditions provide for a demand to be made under the Standby Letter of Credit in the event the Issuer or the Guarantor fails to pre-fund principal and/or interest payment due on the Bonds or upon the occurrence of an Event of Default under the Bonds. Such demand will be made in respect of the full amount of the outstanding principal due and interest accrued on the Bonds (together with all fees, costs, expenses, indemnity payments and other amounts of the Trustee then outstanding), and thereafter the Bonds will be mandatorily redeemed in accordance with Condition 7(d). Bondholders will not be able to hold their Bonds to maturity should such mandatory redemption occur.

Income or gains from the Bonds may be subject to income tax or VAT under PRC tax laws.

Under the Enterprise Income Tax Law of the PRC last amended in 2018 (中華人民共和國企業所得稅法(2018修正)) and its implementation rules (the "**EIT Law**"), 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 incomes derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate (provided that the non-resident enterprise does not have offices or premises in the PRC or that has offices or premises in the PRC but such gains are not effectively connected therewith) and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between mainland China and Hong Kong for avoidance of double taxation, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, may 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 a premise that the Bondholders have in the PRC and all the other relevant conditions are satisfied. According to Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with VAT in an All-round Manner (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) (the "**Circular 36**"), VAT is unlikely to apply to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to apply to gains realised upon such transfers, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 and laws and regulations pertaining to VAT are relatively new, and the interpretation and enforcement of such laws and regulations involve uncertainties.

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

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

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

While the Bonds are represented by the Global Certificate, the Issuer, or failing which, the Guarantor will discharge its payment obligations under the Bonds by making payments to the Clearing System for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the Clearing System(s) to receive payments under the Bonds. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

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

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

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

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

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

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

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

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

In certain circumstances, including, without limitation, giving of notice to the Issuer and the Guarantor pursuant to Condition 10 of the Conditions and taking steps and/or actions and/or instituting proceedings pursuant to Condition 14 of the Conditions, the Trustee may, at its sole discretion, request the Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes steps and/or actions and/or institutes proceedings on behalf of the Bondholders. The Trustee shall not be obliged to take any such steps and/or actions and/or institute any such proceedings if not first indemnified and/or secured and/or prefunded to its satisfaction.

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

Modifications and waivers may be made in respect of the Conditions, the Trust Deed, the Agency Agreement, the Deed of Guarantee or the Standby Letter of Credit by the Trustee or less than all of the holders of the Bonds, and decisions may be made on behalf of all holders of the Bonds that may be adverse to the interests of individual holders of the Bonds.

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

The Conditions also provide that the Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of the Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or the Standby Letter of Credit (other than in respect of certain reserved matters) which in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed or the Deed of Guarantee), and any waiver or authorisation of any breach or proposed breach of any of the Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee and/or Standby Letter of Credit (other than a proposed breach or breach relating to the subject of certain reserved matters) which is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, each such modification, authorisation or waiver shall be notified by the Issuer or the Guarantor (as the case may be) to the Bondholders.

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

The Conditions, the Deed of Guarantee, the Trust Deed and the Agency Agreement are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, the Hong Kong courts may require certain additional procedures to be taken.

Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region

Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Choice of Court Arrangement**"), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or the fundamental principles of the PRC law or meets other circumstances specified by the Choice of Court Arrangement. In addition, on 18 January 2019, the Supreme People's Court of China (the "**SPC**") and the government of Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**RRE Arrangement**"). The RRE Arrangement came into effect on 29 January 2024, the Mainland Judgments in Civil and Commercial Matters (Reciprocal Enforcement) Ordinance (Cap. 645) of Hong Kong laws and the Supreme People's Court on 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 (Judicial Interpretation [2024] No. 2 (最高人民法院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(法釋[2024]2號)). The RRE Arrangement extends the scope of judicial assistance and shall take effect after the necessary procedures to enable its implementation are completed in both the PRC and Hong Kong. The RRE Arrangement, upon its commencement on 29 January 2024, supersedes the Choice of Court Arrangement. However, the Choice of Court Arrangement will continue to apply to a "choice of court agreement" in writing (if any) made between the relevant parties before the commencement of the RRE Arrangement. While it is expected that the PRC courts may recognise and enforce a judgment given by the Hong Kong courts in respect of a dispute governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Bonds will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holders' ability to initiate a claim outside Hong Kong will be limited.

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

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

The Issuer may redeem the Bonds at its option, in whole but not in part, at a redemption price equal to their principal amount, together with interest accrued up to but excluding the date fixed for redemption if, subject to certain conditions, as a result of a change in or amendment to tax laws or regulations of the British Virgin Islands or the PRC and such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in the Conditions), as further described in Condition 7(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 and first payment of interest on them, the making or submission of the NDRC Post-issue Filing and the submission of the Cross-Border Security Registration and the giving of consequent notices thereof (see "*Terms and Conditions of the Bonds — Further Issues*")) or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

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

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

The LC Bank's ability to perform its obligations under the Standby Letter of Credit is subject to its financial condition.

The ability of the LC Bank to make payments under the Standby Letter of Credit will depend on its financial condition, which could be materially and adversely affected by a number of factors, including, but not limited to, the following:

- Impaired loans and advances: The LC Bank's results of operations have been and will continue to be negatively affected by its impaired loans. If the LC Bank is unable to control effectively and reduce the level of impaired loans and advances in its current loan portfolio and in new loans the LC Bank extends in the future, or the LC Bank's allowance for impairment losses on loans and advances is insufficient to cover actual loan losses, the LC Bank's financial condition could be materially and adversely affected.

- Collateral and guarantees: A substantial portion of the LC Bank's loans is secured by collateral. In addition, a substantial portion of its PRC loans and advances is backed by guarantees. If the LC Bank is unable to realise the collateral or guarantees securing its loans to cover the outstanding principal and interest balance of such loans due to various factors the LC Bank's financial condition could be materially and adversely affected.

- Loans to real estate sector and government financing platforms: the LC Bank's loans and

- advances to the real estate sector primarily comprise loans issued to real estate companies and individual housing loans. The real estate market may be affected by many factors, including, without limitation, cyclical economic volatility and economic downturns. In addition, the PRC government has in recent years imposed macroeconomic control measures that are aimed at preventing the real estate market from over-heating. Such factors may adversely affect the growth and quality of its loans to the real estate industry and, consequently, the LC Bank's financial condition and results of operations. Loans to government financing platforms are a part of the loan portfolio of the LC Bank. The government revenues are primarily derived from taxes and land premiums. Therefore, economic cycles and fluctuations in the real estate market may also adversely affect the quality of such loans.

In addition, as the LC Bank has not waived sovereign immunity for the purpose of the Standby Letter of Credit, it is possible that such immunity is asserted at the time of enforcement of the Standby Letter of Credit.

The Standby Letter of Credit is subject to a maximum limit and may not be sufficient to satisfy all payments due under the Standby Letter of Credit.

The Standby Letter of Credit is subject to a maximum limit which may not be sufficient to satisfy all obligations potentially due at the time the Trustee draws on the Standby Letter of Credit. The Bonds will have the benefit of the Standby Letter of Credit up to U.S.$103,650,000 (the "**Maximum Limit**"), an amount representing only (i) the aggregate principal amount of the Bonds plus interest payable for one interest period (being six months) in accordance with the Conditions and (ii) U.S.$1,000,000 being the maximum amount payable under the Standby Letter of Credit for any fees, costs, expenses, indemnity payments and all other amounts payable by the Issuer under or in connection with the Bonds, the Trust Deed, the Agency Agreement and/or any other transaction document relating to the Bonds. There can be no assurance that the Maximum Limit will be sufficient to fully satisfy the aforementioned payments at the time the Trustee makes the one allowed drawing under the Standby Letter of Credit.

The Standby Letter of Credit expires one month after the Maturity Date.

The Standby Letter of Credit will expire after 6:00 p.m. (Hong Kong time) on 25 April 2027. In the event that the Trustee does not enforce the Standby Letter of Credit by this expiration time, the Bondholders and the Trustee will not be able to benefit from the credit protection provided by the LC Bank. Furthermore, in the event that any payment from the Issuer to the Trustee is avoided by virtue of any laws relating to bankruptcy, insolvency, liquidation or similar laws of general application for the time being in force and a written notice claiming such avoided payment under the Standby Letter of Credit was not given to the LC Bank on or before the expiry time of the Standby Letter of Credit, the Bondholders and the Trustee will not be able to recover such avoided payment from the LC Bank under the Standby Letter of Credit.

The Standby Letter of Credit may be subject to additional regulatory registration or approval requirements.

Payments of principal and interest in respect of the Bonds will have the benefit of the Standby Letter of Credit. Under the Provisions on Foreign Exchange Administration for Cross-border Guarantees (跨境擔保外匯管理規定)) promulgated by SAFE on 12 May 2014 and which came into effect on 1 June 2014 ("**Circular 29**"), any PRC institutions that enter into overseas loans with onshore guarantee shall register the loan and guarantee in accordance with the provisions of Circular 29. In cases where the guarantors are banking institutions, they are required to submit the data relevant to the loans and guarantees to SAFE or its local counterparts by means of data interchange procedures or otherwise. The Standby Letter of Credit is considered a form a domestic guarantee requiring registration. Thus, the LC Bank is required to file the information regarding the Standby Letter of Credit to SAFE through the online capital account transaction system maintained by SAFE. While the reporting is not a prerequisite for the Standby Letter of Credit to have legal effect under PRC law, the LC Bank may be subject to certain administrative inspection and penalties if it does not duly complete the reporting procedure as required under the Circular 29 and the payment to be made under the Standby Letter of Credit may be delayed until the completion of such inspections and penalties. However, there is only a limited volume of published decisions on the interpretation and/or enforcement of Circular 29. There is no assurance that Circular 29 will not be amended in the future to provide for the requirement that the Standby Letter of Credit will require any other approval from, or registration with, the relevant PRC governmental authorities. There is no assurance that such approval or registration will be obtained or completed. Furthermore, any amendment to Circular 29 may be made with retroactive effect and may require the Standby Letter of Credit to be approved by or registered with the relevant PRC governmental authorities. This may adversely affect the validity or enforceability of the Standby Letter of Credit in the PRC.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to amendment and save for the paragraphs in italics, is the text of the Terms and Conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of the U.S.$100,000,000 in aggregate principal amount of 5.30 per cent. credit enhanced guaranteed bonds due 2027 (the "**Bonds**", which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith) was authorised by a written resolution of the sole director of HAIXI OVERSEAS INVESTMENT COMPANY LIMITED (the "**Issuer**") dated 15 March 2024 and the guarantee of the Bonds was authorised by a resolution of the board of directors of Jiangsu Jinguan Investment Development Group Co., Ltd. (江蘇金灌投資發展集團有限公司) (the "**Guarantor**") dated 15 August 2023 and a resolution of the shareholders of the Guarantor dated 15 August 2023. The Bonds are constituted by a trust deed dated 25 March 2024 (as amended, supplemented or replaced from time to time, the "**Trust Deed**") between the Issuer, the Guarantor and The Bank of New York Mellon, London Branch (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for itself and the holders of 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 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 25 March 2024 executed by the Guarantor and the Trustee relating to the Bonds. The Bonds are the subject of an agency agreement dated 25 March 2024 (as amended, supplemented or replaced from time to time, the "**Agency Agreement**") relating to the Bonds between the Issuer, the Guarantor, the Trustee, The Bank of New York Mellon SA/NV, Dublin Branch as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time with respect to the Bonds) and as transfer agent (in such capacity, the "**Transfer Agent**", which expression includes any successor or additional transfer agents appointed from time to time with respect to the Bonds), and The Bank of New York Mellon, London Branch as the principal paying agent (in such capacity, the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time with respect to the Bonds, and together with the paying agents with respect to the Bonds, the "**Paying Agents**", which expression includes any additional or successor paying agents appointed from time to time with respect to the Bonds) and any other agents named therein, The Bank of New York Mellon, London Branch as the account bank (in such capacity, the "**Pre-funding Account Bank**", which expression shall include any successor) with which the Pre-funding Account (as defined below) is held and as the account bank (in such capacity, the "**LC Proceeds Account Bank**", which expression shall include any successor) with which the LC Proceeds Account (as defined below) is held. References herein to "**Agents**" means the Principal Paying Agent, the Registrar, the Transfer Agent(s), the Paying Agent(s) and any other agent or agents appointed from time to time with respect to the Bonds. The Bonds will have the benefit of an irrevocable standby letter of credit (the "**Standby Letter of Credit**") dated on or about 25 March 2024 issued by Bank of Jiangsu Co., Ltd. Lianyungang Branch (the "**LC Bank**").

Copies of the Trust Deed, the Deed of Guarantee, the Agency Agreement and the Standby Letter of Credit are (i) available for inspection by Bondholders (as defined below) upon prior written request and proof of holding and identity satisfactory to the Trustee or the Principal Paying agent (as the case may be) during normal business hours (being between 9:00 a.m. (London time) to 3:00 p.m. (London time) from Monday to Friday (other than public holidays)) at the principal office of the Trustee (being at the Issue Date (as defined below) at 160 Queen Victoria Street, London, EC4V 4LA, United Kingdom) and at the specified office for the time being of the Principal Paying Agent or (ii) available electronically via e-mail from the Principal Paying Agent to any Bondholder following prior written request and proof of holding and identity satisfactory to the Principal Paying Agent. 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 applicable to them of the Agency Agreement and the Standby Letter of Credit.

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

1 FORM, SPECIFIED DENOMINATION AND TITLE

The Bonds are issued in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof (the "**Specified Denomination**").

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

Title to the Bonds shall pass by registration in the register (the "**Register**") that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement. Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bond shall be deemed to be and may 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) representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Bondholder**" or "**holder**" in relation to a Bond 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 represented by a global certificate (the "**Global Certificate**") deposited with a common depositary for, and representing Bonds registered in the name of a nominee of, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). These Conditions are modified by certain provisions contained in the Global Certificate. See "Summary of Provisions Relating to the Bonds in Global Form".*

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

2 TRANSFERS OF BONDS

(a) **Transfer:** A holding of Bonds may, subject to the Agency Agreement and Condition 2(d) and 2(e), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or such Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred (which shall be in the Specified Denomination) and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor (which shall be in the Specified Denomination). In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

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

(b) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within seven business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of any Transfer Agent or of the Registrar (as the case may be) to whom delivery of such form of transfer or surrender of Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), "**business day**" means a day, other than a Saturday or 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).

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

(d) **Closed Periods:** No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for any payment of principal in respect of that Bond, (ii) after a Put Exercise Notice in respect of such Bond has been deposited pursuant to Condition 7(c), (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 8(a)(ii)) or (iv) after notice of redemption has been given pursuant to Condition 7(b).

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

3 GUARANTEE AND STATUS

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

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

4 STANDBY LETTER OF CREDIT AND PRE-FUNDING

(a) **Standby Letter of Credit:** The Bonds will have the benefit of the Standby Letter of Credit issued in favour of the Trustee, on behalf of itself and the holders of the Bonds, by the LC Bank. The Standby Letter of Credit shall be drawable by the Trustee as beneficiary under the Standby Letter of Credit on behalf of itself and the holders of the Bonds upon the presentation of a demand by authenticated SWIFT (or by such method of communication otherwise permitted under the Standby Letter of Credit) sent by or on behalf of the Trustee by the Delegate (as defined in Condition 4(b) below) to the LC Bank in accordance with the Standby Letter of Credit (the "**Demand**") stating that (i) the Issuer has failed to comply with Condition 4(b) in relation to pre-funding the amount that is required to be pre-funded under these Conditions and/or failed to provide the Required Confirmations (as defined below) in accordance with Condition 4(b) or (ii) an Event of Default (as defined in these Conditions) has occurred and the Trustee has given notice in writing to the Issuer that the Bonds are immediately due and payable in accordance with these Conditions or (iii) the Issuer has failed to pay the fees, costs, expenses and other amounts it is obliged to pay under these Conditions in connection with the Bonds, the Trust Deed, the Agency Agreement and/or any other transaction documents relating to the bonds when due and such failure has continued for a period of seven days from the date of the Trustee delivering its demand therefor to the Issuer in accordance with these Conditions.

Only one drawing under the Standby Letter of Credit is permitted.

Such drawing on the Standby Letter of Credit will be payable in U.S. dollars to or to the order of the Trustee at the time and to the account specified in the Demand presented to the LC Bank. Payment received by the Trustee in respect of the Demand will be deposited into the LC Proceeds Account.

The payment made under the Standby Letter of Credit in respect of any amount payable under these Conditions or in connection with the Bonds, the Agency Agreement, the Guarantee and/or the Trust Deed shall, to the extent of the drawing paid to or to the order of the Trustee, satisfy the obligations of the Issuer and the Guarantor in respect of such amount payable under these Conditions or in connection with the Bonds, the Agency Agreement, the Guarantee and/or the Trust Deed.

The LC Bank's aggregate liability under the Standby Letter of Credit shall be expressed and payable in U.S. dollars and shall not in any circumstances exceed U.S.$103,650,000 (the "**Maximum Limit**"), an amount representing only (i) the aggregate principal amount of the Bonds plus interest payable for one interest period (being six months) in accordance with these Conditions and (ii) U.S.$1,000,000 being the maximum amount payable under the Standby Letter of Credit for any fees, costs, expenses, indemnity payments and all other amounts payable by the Issuer under or in connection with the Bonds, the Trust Deed, the Agency Agreement and/or any other transaction document relating to the Bonds. The Standby Letter of Credit expires at 6:00 p.m. (Hong Kong time) on 25 April 2027.

See "Appendix A — Form of Irrevocable Standby Letter of Credit" in the Offering Circular for the form of the Standby Letter of Credit.

(b) **Pre-funding:** In order to provide for the payment of any amount in respect of the Bonds (other than the amounts payable under Condition 7(d)) (the "**Relevant Amount**") as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than 10:00 a.m. (London time) on the Business Day falling nine Business Days (the "**Pre-funding Date**") prior to the due date for such payment under these Conditions:

(i) unconditionally pay or procure to be paid the Relevant Amount into the Pre-funding Account; and

(ii) deliver to the Trustee and the Principal Paying Agent by facsimile (x) a Payment and Solvency Certificate signed by any Authorised Signatory (as defined in the Trust Deed) of the Issuer, and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (London time) on the Business Day immediately preceding the due date for such payment (together, the "**Required Confirmations**").

If the Relevant Amount has not been paid into the Pre-funding Account in full and the Pre-funding Account Bank has notified the Trustee of such failure, or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (London time) on the Business Day immediately following the Pre-funding Date (a "**Pre-funding Failure**"), the Trustee shall:

(i) send the notice (the "**Pre-funding Failure Notice**") to the Bondholders by the second Business Day immediately following the Pre-funding Date of (a) the Pre-funding Failure and (b) the redemption of the Bonds in accordance with Condition 7(d) to occur as a result of the Pre-funding Failure, and

(ii) by no later than 6:00 p.m. (Hong Kong time) on the second Business Day immediately following the Pre-funding Date issue a Demand to the LC Bank (which will be presented by the Trustee or on behalf of the Trustee by The Bank of New York Mellon, Hong Kong Branch acting as the Trustee's delegate in relation to the Standby Letter of Credit (the "**Delegate**")) for the principal amount in respect of all of the Bonds then outstanding, together with interest accrued to, but excluding, the Mandatory Redemption Date (as defined in Condition 7(d)) and all fees, costs, expenses, indemnity payments and all other amounts under or in connection with the Bonds, the Agency Agreement, the Trust Deed and/or any other transaction document relating to the Bonds, provided that, in accordance with the Standby Letter of Credit, the Trustee need not physically present the Demand to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT, provided that in the event that the SWIFT system is not available for any reason, the Trustee may instead present a Demand via facsimile transmission as contemplated in the Standby Letter of Credit. Following receipt by the LC Bank of such Demand by 6:00 p.m. (Hong Kong time) on a Business Day, the LC Bank shall by 10:00 a.m. (Hong Kong time) on the fourth Business Day after the Business Day on which the LC Bank receives such Demand (or, if such Demand is received after 6:00 p.m. (Hong Kong time) on a Business Day, the fifth Business Day after the Business Day on which the LC Bank receives such Demand), pay to or to the order of the Trustee the amount in U.S. dollars specified in the Demand to the LC Proceeds Account.

For the purposes of this Condition 4:

“**Business Day**” means a day (other than a Saturday, a Sunday or a public holiday) on which banks and foreign exchange markets are open for business in Hong Kong, Beijing, London and New York City;

“**LC Proceeds Account**” means a non-interest bearing U.S. dollar account established in the name of the Trustee with the LC Proceeds Account Bank;

“**Payment and Solvency Certificate**” means a certificate in substantially the form set forth in the Agency Agreement stating the Relevant Amount in respect of the relevant due date in respect of the Bonds and confirming that (A) a payment for the Relevant Amount has been made by the Issuer to the Pre-funding Account in accordance with Condition 4(b) and (B) each of the Issuer and the Guarantor is solvent; and

“**Pre-funding Account**” means a non-interest bearing U.S. dollar account established in the name of the Issuer with the Pre-funding Account Bank and designated for the purposes specified above.

5 COVENANTS

(a) **Issuer Activities:** The Issuer shall not, and the Guarantor will procure that the Issuer will not, carry on any business activity whatsoever other than in connection with the issue of the Bonds or other bonds and any other activities reasonably incidental thereto (such activities shall, for the avoidance of doubt, include the entry into of currency and interest rate swap transactions and the on-lending of the proceeds of the issue of the Bonds or other bonds and/or such swap transactions to any other Subsidiaries of the Guarantor or to the Guarantor).

(b) **Undertakings relating to the Bonds and the Guarantee:** The Guarantor undertakes (A) to file or cause to be filed with the National Development and Reform Commission of the PRC (the “**NDRC**”) the requisite information and documents in respect of the issue of the Bonds within ten PRC Business Days (as defined in Condition 5(d)) after the Issue Date and in accordance with the Administrative Measures for the Review and Registration of Medium- and Long-term Foreign Debts of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) (the “**NDRC Measures**”) issued by the NDRC effective from 23 February 2023 and any implementation rules, notices, regulations and guidelines as issued by the NDRC from time to time (the “**NDRC Post-issue Filing**”) and comply with all applicable PRC laws and regulations in relation to the issue of the Bonds (including but not limited to any related filing requirement under the NDRC Measures); and (B) to submit all information and documents necessary to register or cause to be registered with the State Administration of Foreign Exchange or any relevant local branch thereof (“**SAFE**”) the Deed of Guarantee, within 15 PRC Business Days after execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the “**Cross-Border Security Registration**”). The Guarantor shall use its best endeavours to comply with all applicable PRC laws and regulations in relation to the Guarantee.

The Guarantor shall within ten PRC Business Days after the later of (i) the completion of the NDRC Post-issue Filing and (ii) the submission of the Cross-Border Security Registration, provide the Trustee with (A) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed) of the Guarantor confirming the submission of the NDRC Post-issue Filing and the Cross-Border Security Registration; and (B) copies of the relevant documents evidencing the submission of the NDRC Post-issue Filing (if any) and the Cross-Border Security Registration with SAFE, each certified in English by an Authorised Signatory of the Guarantor as being a true and complete copy of the original (the "**Registration Documents**").

In addition, the Guarantor shall procure that within five PRC Business Days after the documents comprising the Registration Documents are delivered to the Trustee, the Issuer shall give notice substantially in the form set out in the Trust Deed to the Bondholders (in accordance with Condition 17) confirming the submission of the NDRC Post-issue Filing and the Cross-Border Security Registration.

The Trustee may rely conclusively on the Registration Documents and shall have no obligation or duty to monitor or assist with the Cross-Border Security Registration and/or the NDRC Post-issue Filing or ensure (x) the Cross-Border Security Registration with SAFE is completed as required by this Condition 5(b) and/or (y) the NDRC Post-issue Filing is completed to the NDRC as required by this Condition 5(b) or to verify the accuracy, validity and/or genuineness of the Registration Documents or any other documents in relation to or in connection with the NDRC Post-issue Filing and/or the Cross-Border Security Registration or to give notice to the Bondholders confirming the submission of the NDRC Post-issue Filing and the Cross-Border Security Registration, and the Trustee shall not be liable to Bondholders or any other person for not doing so.

(c) **Financial Statements:** So long as any Bond remains outstanding, the Guarantor shall furnish the Trustee with (i) a copy of the relevant Guarantor Audited Financial Reports within 150 calendar days of the end of each Relevant Period prepared in accordance with PRC GAAP (audited by a nationally or internationally recognised firm of independent accountants) of the Guarantor and its Subsidiaries and if such reports shall be in the Chinese language, together with an English translation of the same translated by (A) a nationally or internationally recognised firm of accountants or (B) a professional translation service provider and checked by a nationally or internationally recognised firm of accountants, together with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate; and (ii) a copy of the Guarantor Unaudited Semi-Annual Financial Reports within 120 calendar days of the end of each Relevant Period and if such statements shall be in the Chinese language, together with an English translation of the same translated by (A) a nationally or internationally recognised firm of accountants or (B) a professional translation service provider and checked by a nationally or internationally recognised firm of accountants, together with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate.

(d) **Compliance Certificate:** So long as any Bond remains outstanding, each of the Issuer and the Guarantor will send to the Trustee: (i) at the same time as the Guarantor Audited Financial Reports are provided pursuant to Condition 5(c); and (ii) within 14 days of any request by the Trustee, a Compliance Certificate.

In these Conditions:

"**Compliance Certificate**" means a certificate (substantially in the form scheduled to the Trust Deed) of each of the Issuer and the Guarantor (as the case may be) in English signed by any Authorised Signatory of the Issuer or the Guarantor (as the case may be) 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 that:

(i) no Event of Default (as defined in Condition 10) or Potential Event of Default (as defined in the Trust Deed) has occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

(ii) the Issuer or the Guarantor (as the case may be) has complied with all its covenants and obligations under the Trust Deed, the Bonds and the Deed of Guarantee or, if any non-compliance had occurred, giving details of it.

The Trustee shall be entitled to rely conclusively upon Compliance Certificates of the Issuer or the Guarantor given as contemplated in these Conditions and shall not be liable to any Bondholder or any other person for so relying upon such certificates.

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

"**Guarantor Audited Financial Reports**" means, for a Relevant Period, the annual audited consolidated financial statements 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, prepared in accordance with the PRC GAAP;

"**Guarantor Unaudited Semi-Annual Financial Reports**" means, for a Relevant Period, the unaudited and unreviewed consolidated balance sheet, consolidated income statement, consolidated statement of cash flow and consolidated statement of changes in owners' equity of the Guarantor together with any statements, reports (including any directors' and auditors' reports) and notes (if any) attached to or intended to be read with any of them, prepared on a basis consistent with PRC GAAP;

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

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

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

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

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

6 INTEREST

The Bonds bear interest on their outstanding principal amount from and including 25 March 2024 (the "**Issue Date**") at the rate of 5.30 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.$26.50 per Calculation Amount (as defined below) on 25 March and 25 September in each year (each an "**Interest Payment Date**"), commencing on 25 September 2024.

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

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

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).

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

7 REDEMPTION AND PURCHASE

(a) **Final Redemption:** Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 25 March 2027. The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 7.

(b) **Redemption for Taxation Reasons:** The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) and to the Trustee and the Principal Paying Agent, at their principal amount (together with interest accrued to, but excluding, the date fixed for redemption), if the Issuer and/or the Guarantor (as the case may be) satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in Condition 9) as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 20 March 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 such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this Condition 7(b), the Issuer (or the Guarantor, as the case may be) shall deliver to the Trustee (x) 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 7(b) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and (y) an opinion, addressed to and in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment. The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in (i) and (ii) above of this Condition 7(b), in which event they shall be conclusive and binding on the Bondholders.

(c) **Redemption for Change of Control:** At any time following the occurrence of a Change of Control, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date (as defined below) at 100 per cent. of their principal amount, together in each case with interest accrued up to but excluding such Put Settlement Date. In order to exercise such right, the holder of the relevant Bond must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, substantially in the form scheduled to the Agency Agreement, obtainable from the specified office of the Principal Paying Agent or any other Paying Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed by not later than 30 days following a Change of Control, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 17.

The "**Put Settlement Date**" shall be the fourteenth day after the expiry of such period of 30 days as referred to above. A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

The Issuer shall give notice in writing to Bondholders in accordance with Condition 17 and to the Trustee and the Principal Paying Agent in writing by not later than 14 days following the first day on which it becomes aware of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 7(c).

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Change of Control or any event which could lead to a Change of Control has occurred or may occur and each of them shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Issuer or the Guarantor, and none of the Trustee or the Agents shall be liable to the holders, the Issuer, the Guarantor or any other person for any loss arising from their not doing any of the foregoing.

In this Condition:

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

(i) the Controlling Persons, acting together, cease to Control the Guarantor;

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

(iii) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of the Guarantor's assets to any other person or persons, except where such person(s) (in the case of asset sale or transfer) or the surviving entity (in the case of consolidation or merger) is/are, directly or indirectly 100 per cent. held or owned by the Controlling Persons (whether singly or in combination);

"**Control**" of any person means (i) the ownership, acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of such Person, whether obtained directly or indirectly, or (ii) the right to appoint and/or remove the majority of the members of such Person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; and the term "Controlled" shall have the meanings correlative to the foregoing;

"**Controlling Persons**" means (i) the Guannan County People's Government (灌南縣人民政府); and/or (ii) the Lianyungang Municipal People's Government (連雲港市人民政府); and/or (iii) the government of the PRC; and/or (iv) any other person directly or indirectly Controlled by the government of the PRC; and

a "**person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state, agency of a state (in each case whether or not being a separate legal entity).

So long as the Bonds are represented by the Global Certificate, a right of a Bondholder to redemption of the Bonds following the occurrence of a Change of Control will be effected in accordance with the rules of the relevant clearing systems.

(d) **Mandatory Redemption upon Pre-funding Failure:** The Bonds shall be redeemed at their principal amount on the Interest Payment Date immediately falling after the date the Pre-funding Failure Notice is given to the Bondholders in accordance with Condition 4(b) (the "**Mandatory Redemption Date**") (together with interest accrued to, but excluding, the Mandatory Redemption Date), provided that if the holder of any Bond shall have exercised its right to require the Issuer to redeem its Bond pursuant to Condition 7(c) and a Pre-funding Failure Notice is given to the Bondholders in accordance with Condition 4(b) as a result of the Pre-funding Failure relating to the amount payable pursuant to such redemption, all the Bonds then outstanding shall be redeemed in whole, but not in part, at their principal amount in accordance with this Condition 7(d) on the Put Settlement Date, together with interest accrued to, but excluding, the Put Settlement Date, and the term "**Mandatory Redemption Date**" shall be construed accordingly.

(e) **Notices of Redemption:** All Bonds in respect of which any notice of redemption is given under this Condition 7, subject to Condition 7(d), shall be redeemed on the date specified in such notice in accordance with this Condition 7. If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 7(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 7(c)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail. Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption or Put Exercise Notice and none of them shall be liable to Bondholders, the Issuer, the Guarantor or any other person for not doing so.

(f) **Purchase:** The Issuer, the Guarantor and their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 10, 13(a) and 14.

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

(h) **Calculations:** Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption or have a duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection thereto, and shall not be liable to the Bondholders or any other person for not doing so.

8 PAYMENTS

(a) **Method of Payment:**

(i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of the Principal Paying Agent or any Paying Agent if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 8(a)(ii) below.

(ii) Interest on each Bond shall be paid on the due date to the person shown on the Register at the close of business on the Business Day falling five Business Days before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Bond shall be made in U.S. dollars by transfer to the registered account of the holder of such Bond. In this Condition 8, the "**registered account**" of a Bondholder means the U.S. dollar account maintained by or on behalf of it with a bank, details of which appear on the Register on the Record Date.

(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 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 form of the Global Certificate), 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 25 December and 1 January.*

(b) **Payments Subject to 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 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9) any law implementing an intergovernmental approach thereto.

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

(d) **Appointment of Agents:** The Principal Paying Agent, the Registrar, and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Agents, subject to the provisions of the Agency Agreement, act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar or the Transfer Agent and to appoint additional or other Agents, provided that the Issuer 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 the stock exchange on which the Bonds may be listed.

Notice of any such termination or appointment or any change of any specified office shall promptly be given by the Issuer to the Bondholders in accordance with Condition 17.

(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 Business Day, or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).

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

In this Condition 8, "**Business Day**" means a day (other than a Saturday or Sunday or public holiday) on which commercial banks and foreign exchange markets are generally open for business and settlement of U.S. dollars in New York City, London, Hong Kong and the place in which the specified office of the Principal Paying Agent is located.

9 TAXATION

All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without set-off, counterclaim, withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the British Virgin Islands or the PRC or any political subdivision or authority therein or thereof having power to tax, unless such set-off, counterclaim, 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 by or within the PRC up to and including the aggregate rate applicable on 20 March 2024 (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

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

(a) **Other connection:** to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the British Virgin Islands or the PRC other than the mere holding of the Bond; or

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

References in these Conditions to principal, premium (if any) and interest shall be deemed also to refer to any additional tax amounts which may be payable under this Condition 9 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

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

Neither the Trustee nor any Agent shall in any event be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 9 or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Guarantor or the Bondholders or any other person to pay such tax, duty, charges, withholding or other payment in any jurisdiction or be responsible to provide any notice or information in relation to the Bonds in connection with payment of such tax, duty, charges, withholding or other payment imposed by or in any jurisdiction.

10 EVENTS OF DEFAULT

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

(a) **With Respect to the Issuer and the Guarantor:**

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

(ii) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of their respective other obligations under the Bonds, the Trust Deed or the Deed of Guarantee, which default is, (i) incapable of remedy or, (ii) if such default is capable of remedy, such default is not remedied within 30 days after notice in writing of such default shall have been given to the Issuer or the Guarantor (as the case may be) by the Trustee; provided that any non-compliance with Condition 4(b) does not constitute an Event of Default under this Condition 10(a)(ii) unless and until an Event of Default has occurred under Condition 10(a)(i); or

(iii) **Cross-Default:** (i) any other present or future indebtedness of the Issuer or the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or 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 10(a)(iii) have occurred equals or exceeds U.S.$50,000,000 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 10(a)(iii) operates); or

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

(v) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any of their respective Principal Subsidiaries in respect of all or a material part of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged or stayed within 45 days; or

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

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

(viii) **Nationalisation:** (i) any step is taken by any person acting under the authority of any national, regional or local government with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or any material part of the undertaking, assets and revenues of the Issuer, the Guarantor or any Principal Subsidiary or (ii) the Issuer, the Guarantor or any Principal Subsidiary is prevented by any such person from exercising normal control over all or a material part of its undertaking, assets and revenues. For the purposes of this Condition 10(a)(viii), any reference to any material part of the undertakings or assets of the Issuer, the Guarantor or any Principal Subsidiary shall mean such material part of the undertakings or assets of the Issuer, the Guarantor or any Principal Subsidiary on its own, as the case may be, and not on a consolidated basis; or

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

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

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

(xii) **Standby Letter of Credit:** the Standby Letter of Credit is not (or is claimed by the LC Bank not to be) enforceable, valid or in full force and effect; or

(xiii) **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 the foregoing paragraphs of Condition 10(a)(iv) to Condition 10(a)(vii) (both inclusive).

In this Condition 10(a):

"**Principal Subsidiary**" means any Subsidiary of the Guarantor:

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

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

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

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

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

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

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

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

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

A certificate signed by any Authorised Signatory of the Guarantor confirming that a Subsidiary is or is not, or was or was not, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Bondholders, and the Trustee and the Agents shall be entitled to rely conclusively upon any such certificate without further investigation or query and without liability to the Bondholders or any other person.

(b) **With respect to the LC Bank:**

(i) **Cross-Default:**

(A) any Public External Indebtedness is not paid when due or, as the case may be, within any applicable grace period;

(B) any such Public External Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the LC Bank or (as the case may be) the relevant LC Bank Subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such Public External Indebtedness; or

(C) the LC Bank or any LC Bank Subsidiary fails to pay when due any amount payable by it under any guarantee or indemnity of any Public External Indebtedness,

provided that the amount of Public External Indebtedness referred to in Condition 10(b)(i)(A) or Condition 10(b)(i)(B) and/or the amount payable under any guarantee or indemnity referred to in Condition 10(b)(i)(C), individually or in the aggregate, exceeds U.S.$30,000,000 (or its equivalent in any other currency or currencies); or

(ii) **Security Enforced:** a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the LC Bank or any of the LC Bank Material Subsidiaries; or

(iii) **Insolvency:** (A) the LC Bank or any of the LC Bank Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (B) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the LC Bank or any of the LC Bank Material Subsidiaries or the whole or a material part of the undertaking, assets and revenues of the LC Bank or any of the LC Bank Material Subsidiaries, (C) the LC Bank or any of the LC Bank Material Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee or indemnity of any indebtedness given by it, or (D) the LC Bank or any of the LC Bank Material Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business, except in the case of any LC Bank Material Subsidiary, where the cessation is for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, merger or consolidation whereby the business, undertaking and assets of such LC Bank Material Subsidiary are transferred to or otherwise vested in the LC Bank and/or another Subsidiary; or

(iv) **Winding-up:** an order is made or an effective resolution is passed for the winding-up or dissolution or administration of the LC Bank or any of the LC Bank Material Subsidiaries; or

(v) **Illegality:** it is or will become unlawful for the LC Bank to perform or comply with any one or more of its obligations under the Standby Letter of Credit, and the LC Bank fails to obtain the necessary waiver or approval or complete such other necessary remedial action within 60 days such that the LC Bank may lawfully perform such obligations; or

(vi) **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 10(b)(ii) to 10(b)(iv) (both inclusive).

In this Condition 10(b):

"**LC Bank Material Subsidiary**" means an LC Bank Subsidiary of the LC Bank whose total assets or total revenue (consolidated in the case of a Subsidiary which itself has subsidiaries) as at the date at which its latest audited financial statements were prepared or, as the case may be, for the financial period to which these audited financial statements relate, account for five per cent. or more of the consolidated assets or consolidated revenue of the LC Bank as at such date or for such period. If an LC Bank Material Subsidiary transfers all of its assets and business to another LC Bank Subsidiary of the LC Bank, the transferee shall become an LC Bank Material Subsidiary and the transferor shall cease to be a LC Bank Material Subsidiary on completion of such transfer;

"**LC Bank Subsidiary**" means, in relation to any person (the "**first Person**"), at any particular time, any other person (the "**second Person**"):

(i) of which the first person controls or has the power to control, 50 per cent. or more of the share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such person; or

(ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first person; and

"**Public External Indebtedness**" means any indebtedness of the LC Bank or any LC Bank Subsidiary, or any guarantee or indemnity by the LC Bank of indebtedness, for money borrowed which (A) is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) outside the PRC (without regard, however, to whether or not such instruments are sold through public offerings or private placement) and (B) has an original maturity in excess of 365 days; and

A certificate signed by an authorised signatory of the LC Bank that in his/her opinion (making such adjustments (if any) as he/she shall deem appropriate) an entity is or is not or was or was not at any particular time or during any particular period a LC Bank Subsidiary or a LC Bank Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Guarantor, the Trustee and the Bondholders, and the Trustee shall be entitled to rely conclusively upon any such certificate without further investigation or query and without liability to the Bondholders, the Issuer, the LC Bank or any other person.

11 PRESCRIPTION

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

12 REPLACEMENT OF CERTIFICATES

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

13 MEETINGS OF BONDHOLDERS, MODIFICATION AND ENTITLEMENTS

(a) **Meetings of Bondholders:** The Trust Deed contains provisions for convening meetings of Bondholders (including by way of teleconference or videoconference call) to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or the Standby Letter of Credit. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee, and shall be convened by the Trustee if requested in writing by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to it being indemnified and/or secured and/or pre-funded to its satisfaction against any costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of certain proposals, inter alia, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, (v) to modify or release the Standby Letter of Credit (other than an amendment or supplement to, or a replacement of, the Standby Letter of Credit in connection with a further issue of securities pursuant to Condition 16 or modification pursuant to Condition 13(b)), or (vi) to modify or cancel the Deed of Guarantee (other than an amendment or supplement to the Deed of Guarantee in connection with a further issue of securities pursuant to Condition 16 or modification pursuant to Condition 13(b)), in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

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

So long as the Bonds are evidenced by the Global Certificate, Extraordinary Resolution includes a consent given by way of electronic consents through the relevant clearing system(s) by or on behalf of all the Bondholders of not less than 90 per cent in aggregate principal amount of the Bonds for the time being outstanding.

(b) **Modification of these Conditions, the Trust Deed, the Deed of Guarantee and the Standby Letter of Credit:** The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or the Standby Letter of Credit that is, in its opinion, of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed or the Deed of Guarantee), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or the Standby Letter of Credit that is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, each such modification, authorisation or waiver shall be notified by the Issuer or the Guarantor (as the case may be) to the Bondholders.

(c) **Entitlement of the Trustee:** In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 13) 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 on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

14 ENFORCEMENT

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, take such actions and/or steps and/or institute such proceedings against the Issuer, the Guarantor and/or the LC Bank as it may think fit to enforce the terms of the Trust Deed, the Bonds and/or the Deed of Guarantee and, where appropriate, to draw down on and enforce the Standby Letter of Credit, but it need not take any such actions and/or steps and/or institute 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 principal amount of the Bonds outstanding, and (b) other than in the case of the making of a drawing under the Standby Letter of Credit, it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer, the Guarantor or the LC Bank unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

15 INDEMNIFICATION OF THE TRUSTEE

Under the Trust Deed, the Trustee is entitled to be indemnified, secured and/or pre-funded to its satisfaction and to be relieved from responsibility in certain circumstances and to be paid its fees, costs, expenses, indemnity payments, and other amounts in priority to the claims of the Bondholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Guarantor, the LC Bank and any entity related to them without accounting for any profit.

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

None of the Trustee or the Agents shall have any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee, the Standby Letter of Credit or these Conditions, or ascertain whether an Event of Default, a Potential Event of Default, a Pre-funding Failure or a Change of Control has occurred, and they shall not be liable to the holders or any other person for not doing so.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement, the Deed of Guarantee, the Standby Letter of Credit 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 or clarification of directions from the Bondholders by way of an Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Guarantor, the LC Bank, 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 or clarification of directions from Bondholders or in the event that no such directions or clarification of directions are received by the Trustee.

None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer, the Guarantor, the LC Bank or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. 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.

16 FURTHER ISSUES

The Issuer may from time to time 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 except for the issue date and first payment of interest on them, the making or submission of the NDRC Post-issue Filing and the Cross-Border Security Registration and the giving of consequent notices thereof) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any further bonds issued pursuant to this Condition 16.

However, such further securities may only be issued if a further or supplemental or replacement standby letter of credit is issued by the LC Bank (or an amendment is made to the Standby Letter of Credit) on terms that are substantially similar to the Standby Letter of Credit (including that the stated amount of such further or supplemental standby letter of credit represents an increase at least equal to the principal of and one interest payment due on such further securities and any fees, costs, expenses, indemnity payments and all other amounts in connection with such issue) and such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed. References to the Standby Letter of Credit shall thereafter include such further, supplemental, replacement or amended standby letter of credit.

Any further bonds consolidated and forming a single series with the outstanding Bonds constituted by the Trust Deed or any deed supplemental to it 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.

17 NOTICES

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

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

18 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act and is without prejudice to the rights of the Bondholders as set out in Condition 14.

19 GOVERNING LAW AND JURISDICTION

(a) **Governing Law:** The Trust Deed, the Agency Agreement, the Deed of Guarantee, the Standby Letter of Credit and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction:** The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Trust Deed, the Agency Agreement, the Deed of Guarantee, the Standby Letter of Credit or the Guarantee and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Trust Deed, the Agency Agreement, the Deed of Guarantee, the Standby Letter of Credit or the Guarantee ("**Proceedings**") may be brought in such courts. Each of the Issuer and the Guarantor has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(c) **Agent for Service of Process:** Each of the Issuer and the Guarantor irrevocably appoints Haixi International Investment Company Limited of 13/F Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong as its authorised agent in Hong Kong, to receive service of process in any Proceedings based on any of the Bonds, the Guarantee, the Trust Deed or the Agency Agreement. If for any reason the Issuer or the Guarantor, as the case may be, ceases to have such an agent in Hong Kong, it will promptly appoint a substitute process agent and shall notify the Trustee of such replacement within 30 days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.

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

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

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

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

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

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or any other clearing system selected by the Issuer and approved in writing by the Trustee, the Principal Paying Agent and the Registrar through which the Bonds are held (an "**Alternative Clearing System**") is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer at its own expense will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

PAYMENT

So long as the Bonds are represented by the Global Certificate, each payment in respect of the Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

TRUSTEE'S POWERS

In considering the interests of the Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

NOTICES

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

TRANSFERS

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

CANCELLATION

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

MEETINGS

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

BONDHOLDER'S REDEMPTION

The Bondholder's redemption option in Condition 7(c) of the Conditions may be exercised by the holder of the Global Certificate giving notice to the Principal Paying Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Conditions.

ISSUER'S REDEMPTION

The option of the Issuer provided for in Condition 7(b) and Condition 7(d) of the Conditions shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by those Conditions.

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

USE OF PROCEEDS

The gross proceeds from the offering of the Bonds will be U.S.$100 million. The Group intends to use the net proceeds from this offering, after deducting commissions and other estimated expenses payable in connection with the offering, for refinancing offshore debts.

CAPITALISATION AND INDEBTEDNESS OF THE GROUP

The following table sets forth the consolidated total indebtedness (both current and non-current portions), total owner's equity and total capitalisation of the Group as at 31 December 2022 (i) on an actual basis and (ii) on an adjusted basis to give effect to the issue of the Bonds before deducting the commissions and other estimated expenses payable by the Issuer in connection with the offering of the Bonds. This following table should be read in conjunction with the Audited Annual Statements and the related notes, as included elsewhere in this Offering Circular.

	As at 31 December 2022			
	Actual		As adjusted	
	(RMB'000)	(US$'000)	(RMB'000)	(US$'000)
Short-term Indebtedness				
Short-term borrowings	1,804,500	261,628	1,804,500	261,628
Non-current liabilities due within one year	2,405,120	348,710	2,405,120	348,710
Total Short-term Indebtedness	**4,209,620**	**610,338**	**4,209,620**	**610,338**
Long-term Indebtedness				
Long-term borrowings	5,457,847	791,313	5,457,847	791,313
Bonds payable	2,089,184	302,903	2,089,184	302,903
Long-term payables	409,899	59,430	409,899	59,430
Bonds to be issued	–	–	689,720	100,000
Total Long-term Indebtedness	**7,956,930**	**1,153,646**	**8,646,650**	**1,253,646**
Total Indebtedness	**12,166,550**	**1,763,984**	**12,856,270**	**1,863,984**
Total Owner's Equity	**16,370,597**	**2,373,513**	**16,370,597**	**2,373,513**
Total Capitalisation(1)	**28,537,147**	**4,137,497**	**29,226,867**	**4,237,497**

Note:

(1) Total capitalisation represents the sum of total indebtedness and total owner's equity.

Since 31 December 2022, the Group has incurred additional indebtedness to satisfy its capital needs. For instance, in April 2023, the Group issued bonds in the aggregate principal amount of RMB229.0 million with a term of two years at the rate of 6.85 per cent.

Except as otherwise disclosed above, there has not been any material adverse change in the capitalisation or indebtedness of the Group since 31 December 2022.

DESCRIPTION OF THE LC BANK

The information included below is for information purposes only and is based on, or derived or extracted from, among other sources, publicly available information. Any information available from public sources that is referenced in this Offering Circular but is not separately included in this Offering Circular shall not be deemed to be incorporated by reference to this Offering Circular. The Issuer and the Guarantor have taken reasonable care in the compilation and reproduction of the information. None of the Issuer, the Guarantor, the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them has independently verified such information. No representation or warranty, express or implied, is made or given by the Issuer, the Guarantor, the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them as to the accuracy, completeness or sufficiency of such information. Accordingly, such information should not be unduly relied upon.

The Bonds will have the benefit of the Standby Letter of Credit which will be issued by Bank of Jiangsu Co., Ltd. Lianyungang Branch as the LC Bank. The LC Bank is a branch of Bank of Jiangsu. Under the PRC laws, the LC Bank is not a separate and independent legal person but has capacity to carry on its activities within its scope of authorisation given by Bank of Jiangsu, and if the assets of the LC Bank are not sufficient to meet the obligations of the LC Bank under the Standby Letter of Credit, Bank of Jiangsu would have an obligation to satisfy the remaining balance of the obligations under the Standby Letter of Credit.

OVERVIEW

Bank of Jiangsu was established on 24 January 2007, headquartered in Nanjing, Jiangsu Province. On 2 August 2016, Bank of Jiangsu was listed on the main board of Shanghai Stock Exchange with the stock code 600919. Bank of Jiangsu holds a financial institution license numbered B0243H232010001 from China Banking Regulatory Commission (中國銀行業監督管理委員會) (the “**CBRC**”), the predecessor of China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) (the “**CBIRC**”), and a legal entity business license (unified social credit code: 91320000796544598E) from the Jiangsu Municipal Administration of Industry and Commerce. The registered address of Bank of Jiangsu is No. 26, Zhonghua Road, Nanjing City, Jiangsu Province, the PRC.

Adhering to the mission of “creating better life and the core values of integration and innovation, pragmatic responsibility and lean growth”, Bank of Jiangsu is committed to building a leading service bank that is “Wisdom, characteristic, international and comprehensive”. As at 30 June 2023, Bank of Jiangsu had 17 tier-one branches under its banner and four subsidiaries of Suyin Financial Leasing Co., Ltd., Suyin Wealth Management Co., Ltd., Suyin KGI Consumer Finance Co., Ltd. and Baode Country Bank of Jiangsu Danyang. The service network radiates three economic circles of the Yangtze River Delta, Pearl River Delta, and Bohai Rim, and achieves full coverage of counties in Jiangsu Province, with 535 business outlets as at 30 June 2023.

BUSINESS ACTIVITIES

With approval of CBIRC and examined and approved by the company registration authority, Bank of Jiangsu enjoys the scope of business of taking public deposit; issuing short-term, medium-term and long-term loans; handling domestic settlement; handling bills acceptance and discount; issuing financial bond; issuing, cashing and underwriting government bonds as an agent, underwriting short-term financing bonds; buying and selling government bonds, financial bonds and enterprise bonds; handling inter-bank borrowing; providing service and guarantee for letter of credit; handling collection, payment and insurance service as an agent, dealing with wealth management for the customers, fund sales as an agent, precious metal sales as an agent, handling receipt and payment and taking care of assembled funds trust plan as an agent; providing safe deposit box service; handling entrusted deposit and loan service; engaging in bank card business; undertaking foreign exchange deposits; foreign exchange loans; foreign exchange remittance; foreign currency exchange; foreign exchange settlement and sale at sight and forwards; handling international settlement; undertaking self-operation of and agency for foreign exchange trading; handling inter-banking foreign exchange lending; trading and acting trading foreign currency securities other than stocks; undertaking credit investigation, consulting, witness service; providing online banking; handling other business approved by China's banking regulatory authorities and related departments.

Bank of Jiangsu's main business activities are set out below:

- **Corporate business**: Bank of Jiangsu strives to improve the quality and efficiency of serving the real economy, closely follows the policy guidance, serves the national development strategy, focuses on key areas, continuously increases support for manufacturing, infrastructure, green industries and other fields, and provides one-stop financial services for covering the full business cycle for enterprises. Bank of Jiangsu also vigorously promotes the transaction banking, e-banking, cross-border finance, underwriting services and other businesses in supply chains and provides comprehensive and customised financial service programs for customers. As at 30 June 2023, the corporate deposits and corporate loans amounted to RMB952.6 billion and RMB1,007.5 billion, respectively.

- **Retail financial business**: Bank of Jiangsu will continue to focus on the strategic goal of "expanding retail business and deepen wealth management" and insist on customer-centric and precise service in consumer finance segments. It will also continue to promote digital transformation for the business, give full play to the leading role of technology and deepen "smart retail" transformation and development. In addition, Bank of Jiangsu will establish a whole-period, whole-methods and whole-chains "Smart Retail", optimise its retail products system and improve customers' experience. As at 30 June 2023, the personal deposits and personal loans amounted to RMB666.7 billion and RMB633.1 billion, respectively.

- **Capital Businesses**: Focusing on the strategic goal of "optimising the financial market business and establishing leading advantages", Bank of Jiangsu pays close attention to market changes, flexibly adjusts trading strategies, and makes full use of product tools such as repurchase, issuance of inter-bank certificates of deposit, precious metals and foreign exchange derivatives to effectively reduce the cost of liabilities. Bank of Jiangsu has obtained the qualification of bill brokerage business, further demonstrates the advantages of standardised bill business.

- **Financial Science and Technology**: Bank of Jiangsu also puts the "Wisdom" construction at the top of the "four modernizations" strategy, grasps the trend of digital development, closely follows the development and application of cutting-edge technologies, stimulates vitality, enhances momentum, and strives to create a financial science and technology ecosystem.

Bank of Jiangsu had obtained many honours and awards in various selection activities organised by domestic and foreign institutions, among which:

- "2022 High-Quality Development Bank Tianji Award" by *Securities Times* in 2022;

- "Top Ten Outstanding Green Finance Institutions in Jiangsu Province in 2021" by Jiangsu Financial Industry Federation in 2022;

- "2022 Green Finance Pioneer Award" by *Financial Associated Press* in 2022;

- "Best Green Financial Institution Award" by Green Finance Forum of 60 in 2022;

- “Top Ten Green Financial Service Institutions” by Jiangsu Energy Storage Industry Association in 2022; and
- “The Excellent Case of Digital Transformation of Small and Medium-Sized Bank” by China Internet Information Centre in 2022.

GENERAL INFORMATION

Copies of Bank of Jiangsu’s published audited consolidated financial statements and unaudited consolidated financial statements, as well as its public filings, can be downloaded free of charge from the websites of Bank of Jiangsu and the Shanghai Stock Exchange at http://www.jsbchina.cn and http://www.sse.com.cn, respectively. The financial statements of Bank of Jiangsu and its public filings are not included in and do not form part of the Offering Circular. Information contained on the websites of Bank of Jiangsu and the Shanghai Stock Exchange is subject to change from time to time and does not form part of the Offering Circular. No representation or warranty, express or implied, is made or given by the Issuer, the Guarantor, the Managers, the Trustee, the Agents, the Account Banks or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them and none of Issuer, the Guarantor, the Managers, the Trustee, the Agents, the Account Banks or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them takes any responsibility for any information contained on websites of the Bank of Jiangsu and the Shanghai Stock Exchange.

DESCRIPTION OF THE ISSUER

OVERVIEW

The Issuer, HAIXI OVERSEAS INVESTMENT COMPANY LIMITED, is a BVI Business Company incorporated under the BVI Business Companies Act, 2004 of the British Virgin Islands (BVI Company Number: 1936406) incorporated on 8 February 2017. The Issuer is an indirect wholly-owned subsidiary of the Guarantor.

BUSINESS ACTIVITY

The Issuer was established pursuant to the objects and powers set out in its memorandum of association. As at the date of this Offering Circular, the Issuer has not carried on any business other than entering into arrangements for the issuance of the 2021 May Bonds in an aggregate principal amount of US$100 million and the issuance of the 2021 November Bonds in an aggregate principal amount of US$50 million. As at the date of this Offering Circular, the Issuer has no subsidiaries.

SOLE DIRECTOR

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

SHARE CAPITAL

The Issuer is authorised under its memorandum of association to issue a maximum of 50,000 shares of one class of no par value and one share has been issued to and is being held by Haixi International Investment Company Limited, which is a company incorporated under the laws of Hong Kong and wholly-owned by the Guarantor. The register of members of the Issuer is maintained at its registered office in the British Virgin Islands at the offices of Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing of or permission to deal in such securities is being or proposed to be sought.

FINANCIAL STATEMENTS

Under British Virgin Islands law, the Issuer is not required to publish condensed or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions. Effective from 1 January 2023, the Issuer is also required to file a financial annual return with its registered agent within nine months after the end of each year to which the financial annual return relates.

DESCRIPTION OF THE GROUP

OVERVIEW

Established and indirectly wholly-owned by the Guannan County Government, the Group is a principal entity to undertake major urban infrastructure construction projects in Guannan County. The Group finances, develops and operates Guannan County's key infrastructure. By taking advantage of the strong support it receives from the Guannan County Government, the Group has undertaken and completed a large number of civil projects of strategic importance to Guannan County since its establishment in 2003. In recent years, the Group has diversified its business portfolio to include financial services, water-related business and supply chain services business. Since its establishment, the Group has actively responded to government policies and has played a key role in the urbanisation of Guannan County.

Guannan County is a county-level city under the administration of Lianyungang in Jiangsu Province and well positioned as the southern gate to Lianyungang. Guannan County is located at the interception of the Yangtze River Delta economic belt and the coastal economic belt, and has experienced rapid economic development in recent years. According to the annual report published by the Guannan County Government in February 2024, Guannan County attracted more than 160 projects each with an investment amount over RMB100.0 million in 2023 to further promote economic development in Guannan. Guannan County was accredited as among the first batch of pilot counties for overall promotion of the agricultural mechanisation in Jiangsu Province (江蘇省首批糧食生產全程機械化整體推進示範縣). The main industries in Guannan County include chemical medicine, iron and steel metallurgy, machinery and electronics, lumber manufacturing and furniture, vintage and food and edible fungi.

The Group's business portfolio consists of six business lines, namely: (i) infrastructure construction, (ii) land development, (iii) water-related business, (iv) financial services, (v) leasing services and (vi) supply chain services. Set forth below is an overview of each business line of the Group:

- **Infrastructure construction**. Since its establishment, the Group has undertaken the development of a number of infrastructure projects which are considered important to the urbanisation of Guannan County. The projects include those related to municipal road construction, shantytown redevelopment, water facilities construction, affordable housing and water transportation and port construction. For the years ended 31 December 2020, 2021 and 2022, the Group's operating income generated from its infrastructure construction business amounted to RMB262.2 million, RMB230.9 million and RMB214.4 million, respectively, representing 25.8 per cent., 22.8 per cent. and 21.5 per cent. of the Group's total operating income for the same periods.

- **Land development**. The Group engages in rural-to-urban balanced land conversion projects and specialised agricultural projects as its land development business. For the years ended 2020, 2021 and 2022, the Group's operating income generated from its land development business amounted to RMB383.9 million, RMB382.7 million and RMB251.0 million, respectively, representing 37.8 per cent., 37.8 per cent. and 25.1 per cent. of the Group's total operating income for the same periods.

- **Water-related business**. The Group principally engages in its water-related business through its wholly-owned subsidiary, Shuoxiang Lake Water Group. The scope of its water-related business includes the provision of running water supply and wastewater treatment services. For the years ended 31 December 2020, 2021 and 2022, the Group's operating income from its water-related business amounted to RMB349.5 million, RMB356.1 million and RMB370.6 million, respectively, representing 34.4 per cent., 35.1 per cent. and 37.1 per cent. of the Group's total operating income for the same periods.

- **Financial services**. The Group offers financial guarantee and lending services. The Group principally engages in its financial guarantee services business. The Group also offers lending services, mainly to state-owned enterprises in Guannan County. For the years ended 31 December 2020, 2021 and 2022, the Group's operating income generated from its financial services business amounted to RMB9.3 million, RMB31.2 million and RMB26.5 million, respectively, representing 0.9 per cent., 3.1 per cent. and 2.6 per cent. of the Group's total operating income for the same periods.

- **Leasing services**. The Group leases office buildings mainly to government agencies, institutions and business enterprises in Guannan County. For the years ended 31 December 2020, 2021 and 2022, the Group's operating income generated from its leasing services business amounted to RMB11.4 million, RMB11.8 million and RMB12.4 million, respectively, representing 1.1 per cent., 1.2 per cent. and 1.2 per cent. of the Group's total operating income for the same periods.

- **Supply chain services**. The Group commenced its supply chain services business in 2022 and primarily through Guannan County Shengguan Industrial Co., Ltd. (灌南縣晟灌實業有限公司). The Group trades iron ores and sells to local enterprises in Lianyungang. For the year ended 31 December 2022, the Group's operating income generated from its supply chain services business amounted to RMB123.3 million, representing 12.3 per cent. of the Group's total operating income for the same periods.

The Group relies on its internal cash, annual subsidies and grants allocated by the Guannan County Government and external financing to fund its business operations. The Group maintains long-term relationships with commercial banks and other financial institutions in the PRC, which have provided low-cost capital to support its business. As at 31 December 2022, the Group had credit facilities amounting to a total of approximately RMB10.8 billion, of which approximately RMB2.8 billion had not been utilised.

For the years ended 31 December 2020, 2021 and 2022, the Group's total operating income was RMB1,016.3 million, RMB1,013.1 million and RMB999.7 million, respectively, and its net profit was RMB93.3 million, RMB161.8 million and RMB92.6 million, respectively. As at 31 December 2022, the Group's total assets were valued at RMB31,832.3 million.

In the future, the Group will continue to consolidate its leading position as a key entity in infrastructure construction and land development in Guannan County and to further develop its business into industries which it identifies as having long-term growth potential. The Group also aims to continue to grow its asset base, optimise its capital structure and enhance operational efficiency.

COMPETITIVE STRENGTHS

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

Well-positioned to leverage the strategic location of Guannan County to achieve stable business growth

The Group believes that its business success and future growth potential are largely attributable to the strategic location of Guannan County where all its business activities are conducted.

Guannan is a county-level city under the administration of Lianyungang in Jiangsu Province and well positioned as the southern gate to Lianyungang. Guannan County is located at the interception of Yangtze River delta economic belt and the coastal economic belt. Guannan has experienced rapid economic development in recent years. According to the annual report published by the Guannan County

Government in January 2023, Guannan County attracted 142 projects each with an investment amount over RMB100.0 million, three projects each with an investment amount over RMB500.0 million and one project with an investment amount over RMB10.0 billion in 2022 to further promote economic development in Guannan. The county is among the first batch of pilot counties for demonstrating ecological agriculture and forestry in Jiangsu Province (江蘇省首批生態農林業試驗示範縣) and demonstrating ecological development nationally (國家級生態示範縣). Guannan County has three industrial parks, three small and medium-sized enterprise parks and two agricultural parks. The main industries of Guannan County include chemical medicine, iron and steel metallurgy, machinery and electronics, lumber manufacturing and furniture, vintage and food and edible fungi.

In addition, Guannan is an important water transportation hub in Jiangsu Province. It connects Guannan County Lingang Industrial Park (灌南縣臨港產業區) and Lianyungang Chemical Industrial Park (連雲港化工園區), forming a hundred-mile industrial corridor. As a key participant in urban construction and development in Guannan County and an important investment and financing arm of the Guannan County Government, the Group is well-positioned to capitalise on this growth potential to further develop its business.

Strong support of the Guannan County Government

The Guannan County Government has positioned the Group as the key state-owned assets operation and urban infrastructure construction investment entity of Guannan County. The Group has received strong support from the Guannan County Government, which is critical to the Group's implementation of capital-intensive and large-scale projects. The government support received by the Group primarily includes:

- *Financial support.* For the years ended 31 December 2020, 2021 and 2022, government grants received by the Group amounted to RMB32.8 million, RMB59.7 million and RMB68.8 million, respectively.

- *Asset injection.* The Guannan County Government has also injected high-quality assets into the Group from time to time. In May 2016, the Guannan County Government injected all the equity interests of Shuoxiang Lake Water Group into the Group. Shuoxiang Lake Water Group is the only state-owned entity in the region specialised in water treatment, providing the Group with a solid foundation to further develop its water-related business.

- *Close participation in management.* In addition to the above preferential government policies, the Guannan County Government closely participates in the management of the Group. The Guarantor is indirectly wholly-owned by the Guannan County Government as at the date of this Offering Circular. The Guannan County Government has the authority to appoint the directors and senior management of the Guarantor and to review their performance.

A key entity of urban construction and development in Guannan County

The Group has undertaken and completed a large number of projects of strategic importance to Guannan County since its establishment in 2003. Since its establishment, the Group has undertaken the development of a number of infrastructure projects which are considered important to the urbanisation of Guannan County. By leading the development of major infrastructure projects in Guannan County, the Group has not only accumulated experience in the development and management of large-scale projects, but it has also consolidated its position as a key entity to implement the Guannan County Government's blueprint for developing Guannan County and further aligned its business with the interests of the Guannan County Government and Guannan County.

The Group had completed a number of shantytown redevelopment projects, including the Ziwei Garden Community (紫薇花園社區), Tongguan Shiji Jiayuan Community (銅灌世紀家園社區) and Xindong Jiayuan Community (新東佳苑社區). The Group's road construction projects include Guannan County Xingang Avenue (Phase II) (灌南縣新港大道二期工程), Guannan County Xingang Avenue (Phase III) (灌南縣新港大道三期工程), Guannan County South Ring Road (Phase I) (灌南縣南環路一期工程) and Guannan County South Ring Road (Phase II) (灌南縣南環路二期工程), Guannan East Ring Road (灌南縣東環路工程) and Guannan County Yingbin Avenue Reconstruction (灌南縣迎賓大道改造工程). The Group's water transportation and port projects include Guannan County Shuoxiang Lake Running Water Plant and Pipeline Network (灌南縣碩項湖自來水廠及管網工程), Guannan County Tianlou Running Water Plant and Pipeline Network (灌南縣田樓自來水廠入管網工程) and Guannan County Urban and Rural Wastewater Treatment Plant and Pipeline Network (灌南縣城鄉污水處理廠及管網工程). Other landmark projects that the Group undertook include Dongyao Oil Station (東腰加油站), Shuoxiang Lake Urban Drinking Water Reserve and Water Source Project (碩項湖城市飲用水備用水源地項目) and Public Wharfs in Guan River Peninsula New District (灌河半島新區範圍內的公共碼頭).

The Group's extensive operational experience over key infrastructure construction projects in Guannan County has provided it with in-depth regional knowledge and strong technical capabilities. The strength of the Group's technical knowledge, local connections and broad experience allow the Group to anticipate challenges and deliver specialised solutions across a project's entire lifecycle, allowing it to continue to be a preferred service provider for infrastructure construction in Guannan County. The county's urbanisation plan, which heightens the need for infrastructure and transportation developments, is expected to continue to provide the Group with business opportunities.

Sound and effective corporate governance and internal control

The Guarantor has instituted a sound corporate governance and internal control system. The Group's corporate governance structure follows modern corporate governance concepts and consists of the board of directors, the board of supervisors and eight operational departments led by the senior management. For details of these departments, please see "*Directors, Supervisors and Senior Management of the Guarantor — Corporate Governance*". Each of the constituents of the Group's corporate governance structure contributes to the long-term development of the Group. The board of directors of the Guarantor guides and monitors the senior management in the implementation of the Group's strategic plans, while the board of supervisors monitors the directors' performance, creating a checks-and-balances system of governance. Elected employee representatives also sit on the board of directors and board of supervisors to ensure the employees' voices are heard and considered during major decision-making of the Group. As a state-owned enterprise, the Group is regulated by the Guannan County Government. The Guannan County Government participates in and closely monitors the Group's decision-making process for key projects, reviews the Group's development strategy and investment plans of the Group and appoints, and conducts annual appraisals on, the directors, supervisors and senior management of the Group. The Group believes that this system ensures the Group's business and future strategies are fully aligned with the policies of the Guannan County Government, thereby giving the Group access to additional business opportunities as well as improving the Group's allocation of resources.

The Group's senior management team has a strong track record in communicating and working seamlessly with national and local government and regulatory authorities and maintaining good relationships with them, particularly the Guannan County Government. A number of directors, supervisors and senior management previously served as senior officials within governmental departments. Their deep understanding of the regulatory framework and government policies allows the Group to play a significant role in the development of Guannan County. The Group has also established several effective internal control systems, including systems for the management of subsidiaries, external guarantees, safe production, audit, budget, capital, human resources, financing, investment, information disclosure, connected transactions and emergency response.

Access to diversified financing channels

The Group has access to multiple financing channels in the PRC for funding to support its business development, such as bank loans and issuance of debt securities in the PRC capital market. With well-established operations in various business lines, the Group has a proven track record of raising finance and repaying debts. For instance, the Group issued domestic bonds of RMB229.0 million in April 2023 and RMB271.0 million in December 2022. Its strong credit worthiness has been recognised by domestic rating agencies, including "AA" rating maintained by CSCI Pengyuan Credit Rating Co., Ltd. In addition, the Group maintains long-term stable relationships with a number of major PRC financial institutions, including Bank of Jiangsu, Agricultural Bank of China Limited and China Construction Bank Corporation. As at 31 December 2022, the Group had credit facilities amounting to a total of approximately RMB10.8 billion, of which approximately RMB2.8 billion had not been utilised. The Group believes that this bears testament to its strong credit profile and ensures that it will have sufficient cash resources to fulfil its capital requirements.

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

As the actual controller of the Guarantor, the Guannan County Government closely participates in and monitors the decision-making processes of key infrastructure projects as well as the appointment of directors, supervisors and senior management of the Guarantor. The Group's senior management team and key operating personnel have on average over 10 years of experience in the business the Group conducts, with strong experience in project management, finance and accounting, construction and operation in various industries. A number of directors, supervisors and senior management have previously served as senior officials within various government departments and state-owned enterprises in Guannan County, and the Guarantor considers their understanding of the regulatory framework and government policies to be a significant competitive strength of the Group. For further information, see "*Directors, Supervisors and Senior Management of the Guarantor*". Under the sound leadership of its management team and leveraging on their past experience, the Group has successfully achieved its objectives to date and distinguished itself from competitors.

BUSINESS STRATEGIES

The Group aims to maintain its leading position in implementing the Guannan County Government's blueprint for urban planning, municipal construction and rural development while continuing to grow its asset base, optimise its capital structure and enhance operational efficiency. To do so, the Group intends to focus on the following strategies:

Actively continue to focus on urban infrastructure development in Guannan County

The Group plans to continue to actively leverage the strategic location of Guannan County and to increase its focus on infrastructure construction in Guannan County. With the ever-evolving regulatory environment in the PRC, the Group will work closely with the Guannan County Government to develop innovative business models to further enhance its dominant market position in infrastructure construction in Guannan County. The Group has undertaken a number of ongoing urban infrastructure development projects, including the Ecological and Environmental Safety Demonstration Park in Lianyungang Chemical Industrial Park. Designated to enhance the Lianyungang Chemical Park's overall environment, the Ecological and Environmental Safety Demonstration Park construction project mainly involves the deepening and upgrading of the wastewater pipeline network, implementing greening works, and reducing the discharge of pollutants. This project aims to improve ecological conditions within the park and its surroundings and attract investment, thereby promoting parallel economic and social development in Guannan County.

Diversify business portfolio and increase investments in new businesses

The Group intends to diversify its business portfolio by identifying and developing other synergistic and complementary business lines that present good growth potential for its future success. Since its establishment in 2003, the Group has gradually diversified its business portfolio to include water-related business activities, provision of financial guarantee and leasing services and supply chain services business, the detailed operations of which are partly geared toward the continual urbanisation and development of Guannan County. By expanding its services offerings, the Group aims to improve its position as a key entity for the Guannan County Government's implementation of the county's overall development plan. This will not only enhance the Group's contribution to the social and economic development and local prosperity of Guannan County, but also diversify the Group's revenue base, mitigate concentration risks and allow it to achieve sustainable growth.

Strengthen management structure and internal control systems

The Group will continue to improve and streamline its management structure and internal control systems, so as to further increase its safety and quality control capabilities. In addition, the Group considers effective project management to be critical to enhancing its overall operational efficiency. Mechanisms will be put in place to gradually implement the coordination of tendering and bidding management among various operational units, for example, to avoid two subsidiaries competing against each other for the same project. The Group will also allocate more resources to the Group's research and development for construction, new technologies, and project and operation management methods, while gradually implementing a centralised management system over its fixed assets, such as key technical equipment.

Adhere to prudent financial policy with stringent risk control and enhanced financial management

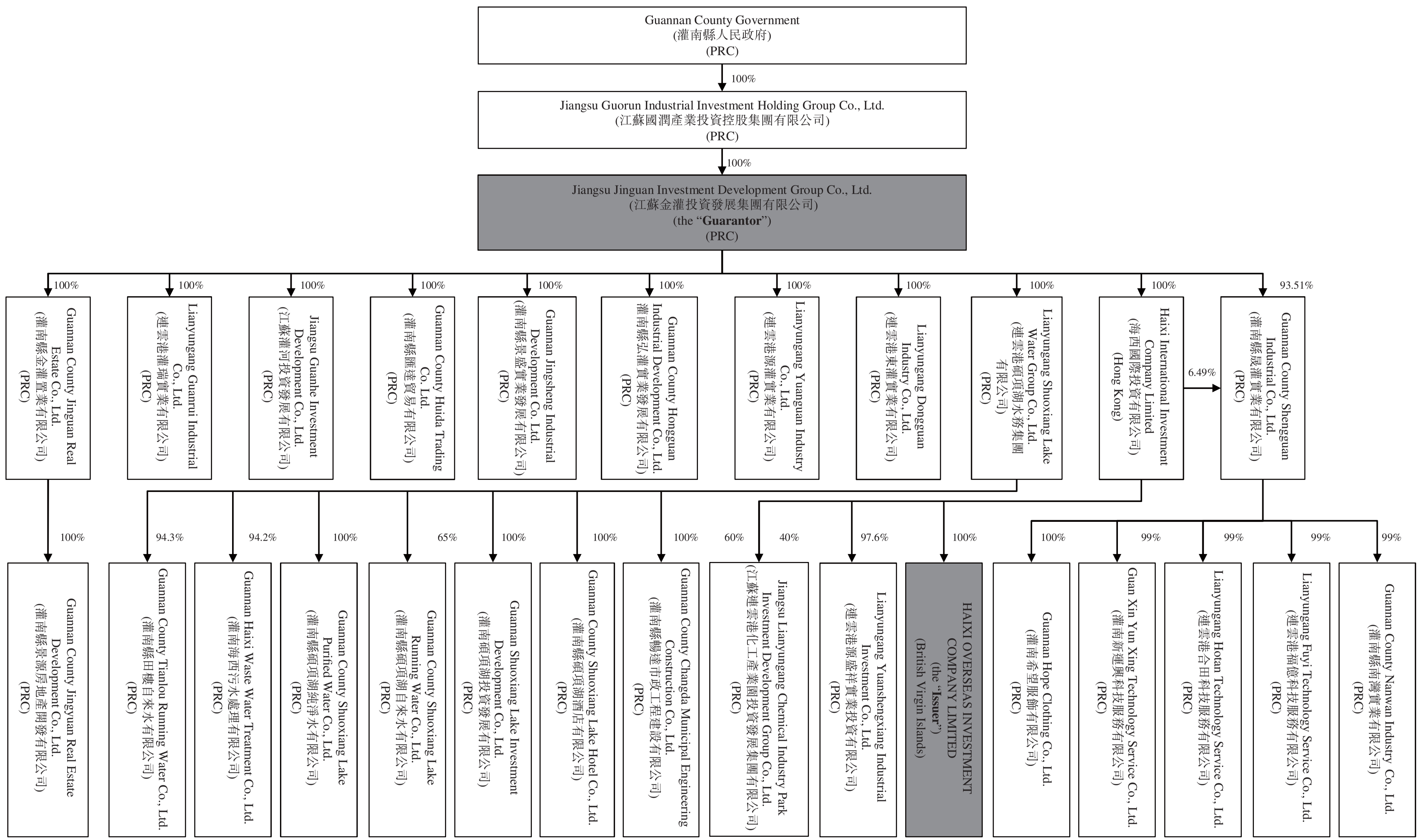
The Group plans to adhere to prudent financial policy with stringent risk control and enhanced financial management. The Group has established standardised capital management mechanisms to monitor capital, capital efficiency and capital risk prevention to effectively enhance the results and efficiency of its capital management. In respect of financial management, the Group focuses on contributing to the sustainable, healthy and rapid development of the Group and providing financial stability through financial risk control, value creation, implementation of budget management and the establishment of information platforms to assist communications and interaction between business operations and financial management. The Group will also continue to strengthen cooperation with banks, seek alternative sources of financing and maintain a balanced indebtedness structure consisting of short-term, medium-term and long-term credit facilities. The Group strives to prudently manage its financials while fulfilling investment and development needs to drive its profitability.

Explore new financing channels

The Group has traditionally funded its business operation and working capital through bank loans and issuance of short- to medium-term notes in the domestic market. The Group maintains long-term relationships with commercial banks and other financial institutions in the PRC, which have provided low-cost capital to support its business. The Group intends to explore and employ new financing channels, such as closer cooperation with financial institutions, to secure funding on more favourable terms to better support the financing needs of the Group's development project.

GROUP STRUCTURE

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



RECENT DEVELOPMENTS

Change in the Direct Ownership of the Guarantor

In November 2023, the Guannan County Government transferred its holding in the Guarantor to Jiangsu Guorun (formerly known as Guannan County Guancheng Consultancy Services Co., Ltd. (灌南縣灌誠諮詢服務有限公司)), which is in turn indirectly wholly-owned by Guannan County Government. After such equity transfer, the Guarantor became a direct wholly-owned subsidiary of Jiangsu Guorun and is indirectly wholly-owned by the Guannan County Government.

Additional indebtedness since 31 December 2022

Since 31 December 2022, the Group has incurred additional indebtedness to satisfy its capital needs. For instance, in April 2023, the Group issued bonds in the aggregate principal amount of RMB229.0 million with a term of two years at the rate of 6.85 per cent.

HISTORY AND DEVELOPMENT

The Guarantor is a state-owned enterprise, indirectly wholly-owned and controlled by Guannan County Government. On 19 December 2003, the Guarantor was established with an initial registered capital of RMB100 million in accordance with the Approval of Establishing Guannan Asset Operations Co., Ltd. and Authorising it to be a State-owned Assets Investment Entity (關於組建灌南資產經營有限公司並授權為國有資產投資主體的批覆) issued on 27 October 2003. As at the date of this Offering Circular, the registered capital of the Guarantor is RMB1,100 million.

Set forth below are certain key corporate historical events and milestones of the Group:

2003	The Guarantor was officially established on 19 December as a wholly state-owned enterprise with an initial registered capital of RMB100 million under the name of Guannan Asset Operations Co., Ltd. (灌南資產經營有限公司).
2004	On 27 May, the name of the Guarantor was changed to Lianyungang City Guannan Assets Operation Co., Ltd. (連雲港市灌南資產經營有限公司) with approval from Lianyungang City Guannan Administration for Industry and Commerce (連雲港市灌南工商行政管理局) ("**Guannan AIC**").
2007	On 24 April, the name of the Guarantor was changed to Lianyungang Jinguan Investment Development Co., Ltd. (連雲港金灌投資發展有限公司) pursuant to the Reply to Change of Name of Lianyungang City Guannan Assets Operation Co., Ltd. issued by Lianyungang SASAC and with approval from Guannan AIC.
2008	On 23 April, the Guannan County Government released the Decision relating to the Assets Replacement of Lianyungang Jinguan Investment Development Co., Ltd. (關於置換連雲港金灌投資發展有限公司有關資產的決定), pursuant to which, among others, the Guannan County Government assigned to the Guarantor a piece of land located on the northern side of Pengcheng East Road in Xin'an Town (新安鎮鵬程東路北側) with a total value of approximately RMB100 million.

On 29 May, the name of the Guarantor was changed to its current name, Jiangsu Jinguan Investment Development Group Co., Ltd. (江蘇金灌投資發展集團有限公司), with approval from Guannan AIC.

2009 . . . . On 15 September, the Guannan County Government approved an increase in the Guarantor's registered capital from RMB100 million to RMB300 million.

2011 . . . . On 9 December, the Guannan County Government approved an increase in the Guarantor's registered capital from RMB300 million to RMB360 million, in the form of a cash injection of RMB60 million.

2013 . . . . On 6 January, the Guarantor received a rating of "AA" from Pengyuan Credit Rating Co., Ltd.

2016 . . . . In May, the Guannan County Government and Guannan SASAC released the Approval relating to the Consent to the Transfer of Lianyungang Shuoxiang Lake Water Group Co., Ltd. to Jiangsu Jinguan Investment Development Group Co., Ltd. (Guanzhengfu [2016] No. 23) (關於同意將連雲港碩項湖水務集團有限公司整體劃轉至江蘇金灌投資發展集團有限公司的批覆(灌政覆[2016]23號)) and the Approval relating to the Consent to the Transfer of Lianyungang Shuoxiang Lake Water Group Co., Ltd. to Jiangsu Jinguan Investment Development Group Co., Ltd. (Guanguozifa [2016] No.12) (關於同意將連雲港碩項湖水務集團有限公司整體劃轉至江蘇金灌投資發展集團有限公司的批覆(灌國資發[2016]12號)), respectively, pursuant to which all the equity interests of Lianyungang Shuoxiang Lake Water Group Co., Ltd. were transferred at nil consideration to the Guarantor.

2017 . . . . On 21 June, the Guannan County Government approved an increase in the Guarantor's registered capital from RMB360 million to RMB600 million, in the form of a cash injection of RMB240 million.

On 4 July, the Guannan County Government and Guannan SASAC released the Approval relating to the Consent to Transfer of Lianyungang Chemical Industry Park Investment Development Co., Ltd. to Jiangsu Jinguan Investment Development Group Co., Ltd. (Guanzhengfu [2017] No. 41) (縣政府關於同意將連雲港化工產業園區投資發展有限公司劃轉至金灌集團的批覆(灌政覆[2017]41號)) and the Approval relating to the Consent to the Transfer of Lianyungang Chemical Industry Park Investment Development Co., Ltd. to Jiangsu Jinguan Investment Development Group Co., Ltd. (Guanguozifa [2016] No. 12) (關於同意將連雲港化工產業園區投資發展有限公司劃轉至江蘇金灌投資發展集團有限公司的批覆(灌國資發(2017)48號)), respectively, pursuant to which all the equity interests of Lianyungang Chemical Industry Park Investment Development Co., Ltd. were transferred at nil consideration to the Guarantor.

2019 . . . . The Group changed the focus of its land development business from general land development into specialised land development, undertaking rural-to-urban balanced land conversions and agricultural land development.

On 28 April, the Guannan County Fire Command Centre (灌南縣消防指揮中心), a project that the Group undertook under the agency construction model, was awarded Yunufeng Cup by Lianyungang City Housing and Urban Construction Bureau for its construction quality.

On 18 June, the Group successfully topped out the main building of Guannan County Finance Centre (灌南縣金融中心).

2020 . . . . On 23 January, the Group completed the construction of Guannan County Shuoxiang Lake Running Water Plant (Phase I) (碩項湖自來水廠一期).

On 1 July, the Group completed construction of Guannan County Tianlou Running Water Plant (Phase I) (灌南縣田樓自來水廠一期).

On 13 August, the Group commenced construction of an infrastructure construction project, No. 1 Courtyard (壹號院), with a total investment of RMB1,202 million and a construction scale of 251,500 square metres.

2021 . . . . On 26 May, the Group, through the Issuer, completed its debut offshore offering of the 2021 May Bonds in an aggregate principal amount of U.S.$100 million.

In May 2021, the Group commenced construction of an infrastructure construction project, Guannan County E-commerce Logistics Industrial Park (灌南縣電商物流產業園), with a total investment of RMB320.3 million and a construction scale of 56,660 square metres.

On 26 November 2021, the Group, through the Issuer, completed its offshore offering of the 2021 November Bonds in an aggregate principal amount of U.S.$50 million.

In December 2021, the Guannan County Government approved an increase in the Guarantor's registered capital of RMB500 million. After the increase, the Group's registered capital amounted to RMB1,100 million.

2022 . . . . The Group has commenced its supply chain services business to further diversify the Group's business portfolio.

DESCRIPTION OF THE GROUP'S BUSINESS

Overview

The Group is the key state-owned assets operation and urban infrastructure construction investment entity of Guannan County with an extensive business portfolio. It mainly engages in six business lines: (i) infrastructure construction, (ii) land development, (iii) water-related business, (iv) financial services, (v) leasing services and (vi) supply chain services business.

The following table sets forth a breakdown of the Group's total operating income by business line for the periods indicated:

	For the year ended 31 December					
	2020		2021		2022	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Infrastructure construction	262,231	25.8	230,927	22.8	214,432	21.5
Land development[1]	383,904	37.8	382,696	37.8	251,025	25.1
Water-related business	349,483	34.4	356,087	35.1	370,580	37.1
Financial services[2]	9,296	0.9	31,238	3.1	26,483	2.6
Leasing services	11,368	1.1	11,786	1.2	12,385	1.2
Supply chain services[3]	–	–	–	–	123,321	12.3
Others[4]	–	–	389	0.0	1,425	0.1
Total	**1,016,281**	**100.0**	**1,013,124**	**100.0**	**999,652**	**100.0**

Notes:

(1) Land development business includes land development and property sales business.

(2) Financial services business includes financial guarantee services and lending services.

(3) Supply chain services business is a new segment introduced in 2022. For details, see "*Supply Chain Services*".

(4) Others primarily include construction fees and other fees collected.

The following table sets forth the breakdown of the Group's gross profit by business line for the periods indicated:

	For the year ended 31 December					
	2020		2021		2022	
	(RMB'000)	(%)	(RMB'000)	(%)	(RMB'000)	(%)
Infrastructure construction	14,026	6.1	41,898	14.9	16,432	8.3
Land development[1]	105,385	45.8	109,897	39.0	66,236	33.6
Water-related business	89,951	39.1	87,091	30.9	70,569	35.8
Financial services[2]	9,294	4.0	30,491	10.8	25,976	13.2
Leasing services	11,368	4.9	11,786	4.2	12,385	6.3
Supply chain services [3]	–	–	–	–	4,209	2.1
Others[4]	–	–	389	0.1	1,417	0.7
Total	**230,024**	**100.0**	**281,552**	**100.0**	**197,224**	**100.0**

Notes:

(1) Land development business includes land development and property sales business.

(2) Financial services business includes financial guarantee services and lending services.

(3) Supply chain services business is a new segment introduced in 2022. For details, see "*Supply Chain Services*".

(4) Others primarily include construction fees and other fees collected.

Infrastructure Construction

Overview

Since its establishment, the Group has been a key entity for the construction and development of infrastructure projects which are considered important to the urbanisation of Guannan County. These projects include shantytown redevelopment, development of municipal roads, water transportation and port construction, public wharfs and oil station construction and affordable housing construction.

For the years ended 31 December 2020, 2021 and 2022, the Group's operating income generated from its infrastructure construction business amounted to RMB262.2 million, RMB230.9 million and RMB214.4 million, respectively, representing 25.8 per cent., 22.8 per cent. and 21.5 per cent. of the Group's total operating income for the same periods.

Business model

The Group primarily undertakes infrastructure construction through the following two models:

- *Agency construction*. Details of a project or a group of projects (such as scope of work, estimated investment amount and estimated payment) are normally set out in a project agent construction agreement, which will reflect either a buyback arrangement or a construction management arrangement, entered into between the Guarantor and the Guannan County Government or its controlled entities on a project-by-project basis. Under the buyback arrangement, the Group is required to contribute an amount specified in the agreement as investment and the Guannan County or relevant controlled entities as project owners will make payments to the Group over a set number of years. The total payment amount to be received by the Group will represent the sum of (a) the Group's investment amount; (b) return of investment at a predetermined rate per annum over the agreed payment period; and (c) investment interest at a predetermined rate per annum over the agreed payment period, which is to cover the Group's management service fees as well as compensate the Group for interest incurred due to financing the project construction. Under the construction management arrangement, the Group undertakes the role of a project manager and oversees construction and inspection prior to project delivery. The Group will be entitled to a management fee based on the total construction amount as determined upon delivery of the project.

- *Build-Operate-Own ("**BOO**")*. In BOO projects, the Group undertakes the construction, maintenance and operation of the project with no prior arrangement with the government as to the transfer or operation of the project once completed. The Group may choose to continue to operate the project or to offer the project for sale to other infrastructure operators or to the government.

The Group engages third-party contractors to carry out the construction of its infrastructure projects. It generally selects third-party contractors through its standardised public tender process. The Group endeavours to employ those companies with good reputations, strong track records, performance reliability and adequate financial resources. The Group also implements quality control procedures and closely monitors the construction progress. During the construction period, third-party contractors are responsible for the procurement of construction materials and construction in accordance with the requirements of the contract.

The Group primarily finances the infrastructure construction projects through (i) the cash flows generated from its operating activities, (ii) subsidies from the Guannan County Government, (iii) proceeds of bank and other borrowings, and (iv) issuance of corporate bonds and medium-term notes in the PRC capital markets.

Project descriptions

Completed projects

The following table sets forth the particulars of the major infrastructure construction projects the Group had completed under the agency construction model as at 31 December 2022:

Project	**Business Model**	**Year of Completion**	**Total Investment Amount**	**Total Payment Received**[(1)]
			(RMB in million)	**(RMB in million)**
Guannan County South Ring Road (Phase I) (灌南縣南環路一期工程)	Agency construction	2014	707	707
Guannan County South Ring Road (Phase II) (灌南縣南環路二期工程)	Agency construction	2015	733	733
Guannan County East Ring Road (灌南縣東環路工程)	Agency construction	2015	837	837
Guannan County Yingbin Avenue Reconstruction (灌南縣迎賓大道改造工程)	Agency construction	2014	347	347
2016 Shantytown Redevelopment Project (2016年棚戶區改造)	Agency construction	2022	1,407	1,407
Total			**4,031**	**4,031**

Note:

(1) Represents the total investment incurred as at 31 December 2022.

The following table sets forth the particulars of the infrastructure construction project the Group had completed under the BOO model as at 31 December 2022:

Project	**Business Model**	**Year of Completion**	**Total Investment Amount**
			(RMB in million)
Building A of Guannan County Financial Centre (灌南縣金融中心工程A座)	BOO	2022	230
Total			**230**

Projects under construction

The following table sets forth the particulars of the infrastructure construction projects that the Group was undertaking as at 31 December 2022:

Project	Business Model	Year of Commencement	Year of Completion	(Expected) Total Investment Amount	Investment Amount Incurred[1]
				(RMB in million)	(RMB in million)
No. 1 Courtyard (壹號院)	BOO	2018	2023	1,202	311
Zhongxin Wastewater Treatment Improvement Project (中新污水處理改造)	BOO	2018	2023	186	145
Chemical Industry Park Ecological Environmental Protection and Safety Construction Project (化工產業園區生態環保安全建設工程) . .	BOO	2019	2023	2,012	1,399
Guannan County E-commerce Logistics Park (灌南縣電商物流園)	BOO	2021	2024	320	84
Total				**3,720**	**1,939**

Note:

(1) Represents the total investment incurred as at 31 December 2022.

Land development

Pursuant to an agreement entered into between the Guarantor and the Guannan County Land Resources Bureau in 2012, the Guarantor had been designated by the Guannan County Government to conduct land development activities. Prior to 2019, the Guarantor engaged in land development under the agent construction model. Under this model, the Guarantor had to use its own funds to pay the local governments of 11 towns an estimated amount based on the land development plan. Upon completion of the land development, those local governments would report to the Guarantor, which would in turn report to the Guannan County Land Resources Bureau. Upon inspection and acceptance, the Guannan County Land Resources Bureau will pay to the Guarantor the total construction cost incurred as well as an additional amount equivalent to 15.0 per cent. of the total construction costs which is recognised as the Guarantor's operating income from such business activities.

Beginning in 2019, the Group moved away from traditional land development projects and ventured into innovative land development projects with special features. One of these projects is rural-to-urban balanced land conversion project. In the rural-to-urban balanced land conversion project, the Group assists with reclaiming rural areas into cultivated land, improving the quality of cultivated land and achieving urban construction land targets. The Group also undertakes specialised agricultural projects, which mainly involve rice fields transformation, vegetable greenhouse construction and edible fungi plant construction. For the years ended 2020, 2021 and 2022, the Group's operating income generated from its land development business amounted to RMB383.9 million, RMB382.7 million and RMB251.0 million, respectively, representing 37.8 per cent., 37.8 per cent. and 25.1 per cent. of the Group's total operating income for the same periods.

Project descriptions

The following table sets forth the particulars of the major land development projects the Group had completed as at 31 December 2022:

Project	Year of Commencement	Year of Completion	Total Investment Amount	Investment Amount Incurred(1)
			(RMB in million)	(RMB in million)
Guannan County Land Consolidation and Construction Phase I (灌南縣土地整理與建設一期)	2020	2020	186	186
Guannan County Rice and Shrimp Farming Base and Agricultural Greenhouse Project (灌南縣稻蝦種養基地及農業大棚專案)	2020	2020	92	92
Guannan County Land Consolidation and Construction Phase II (灌南縣土地整理與建設一期)	2021	2021	189	189
Guannan County Pastoral Complex Construction Project (灌南縣田園綜合體建設項目)	2021	2021	92	92
Guannan County Agricultural Greenhouse and Rice Crab Base Phase I Project (灌南縣農業大棚及稻蟹基地一期項目)	2022	2022	66	66
Guannan County Agricultural Greenhouse and Rice Crab Base Phase II Project (灌南縣農業大棚及稻蟹基地二期項目)	2022	2022	119	119
Total			**744**	**744**

Water-related Business

Overview

The Group principally engages in its water-related business, including the provision of running water supply and wastewater treatment services, through its wholly-owned subsidiary, Shuoxiang Lake Water Group. The Group commenced its water-related business in May 2016, when all the equity interests of Shuoxiang Lake Water Group were allocated to the Guarantor at the direction of Guannan SASAC. Shuoxiang Lake Water Group is the only entity in Guannan County that specialises in water works operation. For the years ended 31 December 2020, 2021 and 2022, the Group's operating income from its water-related business amounted to RMB349.5 million, RMB356.1 million and RMB370.6 million, respectively, representing 34.4 per cent., 35.1 per cent. and 37.1 per cent. of the Group's total operating income for the same periods.

The Guannan County Government provides special subsidies or grants annually to Shuoxiang Lake Water Group based on the performance of its water supply and wastewater treatment operations. For the years ended 31 December 2020, 2021 and 2022, the special subsidies or grants received by Shuoxiang Lake Water Group from the Guannan County Government in this regard amounted to RMB31.5 million, RMB58.6 million and RMB67.6 million, respectively.

Running water supply

The Group conducts its running water supply operations primarily through Shuoxiang Lake Water Group's two wholly-owned subsidiaries, Guannan County Shuoxiang Lake Running Water Co., Ltd. (灌南縣碩項湖自來水有限公司) and Guannan County Tianlou Running Water Co., Ltd. (灌南縣田樓自來水有限公司), which have a running water supply capacity of 100,000 tons per day and 60,000 tons per day, respectively. Together, Guannan County Shuoxiang Lake Running Water Co., Ltd. and Guannan County Tianlou Running Water Co., Ltd. provide substantially most of the running water supply services in Guannan County.

The customers of Guannan County Shuoxiang Lake Running Water Co., Ltd. and Guannan County Tianlou Running Water Co., Ltd. mainly include residents, industrial enterprises and bureaus in Guannan County. The price of running water is determined by Pricing Bureau of Guannan County (灌南縣物價局). The current water supply fees are calculated as follows:

	Category	Tier	Water Usage	Base Fee (A)	Treatment Fee (B)	Sourcing Fee (C)	Total Water Fee (A+B+C)
				RMB/ cubic metre	RMB/ cubic metre	RMB/ cubic metre	RMB/ cubic metre
Residential Users	Single Meter	Tier 1	Annual usage < 180 cubic metres	1.60	1.15	0.2	2.95
		Tier 2	180 cubic metres < Annual usage < 300 cubic metres	2.40	1.15	0.2	3.75
		Tier 3	Annual usage > 180 cubic metres	4.80	1.15	0.2	6.15
	Share Meter	–	–	1.60	1.15	0.2	2.95
Industrial Users	–	–	–	1.90	1.25	0.2	3.35
Special Usage Users	–	–	–	3.25	1.25	0.2	4.70

As at 31 December 2022, Shuoxiang Lake Water Group operated two water plants which in aggregate have a designated daily supplying capacity of 160,000 cubic metres per day. As at 31 December 2022, its water pipeline was approximately 458 kilometres, covering a population of approximately 800,000 persons. The following table sets forth key operating data of Shuoxiang Lake Water Group for the year ended 31 December 2022 in respect of running water supply:

	For the year ended 31 December 2022
Total Water Supplied (in thousand tonnes)	49,400
Total Water Sold (in thousand tonnes)	48,727
Sale for Residential Use (in thousand tonnes)	34,109
Sale for Industrial Use (in thousand tonnes)	12,182
Sale for Special Use (in thousand tonnes)	2,436
Length of Water Pipeline Network (kilometre)	4,900
Pipeline Leakage Rate (per cent.)	3.8
Water Quality Passing Rate (per cent.)	100
Water Pressure Passing Rate (per cent.)	100

Wastewater treatment

Apart from running water supply, the Group also engages in wastewater treatment through Guannan Haixi Waste Water Treatment Co., Ltd. (灌南海西污水處理有限公司) and Lianyungang Dongjiang Water Co., Ltd. (連雲港東江水務有限公司) ("**Lianyungang Dongjiang Water**") (previously known as Lianyungang Zhongxin Water Treatment Co., Ltd. (連雲港中新污水處理有限公司)), subsidiaries of the Guarantor. Guannan Haixi Waste Water Treatment Co., Ltd. mainly provides domestic waste water treatment services in Guannan County. Lianyungang Dongjiang Water mainly provides industrial wastewater treatment services for enterprises in Lianyungang Chemical Industrial Park. The Guannan County Government collects domestic water treatment fees from the running water plants and the fees collected are paid back directly to Shuoxiang Lake Water Group in full. The current domestic wastewater treatment fees for residential users, industrial users and special usage users are RMB1.15 per cubic metre, RMB1.25 and RMB1.25 per cubic metre, respectively. For industrial wastewater treatment services, fees are normally set out in a service agreement entered into between Lianyungang Dongjiang

Water and the enterprise after negotiation. Industrial wastewater treatment fees are directly collected by Lianyungang Dongjiang Water. The following table sets forth key operating data of Shuoxiang Lake Water Group for the year ended 31 December 2022 in respect of wastewater treatment:

	As at / For the year ended 31 December 2022
Number of Wastewater Treatment Plants	11
Wastewater Treatment Capacity (thousand tonnes per day)	56
Volume of Water Treated (in thousand tonnes)	6,675
Drainage Pipeline (kilometre)	152.7

Project descriptions

The following table sets forth the particulars of the running water plants, wastewater treatment plants and pipeline network that the Group had completed as at 31 December 2022:

Project	**Year of Commencement**	**Total Investment Amount Paid**	**Designed Daily Capacity**
		(RMB in million)	
Guannan County Shuoxiang Lake Running Water Plant and Pipeline Network (灌南縣碩項湖自來水廠及管網工程)	2017	506	100,000 cubic metres per day
Guannan County Tianlou Running Water Plant and Pipeline Network (灌南縣田樓自來水廠入管網工程)	2019	326	60,000 cubic metres per day
Total		**832**	**160,000 cubic metres per day**

Financial Services

Financial guarantee services

The Group principally engages in its financial guarantee services business. The customers of the Group mainly include large-scale state-owned enterprises supported by the Guannan County Government. The Group generally charges a fee equivalent ranging from 0.8 to 1.0 per cent. of the total guaranteed amount for its financial guarantee services. Some guarantees given are provided in support of policy programs implemented by the Guannan County Government. These public interest guarantees are charged at a lower fee. As at 31 December 2022, the total amount of the outstanding guarantees provided by Lianyungang Guan River Financing Guarantee Co., Ltd. was RMB17.1 million. For the years ended 31 December 2020, 2021 and 2022, the Group's operating income generated from its financial guarantee services amounted to RMB4.5 million, RMB6.4 million and RMB9.0 million, respectively, representing 0.4 per cent., 0.6 per cent. and 0.9 per cent. of the Group's total operating income for the same periods.

Lending services

The Group offers short-term lending services, mainly to state-owned enterprises in Guannan County. The Group charges a borrowing interest that is usually calculated based on a 30 per cent. increase of the PBOC's benchmark interest rate for one-year loans. As at 31 December 2022, the Group had provided loans to third parties as part of its lending services business for an aggregate outstanding amount of RMB89 million. For the years ended 31 December 2020, 2021 and 2022, the Group's operating income generated from its lending services amounted to RMB4.8 million, RMB24.9 million and RMB17.5 million, respectively, representing 0.5 per cent., 2.5 per cent. and 1.8 per cent. of the Group's total operating income for the same periods.

Leasing Services

The Group leases office buildings mainly to government agencies, institutions and business enterprises in Guannan County. The lease agreement entered into between the Group and its tenant generally has a term of three to five years. The rents are collected annually at an average daily price of RMB0.6 per square metre. As at 31 December 2022, the total leasable area of the Group was 66,445.2 square metres, of which a total area of 51,321.7 square metres had been leased. For the years ended 31 December 2020, 2021 and 2022, the Group's operating income generated from its leasing services business amounted to RMB11.4 million, RMB11.8 million and RMB12.4 million, respectively, representing 1.1 per cent., 1.2 per cent. and 1.2 per cent. of the Group's total operating income for the same periods.

Supply Chain Services

The Group commenced its supply chain services business in 2022 and primarily through Guannan County Shengguan Industrial Co., Ltd. (灌南縣晟灌實業有限公司). The Group trades iron ores and sells to local enterprises in Lianyungang. For the year ended 31 December 2022, the Group's operating income generated from its supply chain services business amounted to RMB123.3 million, representing 12.3 per cent. of the Group's total operating income for the same periods.

The Group primarily conducts its supply chain services business through a sales-oriented business model under which the Group will ascertain the procurement needs of downstream customers. The Group purchases the raw materials required by customers based on the entrustment of downstream customers. Customers will provide the unit price, quantity, quality and arrival time of the required goods according to their own needs. The Group selects qualified suppliers based on these conditions that meet the requirements. The Group will negotiate the purchase unit price with the supplier and sign a purchase agreement. At the same time, the Group will take samples of the goods provided by the supplier and submit them to downstream customers for review. After the goods meet the standards, the Group will negotiate the sales unit price with the downstream customers and sign a sales agreement. The Group maintains a stable relationship with the suppliers to ensure the demand to be fulfilled.

ENVIRONMENTAL 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 has implemented a group-wide environmental protection control management system to ensure compliance with applicable laws and regulation. The environmental protection control management system sets the standards to be met in terms of quality, safety and environmental protection control, clarifies the responsibility of various departments and personnel, identifies procedures, materials and other factors that are subject to the control of management, and provides for measures to be undertaken to ensure that various standards are met. The Group 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.

HEALTH AND SAFETY

The Group has taken measures to ensure compliance with applicable national and local laws and regulations concerning workspace safety. It has full-time safety management personnel responsible for supervising workplace safety and occupational health, hygiene and safety, as well as performing internal safety checks during the production process to minimise accidents, injuries and occupational diseases. In order to further strengthen workplace safety compliance policies, the Group has established operational rules for employees, and dedicate more training resources to prevent implementation of policies and practices in violation of relevant laws and regulations, and to prevent employees from committing violations of the Group's workplace safety policies and procedures. In addition, the Group provides safety education to employees and has established safety standards in relation to matters such as purchasing, installing and operating new equipment, constructing new facilities and improving existing facilities. The Group imposes safety measures, as well as regular internal safety inspections at all stages of its operational process to minimise the possibility of work-related accidents and injuries and occupational illness. As at the date of this Offering Circular, the Group had not experienced any major workplace or industrial accidents.

INSURANCE

The Group is required to obtain contractors all-risk and third-party liability insurance for most of the projects it undertakes. The Group maintains insurance coverage in amounts that it believes 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.

INTELLECTUAL PROPERTY

The Group relies on a combination of copyright, trademark and patent registrations to protect its intellectual property rights. As at the date of this Offering Circular, the Group was not aware of any infringement (i) by the Group of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by the Group. Further, as at the date of this Offering Circular, the Group was not involved in any litigation or legal proceedings in relation to any material claims of infringement, either threatened or pending, of any intellectual property rights initiated by or against the Group that had a material and adverse effect on the Group's business.

EMPLOYEES

As at 31 December 2022, the Group had 502 employees.

In accordance with the applicable regulations of local governments in regions where the Group has business operations, the Group makes contributions to the pension contribution plan, medical insurance, unemployment insurance, maternity insurance and personal injury insurance. The amount of contributions is based on the specified percentages of employees' aggregate salaries as required by 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.

The Group maintains a good working relationship with its employees and as at the date of this Offering Circular, the Group has not experienced any labour disputes that could cause a material adverse effect on the operation and performance of the Group.

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*".

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

The board of directors of the Guarantor (the "**Board**") consists of seven members, including the chairman, who is appointed by the Guannan County Government. The directors are appointed for a term of three years, which is renewable upon re-election and re-appointment. The Board is accountable to the Guannan County Government and primarily responsible for implementing the decisions of and reporting to the Guannan County Government, formulating long-term development plans and investment proposals, determining annual business plans, making annual financial budget plans, profit distribution plans and major restructuring plans, determining the management structure of the Guarantor, appointing the senior management of the Guarantor, formulating proposals for amendments to the articles of association and etc.

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

Name	Age	Position/Title
ZHOU Zhou (周洲)	40	Chairman of the Board, General Manager and Legal Representative
ZHAO Jinghui (趙京輝)	45	Employee Director and Deputy General Manager
SUN Yu (孫玉)	43	Director and Deputy General Manager
SONG Jian (宋劍)	45	Director
LIANG Zhongye (梁中業)	36	Director
SUN Mei (孫梅)	51	Director
WANG Sheng (王生)	35	Director

Mr. ZHOU Zhou (周洲) has been the chairman of the Board, general manager and the legal representative of the Guarantor since March 2021. He is also the party committee secretary of the Guarantor. He previously served as the director of the budget section of Guannan County Finance Bureau (灌南縣財政局), a director of the government procurement management section of Guannan County Finance Bureau and a deputy director of Financial Supervision Bureau of Guannan County Finance Bureau (灌南縣財政局財政監督局), which included a period of secondment to the department of economics and construction and department of budget of Lianyungang City Finance Bureau (連雲港市財政局). Mr. Zhou also served as a clerk of finance office of Tongxing Town, Guannan County (灌雲縣同興鎮財政所辦). Mr. Zhou obtained his bachelor's degree from Nanjing Audit University (南京審計大學 (previously known as "Nanjing Audit College" (南京審計學院)) in 2004.

Ms. ZHAO Jinghui (趙京輝) has been employee director of the Group since January 2024. She concurrently serves as the deputy general manager of the Guarantor. She previously served as a clerk of Guannan County Taxation Bureau (灌南縣地稅局), a clerk of Guannan County Tobacco Bureau (灌南縣煙草專賣局), a deputy section head of the finance section and the director of the Guarantor. Ms. Zhao obtained her bachelor's degree in law from Jiangsu Provincial Party School (中共江蘇省委黨校) in 2007.

Ms. SUN Yu (孫玉) has been a director of the Guarantor since January 2023. She previously served as a delegate accountant of the Accounts Management Centre of Guannan County Finance Bureau, a finance section head and a department head of the financial audit department of the Guarantor. Ms. Sun obtained her bachelor's degree in accounting from Nanjing University of Finance and Economics (previously known as "Nanjing College of Economics") in 2012. She is a senior accountant.

Mr. SONG Jian (宋劍) has been the director of the Guarantor since December 2021. He previously served as an inspector of Guannan County Transportation Inspection Brigade (灌南縣運政稽查大隊), an accountant and deputy chief of the finance section of Guannan County Transportation Bureau, a director of investment promotion office and a director of the reception office of Guannan County Transportation Bureau and a deputy general manager of Jiangsu Jinluyuan Transportation Development Group Co., Ltd. (江蘇金路源交通發展集團有限公司). Mr. Song obtained his bachelor's degree in law from Central Party School of the Central Committee of the Communist Party of China (中共中央黨校).

Mr. LIANG Zhongye (梁中業) has been the director of the Guarantor since December 2021. He previously served as a clerk, deputy director and director of Guannan County Construction Engineering Quality Supervision Station (灌南縣建築工程品質監督站). Mr. Wang obtained his bachelor's degree in engineering management from Chengxian College, Southeast University (東南大學成賢學院).

Ms. SUN Mei (孫梅) has been the director of the Guarantor since March 2023. She previously served as a clerk in Guannan County Cotton Weaving Factory (灌南縣棉織廠), a clerk in Guannan County Maternal and Child Health Hospital, a member of the Party Committee of Guannan County Human Resources and Social Welfare Bureau and Director of the Medical Insurance Office, a member of the Party Group of Guannan County Medical Protection Bureau and a member of the Party Committee and Secretary of the Discipline Inspection and Work Committee of Jiangsu Guanjiang Agricultural Development Group Co., Ltd. (江蘇灌江農業發展集團). Ms. Sun obtained her bachelor's degree in finance from People's Liberation Army Xuzhou Air Force Academy (中國人民解放軍徐州空軍學院, previously known as Xuzhou Air Force Logistics College (徐州空軍後勤學院)).

Mr. WANG Sheng (王生) has been the director of the Guarantor since December 2021. He previously served as the deputy director and director of the financing department of the Guarantor, general manager of Lianyungang Guan River Financing Guarantee Co., Ltd. (連雲港灌河融資擔保有限公司) and general manager of Lianyungang Guan River Financial Holding Group Co., Ltd. (連雲港灌河金融控股集團有限公司). Mr. Wang obtained his bachelor's degree in advertising from Jiangsu Normal University (江蘇師範大學, previously known as Xuzhou Normal University (徐州師範大學)).

SUPERVISORS

The board of supervisors currently consists of five supervisors, including three supervisors who are appointed by the Guannan County Government and two employee supervisors who are elected by the employees of the Guarantor. The chairman of the board of supervisors is appointed by the Guannan County Government from the members of the board of supervisors. The supervisors are appointed for a term of three years, which is renewable upon re-appointment. The chairman of the board of supervisors and full-time supervisors may not be re-appointed. The board of supervisors is accountable to and reports to the Guannan County Government and primarily responsible for reviewing the financial reports of the Guarantor, checking the Guarantor's financial accounts when necessary, supervising the implementation of laws and regulations and the articles of association, supervising and evaluating the status of the Guarantor's state-owned assets, supervising, and evaluating and recording the work performance of the directors and the general manager and recommending appointments, rewards, punishments and etc.

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

Name	Age	Position/Title
WU Tianyu (吳天宇)	44	Chairman of the Board of Supervisors
CHEN Huaiyin (陳懷銀)	57	Employee Supervisor
WANG Junhong (王俊紅)	52	Supervisor
LI Hao (李浩)	41	Supervisor
SONG Yang (宋洋)	34	Employee Supervisor

Mr. WU Tianyu (吳天宇) has been the chairman of the board of supervisors since January 2020. He previously served as a clerk of the Energy Security Unit of Guannan Economic and Trade Bureau (灌南縣經貿局能源安全股), the section head of the Guannan County Government Office (灌南縣政府辦), and the deputy mayor of the Sankou Town Government of Guannan County (灌南縣三口鎮政府). He is also currently the secretary of the disciplinary committee of the Group. Mr. Wu obtained his bachelor's degree from Yangzhou University in food science and engineering in July 2000.

Mr. CHEN Huaiyin (陳懷銀) has been an employee supervisor of the Guarantor since January 2023. He previously served as head of the finance department of Guannan Shopping Center, the head of the audit department of Guannan County Foods Corporation (灌南縣食品總公司) and the head of the finance department of Nanjing Huachao Digital Technology Co., Ltd. (南京華超數碼科技有限公司). Mr. Chen obtained his college degree in financial accounting from Jiangsu Radio and Television University (江蘇省廣播電視大學).

Mr. WANG Junhong (王俊紅) has been a supervisor of the Guarantor since March 2023. He previously served as the accountant of Guannan County Sugar and Wine Company (灌南縣糖酒公司), the host accountant of Guannan Commercial Building, the general manager of Lianyungang Guan River Investment Guarantee Co., Ltd. (連雲港灌河投資擔保有限公司), the chairman of Lianyungang Guan River Financial Holding Group Co., Ltd. (連雲港灌河金融控股集團有限公司), the chairman of the labour union and the director of the financing and development department of the Guarantor. Mr. Wang obtained his bachelor's degree in economics and management from Party School of the Central Committee of the Communist Party of China (中共中央黨校).

Mr. LI Hao (李浩) has been a supervisor of the Guarantor since March 2023. He previously served as a clerk of Nanjing Happiness Index Investment Co., Ltd (南京幸福指數投資有限公司), a clerk of Lianyungang Baohui Guarantee Co., Ltd. (連雲港寶匯擔保有限公司), a deputy general manager, chairman and general manager of Lianyungang Guan River Financing Guarantee Co., Ltd. (連雲港灌河融資擔保有限公司). He concurrently serves as chairman of Guannan Huida Trading Co., Ltd. (灌南縣匯達貿易有限公司) and the director of the risk control department of the Guarantor. Mr. Li obtained his bachelor's degree in applied electronics from University of Mining and Technology (Jiuzhou College) (礦業大學(九州學院)).

Mr. SONG Yang (宋洋) has been an employee supervisor of the Guarantor since January 2024. He previously serves as an accountant of Jiangsu Baicheng Dada Logistics Co., Ltd. (江蘇百成大達物流有限公司), a clerk of the financing department of Jiangsu Wannianda Construction Group Co., Ltd. (江蘇萬年達建設集團有限公司) and a deputy director and a director of the financing department of the Guarantor. Mr. Song obtained his bachelor's degree in auditing from Nanjing Audit University (南京審計大學, previously known as Nanjing Audit Institute 南京審計學院)).

SENIOR MANAGEMENT

The senior management of the Guarantor is accountable to the Board and primarily responsible for implementing the decisions of the Board, presiding over the daily management of the Guarantor, implementing annual business plans and appointing the management of the Guarantor.

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

Name	Age	Position/Title
ZHOU Zhou (周洲)	40	Chairman of the Board, General Manager and Legal Representative
ZHAO Jinghui (趙京輝)	45	Employee Director and Deputy General Manager
SUN Yu (孫玉)	43	Director and Deputy General Manager

Mr. ZHOU Zhou (周洲) is the chairman of the Board, general manager and the legal representative of the Guarantor. For Mr. Zhou's biography, see "*Directors*" above.

Ms. ZHAO Jinghui (趙京輝) is an employee director and the deputy general manager of the Guarantor. For Ms. Zhao's biography, see "*Directors*" above.

Ms. SUN Yu (孫玉) is a director and the deputy general manager of the Guarantor. For Ms. Sun's biography, see "*Directors*" above.

CORPORATE GOVERNANCE

The Guarantor has established and implemented an effective corporate governance structure. It has set up eight functional departments, namely the Investment Development Department, Financing Development Department, Financial Audit Department, Asset Management Department, Risk Control Department, General Office, Supervision Office, and Inspection Office.

The primary duties of these eight departments are set forth as follows:

- Investment Development Department is primarily responsible for developing mid-term and long-term strategic plans, formulating annual investment proposals and implementing, researching and planning investment projects.

- Financing Development Department is primarily responsible for formulating annual financing plans, developing project budget plans and financing proposals, analysing market and project financing risks and establishing diverse corporate financing channels.

- Financial Audit Department is primarily responsible for developing and implementing internal financial management, internal control and internal audit systems, formulating annual financial budgets and financial analysis reports and dealing with tax matters.

- Asset Management Department is primarily responsible for managing assets and leasing of the assets, managing state-owned assets and ensuring their preservation and appreciation and managing the accounts of assets.

- Risk Control Department is primarily responsible for conducting due diligence on financial business, identifying potential risks in the business activities, formulating the risk management system, method and procedure, and performing risk assessment.

- General Office is primarily responsible for the custody and use of the Guarantor seal, establishing and improving internal rules and regulations, organising and recording board meetings and other management meetings, undertaking Guarantor registration work, organising annual assessment and evaluation of employees, handling appointments and dismissals of employees and organising training programs for employees.

- Supervision Office is primarily responsible for supervising the tasks assigned by managing departments, supervising the Guarantor's major and special tasks, supervising the executions of resolutions of the Guarantor's Board meetings, managerial meetings and other key special meetings, supervising the implementation of annual plans and targeted tasks and supervising the execution regarding the Guarantor's management instructions on tasks.

- Inspection Office is primarily responsible for overseeing the Guarantor's comprehensive supervision and inspection function, supervising the management status of the Guarantor's various departments, inspecting and investigating major violations against the Guarantor's regulations and policies and reporting to the chairman of the Board on a regular basis regarding the Guarantor's overall operational evaluation.

In addition, the Guarantor has established several effective internal control measures, including systems for the management of subsidiaries, external guarantees, safe production, audit, budget, capital, human resources, financing, investment, information disclosure, connected transactions and emergency response.

EXCHANGE RATES

The PBOC sets and publishes on a daily basis a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by two per cent. against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0 per cent. on 16 April 2012. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.9 per cent. from 21 July 2005 to 31 December 2013. On 14 March 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0 per cent. On 11 August 2015, the PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on 11 August 2015, Renminbi depreciated significantly against the U.S. dollar. In January and February 2016, Renminbi experienced further fluctuation in value against the U.S. dollar, but in 2017 and 2018 rebounded and appreciated significantly against the U.S. dollar. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

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

	Renminbi per U.S. Dollar Noon Buying Rate[(1)]			
Period	**End**	**Average[(2)]**	**High**	**Low**
	(RMB per U.S.$1.00)			
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				
September	7.2960	7.2979	7.3430	7.2606
October	7.3171	7.3063	7.3171	7.2948
November	7.1360	7.2225	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 15 March)	7.1953	7.1914	7.1987	7.1804

Notes:

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

(2) Annual and semi-annual averages have been calculated from month-end rate. Monthly averages have been calculated using the average of the daily rates during the relevant period.

PRC REGULATIONS

This section summarises the principal PRC laws and regulations which are relevant to the PRC legal and judicial systems, foreign debt, the provision of the Guarantee and provision of the Standby Letter of Credit. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations which are relevant to the Group's business and operations, to the Guarantor or to the LC Bank.

NDRC REGISTRATION

On 14 September 2015, the NDRC issued the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) (the "**NDRC Circular**"), which became effective on the same day. In order to encourage the use of low-cost capital in the international capital markets in promoting investment and steady growth and to facilitate cross-border financing, the NDRC Circular abolished the case-by-case quota review and approval system for the issuance of foreign debts by PRC enterprises. The NDRC issued the NDRC Measures on 5 January 2023, which came into effect from 10 February 2023 and replaced the NDRC Circular. For the purposes of the NDRC Measures, the medium- and long-term foreign debts of enterprises mentioned in the NDRC Measures refer to debt instruments with a tenor of more than one year that are borrowed from overseas by enterprises within the territory of the PRC and by overseas companies or branches controlled by them, denominated in local or foreign currency, and of which principal and interest on the foreign debts are repaid as agreed. Debt instruments include, but are not limited to, senior debts, perpetual debts, capital debts, medium-term notes, convertible bonds, exchangeable bonds, financial leasing, and commercial loans. According to this definition, offshore bonds issued by both PRC enterprises and their controlled offshore enterprises or branches shall be regulated by the NDRC Measures.

According to the NDRC Measures, domestic enterprises and their overseas controlled entities prior to issuing any foreign debts with a tenor of more than one year shall obtain from the NDRC a certificate of review and registration of enterprise borrowing of foreign debts (企業借用外債審核登記證明) (the "**Certificate of Review and Registration**") and shall report certain details of the foreign debts to the NDRC within ten working days upon the completion of issuance through the online system for the review, registration, management and service of enterprise foreign debts established by the NDRC (the "**NDRC Online Reporting System**"). An enterprise shall, with the Certificate of Review and Registration, go through the relevant procedures of foreign exchange registration, account opening, proceeds receipt, payment and remittance, and use of proceeds in accordance with the applicable laws and regulations.

Moreover, pursuant to the NDRC Measures, an enterprise shall, among other things, (i) report certain details of the foreign debts to the NDRC within ten working days upon the completion of issuance; (ii) within ten working days after expiry of the NDRC Certificate or the Certificate of Review and Registration, report the foreign debts borrowing information through the NDRC Online Reporting System; (iii) within five working days before the end of January and end of July of each year that any of the foreign debts remains outstanding, report the information relating to, inter alia, use of proceeds, repayment of principal and interest and related plans, and major business indicators, through the NDRC Online Reporting System; and (iv) so long as any of the foreign debts remains outstanding, submit relevant information to the NDRC upon the occurrence of any material event that may affect the due performance of debt obligations, such as liquidity issue or significant assets restructuring, and take measures to isolate such risks to prevent cross default risks. If the enterprise fails to report the relevant information described above in accordance with the NDRC Measures, the NDRC may direct the enterprise to make corrections within a prescribed time period and if the violation is serious or if the enterprise fails to correct within the prescribed time period, the NDRC may give a warning to the relevant enterprise and its main responsible persons.

As the NDRC Measures were issued recently, certain detailed aspects of its interpretation and application remain subject to further clarification.

REGULATIONS CONCERNING CROSS-BORDER GUARANTEE

Pursuant to the Circular of the State Administration of Foreign Exchange on Further Advancing the Foreign Exchange Administration Reform and Enhancing the Review of Authenticity and Compliance (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) promulgated and effective on 26 January 2017, in order to establish and perfect the administration mechanism of capital flow under the framework of macro-prudential regulation, funds from onshore guarantee under offshore loan are permitted to be repatriated to the PRC; the debtors may repatriate directly or indirectly the funds to the PRC by means of loan or equity investment in the PRC. Where banks perform the security agreement for onshore guarantee under offshore loan, the related foreign exchange settlement and sale shall be calculated into the bank's own foreign exchange settlement and sales management.

Notwithstanding the aforementioned provisions, in light of the Policy Q&A (issue no. 2) on Further Advancing the Foreign Exchange Administration Reform and Enhancing the Review of Authenticity and Compliance (《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)) promulgated on 27 April 2017, the SAFE has clarified the application of certain relevant clauses regarding the methods and purposes of the funds repatriated to the PRC from onshore guarantee under offshore loan as set forth in Attachment II, Operational Guidance for Administration of Foreign Exchange for Cross-border Guarantee (附件2《跨境擔保外匯管理操作指引》), of Circular of the State Administration of Foreign Exchange on Promulgation of the Provisions on the Administration of Foreign Exchange for Cross-border Guarantee (《國家外匯管理局關於發佈〈跨境擔保外匯管理規定〉的通知》) promulgated on 12 May 2014:

- Funds under onshore guarantees for offshore loans may only be used for expenditures within the normal scope of business of the debtor, and may not be used to support the debtor in engaging in transactions beyond the normal scope of business, for arbitrage under false trade backgrounds, or for other forms of speculative trading.

- Despite that the debtor may transfer funds under guarantee back to China for use by engaging in lending or making equity investment within China in accordance with Further Advancing the Foreign Exchange Administration Reform and Enhancing the Review of Authenticity and Compliance, the debtor still may not directly or indirectly transfer funds under guarantee back to China for use by engaging in making securities investment within China without the approval of the foreign exchange authority.

Where any of the following special transactions occurs under an onshore-guarantee-for-offshore-loan contract, it shall comply with the following provisions:

1. Where the guarantee liability under an onshore guarantee for an offshore loan is to fulfil the repayment obligation for the overseas debtor under the issue of bonds, the domestic institution shall directly or indirectly hold shares in the overseas debtor, the revenues from the overseas issue of bonds shall be used for overseas investment projects in which the domestic institution has equity interests, and the relevant overseas institutions or projects have been approved, registered, recorded or confirmed by the domestic and overseas investment authorities.

2. Where funds raised under an onshore-guarantee-for-offshore-loan contract are used to directly or indirectly acquire the equity or debt of any other overseas institution (including forming a new overseas enterprise, acquiring the equity of an overseas enterprise, and increasing the capital of an overseas enterprise), the investment shall comply with the relevant overseas investment provisions of the relevant authorities in China.

3. Where the obligation under an onshore-guarantee-for-offshore-loan contract is to pay for an overseas institution under a derivative transaction, the derivative transaction shall aim at stopping loss and maintaining value, be in line with the scope of principal businesses of the debtor, and have been appropriately authorised by shareholders.

REGULATIONS CONCERNING LAND USE RIGHT

In accordance with the Land Administration Law of the PRC (中華人民共和國土地管理法), promulgated on 25 June 1986 and amended on 26 August 2019, all land in the PRC is either state-owned or collectively-owned, depending on the location of the land. All land in the urban areas of a city or town is state-owned, and all land in the rural or suburban areas and all farm land are, unless otherwise specified by law, collectively owned.

The PRC government has the right to resume its land ownership or the land use rights according to the relevant law if required for public interest (and compensation must be paid by the PRC government).

Although all land in the PRC is owned by the PRC government or by collectives, individuals and entities may obtain land use rights and hold such land use rights for development purposes. Individuals and entities may acquire land use rights in different ways. The two most important ways are land grants from local land authorities and land transfers from land users who have already obtained the land use rights.

Under the Interim Regulations of the People's Republic of China on Assignment and Transfer of the State-owned Land Use Rights in Urban Areas (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) (the "**Interim Regulations on Assignment and Transfer**") promulgated and enforced by the State Council on 19 May 1990 and amended on 29 November 2020, a system of assignment and transfer of the right to use state-owned land has been adopted. A land user shall pay a premium to the PRC government as consideration for the assignment of land use rights within certain terms, and a land user may transfer, lease, and mortgage or otherwise commercially exploit the land use rights within the terms of use. Under the Interim Regulations on Assignment and Transfer and the Urban Real Estate Administration Law of the PRC (中華人民共和國城市房地產管理法) promulgated by the SCNPC on 5 July 1994 and amended on 27 August 2009 and 26 August 2019, the land administration authority under the local government of the relevant city or county shall enter into an assignment contract with the land user for an assignment of land use rights. The land user shall pay the assignment price as stipulated in the assignment contract. After paying the assignment price in full, the land user shall register with the land administration authority and obtain a land use rights certificate (the "**Land Use Rights Certificate**"). The Land Use Rights Certificate is an evidence of the acquisition of land use rights.

The grant of land use rights by way of competitive processes is subject to the Regulations on the Grant of State-owned Land Use Rights by Invitation of Tender, Auction or Listings-for-sale (招標拍賣掛牌出讓國有土地使用權規定) (the "**2007 Regulations**"), issued by the Ministry of Land and Resources of the PRC ("**MLR**") on 9 May 2002 and revised on 28 September 2007 and the Rules on the Assignment of State-owned Land Use Right through Tenders, Auction and Putting up for Bidding (for Trial Implementation) (招標拍賣掛牌出讓國有土地使用權規範(試行)) promulgated by MLR on 31 May 2006. In addition, according to the Notice of the Ministry of Land and Resources and the Ministry of Supervision on Continuing the Implementation of the Law Enforcement and Supervision Work on the Bid, Auction, and Listing of Commercial Land Use Rights (國土資源部、監察部關於繼續開展經營性土地使用權招標拍賣掛牌出讓情況執法監察工作的通知), the grant of land use rights must be made pursuant to auctions or listings at a land exchange and that no land use rights for commercial uses may be granted by way of agreement. The 2007 Regulations specifically provide that land to be used for industrial, commercial, tourism, entertainment or commodity residential purposes, or where there are two or more intended users for a certain piece of land, must be granted by way of competitive processes.

A number of measures are provided in the 2007 Regulations to ensure such grant of land use rights for commercial purposes is conducted openly and fairly. For instance, the relevant local land bureau must take into account various social, economic and planning considerations when deciding on the use of a certain piece of land, and its decision regarding land use designation is subject to approval of the city or provincial government. The grantee shall apply for land registration and obtain the state-owned land use rights certificate upon full payment of the land premium of the granted land according to the state-owned land use right granting contract. In the event that the land premium of the granted land is not paid in full, the grantee will not receive the land use rights certificate. In addition, the announcement of tender, auction or listing-forbidding must be made 20 days prior to the date on which such competitive process begins. Further, the 2007 Regulations also stipulated that for listing at a land exchange, the time period for accepting bids must not be less than ten working days. In the case of tender, the relevant local land bureau granting land use rights should examine the qualifications of intended bidders and inform those qualified to participate in the bidding processes by sending out tender invitations. Bidders are required to submit sealed bids and pay a security deposit.

When land use rights are granted by way of tender, a tender evaluation committee consisting of not less than five members (including a representative of the grantor and other experts), formed by the relevant local land bureau is responsible for opening the tenders and deciding on the successful bidder. The successful bidder will then sign the land grant contract with the relevant local land bureau and pay the balance of the land grant fee before obtaining the land use rights certificate.

Where land use rights are granted by way of auction, a public auction will be held by the relevant local land bureau. The land use rights are granted to the highest bidder. The successful bidder will then be asked to sign the land grant contract with the relevant local land bureau and pay the relevant land grant fee within a prescribed period.

Where land use rights are granted by way of listings-for-sale administered by the local government, a public notice will be issued by the relevant local land bureau to specify the location, area and purpose of use of land and the initial bidding price, period for receiving bids and terms and conditions upon which the land use rights are proposed to be granted. The land use rights are granted to the bidder with the highest bid who satisfies the terms and conditions. The successful bidder will enter into a land grant contract with the relevant local land bureau and pay the relevant land grant fee within a prescribed period.

Land use rights granted by way of bilateral agreement are subject to the Regulation Concerning the Grant of Land Use Right Through Bilateral Agreement (協議出讓國有土地使用權規定) promulgated by MLR, effective on 1 August 2003. It provides that only when the methods of tender or auction or listing for sale are not required by the laws, regulations and rules may land use rights be granted by bilateral agreement between the relevant land authority and the grantee party. The land grant fees carried out in agreement should not be lower than the minimum price set by the central government. For land in areas with standard land prices, the purchase price of land pursuant to any bilateral agreement should not be less than 70 per cent. of the standard land price of the relevant land category. If the price guidelines are not followed, the validity of the provision of land grant fees in the land grant contract may be deemed to be invalid. Only when there is only one prospective land user on the land to be granted may the land authority grant the land use rights through bilateral agreement, with the exception of land used for business, tourism, entertainment, commodity properties and others. After payment in full of the land grant fee, the land user may register with the land administration authority and obtain a Land Use Rights Certificate as evidence of the acquisition of the land use rights.

REGULATIONS CONCERNING SOCIAL INSURANCE AND HOUSING PROVIDENT FUND

Under applicable PRC laws, regulations and rules, including the Social Insurance Law of the People's Republic of China (中華人民共和國社會保險法), promulgated by the Standing Committee of the National People's Congress on 28 October 2010, which became effective on 1 July 2011 and was later amended on 29 December 2018, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), promulgated by the State Council on 22 January 1999, which became effective on 22 January 1999 and was amended on 24 March 2019, 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 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.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives and local laws and laws resulting from international treaties entered into by the PRC government. In general, court judgments do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The NPC and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution, enact and amend basic laws governing State agencies and civil, criminal and other matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC and the Standing Committee of the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul administrative rules, regulations, directives and orders.

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

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

THE PRC JUDICIAL SYSTEM

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. The Supreme People’s Court also has its power to give general interpretation on the application of laws in judicial proceedings. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional rules and regulations is vested in the regional legislative and administrative bodies which promulgated such laws. Under the PRC Constitution and the Law of Organisation of the People’s Courts, the judicial system is made up of the Supreme People’s Court, the local courts, military courts and other special courts. The local courts are comprised of the basic courts, the intermediate courts and the higher courts. The basic courts are organised into civil, criminal, economic, administrative and other divisions. The intermediate courts are organised into divisions similar to those of the basic courts, and are further organised into other special divisions, such as the intellectual property division. The higher level courts supervise the judicial work of the basic and intermediate courts. The people’s procuratorates also have the right to exercise legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People’s Court is the highest judicial body in the PRC. It supervises the administration of justice by all other courts.

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

The Civil Procedure Law of the PRC, which was adopted on 9 April 1991 and amended on 28 October 2007, on 31 August 2012, on 27 June 2017 and on 24 December 2021, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the contract. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case. A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the competent court to request for enforcement of the judgment, order or award. The time limit imposed on the right to apply for such enforcement is two years. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

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

TAXATION

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

PRC

The following summary describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of China for PRC tax purposes. These beneficial owners are referred to as non-PRC holders of the Bonds in this section. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Income Tax

Pursuant to the EIT Law, effective on 1 January 2008 and amended on 24 February 2017, 29 December 2018 and its implementation regulations, effective on 1 January 2008 and amended on 23 April 2019 enterprises that are established under the laws of foreign countries and territories (including Hong Kong, Macau and Taiwan) but whose "de facto management bodies" are within the territory of PRC are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay PRC enterprise income tax at the rate of 25 per cent. in respect of their taxable income sourced from both within and outside of the PRC. The implementation regulations of the EIT Law define the location of the "de facto management body" as an "organisational body which effectively manages and controls the production and business operation, personnel, accounting, properties and other aspects of operations of an enterprise."

In addition, the Notice on Issues Concerning the Determination of Chinese-controlled Enterprises Incorporated Overseas as Resident Enterprises on the Basis of Their De Facto Management Bodies issued by the SAT on 22 April 2009 provides that a foreign enterprise controlled by a PRC company or a PRC company group would be classified as a "resident enterprise" with a "de facto management body" located within the PRC if all of the following requirements are satisfied: (i) the senior management and core management departments in charge of daily operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) main assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within the PRC; and (iv) at least half of the enterprise's directors with voting rights, or senior management, reside within the PRC. Pursuant to a circular issued by the SAT which became effective on 1 September 2011 and was most recently amended on 15 June 2018, and relevant rules, a foreign enterprise controlled by a PRC company or a PRC company group shall be deemed a "resident enterprise" by the final decision of the provincial or local tax authorities through the application of the foreign enterprise or the investigation of the relevant tax authorities.

If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the territory of the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to PRC enterprise income tax at the rate of 25 per cent. on its taxable income from sources both within and outside of the PRC. If a holder of Bonds is required to pay any PRC income tax on interest or gains on the transfer of the Bonds, the value of the relevant holder's investment in the Bonds may be materially and adversely affected. As confirmed by the Issuer, as at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, we cannot assure you that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future.

Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment or place of business within the PRC or whose income has no connection to its establishment or place of business inside the PRC must pay enterprise income tax on income sourced within the PRC, and such income tax must be withheld at source by the PRC payer acting as a withholding agent. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer may be required to withhold income tax from the payments of interest in respect of the Bonds to any non-resident enterprise holder of Bonds (the tax would be withheld at source), and gain from the disposition of the Bonds may be subject to PRC tax, if the interest or gain is treated as PRC-sourced. Further, in accordance with the Individual Income Tax Law of the PRC which took effect on 1 September 2011, was amended on 31 August 2018 and took effect on 1 January 2019 and its implementation regulations which was amended on 18 December 2018 and took effect on 1 January 2019, if the Issuer is considered to be a PRC tax resident enterprise, the interest payable to the non-resident individual holder of Bonds, and gains realised on the transfer of the Bonds by the non-resident individual holder of Bonds may be subject to PRC individual income tax if such interest or gains are treated as income derived from sources within the PRC (and in the case of interest payments, the tax would be withheld at source). The tax rate is generally 10 per cent. for non-resident enterprise holders of Bonds and 20 per cent. in the case of non-resident individual holders of Bonds, subject to the provisions of any applicable income tax treaty. If the Issuer is required under the EIT Law to withhold PRC income tax from interest payments made to the Issuer's non-resident holders of Bonds, the Issuer will be required to pay these additional amounts which will result in receipt by these holders of Bonds of interest payment amounts as if no such withholding had been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Bonds, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Bonds, as well as our profitability and cash flow.

In addition, as the Guarantor is a PRC resident enterprise, in the event that the Guarantor is required to fulfil its obligations under the Guarantee by making interest payments on behalf of the Issuer, the Guarantor will be obliged to withhold PRC enterprise income tax at a rate of 10 per cent. on such payments to non-resident enterprise holders of Bonds and 20 per cent. for non-resident individual holders of Bonds if such interest payments are deemed to be derived from sources within the PRC. To the extent that the PRC has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, which allows a lower rate of withholding tax, such lower rate may apply to qualified non-resident holders of Bonds.

Value Added Tax

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

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Bonds is likely to be treated as the holders of the Bonds providing loans to the Issuer, which thus shall be regarded as financial services subject to VAT for VAT purposes. In the event the Issuer is deemed to be in the PRC by the PRC tax authorities, the holders of Bonds may be regarded as providing the financial services within the PRC and consequently, the amount of interest payable by the Issuer to any non-resident holders of Bonds may subject to withholding VAT and surcharges at the rate of around 6.72 per cent. In addition, as the Guarantor is located in the PRC, in the event that the Guarantor is required to fulfil its obligations under the Guarantee by making interest payments on behalf of the Issuer, the Guarantor may be required to withhold VAT and surcharges at a rate of around 6.72 per cent. on such payments to non-resident holders of Bonds if the holders of Bonds are regarded as providing financial services within the PRC.

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

Recently, the Circular of the Ministry of Finance and the State Administration of Taxation on the Adjustment to VAT Rates (關於調整增值税税率的通知) (Caishui [2018] No. 32, "**Circular 32**"), which was issued on 4 April 2018 and effective on 5 May 2018, confirms the major relevant policies for adjusting VAT rates as follows: (i) the deduction rates of 17 per cent. and 11 per cent. applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16 per cent. and 10 per cent., respectively, and(ii)for the export goods to which a tax rate of 17 per cent. was originally applicable and the export rebate rate was 17 per cent., the export rebate rate is adjusted to 16 per cent., and for the export goods and cross-border taxable activities to which a tax rate of 11 per cent. was originally applicable and the export rebate rate was 11 per cent., the export rebate rate is adjusted to 10 per cent. According to the Circular on Policies Concerning Deepening the Reform of Value Added Tax (關於深化增值税改革有關政策的公告) (Announcement [2019] No. 39, "**Announcement 39**") promulgated by MOF, SAT and General Administration of Customs on 20 March 2019, which took effect on 1 April 2019, the deduction rates of 16 per cent. and 10 per cent. applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13 per cent. and 9 per cent., respectively, and (ii) for the export goods to which a tax rate of 16 per cent. was originally applicable and the export rebate rate was 16 per cent., the export rebate rate is adjusted to 13 per cent., and for the export goods and cross-border taxable activities to which a tax rate of 10 per cent. was originally applicable and the export rebate rate was 10 per cent., the export rebate rate is adjusted to 9 per cent. As Circular 32 and Announcement 39 are relatively new regulations, these confirmatory statements may be subject to further changes upon the issuance of further clarification rules and/or different interpretation by the competent tax authority.

Stamp Duty

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

If the LC Bank makes any payments in respect of interest on the Bonds under the Standby Letter of Credit, the LC Bank may be obliged to withhold PRC enterprise income tax at the rate of up to 10 per cent. on such payments to non-PRC resident enterprise Bondholders as such payments will be regarded as being derived from sources within the PRC, and VAT and surcharges at a rate around 6.72 per cent. may also be applicable.

However, despite the withholding of the PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to holders of the Bonds so that holders of the Bonds would receive the full amount of the scheduled payment, as further set out in "Terms and Conditions of the Bonds."

HONG KONG

Withholding Tax

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

Profits Tax

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

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

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

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

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

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

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

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

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

Stamp Duty

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

BRITISH VIRGIN ISLANDS

The Issuer is exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands.

Payments of principal, premium or interest in respect of the Bonds to persons who are not resident in the British Virgin Islands are not subject to British Virgin Islands tax or withholding tax.

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

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

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

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Managers dated 20 March 2024 (the "**Subscription Agreement**") pursuant to which and subject to certain conditions contained in the Subscription Agreement, the Issuer has agreed to sell to the Managers, and the Managers have agreed to severally and not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds set forth opposite its name below:

Managers	**Principal Amount of the Bonds to be Subscribed**
	U.S.$
Guotai Junan Securities (Hong Kong) Limited	80,000,000
CLSA Limited	5,000,000
China Securities (International) Corporate Finance Company Limited	5,000,000
Industrial Bank Co., Ltd. Hong Kong Branch	5,000,000
CNCB (Hong Kong) Capital Limited	5,000,000
Total	**100,000,000**

The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally indemnify the Managers and their affiliates against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Managers are subject to certain conditions precedent and entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

In connection with the issue of the Bonds, any Managers appointed and acting in its capacity as a stabilisation manager (the "**Stabilisation Manager**") (or any person acting on its behalf), may, to the extent permitted by applicable laws and directives, over-allot and effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail, but in doing so the Stabilisation Manager shall act as principal and not as agent of the Issuer or the Guarantor and any loss resulting from over-allotment and stabilisation will be borne, and any profit arising therefrom shall be beneficially retained, by the Stabilisation Manager or, as the case may be, the Managers in the manner agreed by them. However, there is no assurance that the Stabilisation Manager (or any person acting on its behalf) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager (or any person acting on its behalf) in accordance with all applicable laws and rules.

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

In connection with the offering of the Bonds, the Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor, may act as investors and place orders, receive allocations and trade the Bonds for their own account and such orders, allocations or trade of the Bonds may be material. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the Bonds being 'offered' should be read as including any offering of the Bonds to the Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so.

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

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

IMPORTANT NOTICE TO CMIS (INCLUDING PRIVATE BANKS)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the Managers accordingly.

CMIs are informed that the marketing and investor targeting strategy for this offering may include institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information should be provided to the 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. 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 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 Managers to apply the "proprietary orders" of the SFC Code to such order and will require the Managers to apply the "rebates" requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) are requested to provide the following underlying investor information, preferably in Excel Workbook format, 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: dcm.guannan@gtjas.com.hk.

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 the OCs; (B) that they have obtained the necessary consents from the underlying investors to disclose such information to the OCs. By submitting an order and providing such information to the 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 the OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, 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 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 Manager with such evidence within the timeline requested.

GENERAL

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

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

UNITED STATES

The Bonds and the Guarantee have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds and the Guarantee are being offered and sold outside of the United States in reliance on Regulation S.

UNITED KINGDOM

Each Manager has represented, warranted and agreed that:

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

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

HONG KONG

Each Manager has represented, warranted and agreed that:

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

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

SINGAPORE

Each Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each 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.

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

JAPAN

The Bonds have not been and will not be registered under the Securities and Exchange Law of Japan (the "**Securities and Exchange Law**"). Accordingly, each Manager 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 Securities and Exchange Law and other relevant laws and regulations of Japan.

THE PEOPLE'S REPUBLIC OF CHINA

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

BRITISH VIRGIN ISLANDS

Each of the Managers has represented, warranted and agreed that no invitation has been made or will be made, directly or indirectly, to any person in the British Virgin Islands or to the public in the British Virgin Islands to purchase the Bonds and the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by the British Virgin Islands law.

This Offering Circular does not constitute, and there will not be, an offering of the Bonds to any person in the British Virgin Islands.

SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

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

GOVERNMENT GRANT

Under PRC GAAP, an assets-related government grant is only required to be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. However, under IFRS, such assets-related government grants are allowed to be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

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

REVERSAL OF 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.

Under IFRS, government-related entities are still treated as related parties.

FIXED ASSETS AND INTANGIBLE ASSETS

Under PRC GAAP, only the cost model is allowed.

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

GENERAL INFORMATION

1. **Legal Entity Identifier**: The Legal Entity Identifier (LEI) of the Issuer is 254900P8XE0WEZVQ3944.

2. **Clearing Systems**: The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 278241416 and ISIN XS2782414168.

3. **Authorisations**: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by resolutions of the sole director of the Issuer on 15 March 2024. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of its obligations under the Deed of Guarantee, the Trust Deed and the Agency Agreement. The giving of the Guarantee was authorised by a resolution of the board of directors of the Guarantor on 15 August 2023 and the shareholders' decision on 15 August 2023. PRC counsel to the Issuer and PRC counsel to the Managers have advised that no other approvals or consents are required from any regulatory authorities or other relevant authorities in the PRC for the Issuer to issue the Bonds except for the filing of the requisite information and documents with the NDRC within 10 PRC Business Days after the Issue Date and the submission of the Bonds for registration with SAFE within 15 PRC Business Days after the Issue Date. For consequences of non-compliance, see "*Risk Factors — Risks Relating to the Bonds, the Guarantee and the Standby Letter of Credit — The NDRC Measures is a new regulation and its implementation may involve significant uncertainty. Any failure to complete the relevant filings under the NDRC Measures within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Issuer, the Guarantor, and/or the investors of the Bonds.*"

4. **No Material and Adverse Change**: Save as disclosed in this Offering Circular, there has been no material adverse change, or any development or event likely to involve a prospective change, in the condition (financial or otherwise), prospects, properties, results of operations, business or general affairs of the Issuer, the Guarantor or the Group since 31 December 2022.

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

6. **Available Documents**: So long as any of the Bonds is outstanding, copies of all of the following documents will be available for inspection from the Issue Date upon prior written request and satisfactory proof of holding and identity at all reasonable times during usual business hours (being 9:00 a.m. to 3:00 p.m. Monday to Friday) at the registered office of the Issuer:

   (a) the articles of association of the Issuer and the Guarantor;

   (b) the Audited Annual Statements;

   (c) Standby Letter of Credit;

   (d) the Trust Deed;

   (e) the Deed of Guarantee; and

   (f) the Agency Agreement.

In addition, in the case of documents listed in (c) to (f) above, copies of such documents will be (i) available for inspection by Bondholders at all reasonable times during usual business hours (being 9:00 a.m. (London time) to 3:00 p.m. (London time) Monday to Friday (other than public holidays)) at the principal office of the Trustee (currently at 160 Queen Victoria Street, London, EC4V 4LA, United Kingdom) and at the specified office for the time being of the Principal Paying Agent, or (ii) available electronically via e-mail from the Principal Paying Agent to any Bondholder, in each case, upon prior written request and proof of holding and identity satisfactory to the Trustee or the Principal Paying agent (as the case may be).

7. **Financial Statements**: The Audited Annual Statements, which are included elsewhere in this Offering Circular, have been audited by Asia Pacific CPAs, the Guarantor's independent auditor for the three years ended 31 December 2022 as stated in its report appearing herein.

8. **LC Bank Financial Statements**: Copies of the latest annual report and interim report of Bank of Jiangsu, as well as its public filings, can be downloaded free of charge from the websites of Bank of Jiangsu and the Shanghai Stock Exchange at http://www.jsbchina.cn and http://www.sse.com.cn, respectively. The financial statements of Bank of Jiangsu are not included in and do not form part of this Offering Circular. The information contained on the websites of Bank of Jiangsu and the Shanghai Stock Exchange is subject to change from time to time. No representation, express or implied, is made by the Issuer, the Guarantor, the Managers, the Trustee, the Agents, the Account Banks or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates or any person who controls any of them takes any responsibility, for the accuracy, completeness or sufficiency of any information available on such websites.

9. **Listing**: Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on 26 March 2024.

INDEX TO FINANCIAL STATEMENTS

Page

Audited consolidated financial statements of the Guarantor as at and for the three years ended 31 December 2022

Note: Page F-124 to Page F-127 of the Audited Annual Statements attached hereto have not been translated into English and are set out only in Chinese text. These pages set out the qualifications of Asia Pacific (Group) CPAs (Special General Partnership) and the individual auditors who signed the Audited Annual Statements.

Jiangsu Jinguan Investment Development Group Co., Ltd.

Auditor's Report

YKSZ (2023) No. 01310445

Asia Pacific (Group) CPAs (Special General Partnership)

April 25, 2023

Asia Pacific (Group) CPAs (Special General Partnership)

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Report No.: J 23BFCYTBTP

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Auditor's Report

YKSZ (2023) No. 01310445

All shareholders of Jiangsu Jinguan Investment Development Group Co., Ltd.

I. Audit Opinion

We have audited the Financial Statements of Jiangsu Jinguan Investment Development Group Co., Ltd. (hereinafter referred to as "Jinguan Investment Company"), including the Consolidated and Company's Balance Sheets as at December 31, 2022, 2021, and 2020, and the Consolidated and Company's Income Statements, Consolidated and Company's Cash Flow Statements, Consolidated and Company's Statements of Changes in Owners' Equity for the years then ended, as well as Notes to Financial Statements then ended.

In our opinion, the attached financial statements of Jinguan Investment Company were prepared in accordance with *Accounting Standards for Business Enterprises* in all material respects, and present fairly the Consolidated and Company's financial condition as at December 31, 2022, 2021 and 2020 and the Consolidated and Company's operating results and cash flows for the years then ended.

II. Basis for Forming Audit Opinion

We performed the audit in accordance with the Auditing Standards for Certified Public Accountants of China. Our responsibilities under these standards are further elaborated in the "Certified Public Accountant's Responsibilities for the Audit of the Financial Statements" section of the Auditor's Report. In accordance with the Code of Ethics for Certified Public Accountants in China, we are independent of Jinguan Investment Company and perform other professional ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Management and Those Charged with Governance's Responsibility for Financial Statements

The management of Jinguan Investment Company (hereinafter referred to as "the management") is responsible for preparing the financial statements in accordance with the *Accounting Standards for Business Enterprises* for fairly presenting the financial condition, and design, implement and maintain internal control to avoid material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the going concern capability of Jinguan Investment Company, disclosing the matters relating to the going concern (where applicable), and applying the going concern assumptions, unless the management plans to liquidate Jinguan Investment Company, terminate its operations or have no realistic alternative.

Those charged with governance are responsible for overseeing the financial report process of Jinguan Investment Company.

IV. Certified Public Accountants' Responsibility for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance belongs to the high-level assurance, but it cannot guarantee that the audit conducted in accordance with Auditing Standards can always detect a material misstatement when it exists. Misstatements may be caused by fraud or error and are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

In the audit in accordance with Auditing Standards, we have made professional judgments and maintained professional skepticism. Meanwhile, we also perform the following work:

(I) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(II) Understand internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but the purpose is not to express an opinion on the effectiveness of internal control.

(III) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(IV) Conclude on the appropriateness of the management's use of the going concern assumptions. At the same time, based on the audit evidence obtained, a conclusion is drawn as to whether there is material uncertainty in matters or circumstances that may give rise to material doubts about the ability to continue as a going concern of Jinguan Investment Company. If we conclude that a material uncertainty exists, we are required to draw the user's attention in our Auditor's Report to the related disclosure in the financial statements in accordance with Auditing Standards; if such disclosures are not sufficient, we should issue the modified opinion. Our conclusions are based on the information obtained up to the date of the Auditor's Report. However, future events or conditions may cause Jinguan Investment Company to cease to continue as a going concern.

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

(VI) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities of Jinguan Investment Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We take full responsibility for the audit opinion.

We communicated with those charged with governance regarding, among other matters, the planned scope and timing of the audit and material audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Asia Pacific (Group) CPAs (Special General Partnership)

Chinese Certified Public Accountant

Beijing, China

Chinese Certified Public Accountant

April 25, 2023

Consolidated Balance Sheet

Jiangsu Jingjiang Investment Development Group Co., Ltd. (Seal)

Prepared by: Jiangsu Jingjiang Investment Development Group Co., Ltd. | Unit: RMB Yuan

Items	Note VII	December 31, 2022	December 31, 2021	December 31, 2020
Current assets:		——	——	——
Monetary fund	Note 1	3,414,343,414.94	3,200,303,453.82	1,296,024,649.36
Held-for-trading financial assets	Note 2	321,208,549.87		
Derivative financial assets				
Notes receivable	Note 3	800,000.00	2,560,000.00	
Accounts receivable	Note 4	2,343,584,386.18	2,106,896,611.85	2,698,174,444.80
Accounts receivable financing	Note 5		600,000.00	
Prepayments	Note 6	32,670,090.73	16,616,203.35	23,746,934.65
Other receivables	Note 7	2,437,121,551.02	2,634,711,487.19	2,110,514,832.63
Inventories	Note 8	16,149,334,090.09	14,160,410,791.51	12,703,877,457.89
Contract assets				
Assets held-for-sale				
Non-current assets due within one year				
Other current assets	Note 9	41,611,391.21	142,016,098.52	73,445,741.64
Total current assets		24,740,673,474.04	22,264,114,646.24	18,905,784,060.97
Non-current assets:		——	——	——
Debt investment	Note 10	61,628,876.15	261,968,345.27	200,991,972.60
Other debt investment				
Long-term receivables				4,476,981.14
Long-term equity investments	Note 11	56,428,802.84	122,731,682.91	129,941,913.78
Other equity instrument investments	Note 12	101,180,384.60	50,250,384.60	47,410,384.60
Other non-current financial assets	Note 13	2,000,000.00	2,000,000.00	
Investment properties	Note 14	3,575,410,000.00	3,547,940,000.00	2,199,379,568.36
Fixed assets	Note 15	2,033,680,810.03	2,145,704,642.91	2,174,780,943.35
Construction in progress	Note 16	569,365,403.80	337,468,983.59	454,096,259.04
Productive biological assets				
Oil and gas assets				
Right-of-use assets				
Intangible assets	Note 17	35,467,765.38	36,918,604.90	1,264,818,794.78
Development expenditure				
Goodwill				
Long-term deferred expenses		229,160.05	373,892.65	74,081.87
Deferred tax assets	Note 18	27,877,997.33	268,600.14	575,000.00
Other non-current assets	Note 19	628,390,142.15	364,473,463.56	
Total non-current assets		7,091,659,342.33	6,870,098,600.53	6,476,545,899.52
Total assets		31,832,332,816.37	29,134,213,246.77	25,382,329,960.49

Person in charge of the Unit: Zhou Zhou (seal) | Person in charge of accounting work: Sun Yu (seal) | Person in charge of accounting agency: Chen Huaiyin (seal)

周洲 | 孙玉 | 陈怀银印

This report has a total of 14 pages and this is Page 1

Consolidated Balance Sheet (Continued)

Jiangsu Jinguan Investment Development Group Co., Ltd. (Seal)

Prepared by: Jiangsu Jinguan Investment Development Group Co., Ltd. Unit: RMB Yuan

Items	Note VII	December 31, 2022	December 31, 2021	December 31, 2020
Current liabilities:		——	——	——
Short-term borrowings	Note 20	1,804,500,000.00	1,089,327,813.89	896,739,123.06
Financial liabilities held for trading				
Derivative financial liabilities				
Notes payable	Note 21	638,139,250.00	339,010,000.00	124,000,000.00
Accounts payable	Note 22	135,367,037.40	192,481,254.03	306,000,322.43
Payments received in advance				
Contract liabilities	Note 23	97,555,083.21	55,171,506.87	21,982,309.22
Accrued payroll	Note 24	1,860,801.06	1,656,334.75	1,354,046.76
Taxes payable	Note 25	539,076,650.18	470,509,262.56	435,522,834.42
Other payables	Note 26	1,103,228,299.47	742,589,030.20	968,216,060.94
Liabilities held for sale				
Non-current liabilities due within one year	Note 27	2,405,119,878.65	1,910,918,818.40	1,274,627,003.58
Other current liabilities	Note 28	32,060,129.34	23,979,836.19	32,849,252.50
Total current liabilities		6,756,907,129.31	4,825,643,856.89	4,061,290,952.91
Non-current liabilities:		——	——	——
Long-term borrowings	Note 29	5,457,847,000.00	4,393,830,000.00	3,583,670,480.16
Bonds payable	Note 30	2,089,183,555.69	2,178,360,541.08	1,122,941,746.96
Including: Preferred shares				
Perpetual debts				
Lease liabilities				
Long-term payables	Note 31	409,898,867.14	691,573,283.14	1,184,694,756.78
Long-term accrued payroll				
Estimated liabilities				
Deferred income	Note 32	78,577,472.85	109,017,733.22	
Deferred income tax liabilities	Note 18	669,322,144.87	662,589,644.87	367,986,380.67
Other non-current liabilities				
Total non-current liabilities		8,704,829,040.55	8,035,371,202.31	6,259,293,364.57
Total liabilities		15,461,736,169.86	12,861,015,059.20	10,320,584,317.48
Owners' equity:		——	——	——
Paid-in capital	Note 33	1,100,000,000.00	1,070,000,000.00	600,000,000.00
Other equity instruments				
Including: Preferred shares				
Perpetual debts				
Capital reserve	Note 34	10,665,256,856.37	10,690,588,959.15	10,920,018,434.95
Less: Treasury shares				
Other comprehensive income	Note 35	1,909,494,188.84	1,910,259,188.84	1,102,234,142.03
General risk preparation		2,283,034.33	1,306,237.19	877,634.47
Surplus reserve	Note 36	240,338,745.50	232,456,506.09	224,731,727.56
Undistributed profits	Note 37	2,345,360,046.94	2,259,917,568.96	2,105,307,774.94
Total owners' equity attributable to parent company		16,262,732,871.98	16,164,528,460.23	14,953,169,713.95
*Minority interest		107,863,774.53	108,669,727.34	108,575,929.06
Total owners' equity		16,370,596,646.51	16,273,198,187.57	15,061,745,643.01
Total liabilities and owners' equity (or shareholders' equity)		31,832,332,816.37	29,134,213,246.77	25,382,329,960.49

Person in charge of the Unit: Zhou Zhou (seal) Person in charge of accounting work: Sun Yu (seal) Person in charge of accounting agency: Chen Huaiyin (seal)

周洲 孙玉 陈怀银印

Consolidated Income Statement

Jiangsu Jinguan Investment Development Group Co., Ltd. (Seal)

Prepared by: Jiangsu Jinguan Investment Development Group Co., Ltd. | Unit: RMB Yuan

Item	Note VII	2022	2021	2020
I. Total operating income	Note 38	999,651,852.93	1,013,123,543.82	1,016,281,451.42
Including: Operating income	Note 38	999,651,852.93	1,013,123,543.82	1,016,281,451.42
II. Total operating cost		995,914,287.54	958,352,831.00	910,566,784.69
Including: Operating cost	Note 38	802,427,681.13	731,571,974.13	786,257,502.06
Taxes and surcharges	Note 39	53,489,523.95	52,013,252.63	15,637,084.54
Selling expense		7,126,962.85	1,922,398.60	4,993,032.56
Administrative expenses		103,145,195.93	92,450,804.27	77,748,498.88
Research and development expense				
Financial expenses	Note 40	29,724,923.68	80,394,401.37	25,930,666.65
Including: Interest expenses	Note 40	32,981,426.90	58,271,035.29	19,530,718.25
Interest incomes	Note 40	12,979,597.33	9,670,417.53	12,690,392.93
Others				
Add: Other income	Note 41	67,562,054.36	58,579,055.42	31,508,728.75
Investment income (Fill in loss with "-")	Note 42	55,225,594.21	-6,961,724.16	-1,334,235.76
Including: income from investment in associates and joint ventures	Note 42	-7,209,889.90	-7,210,230.87	-4,051,945.18
Gains from derecognition of financial assets measured at amortized cost				
Net exposure to hedging income (Fill in loss with "-")				
Gains from changes in fair value (Fill in loss with "-")	Note 43	27,470,000.00	103,346,327.71	
Credit impairment loss (Fill in loss with "-")	Note 44	-29,248,955.95	-9,245,099.37	5,731,276.07
Assets impairment loss (Fill in loss with "-")				
Gains on asset disposal (Fill in loss with "-")	Note 45	17,700.10	3,499,499.68	
III. Operating profit (Fill in loss with "-")		124,763,958.11	203,988,772.10	141,620,435.79
Plus: Non-operating income	Note 46	2,674,857.69	5,690,857.23	3,324,255.20
Less: Non-operating expenses	Note 47	1,430,496.70	2,805,855.68	4,810,607.69
IV. Total profit (Fill in total loss with "-")		126,008,319.10	206,873,773.65	140,134,083.30
Less: Income taxes expenses	Note 48	33,489,554.52	45,118,707.07	46,832,872.72
V. Net profit (Fill in net loss with "-")		92,518,764.58	161,755,066.58	93,301,210.58
(I) Classified by ownership:		——	——	——
Net profit attributable to owners of parent company		93,324,717.39	162,334,572.55	91,775,723.27
*Profit and loss of minority shareholders		-805,952.81	-579,505.97	1,525,487.31
(II) Classified by the continuity of operations:		——	——	——
Net profits from sustainable operation		92,518,764.58	161,755,066.58	93,301,210.58
Net profits from discontinued operation				
VI. Net amount of other comprehensive income after tax		-765,000.00	808,025,046.81	3,100,600.50
The after-tax net amount from other comprehensive income attributable to parent company		-765,000.00	808,025,046.81	3,100,600.50
(I) Other comprehensive income that can not be reclassified into profit and loss		-765,000.00	2,130,000.00	
1. Re-measurement of changes in defined benefit plan				
2. Other comprehensive income that can not be transferred into profits or losses under the equity method				
3. Changes in fair value of investment in other equity instruments		-765,000.00	2,130,000.00	
4. Changes in fair value of enterprise's own credit risk				
5. Others				
(II) Other comprehensive income to be reclassified into profit and loss			805,895,046.81	3,100,600.50
1. Other comprehensive income that can be transferred into profits or losses under the equity method				
2. Changes in fair value of other debt investment				
3. The amount of financial assets reclassified into other comprehensive income				
4. Provision for credit impairment of other debt investment				
5. Reserves of cash flow hedges (Valid part of the hedging profits or losses of cash flows)				
6. Translation difference in the foreign currency financial statements				
7. Investment properties measured at fair value converted from other assets			805,895,046.81	
8. Others				3,100,600.50
*The after-tax net amount from other comprehensive income attributable to minority shareholders				
VII. Total comprehensive income		91,753,764.58	969,780,113.39	96,401,811.08
Total comprehensive incomes attributable to owners of parent company		92,559,717.39	970,359,619.36	94,876,323.77
*Total comprehensive incomes attributable to minority shareholders		-805,952.81	-579,505.97	1,525,487.31

Person in charge of the Unit: Zhou Zhou (seal) Person in charge of accounting work: Sun Yu (seal) Person in charge of accounting agency: Chen Huaiyin (seal)

周洲 孙玉 陈怀银印

Consolidated Statement of Cash Flow

Jiangsu Jinguan Investment Development Group Co., Ltd. (Seal)

Prepared by: Jiangsu Jinguan Investment Development Group Co., Ltd. Unit: RMB Yuan

Items	Notes	2022	2021	2020
I. Cash flow from operating activities:		—	—	—
Cash received from sales of goods or rendering services		989,956,809.63	1,279,439,152.55	154,623,063.36
Received tax return		25,487,806.29	7,494,383.54	3,307.12
Other cash received relating to operating activities		5,150,576,105.44	4,364,060,898.49	6,684,746,366.36
Subtotal of cash inflows from operating activities		6,166,020,721.36	5,650,994,434.58	6,839,372,736.84
Cash paid for goods and services		3,783,966,715.28	2,171,732,198.86	2,104,317,924.44
Cash paid to and for employees		38,092,503.89	43,053,566.83	29,831,723.04
Various taxes and fees paid		69,868,281.16	63,419,703.51	78,431,577.40
Other cash paid relating to operating activities		2,895,865,168.48	3,357,479,232.01	4,279,227,633.73
Subtotal of cash outflows from operating activities		6,787,792,668.81	5,635,684,701.21	6,491,808,858.61
Net cash flows from operating activities		-621,771,947.45	15,309,733.37	347,563,878.23
II. Cash Flow from investing activities:		—	—	—
Cash received from investment redemption		194,000,000.00		
Cash received from returns on investment		122,528,474.28	248,506.71	6,167,338.47
Net cash from disposing fixed assets, intangible assets and other long-term assets		17,700.10		3,166,900.00
Net cash received from disposal of subsidiaries and other business units				58,510,650.00
Other cash received relating to investing activities		100,000,000.00	35,010,000.00	172,876,375.54
Subtotal of cash inflows from investing activities		416,546,174.38	35,258,506.71	240,721,264.01
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		483,317,288.58	188,132,430.55	219,220,384.40
Cash paid for investments		374,158,549.87		194,000,000.00
Net cash paid for acquisition of subsidiaries and other operating companies				
Other cash paid relating to investing activities			100,339,219.60	171,269,009.25
Subtotal of cash outflows from investing activities		857,475,838.45	288,471,650.15	584,489,393.65
Net cash flows from investing activities		-440,929,664.07	-253,213,143.44	-343,768,129.64
III. Cash flow from financing activities:		—	—	—
Cash received from capital contribution		30,000,000.00	470,000,000.00	
Including: Cash received by subsidiaries from investments by minority shareholders				
Cash received from borrowings		4,976,200,000.00	4,729,372,200.00	4,363,424,700.00
Other cash received relating to financing activities		273,231,348.61	464,300,353.33	
Subtotal of cash inflows from financing activities		5,279,431,348.61	5,663,672,553.33	4,363,424,700.00
Cash paid for debt repayment		3,164,017,677.16	2,267,636,102.58	5,000,259,211.37
Cash paid for distribution of dividends or profit or interest expenses		593,456,408.64	509,228,497.72	146,231,406.52
Other cash paid relating to financing activities		764,255,922.01	962,796,880.34	
Subtotal of cash outflows from financing activities		4,521,730,007.81	3,739,661,480.64	5,146,490,617.89
Net cash flows from financing activities		757,701,340.80	1,924,011,072.69	-783,065,917.89
IV. Effects of foreign exchange rate changes on cash and cash equivalents		93,609,076.85	-13,438,534.34	
V. Net increase in cash and cash equivalents		-211,391,193.87	1,672,669,128.28	-779,270,169.30
Add: Opening balance of cash and cash equivalents		2,599,143,553.28	926,474,425.00	1,705,744,594.30
VI. Closing balance of cash and cash equivalents		2,387,752,359.41	2,599,143,553.28	926,474,425.00

Person in charge of the Unit: Zhou Zhou (seal) Person in charge of accounting work: Sun Yu (seal) Person in charge of accounting agency: Chen Huaiyin (seal)

周洲 孙玉 陈怀银印

This report has a total of 14 pages and this is Page 4

Consolidated Statement of Changes in Owners' Equity

Jiangsu Jinguan Investment Development Group Co., Ltd. (Seal)

Prepared by: Jiangsu Jinguan Investment Development Group Co., Ltd.

Unit: RMB Yuan

Items	2022												
	Equity attributable to owners of the parent company											Minority shareholders' equity	Total owners' equity
	Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	General risk preparation	Surplus reserve	Undistributed profits	Subtotal		
		Preferred shares	Perpetual debts	Others									
I. Closing balance of last year	1,070,000,000.00				10,690,588,959.15		1,910,259,188.84	1,306,237.19	232,456,506.09	2,259,917,568.96	16,164,528,460.23	108,669,727.34	16,273,198,187.57
Add: Changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—
Correction of prior period errors	—	—	—	—	—	—	—	—	—	—	—	—	—
Others													
II. Opening balance of the year	1,070,000,000.00				10,690,588,959.15		1,910,259,188.84	1,306,237.19	232,456,506.09	2,259,917,568.96	16,164,528,460.23	108,669,727.34	16,273,198,187.57
III. Amount of increase or decrease changes of the year (Fill in decrease with "-")	30,000,000.00				-25,332,102.78		-765,000.00	976,797.14	7,882,239.41	85,442,477.98	98,204,411.75	-805,952.81	97,398,458.94
(I) Total comprehensive income	—	—	—	—	—	—	-765,000.00	—	—	93,324,717.39	92,559,717.39	-805,952.81	91,753,764.58
(II) Capital increase and decrease of owners	30,000,000.00				-25,332,102.78						4,667,897.22	-0.00	4,667,897.22
1. Capital invested in by owners	30,000,000.00	—	—	—		—	—	—	—	—	30,000,000.00		30,000,000.00
2. Capital invested in by other equity instrument owners						—	—	—	—	—			
3. Amount of share payment credited into owners' equity		—	—	—		—	—	—	—	—			
4. Others		—	—	—	-25,332,102.78						-25,332,102.78	-0.00	-25,332,102.78
(III) General risk preparation		—	—	—				976,797.14			976,797.14		976,797.14
1. Current extraction	—	—	—	—	—	—	—	976,797.14	—	—	976,797.14		976,797.14
2. Current use	—	—	—	—	—	—	—		—	—			
(IV) Profit distribution									7,882,239.41	-7,882,239.41			
1. Extraction of surplus reserves	—	—	—	—	—	—	—	—	7,882,239.41	-7,882,239.41		—	
Including: legal reserve	—	—	—	—	—	—	—	—	7,882,239.41	-7,882,239.41		—	
Optional reserve	—	—	—	—	—	—	—	—				—	
2. Distribution on owners (or shareholders)	—	—	—	—	—	—	—	—	—				
3. Others													
(V) Internal transfer of owners' equities													
1. Capital reserve converted into capital (or capital stock)		—	—	—		—	—	—	—	—		—	
2. Surplus reserve converted into capital (or capital stock)		—	—	—	—	—	—	—		—		—	
3. Surplus reserve to cover losses	—	—	—	—	—	—	—	—				—	
4. Carry-forward of retained earnings from changes in defined benefit plan	—	—	—	—	—	—		—		—		—	
5. Retained earnings carried forward from other comprehensive earnings	—	—	—	—	—	—		—				—	
6. Others													
IV. Closing balance of the year	1,100,000,000.00				10,665,256,856.37		1,909,494,188.84	2,283,034.33	240,338,745.50	2,345,360,046.94	16,262,732,871.98	107,863,774.53	16,370,596,646.51

Person in charge of the Unit: Zhou Zhou (seal) 周洲

Person in charge of accounting work: Sun Yu (seal) 孙玉

Person in charge of accounting agency: Chen Huaiyin (seal) 陈怀银印

Consolidated Statement of Changes in Owners' Equity (Continued)

Jiangsu Jinguan Investment Development Group Co., Ltd. (Seal)

Prepared by: Jiangsu Jinguan Investment Development Group Co., Ltd. Unit: RMB Yuan

Items	2021												
	Equity attributable to owners of the parent company											Minority shareholders' equity	Total owners' equity
	Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	General risk preparation	Surplus reserve	Undistributed profits	Subtotal		
		Preferred shares	Perpetual debts	Others									
I. Closing balance of last year	600,000,000.00				10,920,018,434.95		1,102,234,142.03	877,634.47	224,731,727.56	2,105,307,774.94	14,953,169,713.95	108,575,929.06	15,061,745,643.01
Add: Changes in accounting policies													
Correction of prior period errors													
Others													
II. Opening balance of the year	600,000,000.00				10,920,018,434.95		1,102,234,142.03	877,634.47	224,731,727.56	2,105,307,774.94	14,953,169,713.95	108,575,929.06	15,061,745,643.01
III. Amount of increase or decrease changes of the year (Fill in decrease with "-")	470,000,000.00				-229,429,475.80		808,025,046.81	428,602.72	7,724,778.53	154,609,794.02	1,211,358,746.28	93,798.28	1,211,452,544.56
(I) Total comprehensive income	—	—	—	—	—	—	808,025,046.81	—	—	162,334,572.55	970,359,619.36	-579,505.97	969,780,113.39
(II) Capital increase and decrease of owners	470,000,000.00				-229,429,475.80						240,570,524.20	673,304.25	241,243,828.45
1. Capital invested in by owners	470,000,000.00	—	—	—		—	—	—	—	—	470,000,000.00		470,000,000.00
2. Capital invested in by other equity instrument owners						—	—	—	—	—			
3. Amount of share payment credited into owners' equity		—	—	—		—	—	—	—	—			
4. Others		—	—	—	-229,429,475.80						-229,429,475.80	673,304.25	-228,756,171.55
(III) General risk preparation		—	—	—				428,602.72			428,602.72		428,602.72
1. Current extraction	—	—	—	—	—	—	—	428,602.72	—	—	428,602.72		428,602.72
2. Current use	—	—	—	—	—	—	—		—	—			
(IV) Profit distribution									7,724,778.53	-7,724,778.53			
1. Extraction of surplus reserves	—	—	—	—	—	—	—	—	7,724,778.53	-7,724,778.53		—	
Including: legal reserve	—	—	—	—	—	—	—	—	7,724,778.53	-7,724,778.53		—	
Optional reserve	—	—	—	—	—	—	—	—				—	
2. Distribution on owners (or shareholders)	—	—	—	—	—	—	—	—	—				
3. Others													
(V) Internal transfer of owners' equities													
1. Capital reserve converted into capital (or capital stock)		—	—	—		—	—	—	—	—		—	
2. Surplus reserve converted into capital (or capital stock)		—	—	—	—	—	—	—		—		—	
3. Surplus reserve to cover losses	—	—	—	—	—	—	—	—				—	
4. Carry-forward of retained earnings from changes in defined benefit plan	—	—	—	—	—	—		—	—			—	
5. Retained earnings carried forward from other comprehensive earnings	—	—	—	—	—	—		—				—	
6. Others													
IV. Closing balance of the year	1,070,000,000.00				10,690,588,959.15		1,910,259,188.84	1,306,237.19	232,456,506.09	2,259,917,568.96	16,164,528,460.23	108,669,727.34	16,273,198,187.57

Person in charge of the Unit: Zhou Zhou (seal) Person in charge of accounting work: Sun Yu (seal) Person in charge of accounting agency: Chen Huaiyin (seal)

周洲 孙玉 陈怀银印

Consolidated Statement of Changes in Owners' Equity (Continued)

Jiangsu Jinguan Investment Development Group Co., Ltd. (Seal)

Prepared by: Jiangsu Jinguan Investment Development Group Co., Ltd. | Unit: RMB Yuan

Items	2020												
	Equity attributable to owners of the parent company											Minority shareholders' equity	Total owners' equity
	Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	General risk preparation	Surplus reserve	Undistributed profits	Subtotal		
		Preferred shares	Perpetual debts	Others									
I. Closing balance of last year	600,000,000.00				10,935,550,295.86		1,099,133,541.53	731,900.00	217,116,016.78	2,021,213,932.06	14,873,745,686.23	107,050,441.75	14,980,796,127.98
Add: Changes in accounting policies													
Correction of prior period errors													
Others													
II. Opening balance of the year	600,000,000.00				10,935,550,295.86		1,099,133,541.53	731,900.00	217,116,016.78	2,021,213,932.06	14,873,745,686.23	107,050,441.75	14,980,796,127.98
III. Amount of increase or decrease changes of the year (Fill in decrease with "-")					-15,531,860.91		3,100,600.50	145,734.47	7,615,710.78	84,093,842.88	79,424,027.72	1,525,487.31	80,949,515.03
(I) Total comprehensive income	—	—	—	—	—	—	3,100,600.50		—	91,775,723.27	94,876,323.77	1,525,487.31	96,401,811.08
(II) Capital increase and decrease of owners					-15,531,860.91						-15,531,860.91		-15,531,860.91
1. Capital invested in by owners		—	—	—		—	—		—	—			
2. Capital invested in by other equity instrument owners						—	—		—	—			
3. Amount of share payment credited into owners' equity		—	—	—		—	—		—	—			
4. Others		—	—	—	-15,531,860.91						-15,531,860.91		-15,531,860.91
(III) General risk preparation		—	—	—				145,734.47		-66,169.61	79,564.86		79,564.86
1. Current extraction	—	—	—	—	—	—	—		—				
2. Current use	—	—	—	—	—	—	—	145,734.47	—	-66,169.61	79,564.86		79,564.86
(IV) Profit distribution									7,615,710.78	-7,615,710.78			
1. Extraction of surplus reserves	—	—	—	—	—	—	—		7,615,710.78	-7,615,710.78		—	
Including: legal reserve	—	—	—	—	—	—	—		7,615,710.78	-7,615,710.78		—	
Optional reserve	—	—	—	—	—	—	—					—	
2. Distribution on owners (or shareholders)	—	—	—	—	—	—	—		—				
3. Others													
(V) Internal transfer of owners' equities													
1. Capital reserve converted into capital (or capital stock)		—	—	—		—	—		—	—		—	
2. Surplus reserve converted into capital (or capital stock)		—	—	—	—	—	—			—		—	
3. Surplus reserve to cover losses	—	—	—	—	—	—	—					—	
4. Carry-forward of retained earnings from changes in defined benefit plan	—	—	—	—	—	—			—			—	
5. Retained earnings carried forward from other comprehensive earnings	—	—	—	—	—	—						—	
6. Others													
IV. Closing balance of the year	600,000,000.00				10,920,018,434.95		1,102,234,142.03	877,634.47	224,731,727.56	2,105,307,774.94	14,953,169,713.95	108,575,929.06	15,061,745,643.01

Person in charge of the Unit: Zhou Zhou (seal) | Person in charge of accounting work: Sun Yu (seal) | Person in charge of accounting agency: Chen Huaiyin (seal)

周洲 | 孙玉 | 陈怀银印

Balance Sheet

Jiangsu Jinguan Investment Development Group Co., Ltd. (Seal)

Prepared by: Jiangsu Jinguan Investment Development Group Co., Ltd.

Unit: RMB Yuan

Items	Note XII	December 31, 2022	December 31, 2021	December 31, 2020
Current assets:		——	——	——
Monetary fund		765,920,637.38	473,206,815.61	362,428,901.64
Held-for-trading financial assets		321,208,549.87		
Derivative financial assets				
Notes receivable				
Accounts receivable	Note 1	1,904,831,882.41	1,672,436,682.41	2,280,511,056.15
Accounts receivable financing				
Prepayments				
Other receivables	Note 2	4,208,072,976.51	2,108,992,125.12	4,314,665,188.25
Inventories		7,790,328,269.29	8,245,952,184.74	7,918,709,535.75
Contract assets				
Assets held-for-sale				
Non-current assets due within one year				
Other current assets			100,000,000.00	
Total current assets		14,990,362,315.46	12,600,587,807.88	14,876,314,681.79
Non-current assets:		——	——	——
Debt investment				
Other debt investment				
Long-term receivables				
Long-term equity investments	Note 3	2,997,724,044.38	2,925,026,924.45	2,923,262,222.81
Other equity instrument investments		23,154,042.40	23,154,042.40	23,154,042.40
Other non-current financial assets		2,000,000.00	2,000,000.00	
Investment properties		3,575,410,000.00	3,547,940,000.00	2,199,379,568.36
Fixed assets		45,095,507.32	46,618,028.50	46,940,247.69
Construction in progress		11,638,212.68	7,262,179.35	1,538,589.06
Productive biological assets				
Oil and gas assets				
Right-of-use assets				
Intangible assets		70,754.71	89,622.64	
Development expenditure				
Goodwill				
Long-term deferred expenses				
Deferred tax assets		2,916,250.00	138,663.49	
Other non-current assets				
Total non-current assets		6,658,008,811.49	6,552,229,460.83	5,194,274,670.32
Total assets		21,648,371,126.95	19,152,817,268.71	20,070,589,352.11

Person in charge of the Unit: Zhou Zhou (seal)   Person in charge of accounting work: Sun Yu (seal)   Person in charge of accounting agency: Chen Huaiyin (seal)

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Balance Sheet (Continued)

Jiangsu Jinguan Investment Development Group Co., Ltd. (Seal)

Prepared by: Jiangsu Jinguan Investment Development Group Co., Ltd.

Unit: RMB Yuan

Items	Note XII	December 31, 2022	December 31, 2021	December 31, 2020
Current liabilities:		——	——	——
Short-term borrowings		1,069,000,000.00	305,096,666.67	100,000,000.00
Financial liabilities held for trading				
Derivative financial liabilities				
Notes payable				
Accounts payable		32,366.81	121,042.09	185,370,000.00
Payments received in advance				
Contract liabilities				
Accrued payroll				
Taxes payable		368,590,800.54	328,279,919.02	309,427,125.22
Other payables		3,271,753,312.92	1,754,998,422.18	4,087,376,440.28
Liabilities held for sale				
Non-current liabilities due within one year		1,236,226,490.95	799,730,971.75	648,990,330.08
Other current liabilities				
Total current liabilities		5,945,602,971.22	3,188,227,021.71	5,331,163,895.58
Non-current liabilities:		——	——	——
Long-term borrowings				
Bonds payable		1,044,493,555.69	1,222,005,541.08	1,122,941,746.96
Including: Preferred shares				
Perpetual debts				
Lease liabilities				
Long-term payables		300,000,000.00	500,000,000.00	850,000,000.00
Long-term accrued payroll				
Estimated liabilities				
Deferred income				
Deferred income tax liabilities		669,322,144.87	662,454,644.87	367,986,380.67
Other non-current liabilities				
Total non-current liabilities		2,013,815,700.56	2,384,460,185.95	2,340,928,127.63
Total liabilities		7,959,418,671.78	5,572,687,207.66	7,672,092,023.21
Owners' equity (or shareholders' equity):		——	——	——
Paid-in capital		1,100,000,000.00	1,070,000,000.00	600,000,000.00
Other equity instruments				
Including: Preferred shares				
Perpetual debts				
Capital reserve		8,288,567,372.12	8,288,567,372.12	8,460,077,472.12
Less: Treasury shares				
Other comprehensive income		1,909,854,188.84	1,909,854,188.84	1,103,959,142.03
General risk preparation				
Surplus reserve		240,338,745.50	232,456,506.09	224,731,727.56
Undistributed profits		2,150,192,148.71	2,079,251,994.00	2,009,728,987.19
Total owners' equity		13,688,952,455.17	13,580,130,061.05	12,398,497,328.90
Total liabilities and owners' equities		21,648,371,126.95	19,152,817,268.71	20,070,589,352.11

Person in charge of the Unit: Zhou Zhou (seal) Person in charge of accounting work: Sun Yu (seal) Person in charge of accounting agency: Chen Huaiyin (seal)

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Income Statement

Jiangsu Jinguan Investment Development Group Co., Ltd (Seal)

Prepared by: Jiangsu Jinguan Investment Development Group Co., Ltd | Unit: RMB Yuan

Items	Note XII	2022	2021	2020
I. Total operating income		477,339,637.48	492,137,839.24	553,008,773.11
Including: Operating income	Note 4	477,339,637.48	492,137,839.24	553,008,773.11
II. Total operating cost		382,131,779.98	480,238,855.88	449,089,591.58
Including: Operating cost	Note 4	316,604,300.00	358,852,034.60	433,026,661.62
Taxes and surcharges		36,811,969.32	36,614,700.12	5,169,107.17
Selling expense				
Administrative expenses		18,850,846.46	12,175,926.12	14,248,561.15
Research and development expense				
Financial expenses		9,864,664.20	72,596,195.04	-3,354,738.36
Including: Interest expenses			64,955,750.54	
Interest incomes			23,964,255.92	3,369,142.62
Others				
Add: Other income				
Investment income (Fill in loss with "-")	Note 5	-3,814,906.90	-9,135,868.95	-3,765,237.20
Including: income from investment in associates and joint ventures	Note 5	-7,302,880.07	-9,277,898.36	-4,322,952.05
Gains from derecognition of financial assets measured at amortized cost				
Net exposure to hedging income (Fill in loss with "-")				
Gains from changes in fair value (Fill in loss with "-")		27,470,000.00	103,346,327.71	
Credit impairment loss (Fill in loss with "-")		-11,110,346.06	18,309.50	1,044,721.67
Assets impairment loss (Fill in loss with "-")				
Gains on asset disposal (Fill in loss with "-")		17,700.10		
III. Operating profit (Fill in loss with "-")		107,770,304.64	106,127,751.62	101,198,666.00
Plus: Non-operating income		73,831.48	47,761.65	23,240.28
Less: Non-operating expenses		243,586.78	236,150.15	16.36
IV. Total profit (Fill in total loss with "-")		107,600,549.34	105,939,363.12	101,221,889.92
Less: Income taxes expenses		28,778,155.22	28,691,577.78	25,064,782.16
V. Net profit (Fill in net loss with "-")		78,822,394.12	77,247,785.34	76,157,107.76
(I) Classified by ownership:		——	——	——
Net profit attributable to owners of parent company		78,822,394.12	77,247,785.34	76,157,107.76
(II) Classified by the continuity of operations:		——	——	——
Net profits from sustainable operation		78,822,394.12	77,247,785.34	76,157,107.76
Net profits from discontinued operation				
VI. Net amount of other comprehensive income after tax			805,895,046.81	3,325,600.50
The after-tax net amount from other comprehensive income attributable to parent company			805,895,046.81	3,325,600.50
(I) Other comprehensive income that can not be reclassified into profit and loss				
1. Re-measurement of changes in defined benefit plan				
2. Other comprehensive income that can not be transferred into profits or losses under the equity method				
3. Changes in fair value of investment in other equity instruments				
4. Changes in fair value of enterprise's own credit risk				
5. Others				
(II) Other comprehensive income to be reclassified into profit and loss			805,895,046.81	3,325,600.50
1. Other comprehensive income that can be transferred into profits or losses under the equity method				
2. Changes in fair value of other debt investment				
3. The amount of financial assets reclassified into other comprehensive income				
4. Provision for credit impairment of other debt investment				
5. Reserves of cash flow hedges (Valid part of the hedging profits or losses of cash flows)				
6. Translation difference in the foreign currency financial statements				
7. Investment properties measured at fair value converted from other assets			805,895,046.81	
8. Others				3,325,600.50
*The after-tax net amount from other comprehensive income attributable to minority shareholders				
VII. Total comprehensive income		78,822,394.12	883,142,832.15	79,482,708.26

Person in charge of the Unit: Zhou Zhou (seal) Person in charge of accounting work: Sun Yu (seal) Person in charge of accounting agency: Chen Huaiyin (seal)

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Cash Flow Statement

Jiangsu Jinguan Investment Development Group Co., Ltd. (Seal)

Prepared by: Jiangsu Jinguan Investment Development Group Co., Ltd. | Unit: RMB Yuan

Items	Notes	2022	2021	2020
I. Cash flow from operating activities:		—	—	—
Cash received from sales of goods or rendering services		254,698,790.60	566,251,755.19	11,537,880.55
Received tax return				
Other cash received relating to operating activities		1,536,458,510.05	2,126,616,073.40	4,374,695,666.63
Subtotal of cash inflows from operating activities		1,791,157,300.65	2,692,867,828.59	4,386,233,547.18
Cash paid for goods and services		122,996,767.67	354,318,556.07	
Cash paid to and for employees		2,933,045.86	2,640,479.00	2,653,171.44
Various taxes and fees paid		37,318,797.64	35,282,730.44	513,606.66
Other cash paid relating to operating activities		1,538,314,325.55	2,185,691,372.63	3,287,349,417.65
Subtotal of cash outflows from operating activities		1,701,562,936.72	2,577,933,138.14	3,290,516,195.75
Net cash flows from operating activities		89,594,363.93	114,934,690.45	1,095,717,351.43
II. Cash Flow from investing activities:		—	—	—
Cash received from investment redemption				
Cash received from returns on investment		3,487,973.17	142,029.41	557,714.85
Net cash from disposing fixed assets, intangible assets and other long-term assets		17,700.10		
Net cash received from disposal of subsidiaries and other business units				
Other cash received relating to investing activities		100,000,000.00		
Subtotal of cash inflows from investing activities		103,505,673.27	142,029.41	557,714.85
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		4,455,692.70	5,940,990.29	2,192,444.05
Cash paid for investments		401,208,549.87	150,000,000.00	553,481,610.00
Net cash paid for acquisition of subsidiaries and other operating companies				
Other cash paid relating to investing activities				
Subtotal of cash outflows from investing activities		405,664,242.57	155,940,990.29	555,674,054.05
Net cash flows from investing activities		-302,158,569.30	-155,798,960.88	-555,116,339.20
III. Cash flow from financing activities:		—	—	—
Cash received from capital contribution		30,000,000.00	470,000,000.00	
Including: Cash received by subsidiaries from investments by minority shareholders				
Cash received from borrowings		1,920,000,000.00	1,000,000,000.00	100,000,000.00
Other cash received relating to financing activities		176,971,348.61	300,300,353.33	850,000,000.00
Subtotal of cash inflows from financing activities		2,126,971,348.61	1,770,300,353.33	950,000,000.00
Cash paid for debt repayment		1,102,000,000.00	858,000,000.00	10,000,000.00
Cash paid for distribution of dividends or profit or interest expenses		330,392,028.53	317,114,533.83	
Other cash paid relating to financing activities		79,101,293.74	731,743,859.31	2,430,000,000.00
Subtotal of cash outflows from financing activities		1,511,493,322.27	1,906,858,393.14	2,440,000,000.00
Net cash flows from financing activities		615,478,026.34	-136,558,039.81	-1,490,000,000.00
IV. Effects of foreign exchange rate changes on cash and cash equivalents				
V. Net increase in cash and cash equivalents		402,913,820.97	-177,422,310.24	-949,398,987.77
Add: Opening balance of cash and cash equivalents		185,006,591.40	362,428,901.64	1,311,827,889.41
VI. Closing balance of cash and cash equivalents		587,920,412.37	185,006,591.40	362,428,901.64

Person in charge of the Unit: Zhou Zhou (seal) | Person in charge of accounting work: Sun Yu (seal) | Person in charge of accounting agency: Chen Huaiyin (seal)

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Statement of Changes in Owners' Equity

Jiangsu Jinguan Investment Development Group Co., Ltd. (Seal)

Prepared by: Jiangsu Jinguan Investment Development Group Co., Ltd.

Unit: RMB Yuan

Item	2022											
	Equity attributable to owners of the parent company											Total owners' equity
	Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	General risk preparation	Surplus reserve	Undistributed profits	Subtotal	
		Preferred shares	Perpetual debts	Others								
I. Closing balance of last year	1,070,000,000.00				8,288,567,372.12		1,909,854,188.84		232,456,506.09	2,079,251,994.00	13,580,130,061.05	13,580,130,061.05
Add: Changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—
Correction of prior period errors	—	—	—	—	—	—	—	—	—	—	—	—
Others												
II. Opening balance of the year	1,070,000,000.00				8,288,567,372.12		1,909,854,188.84		232,456,506.09	2,079,251,994.00	13,580,130,061.05	13,580,130,061.05
III. Amount of increase or decrease changes of the year (Fill in decrease with "-")	30,000,000.00								7,882,239.41	70,940,154.71	108,822,394.12	108,822,394.12
(I) Total comprehensive income	—	—	—	—	—	—		—	—	78,822,394.12	78,822,394.12	78,822,394.12
(II) Capital increase and decrease of owners	30,000,000.00										30,000,000.00	30,000,000.00
1. Capital invested in by owners	30,000,000.00	—	—	—		—	—	—	—	—	30,000,000.00	30,000,000.00
2. Capital invested in by other equity instrument owners						—	—	—	—	—		
3. Amount of share payment credited into owners' equity		—	—	—		—	—	—	—	—		
4. Others		—	—	—								
(III) General risk preparation		—	—	—								
1. Current extraction	—	—	—	—	—	—	—		—	—		
2. Current use	—	—	—	—	—	—	—		—	—		
(IV) Profit distribution									7,882,239.41	-7,882,239.41		
1. Extraction of surplus reserves	—	—	—	—	—	—	—	—	7,882,239.41	-7,882,239.41		
Including: legal reserve	—	—	—	—	—	—	—	—	7,882,239.41	-7,882,239.41		
Optional reserve	—	—	—	—	—	—	—	—				
2. Distribution on owners (or shareholders)	—	—	—	—	—	—	—	—	—			
3. Others												
(V) Internal transfer of owners' equities												
1. Capital reserve converted into capital (or capital stock)		—	—	—		—	—	—	—	—		
2. Surplus reserve converted into capital (or capital stock)		—	—	—	—	—	—	—		—		
3. Surplus reserve to cover losses	—	—	—	—	—	—	—	—				
4. Carry-forward of retained earnings from changes in defined benefit plan	—	—	—	—	—	—		—	—			
5. Retained earnings carried forward from other comprehensive earnings	—	—	—	—	—	—		—				
6. Others												
IV. Closing balance of the year	1,100,000,000.00				8,288,567,372.12		1,909,854,188.84		240,338,745.50	2,150,192,148.71	13,688,952,455.17	13,688,952,455.17

Person in charge of the Unit: Zhou Zhou (seal) 周洲

Person in charge of accounting work: Sun Yu (seal) 孙玉

Person in charge of accounting agency: Chen Huaiyin (seal) 陈怀银印

Statement of Changes in Owners' Equity (Continued)

Jiangsu Jinguan Investment Development Group Co., Ltd. (Seal)

Prepared by: Jiangsu Jinguan Investment Development Group Co., Ltd.

Unit: RMB Yuan

Items	2021											
	Equity attributable to owners of the parent company											Total owners' equity
	Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	General risk preparation	Surplus reserve	Undistributed profits	Subtotal	
		Preferred shares	Perpetual debts	Others								
I. Closing balance of last year	600,000,000.00				8,460,077,472.12		1,103,959,142.03		224,731,727.56	2,009,728,987.19	12,398,497,328.90	12,398,497,328.90
Add: Changes in accounting policies												
Correction of prior period errors												
Others												
II. Opening balance of the year	600,000,000.00				8,460,077,472.12		1,103,959,142.03		224,731,727.56	2,009,728,987.19	12,398,497,328.90	12,398,497,328.90
III. Amount of increase or decrease changes of the year (Fill in decrease with "-")	470,000,000.00				-171,510,100.00		805,895,046.81		7,724,778.53	69,523,006.81	1,181,632,732.15	1,181,632,732.15
(I) Total comprehensive income	—	—	—	—	—	—	805,895,046.81	—	—	77,247,785.34	883,142,832.15	883,142,832.15
(II) Capital increase and decrease of owners	470,000,000.00				-171,510,100.00						298,489,900.00	298,489,900.00
1. Capital invested in by owners	470,000,000.00	—	—	—		—	—	—	—	—	470,000,000.00	470,000,000.00
2. Capital invested in by other equity instrument owners						—	—	—	—	—		
3. Amount of share payment credited into owners' equity		—	—	—		—	—	—	—	—		
4. Others		—	—	—	-171,510,100.00						-171,510,100.00	-171,510,100.00
(III) General risk preparation		—	—	—								
1. Current extraction	—	—	—	—	—	—	—		—	—		
2. Current use	—	—	—	—	—	—	—		—	—		
(IV) Profit distribution									7,724,778.53	-7,724,778.53		
1. Extraction of surplus reserves	—	—	—	—	—	—	—	—	7,724,778.53	-7,724,778.53		
Including: legal reserve	—	—	—	—	—	—	—	—	7,724,778.53	-7,724,778.53		
Optional reserve	—	—	—	—	—	—	—	—				
2. Distribution on owners (or shareholders)	—	—	—	—	—	—	—	—	—			
3. Others												
(V) Internal transfer of owners' equities												
1. Capital reserve converted into capital (or capital stock)		—	—	—		—	—	—	—	—		
2. Surplus reserve converted into capital (or capital stock)		—	—	—	—	—	—	—		—		
3. Surplus reserve to cover losses	—	—	—	—	—	—	—	—				
4. Carry-forward of retained earnings from changes in defined benefit plan	—	—	—	—	—	—		—	—			
5. Retained earnings carried forward from other comprehensive earnings	—	—	—	—	—	—		—				
6. Others												
IV. Closing balance of the year	1,070,000,000.00				8,288,567,372.12		1,909,854,188.84		232,456,506.09	2,079,251,994.00	13,580,130,061.05	13,580,130,061.05

Person in charge of the Unit: Zhou Zhou (seal) Person in charge of accounting work: Sun Yu (seal) Person in charge of accounting agency: Chen Huaiyin (seal)

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Statement of Changes in Owners' Equity (Continued)

Jiangsu Jinguan Investment Development Group Co., Ltd. (Seal)

Prepared by: Jiangsu Jinguan Investment Development Group Co., Ltd.

Unit: RMB Yuan

Items	2020											
	Equity attributable to owners of the parent company											Total owners' equity
	Paid-in capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	General risk preparation	Surplus reserve	Undistributed profits	Subtotal	
		Preferred shares	Perpetual debts	Others								
I. Closing balance of last year	600,000,000.00				8,831,306,572.12		1,100,633,541.53		217,116,016.78	1,941,187,590.21	12,690,243,720.64	12,690,243,720.64
Add: Changes in accounting policies												
Correction of prior period errors												
Others												
II. Opening balance of the year	600,000,000.00				8,831,306,572.12		1,100,633,541.53		217,116,016.78	1,941,187,590.21	12,690,243,720.64	12,690,243,720.64
III. Amount of increase or decrease changes of the year (Fill in decrease with "-")					-371,229,100.00		3,325,600.50		7,615,710.78	68,541,396.98	-291,746,391.74	-291,746,391.74
(I) Total comprehensive income	—	—	—	—	—	—	3,325,600.50	—	—	76,157,107.76	79,482,708.26	79,482,708.26
(II) Capital increase and decrease of owners					-371,229,100.00						-371,229,100.00	-371,229,100.00
1. Capital invested in by owners		—	—	—		—	—	—	—	—		
2. Capital invested in by other equity instrument owners						—	—	—	—	—		
3. Amount of share payment credited into owners' equity		—	—	—		—	—	—	—	—		
4. Others		—	—	—	-371,229,100.00						-371,229,100.00	-371,229,100.00
(III) General risk preparation		—	—	—								
1. Current extraction	—	—	—	—	—	—	—		—	—		
2. Current use	—	—	—	—	—	—	—		—	—		
(IV) Profit distribution									7,615,710.78	-7,615,710.78		
1. Extraction of surplus reserves	—	—	—	—	—	—	—	—	7,615,710.78	-7,615,710.78		
Including: legal reserve	—	—	—	—	—	—	—	—	7,615,710.78	-7,615,710.78		
Optional reserve	—	—	—	—	—	—	—	—				
2. Distribution on owners (or shareholders)	—	—	—	—	—	—	—	—	—			
3. Others												
(V) Internal transfer of owners' equities												
1. Capital reserve converted into capital (or capital stock)		—	—	—		—	—	—	—	—		
2. Surplus reserve converted into capital (or capital stock)		—	—	—	—	—	—	—		—		
3. Surplus reserve to cover losses	—	—	—	—	—	—	—	—				
4. Carry-forward of retained earnings from changes in defined benefit plan	—	—	—	—	—	—	—	—	—			
5. Retained earnings carried forward from other comprehensive earnings	—	—	—	—	—	—		—				
6. Others												
IV. Closing balance of the year	600,000,000.00				8,460,077,472.12		1,103,959,142.03		224,731,727.56	2,009,728,987.19	12,398,497,328.90	12,398,497,328.90

Person in charge of the Unit: Zhou Zhou (seal) Person in charge of accounting work: Sun Yu (seal) Person in charge of accounting agency: Chen Huaiyin (seal)

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Jiangsu Jinguan Investment Development Group Co., Ltd.
Financial Statements Notes of 2022, 2021 and 2020

I. Company profile

(I) Historical development, place of registration, organizational form and headquarter location

In December 2003, the People's Government of Guannan County funded the establishment of Jiangsu Jinguan Investment Development Group Co., Ltd. (hereinafter referred to as the Company, and collectively referred to as the Group when including subsidiaries) with a registered capital of 100 million yuan. On December 19, 2003, the Company obtained the enterprise legal person business license No. 9132072476418927XF issued by the Guannan Administration for Industry and Commerce of Lianyungang City.

As of December 31, 2022, the registered capital of the Company is 1.1 billion yuan, and the paid-in capital is 1.1 billion yuan, which is subscribed and contributed in full by the People's Government of Guannan County. The company's address is No. 1 Weiyi Road, Guannan Economic Development Zone, the unified social credit code is 9132072476418927XF, and the legal representative is Zhou Zhou.

(II) The business nature and main business activities of the Company

The Company is involved in the indemnificatory housing industry and urban infrastructure construction. Its main products or services include land development, investment and construction of indemnificatory housing and municipal infrastructure projects.

The Company's business scope: asset management and investment, land development and consolidation, construction of urban and rural infrastructure projects, construction of water conservancy projects, sales of building materials, refined oil products: retail of gasoline and diesel (limited to business of branches only). (Items subject to approval in accordance with laws can be operated only after approval by relevant authorities).

(III) Approval and issuance of the financial statements

These financial statements were approved for issuance by the shareholders' resolution of the Company on April 25, 2023.

II. The scope of consolidated financial statements

A total of 11 first-tier subsidiary entities were included in the scope of consolidated financial statements during this reporting period, including:

SN	Name of subsidiaries	Type of subsidiaries	Level	Shareholding ratio (%)	Proportion of votes (%)
1	Lianyungang Shuoxiang Lake Water Group Co., Ltd	Wholly-owned subsidiaries	Level I	100.00	100.00
2	Lianyungang Guanhe Financial Holdings Co., Ltd	Wholly-owned subsidiaries	Level I	100.00	100.00
3	Guannan Shengguan Industrial Co., Ltd	Wholly-owned subsidiaries	Level I	100.00	100.00
4	Guannan Jingsheng Industrial Development Co., Ltd	Wholly-owned subsidiaries	Level I	100.00	100.00
5	Guannan Jinguan Real Estate Co., Ltd	Wholly-owned subsidiaries	Level I	100.00	100.00
6	Jiangsu Guanhe Investment Development Co., Ltd	Wholly-owned subsidiaries	Level I	100.00	100.00
7	Lianyungang Ruixin Construction Engineering Co., Ltd	Wholly-owned subsidiaries	Level I	100.00	100.00
8	Guannan Hongguan Industrial Development Co., Ltd	Wholly-owned subsidiaries	Level I	100.00	100.00
9	Guannan Duigougang Industrial Co., Ltd	Wholly-owned subsidiaries	Level I	60.00	60.00
10	Haixi International Investment Co., Ltd	Wholly-owned subsidiaries	Level I	100.00	100.00
11	Lianyungang Yuanguan Industrial Co., Ltd	Wholly-owned subsidiaries	Level I	100.00	100.00

Compared with the previous period, the number of entities included in the consolidated financial statements for the current period increased by 11 and decreased by 15, including:

1．Subsidiaries, special purpose entities, and operational entities that have formed control power through in-trust operation or leasing included in the scope of consolidation for the current period

Name	Reason for change
Lianyungang Ruixin Construction Engineering Co., Ltd	Invested and established in 2020
Guannan Hongguan Industrial Development Co., Ltd	Invested and established in 2020
Lianyungang Tengda Real Estate Co., Ltd	Invested and established in 2021
Lianyungang Zhongxin Chemical Commercial and Trading Co., Ltd	Invested and established in 2021
Lianyungang Huixin Asset Management Co., Ltd	Invested and established in 2021
Guannan Jingsheng Industrial Development Co., Ltd	Invested and established in 2021

Lianyungang Yuanshengxiang Industrial Investment Co., Ltd	Invested and established in 2021
Guannan Jinguan Dada Trading Co., Ltd	Invested and established in 2022
Lianyungang Yuanguan Industrial Co., Ltd	Invested and established in 2022
Lianyungang Weichuang Technology Service Co., Ltd	Equity acquired in 2022
Guannan Hope Clothing Co., Ltd	Equity acquired in 2022

2. Subsidiaries, special purpose entities, and operational entities that have lost control power through entrusted operation or lending are no longer included in the scope of consolidation for the current period

Name	Reason for change
Guannan Xingmin Poverty Alleviation Development Co., Ltd	Allocated by the government in 2020
Guannan Guanjiang Agricultural Investment Development Co., Ltd	Allocated by the government in 2020
Guannan Jinguan Property Management Service Co., Ltd	Allocated by the government in 2021
Guannan Sanchuang Transportation Investment Co., Ltd	Allocated by the government in 2021
Guannan Guanhe Tourism Development Co., Ltd	Allocated by the government in 2021
Shuoguan Financial Leasing (Shenzhen) Co., Ltd	Allocated by the government in 2021
Guannan Mengxingzhuang Sewage Treatment Co., Ltd	Cancelled in 2022
Guannan Xiaonan Sewage Treatment Co., Ltd	Cancelled in 2022
Guannan Gengfeng Sewage Treatment Co., Ltd	Cancelled in 2022
Guannan Xinhua Sewage Treatment Co., Ltd	Cancelled in 2022
Guannan Xinggang Sewage Treatment Co., Ltd	Cancelled in 2022
Guannan Lianwu Sewage Treatment Co., Ltd	Cancelled in 2022
Guannan Penyao Sewage Treatment Co., Ltd	Cancelled in 2022
Guannan Shanglin Sewage Treatment Co., Ltd	Cancelled in 2022
Guannan Erli Sewage Treatment Co., Ltd	Cancelled in 2022

III. Preparation basis of financial statements

(I) Preparation basis of financial statements

The Company carried out recognition and measurement based on actually occurred transactions and events in accordance with the *Accounting Standards for Business Enterprises - Basic Standard* issued by the Ministry of Finance, specific enterprise accounting standards, application guidelines for enterprise accounting standards, interpretations of enterprise accounting standards, and other relevant regulations (hereinafter collectively referred to as "Accounting Standards for Business Enterprises"), and prepared financial statements on this basis.

(II) Going concern

The Company has evaluated the going-concern ability for 12 months from the end of the reporting period and there were no issues or circumstances found that have significant doubts about its ability to continue as a going concern. Therefore, the financial statements have been prepared based on the going concern assumptions.

IV. Significant accounting policies and accounting estimates

(I) Statement on Complying with the Accounting Standards for Business Enterprises

The consolidated and parent company financial statements prepared by the Company comply with the requirements of the Accounting Standards for Business Enterprises, and truly and completely reflect the Company's financial positions, results of operations, cash flows, and other relevant information during the reporting period.

(II) Accounting period

The Company's fiscal year is from January 1 to December 31 (the Gregorian calendar).

(III) Functional currency

The Company takes RMB as the functional currency.

(IV) Accounting Treatment Methods for Business Combinations under Common Control and Not under Common Control

1. If the terms, conditions and economic impact during multiple transactions in the process of achieving business combination step by step meet the following one or more cases, it usually indicates that multiple transactions should be conducted accounting treatment as a package transaction:

(1) These transactions are made at the same time or under the circumstance of considering mutual influence;

(2) These transactions can only reach complete business results as a whole;

(3) The occurrence of one transaction depends on the occurrence of at least one other transaction;

(4) One single transaction seems uneconomical when considered independently, but economical when considered together with other transactions.

2. Business Combination under Common Control

The assets and liabilities that the Company obtains in a business combination shall be measured on the basis of the book value in the consolidated financial statements of the ultimate controlling party with reference to the assets and liabilities of the combined party (including the goodwill arising from the acquisition of the combined party by the controlling party) on the combining date. As for the balance between the book value of the net assets obtained in the combination and the book value of the consideration paid by it (or the total par value of the shares issued), the share premium in capital reserve shall be adjusted. If the share premium in capital reserve is not sufficient to be offset, the retained earnings shall be adjusted.

In the event that the contingent consideration exists and the accrued liabilities or assets need to be recognized, the difference between the accrued liabilities or assets and the settlement amount of subsequent contingent consideration shall adjust the capital surplus (capital premium or stock premium), and if the capital surplus is not sufficient, adjust the retained earnings.

Where the business combination is realized through multiple transactions, if these transactions belong to a package transaction, each transaction shall be accounted as a transaction to obtain the right to control; if these transactions do not belong to a package transaction, on the date the right to control is obtained, the difference between the initial investment costs of the long-term equity investment and the carrying value of long-term equity investment before the combination plus the carrying value of the new consideration paid to further get the shares on the date of combination shall be charged against the capital surplus; if the capital surplus is insufficient, the difference shall be charged against the remaining earnings. For the equity investment held before the date of combination, the other comprehensive earnings accounted for using the equity method or recognized with the financial tool and accounted for and recognized using the measurement criteria shall not be accounted, until the investment is disposed, at which time, the investment shall be accounted on the same basis as the investee directly disposes related assets or liabilities; the changes to the owner’s equity in the investee’s net assets accounted and recognized using the equity method other than the net profit or losses, other comprehensive earnings and profit distribution, shall not be accounted, until the investment is disposed, at which time, it shall be carried over to the current profit and loss.

3. Business Combinations not under Common Control

The purchase date refers to the date on which the Company actually obtains control over the Acquiree, that is, the date on which control over the net assets or the decision-making power of production and operation of the Acquiree is transferred to the Company. When all the following conditions are met, the Company is generally considered to have realized the transfer of control:

① The business combination contract or agreement has been approved by the internal authority of the Company.

② Business combination matters that require approval from relevant national authorities have been approved.

③ Necessary procedures for the transfer of property rights have been completed.

④ The Company has paid the majority of the combination price and has the ability and plan to pay the remainder.

⑤ The Company actually controls the financial and business policies of the Acquiree, enjoys corresponding benefits, and assumes corresponding risks.

The Company shall, on the acquisition date, measure the assets given and liabilities incurred or assumed by an enterprise for a business combination in light of the fair values, and shall record the balances between them and its book value into the current profit and loss.

The Company shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the Acquiree as business reputation, and shall treat the balance between the combination costs and the fair value of the identifiable net assets it obtains from the Acquiree as current profit and loss after the reexamination.

Where a business combination not under common control is realized through multiple transactions step by step, if these transactions belong to a package transaction, each transaction shall be accounted as a transaction to obtain the right to control; if these transactions do not belong to a package transaction, and the equity investment held before the date of combination is accounted using the equity method, the sum of the book value of the equity investment in the Acquiree held before the date of the acquisition, plus the new investment costs on the date of the acquisition shall be the initial investment costs of the investment; other comprehensive earnings of the equity investment held before the date of acquisition accounted and recognized using the equity method shall be accounted on the same basis as the investee directly disposes of relevant assets or liabilities when the investment is disposed. If the equity investment held before the date of combination is recognized using the financial tool and accounted using the measurement criterion, the sum of the fair value of the equity investment on the date of combination plus the new investment costs shall be the initial investment costs at the date of combination. The difference between the fair value and book value of the held equity and changes to the accumulated fair value charged against other comprehensive earnings shall be fully transferred to the current investment income at the date of combination.

4. Relevant costs incurred from business combination

The intermediary fees (fees for audit, legal and evaluation & consulting services, etc.) and other relevant expenses incurred for the business combination shall be recorded into current profit and loss when incurred. The trading expenses arising from equity securities issued for the purpose of business combination shall be directly attributable to the equity transaction and deducted from equity.

(V) Method for Preparation of Consolidated Financial Statements

1. Scope of combination

The scope of consolidation of the Company's consolidated financial statements shall be determined based on control, and all subsidiaries (including separate entities controlled by the Company) shall be included in the consolidated financial statements.

2. Procedures of combination

The consolidated financial statements shall be prepared by the Company based on the financial statements of itself and its subsidiaries, in accordance with other relevant materials. When preparing consolidated financial statements, the Company shall regard the entire enterprise group as an accounting entity, and reflect the overall financial condition, operating results and cash flow of the enterprise group in accordance with recognition, measurement and presentation requirements of relevant Accounting Standards for Business Enterprises, as well as in accordance with uniform accounting policies.

All accounting policies and accounting periods employed by the subsidiaries included in the scope of combination of the consolidated financial statements should be consistent with those of the Company; if these accounting policies and accounting periods employed by the subsidiaries are inconsistent with those of the Company, necessary adjustments should be made in accordance with the Company's accounting policies and accounting periods when consolidated financial statements are prepared.

When consolidating financial statements, the impact of internal transactions between the Company and its subsidiaries and among subsidiaries on the consolidated balance sheet, consolidated income statement, consolidated statement of cash flow, and consolidated statement of changes in shareholders' equity shall be offset. If the recognition of the same transaction from the perspective of the consolidated financial statements of the enterprise group is different from that of the accounting entity of the Company or its subsidiaries, the transaction will be adjusted from the perspective of the enterprise group.

The shares belonging to minority shareholders in the subsidiary's owner equity, current net profit and loss and current comprehensive income should be presented separately under the owner's equity of the consolidated balance sheet, the net profits under the consolidated income statement and the total comprehensive income. For the balance formed when the amount of loss attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, it shall be offset against minority shareholders' equity.

For subsidiaries acquired through business combination under common control, the financial statements should be adjusted based on the book value of the assets and liabilities (including goodwill formed during the ultimate controlling party acquires the subsidiary) in the financial statements of the ultimate controlling party.

For subsidiaries acquired through business combinations not under common control, the financial statements should be adjusted based on the fair value of the identifiable net assets on the purchase date.

(1) Increase in subsidiaries or business

In the reporting period, if subsidiaries or business are increased due to the business combination under the common control, adjust the opening balance of the period of the consolidated balance sheet; the income, expense and profit of the subsidiary or business combination from the beginning of the current period to the end of the reporting period are included in the consolidated income statement; the cash flow from the beginning of subsidiary or business combination to the end of the reporting period are included to the consolidated cash flow statement, while adjusting relevant items under the comparative statement and regarding that the reporting entity after the combination is always present since the ultimate controller begins to control.

If it is possible to control the investee under the common control due to additional investment or other reasons, it regards that all parties involved in the combination has adjusted according to the current state since the ultimate controller begins to control. For equity investments held before obtaining the control rights to the combined party, the recognized relevant profit and loss, other comprehensive income and changes to other net assets shall be respectively offset against the opening retained income or the current profit and loss from the later of the original equity acquisition date and the time the combining party and the combined party are under the same control to the combination date.

In the reporting period, if subsidiaries or business are increased not due to business combination under common control, do not adjust the opening balance of the period of the consolidated balance sheet; include the income, expenses and profits from the purchase date of subsidiary or business combination to the end of the reporting period to the consolidated income statement, and the cash flow from the purchase date of subsidiary or business combination to the end of the reporting period to the consolidated statement of cash flow.

If it is possible to control the investee not under common control due to additional investment or other reasons, for equities of the Acquiree held before the purchase date, the Company shall re-measure at the fair value of the equities on the purchase date, and include the difference between the fair value and its book value to the current investment income. For equities of the Acquiree held before the purchase date, other comprehensive income under the equity method, and changes to other owners' equity except for net profit and loss, other comprehensive income and distribution of profits, the associated other comprehensive income and changes to other owners' equity shall transfer to the current investment income on the purchase date, except for other comprehensive income generated due to the investee re-measures changes to the net liabilities or net assets of the defined benefit plan.

(2) Disposal of subsidiaries or business

1) General handling methods

In the reporting period, when the Company is disposing of its subsidiaries or business, include the income, expenses and profits of the subsidiaries or business from the beginning to the disposal date to the consolidated income statement, and the cash flow of the subsidiaries or business from the beginning to the disposal date to the consolidated statement of cash flow.

When the Company's control over the former subsidiary is lost due to disposal of partial equity investment or other reasons, the remaining equity investment shall be re-measured at fair value on the date when control is lost; The difference between the sum of the consideration from equity disposal and the fair value of remaining equity, and the sum of the net assets continuously calculated since the purchase date or combination date according to the former shareholding ratio and the reputation shall be recorded into the investment income in the current period of control loss. Other comprehensive income related to equity investment of original subsidiaries or other changes in owners' equity other than net profit or loss, other comprehensive income and profit distribution shall be converted into current investment income upon loss of control, except other comprehensive income arising from changes in net liabilities or net assets of the defined benefit plan remeasured by the investee.

2) Disposal of subsidiaries step by step

In case the Company disposes of the equity investments in subsidiaries through multiple transactions until forfeits controlling right, if the terms, conditions and economic impact during multiple transactions in the process of achieving equity investment in subsidiaries meet the following one or more cases, it usually indicates that multiple transactions should be conducted accounting treatment as a package transaction:

① These transactions are made at the same time or under the circumstance of considering mutual influence;

② These transactions can only reach complete business results as a whole;

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

④ One single transaction seems uneconomical when considered independently, but economical when considered together with other transactions.

If the transaction involving the disposal of the equity investment in the subsidiary until the loss of control is a package transaction, the transaction shall be treated as one involving the disposal of the subsidiary and the loss of control; however, before the loss of the right of control, the difference between the disposal price and the disposal investment corresponding to the share of the subsidiary's net assets shall be recognized as other comprehensive income in the consolidated financial statements, and be carried over to the profit and loss of the current period during which the right of control is lost.

If multiple transactions in disposing of the equity investments in subsidiaries until forfeiting controlling right are package transactions, before losing the control right, the accounting treatment shall be carried out according to the relevant policy of partial disposal of the equity investment in the subsidiary when not losing the control right; when the control right is lost, the accounting treatment shall be carried out according to the general treatment method for disposing of subsidiaries.

(3) Purchase of minority equity of subsidiaries

When preparing the consolidated balance sheet, the additional long-term equity investment made by the Company for the purchase of minority equity, and the difference of attributable share of the net asset for which the subsidiary owns and start on a continuous measurement from the acquirement date (or the combination date) calculated according to the new proportion of shares shall be adjusted if the share premium is insufficient to dilute, the retained earnings shall be adjusted.

(4) Disposal of part of equity investments in subsidiaries without losing control

On the premise of not losing control, the difference between the disposal price obtained from partial disposal of long-term equity investments in subsidiaries and the net asset shares of the subsidiary that corresponds to the disposal of long-term equity investments, calculated continuously from the acquisition date or combination date, the equity premium in the capital reserve in the consolidated balance sheet will be adjusted. If the share premium in capital reserve is not sufficient to be offset, the retained earnings shall be adjusted.

(VI) Classification of joint arrangements and accounting treatment of joint operations

1. Classification of joint arrangements

The Company divides joint arrangements into joint operation and joint venture according to factors such as the structure and legal form of the joint arrangement, terms agreed upon in the joint arrangement, and other relevant facts and circumstances.

A joint arrangement not reached through a separate entity is divided as a joint operation; a joint arrangement reached through a separate entity is usually divided as a joint venture; however, a joint arrangement with conclusive evidence of meeting any of the following conditions and complying with relevant laws and regulations is divided as a joint operation:

(1) The legal form of joint arrangement indicates that parties to the joint arrangement have rights and assume obligations respectively for relevant assets and liabilities in the arrangement.

(2) The contract terms of the joint arrangement stipulate that parties to the joint arrangement have rights and assume obligations respectively for relevant assets and liabilities in the arrangement.

(3) Other relevant facts and circumstances indicate that parties to the joint arrangement have rights and assume obligations respectively for relevant assets and liabilities in the arrangement. For example, parties to the joint arrangement are entitled to almost all outputs related to the joint arrangement, and the settlement of liabilities under the arrangement continues to rely on the support of parties to the joint arrangement.

2. Accounting treatment of joint operations

The Company shall recognize the following items related to the Company in the share of interest in the joint operation and conduct accounting treatment in accordance with relevant Accounting Standards for Business Enterprises:

(1) To recognize the assets held separately and the assets held jointly by their share;

(2) To recognize the liabilities assumed separately and the liabilities assumed jointly by their share;

(3) To recognize the sale of the income generated from the output share of joint operation enjoyed by them;

(4) To recognize the income generated from the sale of output in the joint operation by their share;

(5) To recognize the costs incurred separately, and the costs of joint operation by their share.

In the event that the Company outputs or sells assets to the joint operation (except that such assets constitute a business), it shall, prior to sales of the assets by the joint operation to a third party, only recognize the part attributable to other participants in the joint operation in the profit and loss from the transaction. In case of asset impairment loss in accordance with *Accounting Standards for Business Enterprises No.8* - *Asset Impairment*, etc., the Company shall recognize the loss in full.

In the event that the Company purchases assets from the joint operation (except that such assets constitute a business), it shall, prior to sales of the assets to a third party, only recognize the part attributable to other participants in the joint operation in the profit and loss from the transaction. In case of asset impairment loss in accordance with the *Accounting Standards for Business Enterprises No. 8* - *Asset Impairment* and other regulations, the Company shall confirm the loss according to its share.

For the case in which the Company is not under common control over the joint operation, if it is entitled to relevant assets and undertakes relevant liabilities of the joint operation, accounting will be carried out according to the principle mentioned above. Otherwise, it should be subject to relevant Accounting Standards for Business Enterprises.

(VII) Recognition Standard of Cash and Cash Equivalents

When preparing the cash flow statement, the term "cash" refers to cash on hand of the Company and deposits that are available for payment at any time. The term "cash equivalents" refers to short-term (within 3 months from the purchase date) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(VIII) Financial instruments

A financial asset or financial liability is recognized when the Company becomes a party to a financial instrument contract.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liabilities and in the allocation and recognition of the interest revenue or interest expense over the accounting period.

The effective interest rate refers to the rate adopted in discounting the estimated future cash flow of a financial asset or financial liability over the expected duration to the book balance of the financial asset or the amortized cost of the financial liability. In determining the effective interest rate, the expected cash flows are estimated taking into account all contractual terms of the financial asset or financial liabilities (e.g. early repayment, rollover, call option or other similar options, etc.), but without taking into account expected credit losses.

The amortized cost of a financial asset or financial liability is the cumulative amortization resulting from the initial recognition of such financial asset or financial liability after deducting the already paid principal, and after multiplying or subtracting the amortization of the difference between that initial recognition amount and the maturity amount using the effective interest method, less accumulated provision for losses (applicable to financial assets only).

1. Classification 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 classifies financial assets into the following three categories:

(1) Financial assets at amortized cost

(2) Financial assets at fair value, whose changes are included in other comprehensive incomes.

(3) Financial assets at fair value through profit or loss.

Financial assets are measured at fair value at the time of initial recognition, but receivables or notes receivable arising from the sale of goods or the provision of services do not contain significant financing components or do not take into account the financing components for no more than one year, the initial measurement shall be made according to the transaction price.

For financial assets measured at fair value through profit and loss, the related transaction costs are included directly in the current profit and loss, and for other categories of financial assets, the related transaction costs are recognized in the initial recognition amount.

The subsequent measurement of financial assets depends on their classification. When and only when the Company changes the business model of managing financial assets, it will reclassify all affected related financial assets.

(1) Classified as financial assets measured at amortized cost

The Company classifies a financial asset that is measured at amortized cost if the contractual terms of the financial asset provide that the cash flows arising on a specific date are solely payments of principal and interest based on the principal amount outstanding and the asset is held within a business model whose objective is to hold assets to collect contractual cash flows. The financial assets of the Company classified as measured at amortized cost include monetary fund, notes receivable and accounts receivable, accounts receivable financing, other receivables, etc.

Interest income from such financial assets is recognized and subsequently measured at amortized cost using the effective interest method. Gains or losses arising from impairment, derecognition or modification are included in the current profit and loss. The Company determines interest income based on the book balance of the financial assets multiplied by the effective interest rate, except in the following cases:

1) For the purchased or original financial assets with credit impairment, the Company shall, from the initial recognition, calculate and determine the interest income according to the amortized cost of the financial assets and the actual interest rate adjusted by credit.

2) For the purchased or originated financial assets that have not suffered credit impairment but have suffered credit impairment in subsequent periods, the Company shall determine its interest income in accordance with the amortized cost and effective interest rate of the financial assets in subsequent periods. If the credit impairment of the financial instrument ceases to exist in the subsequent period because of the improvement of its credit risk, the Company calculates and determines interest income by multiplying the actual interest rate by the book balance of the financial asset.

(2) Classified as financial assets measured at fair value with changes included in other comprehensive income

A financial asset is classified as at fair value through other comprehensive income if the contractual terms of such financial asset provide that the only cash flows arising on a specific date are payments of principal and interest based on the principal amount outstanding and the Company's business model for managing the financial asset is to both collect the contractual cash flows and to sell the financial asset.

The Company recognizes the interest income on such financial assets using the effective interest method. Changes in fair value are included in other comprehensive income, except for interest income, impairment losses and exchange differences, which are recognized in the current profit and loss. When the financial assets are derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred out of other comprehensive income and included in the current profit and loss.

Notes receivable and accounts receivable measured at fair value with changes included in other comprehensive income are presented as accounts receivable financing, and other such financial assets are presented as other debt investments, in particular: Other debt investments due within one year from the balance sheet date are presented as non-current assets due within one year, and other debt investments with original maturity of less than one year are presented as other current assets.

(3) Financial assets designated as measured at fair value with changes included in other comprehensive income

The Company may, at initial recognition, irrevocably designate investments in non-trading equity instruments as financial assets at FVTOCI based on a single financial asset.

The fair value changes of such financial assets are included in other comprehensive income and do not require provision for impairment. At the time of terminating the recognition of the financial assets, the accumulated gains or losses previously included in other comprehensive income shall be transferred out of other comprehensive income and included in retained income. Dividend income is recognized in profit and loss over the period in which the Company holds such investments in equity instruments, and when the Company has established the right of collecting dividends, the economic benefits associated with dividends are likely to flow to the Company, and the amount of the dividends can be measured reliably. The Company presents such financial assets under the item investment in other equity instruments.

An equity instrument investment that meets one of the following conditions is considered a financial asset at fair value through profit or loss: The main purpose of acquiring this financial asset is to sell it in the near future; at initial recognition, it is a part of the identifiable financial asset instrument portfolio under centralized management, and there is objective evidence indicating that there is actually a short-term profit model in the near future; it is considered to be a derivative instrument (excluding derivative instruments that satisfy the definition in the financial guarantee contract and are designated as effective hedging instruments).

(4) Classified as financial assets at fair value through profit or loss

Financial assets that do not meet the conditions for being classified as financial assets measured at amortized cost or financial assets at fair value through other comprehensive income, nor designated as financial assets at fair value through other comprehensive income, are classified as financial assets at fair value through profit or loss.

Such financial assets are measured by the Company at fair value for subsequent measurement. Gains or losses generated by changes in fair value and dividends and interest income related to such financial assets are included in current profit and loss.

The Company presents such financial assets as trading financial assets and other non-current financial assets based on their liquidity.

(5) Designated as financial assets at fair value through profit or loss

At initial recognition, in order to eliminate or significantly reduce accounting mismatch, the Company may designate part of financial assets as financial assets at fair value through profit or loss based on a single financial asset.

If a mixed contract contains one or more embedded derivative instruments and its main contract is not considered as above financial assets, the Company may designate it as a financial instrument at fair value through profit or loss. Except in the following cases:

1）Embedded derivative instruments will not cause significant changes to the cash flow of mixed contracts.

2）For first determining whether a similar mixed contract needs to be split, little analysis is required to determine that the embedded derivative instruments it contains should not be split. If the prepayment privilege of the embedded loan allows the holder to prepay the loan at an amount close to the amortized cost, the prepayment privilege does not need to be split.

Such financial assets are measured by the Company at fair value for subsequent measurement. Gains or losses generated by changes in fair value and dividends and interest income related to such financial assets are included in current profit and loss.

The Company presents such financial assets as trading financial assets and other non-current financial assets based on their liquidity.

2. Classification and measurement of financial liabilities

Financial instruments issued by the Company are classified into financial liabilities or equity instruments on the basis of the substance of the contractual arrangements and the economic nature not only its legal form, together with the definition of financial liability and equity instruments on initial recognition. Financial liabilities are classified at initial recognition as the financial liabilities at fair value through profit or loss, other financial liabilities, and derivatives designated as effective hedging instruments.

Financial liabilities are measured at fair value at initial recognition. For financial liabilities at fair value through profit or loss, the related transaction costs are recognized directly in the current profit and loss; and for other financial liabilities, the related transaction costs are recognized in the initial recognition amount.

Subsequent measurement of financial liabilities depends on their classification:

(1) Financial liabilities at fair value through profit or loss

Such financial liabilities have two sub-categories: financial liabilities held for trading (including derivative instruments belonging to financial liabilities) and those designated at fair value through profit or loss on initial recognition.

It is a financial liability held for trading if one of the following conditions is satisfied: It is assumed for the primary purpose of selling or repurchasing in the near future; it is part of a portfolio of identifiable financial instruments that are managed on a central basis and for which there is objective evidence of a near-term profit-making mode by the Company; it is a derivative, except for derivatives that are designated and are effective hedging instruments, and derivatives that qualify as financial guarantee contracts. Trading financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value, with all changes in fair value recognized in profit and loss, except when they relate to hedge accounting.

At the time of initial recognition, in order to provide more pertinent accounting information, the Company may irrevocably designate a financial liability as a financial liability at fair value through profit or loss, provided that such designation meets one of the following conditions:

1) Able to eliminate or significantly reduce accounting mismatches.

2) Management and performance assessment of the financial liabilities portfolio or the

portfolio of financial assets and financial liabilities on the basis of fair value in accordance with the corporate risk management or investment strategy set out in formal written documents, reporting to key executives on this basis within the enterprise.

The Company adopts fair value for subsequent measurement of such financial liabilities, except for changes in fair value caused by changes in our own credit risk, which are included in other comprehensive income. Other changes in fair value are included in current profit and loss. Unless the changes in fair value caused by the changes in the Company's own credit risk are included in other comprehensive income and will cause or expand accounting mismatch in profit and loss, the Company will include all changes in fair value (including the impact amount of changes in its own credit risk) into current profit and loss.

(2) Other financial liabilities

Except for the following items, the Company classifies financial liabilities as financial liabilities measured at amortized cost, makes subsequent measurements on such financial liabilities at amortized cost by effective interest rate method, and includes the gains or losses arising from derecognition or amortization in current profit and loss:

1) Financial liabilities at fair value through profit or loss.

2) The financial liabilities are caused by the transfer of a financial asset that does not meet the conditions of derecognition or continues to be involved in the transferred financial assets.

3) Financial guarantee contracts that do not meet the first two cases of this article, as well as loan commitments to lend at a rate lower than the market interest rate that do not meet case 1) of this article.

A financial guarantee contract refers to a contract that requires the issuer to pay a specific amount to the contract holder who has suffered losses when a specific debtor cannot pay its debts according to the original or modified terms of debt instruments at maturity. Financial guarantee contracts that are not classified as financial liabilities designated as measured at fair value with changes included in current profits or losses are measured, after initial recognition, at the higher of the loss reserve amount and the balance of deducting the accumulated amortization amount during the guarantee period from the initial recognition amount.

3. Derecognition of financial assets and financial liabilities

(1) If a financial asset meets one of the following conditions, it shall be derecognized, that is, it shall be written off from its account and balance sheet:

1) The contractual right to receive the cash flow of the financial asset is terminated.

2) The financial asset has been transferred, and the transfer meets the requirements for derecognition of financial assets.

(2) Conditions for derecognition of financial liabilities

If the current obligations of a financial liability (or part of it) have been discharged, the recognition of the financial liability (or part of the financial liability) shall be terminated.

If the Company signs an agreement with the lender to replace the original financial liability by assuming a new financial liability, and the contract terms of the new financial liability are substantially different from the original financial liability, or if there are substantial modifications to the contract terms of the original financial liability (or part of it), the original financial liability shall be derecognized, and a new financial liability shall be recognized at the same time. The difference between the book value and the consideration paid (including non-cash assets transferred out or liabilities assumed) is included in current profits and losses.

If the Company buys back part of the financial liabilities, the overall book value of the financial liabilities shall be allocated according to the proportion of the fair value of the part that continues to be recognized and the part of derecognition on the buyback date to the overall fair value. The difference between the book amount which is distributed to the part whose recognition has terminated and the considerations it has paid (including the non-cash assets it has transferred out and the financial liabilities it has assumed) shall be recorded into the current profits or losses.

4. Recognition basis and measurement method of financial assets

When financial assets are transferred, the Company shall evaluate the degree of retaining the risks and rewards associated with the ownership of the financial assets, and shall deal with the following cases respectively:

(1) If the Company transfers almost all the risks and rewards in the ownership of financial assets, it shall terminate the recognition of the financial assets, and separately recognize the rights and obligations generated or retained in the transfer as assets or liabilities.

(2) If almost all risks and rewards associated with the ownership of the financial assets are retained, the financial assets will continue to be recognized.

(3) If there is no transfer and not almost all the risks and rewards associated with the ownership of the financial assets are retained (i.e. in cases other than (1) and (2) of this article), the following cases shall be handled based on whether the Company has retained control over the financial assets:

1) If the Company has not retained control over the financial assets, it shall derecognize the financial assets, and separately recognize the rights and obligations generated or retained during transfer as assets or liabilities.

2) If the control over the financial asset is retained, the relevant financial asset shall continue to be recognized to the extent of the involvement with the transferred financial asset, and the corresponding liabilities shall be recognized accordingly. The extent to which it continues to be involved in the transferred financial asset refers to the extent to which the Company bears the risk or reward of changes in the value of the transferred financial asset.

The substance over form principle shall be adopted to determine whether the transfer of financial assets can satisfy the conditions as described for derecognition of financial assets. The

Company divides the transfer of financial assets into overall transfer and partial transfer of financial assets.

(1) If the transfer of an entire financial asset satisfies the derecognition conditions, the difference between the amounts of the following two items shall be recorded in the current profit and loss:

1) The book value of the transferred financial assets on the derecognition date.

2) The sum of the consideration received for the transfer of financial assets and the amount corresponding to the derecognition part of the cumulative amount of fair value changes originally directly included in other comprehensive income (the financial assets involved in the transfer are financial assets measured at fair value with changes included in other comprehensive income).

(2) If the partial transfer of financial assets meets the conditions for derecognition, the book value of the transferred financial asset as a whole shall be apportioned between the derecognized part and the un-derecognized part (in which case the retained service asset shall be treated as part of the financial asset under continued recognition) according to their respective relative fair values on the transfer date, and the difference between the following two amounts shall be included in the current profits or losses:

1) The book value of the derecognized part on the derecognition date.

2) The sum of the consideration received for the derecognition part and the amount corresponding to the derecognition part of the cumulative amount of fair value changes originally included in other comprehensive income (the financial assets involved in the transfer are financial assets at fair value through other comprehensive income).

If the transfer of financial assets does not meet the conditions for derecognition, the financial assets continue to be recognized and the consideration received shall be recognized as a financial liability.

5. Methods for determining the fair value of financial assets and financial liabilities

The fair value of financial assets or financial liabilities in an active market shall be determined based on the quoted price in the active market, unless there is a restriction period for the financial assets themselves. For financial assets that are restricted to sale, their fair value is determined based on the quoted price in the active market after deducting the compensation amount claimed by market participants for bearing the risk of not being able to sell the financial assets in the open market during the specified period. The quoted prices in the active market include those that are easy and can be regularly obtained from exchanges, dealers, brokers, industry groups, pricing agencies or regulatory agencies for relevant assets or liabilities, and can represent the actual and frequent market transactions on the basis of fair trade.

The fair value of financial assets initially acquired or derived or financial liabilities assumed shall be determined based on the market transaction price.

For financial assets or financial liabilities without an active market, the Company takes valuation techniques to determine their fair value. At the time of valuation, the Company adopts valuation techniques that are appropriate under the circumstances, and for which sufficient data and information are available, selects the input value that is consistent with the characteristics of assets or liabilities as market participants would consider in transactions of related assets or liabilities, and uses the relevant observable input values as much as possible. If the relevant observable input value is not available or it is not feasible to obtain, use unobservable input value.

6. Impairment of financial instruments

On the basis of expected credit losses, the Company conducted impairment accounting and recognized loss provisions for financial assets classified as measured at amortized cost, financial assets classified as measured at fair value with changes included in other comprehensive income, lease receivables, contract assets, and financial guarantee contracts.

Expected credit loss refers to the weighted average of credit losses of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contract cash flows receivable under the contract and all cash flows expected to be received, which is discounted by the Company at the original effective interest, that is, the present value of all cash shortages. Among them, the financial assets purchased or originated by the Company that have suffered impairment of credit shall be discounted according to the effective interest rate after credit adjustment.

For receivables and contract assets arising from transactions regulated by revenue standards, as well as lease receivables, the Company uses a simplified measurement method to measure the loss provisions at an amount equivalent to the expected credit losses over the entire duration.

For the purchased or originated financial assets with credit impairment, the Company only recognizes the cumulative change of expected credit loss in the entire duration after initial recognition as loss reserve on the balance sheet date. On each balance sheet date, the amount of change in expected credit losses over the entire duration is included as impairment losses or gains in current profits or losses. Even if the expected credit loss for the entire duration determined on the balance sheet date is less than the amount of expected credit loss reflected in the estimated cash flow at initial recognition, favorable changes in expected credit loss are recognized as impairment gains.

For financial assets other than those that have undergone credit impairment by simplified measurement methods or purchased or originated ones, the Company assesses on each balance sheet date whether the credit risk of the relevant financial instruments has significantly increased since initial recognition, and measures the loss reserve and recognizes expected credit losses and their changes according to the following circumstances:

(1) If the credit risk of the financial instrument has not increased significantly since initial recognition and is in the first stage, the loss reserve shall be measured at an amount equal to the expected credit loss of the financial instrument within the next 12 months, and interest income shall

be calculated according to the book balance and actual interest rate.

(2) If the credit risk of the financial instrument has increased significantly since the initial recognition, but no credit impairment has occurred, it is in the second stage, the Company will measure the loss reserve according to the amount equivalent to the expected credit loss in the whole duration, and calculate the interest income according to the book balance and the actual interest rate;

(3) If the credit impairment occurs to the financial instrument after the initial recognition, it is in the third stage, the Company will calculate the interest income according to the amount equivalent to the whole duration. The amount of the expected credit loss within the duration shall be measured as the loss reserve, and the interest income shall be calculated according to the amortized cost and the actual interest rate.

The resulting increase or reversal of the loss reserve of the financial instrument credit is included in the current profits and losses as an impairment loss or gain. Except for financial assets classified as measured at fair value with changes included in other comprehensive income, the credit loss reserve is used to offset the book balance of financial assets. For financial assets classified as measured at fair value with changes included in other comprehensive income, the Company recognizes their credit loss reserve in other comprehensive income and does not reduce the book value of the financial assets as presented in the balance sheet.

The Company has makes a loss allowance against amount of expected credit losses during the whole life in the prior accounting period. However, at the balance sheet date, the credit risk on a financial instrument has not increased significantly since initial recognition; the Company will measure the loss allowance for that financial instrument at an amount in the future 12-month expected credit losses. Reversed amount of loss allowance arising from such circumstances shall be included in profit or loss as impairment gains.

(1) Significant increase in credit risk

Using available reasonable and reliable forward-looking information, the Company compares the risk of default of financial instruments on the balance sheet date with the risk of default on the initial recognition date to determine whether the credit risk of financial instruments has increased significantly since the initial recognition. For financial guarantee contracts, the Company uses the date on which the Company becomes a party to the irrevocable commitment as the date of initial recognition when applying the provisions for impairment of financial instruments.

The Company takes into account the following factors when assessing whether there is a significant increase in credit risk:

1) Whether the actual or expected operating results of the debtor have changed significantly;

2) Whether there has been a significant adverse change in the regulatory, economic or technological environment in which the debtor operates;

3) Whether the value of collateral used for debt or the quality of guarantee or credit

enhancement provided by third parties has changed significantly. These changes are expected to reduce the economic motivation of the debtor to repay within the contract term or affect the probability of default;

4) Whether the debtor's expected performance and repayment behavior have changed significantly; and

5) Changes in the Company's approach to the credit management of financial instruments.

At the balance sheet date, if the Company determines that the financial instrument has only lower credit risk, the Company assumes that the credit risk of such financial instrument has not increased significantly since initial recognition. If the risk of default of financial instruments is low, the borrower has a strong ability to fulfill its contractual cash flow obligations in a short period of time, and even if there are adverse changes in the economic situations and operating environment in a long period of time, and it may not necessarily reduce the borrower's ability to fulfill its contractual cash flow obligations, then the financial instrument shall be regarded as having a low credit risk.

(2) Financial assets with 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. The evidence of credit impairment of financial assets includes the following observable information:

1) A serious financial difficulty occurs to the issuer or debtor;

2) A breach of contract by the debtor, such as default or late payment of interest or principal;

3) The creditor gives concessions that the debtor will not make under any other circumstances due to economic or contractual considerations related to the debtor's financial difficulties;

4) The debtor will probably become bankrupt or carry out other financial reorganizations;

5) The disappearance of an active market for the financial asset as a result of the issuer's or debtor's financial difficulties;

6) The purchase or origin of a financial asset at a steep discount that reflects the fact that a credit loss has been incurred.

The impairment of credit of a financial asset may be caused by the joint action of multiple events, not necessarily by individually identifiable events.

(3) Determination of expected credit losses

The Company evaluates the expected credit losses of financial instruments on an individual and portfolio basis. In assessing expected credit losses, the Company considers reasonable and substantiated information about past events, current conditions and projections of future economic conditions.

The Company classifies financial instruments into different groups based on common risk characteristics. The common credit risk characteristics adopted by the Company include: type of financial instrument, credit risk rating, aging portfolio, contract settlement period, industry of the debtor, etc. The individual evaluation criteria and portfolio credit risk characteristics of relevant financial instruments are detailed in the accounting policies of relevant financial instruments.

The Company determines the expected credit loss on the relevant financial instruments by using the following methodology:

1) For financial assets, credit losses are the present value of the difference between the contractual cash flows receivable by the Company and the cash flows expected to be collected;

2) For lease receivables, the credit losses are the present value of the difference between the contractual cash flows receivable by the Company and the cash flows expected to be collected;

3) For financial guarantee contracts, the credit loss is the estimated amount of payment that the Company will make to the contract holder for the credit loss incurred, less the present value of the difference between the expected amount that the Company will collect from the contract holder, debtor, or any other party.

4) For financial assets that are credit impaired at the balance sheet date but not purchased or originated with credit impairment, the credit loss is the difference between the book balance of the financial asset and the present value of estimated future cash flows discounted at the original effective interest rate.

The Company's methodology for measuring expected credit losses on financial instruments reflects factors such as: the weighted average amount of unbiased probabilities determined by evaluating a range of possible outcomes; the time value of money; and reasonable and substantiated information about past events, current conditions and projections of future economic conditions that is available at the balance sheet date without undue additional cost or effort.

(4) Write-downs of financial assets

If the Company no longer reasonably expects that the contractual cash flow of the financial asset can be fully or partially recovered, the book balance of the financial asset shall be directly written down. Such write-downs constitute the derecognition of relevant financial assets.

7. Offset of financial assets and financial liabilities

Financial assets and financial liabilities are listed separately in the balance sheet without mutual offset. However, if the following conditions are met at the same time, the net amount after mutual offset shall be listed in the balance sheet:

(1) The Company has the legal right to offset the recognized amount, and such legal right is currently enforceable; and

(2) The Company plans to settle with net amount, or realize the financial assets and liquidate the financial liabilities at the same time.

(IX) Notes receivable

The Company's method of determining and accounting for expected credit losses on notes receivable is detailed in Note IV/(VIII) 6. "Impairment of financial instruments".

The Company separately determines the credit losses on those accounts receivable for which expected credit losses can be assessed at the individual instrument level at a reasonable cost.

When sufficient evidence of expected credit losses cannot be assessed at the individual instrument level at a reasonable cost, the Company divides the notes receivable into portfolios based on credit risk characteristics by reference to historical credit loss experience, taking into account current conditions and judgments about future economic conditions, and calculates expected credit losses on a portfolio basis.Notes receivable are divided into several portfolios on which expected credit losses are calculated. The basis for determining portfolio is as follows:

Name of portfolio	Basis for determining portfolio	Provision method
Bank acceptance bills	The bank acceptance bills held by the Company. The drawer has a high credit rating, has not historically defaulted on its notes, has a very low risk of credit losses and a strong ability to meet its contractual cash flow obligations in the short term.	No provision for bad debts is made based on historical credit loss experience
Bank acceptance bill with acceptance risk	There is a bill default in the history, high risk of credit losses, and weak ability to fulfill its obligations to pay cash flow under the contract in the short term	With reference to historical credit loss experience, combined with the current situation and the forecast of future economic situation, the expected credit loss is calculated by default risk exposure and the expected credit loss rate in the entire duration.
Trade acceptance	Commercial acceptance bills held by the Company	With reference to historical credit loss experience, combined with the current situation and the forecast of future economic situation, the expected credit loss is calculated by default risk exposure and the expected credit loss rate in the entire duration.

(X) Accounts receivable

The Company's method of determining and accounting for expected credit losses on account receivables is detailed in Note IV/(VIII) 6. "Impairment of financial instruments".

The Company separately determines the credit losses on those accounts receivable for which expected credit losses can be assessed at the individual instrument level at a reasonable cost.

When sufficient evidence of expected credit losses cannot be assessed at the individual instrument level at a reasonable cost, the Company divides accounts receivable into portfolios based on credit risk characteristics by reference to historical credit loss experience, taking into account current conditions and judgments about future economic conditions, and calculates expected credit losses on a portfolio basis. The basis for determining portfolio is as follows:

Name of portfolio	Basis for determining portfolio	Provision method
Risk-free	According to the nature of the business, it is identified	No provision for bad debts

portfolio	that there is no credit risk, mainly including internal receivables within the scope of consolidation, receivables from government departments, receivables from government platform companies, etc.	
Aging portfolio	Including accounts receivable other than the above portfolios, the Company makes the best estimate for the provision ratio of accounts receivable based on past historical experience, and classified credit risk combinations with reference to the balance of accounts receivable	Calculate the expected credit losses based on the comparison table of aging and the expected credit loss rate of the entire duration

(XI) Accounts receivable financing

The Company's method of determining and accounting for expected credit losses on accounts receivable financing is detailed in Note IV/(VIII) 6. "Impairment of financial instruments".

(XII) Other receivables

The Company's method of determining and accounting for expected credit losses on other receivables is detailed in Note IV/(VIII) 6. "Impairment of financial instruments".

The Company separately determines the credit losses on other receivables for which expected credit losses can be assessed at the individual instrument level at a reasonable cost.

When sufficient evidence of expected credit losses cannot be assessed at the individual instrument level at a reasonable cost, the Company divides other receivables into portfolios based on credit risk characteristics by reference to historical credit loss experience, taking into account current conditions and judgments about future economic conditions, and calculates expected credit losses on a portfolio basis. The basis for determining portfolio is as follows:

Name of portfolio	Basis for determining portfolio	Provision method
Risk-free portfolio	According to the nature of the business, it is identified that there is no credit risk, mainly including internal receivables within the scope of consolidation, receivables from government departments, receivables from government platform companies, employees' petty cash, margins and deposits, etc.	No provision for bad debts
Aging portfolio	Including accounts receivable other than the above portfolios, the Company makes the best estimate for the provision ratio of accounts receivable based on past historical experience, and classified credit risk combinations with reference to the balance of accounts receivable	The expected credit losses are calculated by default risk exposure and the expected credit loss rate over the next 12 months or the entire duration

(XIII) Inventories

1. Classification of inventories

Inventories refer to finished products or commodities held by the Company for sale in daily activities, products in process of production, materials and materials consumed in the process of production or provision of labor services, etc. They mainly include: engineering construction, development costs, land to be developed, developed products, inventory goods, revolving materials and others.

Development costs refer to properties that have not yet been completed and are intended for sale; land to be developed refers to the land purchased and decided to be developed into completed development products; developed products refer to properties that have been completed and are ready for sale. During the integrated development of the Project, all the land to be developed is transferred to development costs; when the Project is developed in stages, part of the land used for development in stages is transferred to development costs, and the undeveloped land is still retained in the land to be developed.

2. Valuation method for inventories

Inventory shall be initially measured according to the cost at the time of acquisition, which includes procurement cost, processing cost and other costs. Inventories are valued using the specific identification method when issued.

3. Determination basis for net realizable value of inventories and accrual method for inventory falling price reserve

The ending inventory is measured at the lower of cost and net realizable value. The inventory falling price reserve is provided based on the difference between the cost of a single item of inventory and its net realizable value. The net realizable value of inventories is determined by subtracting the estimated costs to be incurred to completion, estimated selling expenses and relevant taxes from the estimated selling price of the inventories.

Where the factors causing any write-down of the inventories have disappeared, the amount of write-down shall be resumed and be reversed from the provision for the loss on decline in value of inventories that has been made. And the reversed amount shall be included in the current profits or losses.

4. Inventory system

The Company takes the perpetual inventory system for its inventories

5. Amortization method of low-value consumables and packaging materials

(1) The one-time write-off method is used for low-value consumables;

(2) The one-time write-off method is used for packaging;

(3) Other revolving materials are amortized through the one-time writing-off process.

6. Accounting method for development land

The expenses of pure land development project constitute land development costs alone;

If the liability objects of the expenses of an integrated development project that is developed together with real estate can be distinguished, such expenses are generally amortized and included in the cost of commercial housing based on the actual area.

7. Accounting method for the cost of public supporting facilities

Public supporting facilities that cannot be transferred with compensation: They are allocated and included in the cost of commercial housing according to the benefit ratio determination standard;

Public supporting facilities that can be transferred with compensation: The costs incurred are collected with each supporting facility project as the cost accounting object.

8. Accounting method for maintenance funds

According to relevant regulations of the location of the development project, the maintenance funds are collected from the purchasers at the time of sale (pre-sale) of the developed products or charged by the Company to the development costs of relevant developed products, and generally paid to the maintenance fund management department.

9. Accounting method for quality deposits

The quality deposits are set aside from the construction unit's project funds according to construction contract. The maintenance costs incurred during warranty of the developed products are offset against the quality deposits; and at the expiration of the warranty period agreed upon for the developed products, the balance of the quality deposits is returned to the construction unit.

(XIV) Contract assets

A contractual asset is recognized when the Company has transferred to a customer the right to receive consideration for goods and the right is dependent on factors other than the passage of time. The Company's unconditional (i.e., depending only on the passage of time) right to collect consideration from customers is shown separately as receivables.

The Company's method of determining and accounting for expected credit losses on contract assets is detailed in Note IV/(VIII) 6. "Impairment of financial instruments".

(XV) Other debt investment

The Company's method of determining and accounting for expected credit losses on other debt investment is detailed in Note IV/(VIII) 6. "Impairment of financial instruments".

(XVI) Held for sale

1. Standards for recognition held for sale.

Non-current assets (or disposal), which satisfies the following conditions, shall be recognized as a part held for sale:

(1) According to the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under current conditions;

(2) The sale is very likely to happen. That is, the Company has made a resolution on a sale plan, been approved by the regulatory authority, and obtained a firm purchase commitment. It is expected that the sale will be completed within one year.

A firm purchase commitment is a legally binding purchase agreement between the Company and other parties that contains key terms such as the price of the transaction, timing and sufficiently severe penalties for breach of contract to make it highly unlikely that the agreement will be materially adjusted or withdrawn.

2． Accounting method classified as held for sale

For the non-current assets held for sale or the disposal groups, no depreciation or amortization is provided. If the book value is higher than the net amount with the fair value less the selling expenses, the book value shall be written down to the net amount with the fair value less the selling expenses, the amount of write-down is recognized as an asset impairment loss and charged to the current profits or losses, and an impairment provision for assets held for sale is also provided.

For the non-current assets or the disposal groups classified as held for sale, they are measured, in the initial measurement, at the lower of the initial measurement amount as if they were not classified as held for sale and the net amount of the fair value less the selling expenses.

The above principles apply to all non-current assets, but do not include investment properties subsequently measured using the fair value model, biological assets measured using the net amount of fair value minus selling expenses, assets formed by employee compensation, deferred income tax assets, financial assets regulated by accounting standards related to financial instruments, and rights arising from insurance contracts regulated by accounting standards related to insurance contracts.

(XVII) Long-term equity investments

1． Recognition of investment costs

(1) For long-term equity investments formed by business combination, specific accounting policies are detailed in Note IV/(IV)Accounting Treatment Methods for Business Combinations under Common Control and Not under Common Control

(2) Long-term equity investments obtained by other means

The initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid. The initial cost consists of the expenses directly relevant to the obtainment of the long-term equity investment, taxes and other necessary expenses.

The initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued, but does not include the cash dividends or profits declared but not yet distributed as charged from the invested entity. Transaction costs incurred in the issuance or acquisition of their own equity instruments can be directly attributable to equity transactions and deducted from the equity.

On the premise that an exchange of non-monetary assets has commercial substance and the fair value of the asset being exchanged or the asset being exchanged can be measured reliably, the initial investment cost of a long-term equity investment acquired in exchange for non-monetary assets is determined on the basis of the fair value of the asset being exchanged, unless there is conclusive evidence that the fair value of the asset being exchanged is more reliable; for an exchange of non-monetary assets that does not satisfy the above premise, the book value of the asset being exchanged and the related tax payable are taken as the initial investment cost of the long-term equity investment being exchanged.

Long-term equity investments acquired through liability reorganization is accounted for on the basis of fair value.

2. Subsequent measurement and recognition of profit and loss

(1) Cost method

Long-term equity investment exercising control over the investee shall be accounted for using the cost method and calculate the price according to the initial investment cost; and additional or recovered investments shall be adjusted the cost of long-term equity investments.

The consideration paid shall include the cash dividends or profits declared but not yet distributed of the investee to be enjoyed which should be accounted for separately as receivables but does not constitute the initial investment cost to acquire long-term equity investments.

(2) Equity method

For the Company's equity investment in joint ventures, if some of which are held indirectly by venture capital organizations, mutual funds, trust companies and such similar bodies including investment-linked insurance funds, regardless of whether these bodies have significant influence over this part of investment, the Company shall record the investment held indirectly measured at fair value, and account for the rest with the equity method.

By employing the equity method, if the initial cost of a long-term equity investment is more than the investing enterprise' attributable share of the fair value of the investee's identifiable net assets for the investment, the initial cost of long-term equity investments may not be adjusted. If the initial cost of a long-term equity investment is less than the investing enterprise' attributable share of the fair value of the investee's identifiable net assets for the investment, the difference shall be included in the current profits and losses.

After the company obtains the long-term equity investment, the net profits and losses of the current investment and other comprehensive income shall be the attributable share of the net profits or losses of the investee, while adjusted the carrying value of long-term equity investments; the enjoyed part should be calculated according to the profits or cash dividends declared by the investee, and the carrying value of long-term equity investments should be reduced accordingly; and other changes in owners' equities of the investee except for net profits or losses, other comprehensive income and profit distribution should be included in owners' equity after being adjusted the carrying value of long-term equity investments.

The Company shall, on the ground of the fair value of all identifiable assets of the investee when it obtains the investment, recognize the attributive share of the net profits and losses of the investee after it adjusts the net profits of the investee. When calculating and recognizing net profit or loss of the investee that should be enjoyed or shared, the part attributable to the Company calculated in proportion to entitlements in the unrealized internal trading gains and losses among joint ventures and joint ventures shall be offset and recognized investment income on this basis.

Under the equity cost, when the company recognizes shared loss of the investee, the following order shall be followed: first, set off the carrying value of long-term equity investments; second, when the book value of long-term equity investments is not sufficient to set off, the confirmation of investment loss shall be continued with the book value of other long term equity in essence in the investee, to set off the book value of long term receivables, etc. Last, with the above handling, when the company still bears other contracted or agreed liabilities, the expected liabilities shall be confirmed by expected liabilities to bear, recorded into the current investment loss.

When the investee gains profit in later periods, after deducting the loss share not yet recognized, on the premise of contrary handling, deduct the book balance of already recognized expected liability, restore the book value of other long term equity and long-term equity investments of net investment in essence in the investee. In the meanwhile, recognize the investment income.

3. Conversion of accounting method of long-term equity investments

(1) Measurement at fair value to accounting by equity method

When the Company has no control, joint control or significant influence over the investee, it shall be deemed equity investment in accounting treatment according to the recognition and measurement criteria for financial instruments. For exercising significant influence or joint control but not control over the investee due to additional investments, the cost of long-term equity investments shall be the sum of the fair value of the equity investments originally held plus the new investment cost determined in accordance with the Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments is used as the initial investment cost accounted for by the equity method.

If the equity investment previously held is classified as financial assets available for sale, the difference between the fair value and the carrying value, and the cumulative change in fair value recorded in other comprehensive income shall be transferred to the current profits or losses under the equity method.

Accounting according to the equity method, if the initial cost of long-term equity investment is less than the company's attributable share of the fair value of the identifiable net assets of the investee for the investment, the difference shall be included in the current profits and losses and the cost of the long-term equity investment shall be adjusted simultaneously and included in the current period non-operating incomes.

(2) Measurement at fair value or accounting by equity method to accounting by cost method

When the Company has no control, joint control or significant influence over the original investee, it shall be deemed equity investment in accounting treatment or long-term equity investments in the original associates and joint ventures according to the recognition and measurement criteria for financial instruments. If the Company is able to exert control over the investee not under the same control as a result of additional investment or other reasons, in the preparation of individual financial statements, the Company shall take the sum of the carrying value of the equity investment previously held and the cost of new investments as the initial investment cost accounted for with the cost method.

For other comprehensive income recognized and accounted for with the equity method against the equity investment held before the acquisition date, the disposal of the investment shall be conducted accounting treatment in accordance with the same basis for direct disposal of relevant assets or liabilities adopted by the investee.

If the equity investment held before the acquisition date is conducted accounting treatment in accordance with the Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instrument, the cumulative change in fair value previously recorded into other comprehensive income shall be transferred to the current profits or losses under the cost method.

(3) Accounting by equity method to measurement at fair value

If the Company loses joint control or significant influence over an investee for reasons such as the disposal of part of its equity investment, the remaining equity interest after disposal is accounted for in accordance with the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, and the difference between its fair value and its book value at the date of loss of joint control or significant influence is recognized in the current profit or loss.

Other comprehensive income recognized from the original equity investment due to the adoption of the equity method for accounting is accounted for on the same basis as the direct disposal of the related assets or liabilities by the investee upon termination of the adoption of the equity method for accounting.

(4) Cost method to equity method

When the Company loses its control over the investee due to disposal of part of equity investments, in the preparation of individual financial statements, when the remaining equities after the disposal can exercise joint control or significant influence over the investee, just account for using the equity method, and adjust the remaining equities as they are accounted for using the equity method at the time of acquisition.

(5) Cost method to measurement at fair value

When the Company loses its control over the investee due to disposal of part of equity investments, in the preparation of individual financial statements, when the remaining equities after the disposal can exercise joint control or significant influence over the investee, just account for using the equity method, and adjust the remaining equities as they are accounted for using the equity method at the time of acquisition; and when the remaining equities after the disposal cannot exercise joint control or significant influence over the investee, conduct accounting treatment in accordance with the Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, and record the difference between the fair value and the book value after the date of loss of control into the current profits or losses.

4. Disposal of long-term equity investments

When disposing of long-term equity investments, the difference between the book value and the actual acquisition price shall be recorded into the current profits or losses. When a long-term equity investment accounted for using the equity method is disposed of, the portion of the investment that would otherwise be included in other comprehensive income is accounted for on the same basis as the direct disposal of the related assets or liabilities by the investee, in the appropriate proportion.

If the terms, conditions and economic impact during multiple transactions in the process of achieving equity investment in subsidiaries meet the following one or more cases, it usually indicates that multiple transactions should be conducted accounting treatment as a package transaction:

(1) These transactions are made at the same time or under the circumstance of considering mutual influence;

(2) These transactions can only reach complete business results as a whole;

(3) The occurrence of one transaction depends on the occurrence of at least one other transaction;

(4) One single transaction seems uneconomical when considered independently, but economical when considered together with other transactions.

If the Company loses control over the original subsidiaries due to disposal of part of the equity investment or other reasons and it does not belong to a package transaction, it shall be conducted relevant accounting treatment as an individual financial statement or a consolidated financial statement:

(1) In individual financial statements, for equities disposed, the difference between the book values of the actual price shall be recorded into the current profits or losses. For remaining equities, those still having significant influence on the investee or exercising common control together with other parties shall be accounted for in the equity method and when the remaining equity is regarded as self-acquired, it shall be also adjusted by the equity method; those that can no longer exercise control or joint control over or significant influence on the investee shall be accounted for according to relevant provisions of the Accounting Standards for Enterprises No. 22 - Recognition and Measurement of Financial Instruments and the difference between the fair value and the carrying value on the date of loss of control shall be included in the current profit or loss.

(2) In consolidated financial statements, for multiple transactions before the Company losses control over subsidiaries, the additional long-term equity investment for the purchase of minority equity, and the difference of attributable share of net asset for which the subsidiary owns and start on a continuous measurement from the acquirement date or the combination date calculated according

to the new proportion of shares shall be adjusted if the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. For the loss of control over former subsidiaries, remaining equities shall be re-measured in accordance with their fair value at the date when the control is lost. The sum of the consideration acquired through disposal of equity and the fair value of remaining equity less the difference from continuous calculation of the shares of net assets of the original subsidiaries from the acquisition date calculated according to the original proportion of shares shall be recorded into the investment income of the current period when the control is lost, while offset goodwill. Other comprehensive income related to equity investment by former subsidiaries change to the investment income of the current period during the loss of control.

Where a transaction about disposal of equity investment in subsidiaries until the loss of control is a package transaction, such a transaction is conducted accounting treatment as a transaction disposing of equity investment in subsidiaries and losing control, and then shall be conducted relevant accounting treatment as an individual financial statement or a consolidated financial statement:

(1) In individual financial statements, for the difference between each disposal price before loss of control and the book value of the long-term equity investments corresponding to the equities disposed, it shall be firstly recognized as other comprehensive income and then transferred to the current profits or losses once when the control is lost.

(2) In consolidated financial statements, for the difference between each disposal price before loss of control and the share of net assets of the subsidiary enjoyed corresponding to the investment disposed, it shall be firstly recognized as other comprehensive income and then transferred to the current profits or losses once when the control is lost.

5. Basis for determining common control or significant impact.

If the Company collectively controls an arrangement with other parties in accordance with relevant agreements and makes a decision having a significant impact on the return of the activities, it only takes effect upon the unanimous consent of all participants enjoying the control, then it is deemed that the Company and other participants jointly control over an arrangement, and such an arrangement belongs to a joint arrangement.

If a joint arrangement is reached through a separate entity and it is judged that the Company has the rights to the net assets of the individual entity according to relevant agreements, the individual entity shall be deemed to be a joint venture and shall be accounted for using the equity method. If it is judged that the Company does not have the rights to the net assets of the individual entity according to relevant agreements, the individual entity shall be deemed having been involved in the common operation, then the Company recognizes the items related to the share of interests of common operation and performs accounting treatment in accordance with relevant accounting standards.

Significant influence refers to that the investor has the right to participate in the decision-making of the financial and operating policies of the investee, but can not control or jointly control with other parties over the development of those policies. In case of any of following conditions and after consideration of all facts and conditions, recognize the significant influence over the investee: (1) Assign representatives to the board of directors or similar organization of the investee; (2) Participate in the policy-making process in the investee; (3) Have significant transaction with the investee; (4) Assign managerial personnel to the investee; and (5) Provide the investee with key technical materials.

(XVIII) Fixed assets

1. Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for the production of goods, provision of labor services, leases or business management, and have a service life over one fiscal year. Fixed assets shall be recognized when they meet the following conditions at the same time:

(1) Economic benefit related to such fixed asset will likely go to the Company;

(2) The cost of such fixed asset can be reliably measured.

2. Initial measurement of fixed assets

The fixed assets of the Company are initially measured at cost. including:

(1) Among them, the cost of purchased fixed assets includes purchase price, import duties and other related taxes and fees, as well as other expenditures that incurs before making fixed assets reach the intended use and that can be directly attributable to the assets.

(2) The cost of self-constructed fixed assets consists of necessary expenses incurred before the assets reach the intended use.

(3) The fixed assets invested by the investor shall be recorded as entry value according to the value agreed upon in the investment contract or agreement, but if the value agreed upon in the contract or agreement is not fair, they shall be recorded as fair value.

(4) Where the purchase price of a fixed asset is delayed beyond the normal credit conditions and is of a financing nature, the cost of the fixed asset is determined on the basis of the present value of the purchase price. The difference between the actual payment price and the present value of the purchase price shall be recorded into the current profits or losses in the credit period, except for capitalization.

3. Subsequent measurement and disposal of fixed assets

(1) Depreciation of fixed assets

Provision is made for depreciation of fixed assets over their expected useful life based on their entry value less the estimated net residual value. For fixed assets for which provision for impairment has been made, depreciation is determined in future periods on the basis of the book value net of provision for impairment and based on the remaining useful life; provision is not made for depreciation of fixed assets for which provision has been made for depreciation in full and which continue to be used.

The service life and estimated net residual value of fixed assets shall be determined depending on the nature and use of each class of fixed assets. At the end of the year, the service life, estimated net residual value, and depreciation method of fixed assets will be reviewed. In case of differences from the original estimates, it will make corresponding adjustments.

The depreciation method, service life and annual depreciation rate of various fixed assets are as follows:

Type	Depreciation method	Depreciation period (Year)	Residual value ratio (%)	Annual depreciation ratio (%)
Houses and buildings	Straight line method	30	5.00	3.17
Machinery equipment	Straight line method	10	5.00	9.50
Transportation equipment	Straight line method	6	5.00	15.83
Electronic equipment	Straight line method	5	5.00	19.00
Other equipment	Straight line method	5	5.00	19.00

(2) Subsequent expenditure on fixed assets

Subsequent expenses related to fixed assets shall be included in the cost of fixed assets when meeting the conditions for recognition, or shall be included in the current profits or losses when incurred when not meeting the conditions for recognition.

(3) Disposal of Fixed Assets

A fixed asset is de-recognized when it is disposed of, or when no economic benefits are expected to arise from its use or disposal. The amounts between the disposal proceeds from the sale, transfer, scrapping or damage to fixed assets after deducting the book value and related taxes and fees shall be included in current profit and loss.

(XIX) Construction in progress

1. Type of construction in progress

The construction in progress as is built by the Company on its own shall be valuated at the actual cost, and the actual cost consists of necessary expenses incurred for making the construction in progress reach its intended usable condition, including cost of project materials, cost of labor, relevant taxes and fees paid, borrowing costs to be capitalized, and the apportionable overhead. The Company's construction in progress shall be accounted for with project classification.

2. Standard and time point for carrying forward a construction in progress into a fixed asset

For the construction in progress, all expenditures incurred before the to-be-constructed asset reaches its intended usable state shall be regarded as the entry value of the fixed asset. If the construction in progress has been made to the intended usable condition but has not yet completed the final accounts, they will be transferred to the fixed assets at the estimated value according to project budget, cost or actual project cost from the date of reaching the intended usable condition, and the depreciation of fixed assets shall be made according to the depreciation policy of fixed assets of the Company. After the completion of the final accounts, the original estimated value shall be adjusted according to the actual cost, but the original depreciation amount shall not be adjusted.

(XX) Borrowing costs

1. Recognition principle for capitalization of borrowing costs

Where the borrowing expenses incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it shall be capitalized and recorded into the costs of relevant assets. Other borrowing expenses shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the current profits and losses.

"Assets eligible for capitalization" shall refer to fixed assets, Investment properties, inventories and other assets, of which the acquisition and construction or production may take quite a long time to get ready for its intended use or for sale.

The borrowing costs shall not be capitalized unless they simultaneously meet the following requirements:

(1) Expenditure on assets has been incurred, which includes expenditure incurred in the form of cash payments, transfers of non-cash assets or the assumption of interest-bearing debt for the acquisition or production of assets eligible for capitalization;

(2) The borrowing costs has already incurred; and

(3) The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

2. Borrowing costs during the capitalization period

The capitalization period shall refer to the period from the commencement to the cessation of capitalization of the borrowing costs, excluding the period of suspension of capitalization of the borrowing costs.

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased.

Borrowing costs for part of an asset eligible for capitalization cease to be capitalized when the acquisition or production of that part of the asset is completed separately and is available for separate use.

Capitalization of borrowing costs ceases on completion of the asset as a whole if the parts of the asset that are acquired or produced are completed separately but must wait until the asset is completed as a whole before it can be used or sold to the public.

3. Period of suspended capitalization

Borrowing costs are suspended if there is an unusual interruption in the acquisition or production of an asset eligible for capitalization that lasts for more than three consecutive months; if the interruption is necessary to bring the asset eligible for capitalization to its intended usable or marketable condition, the borrowing costs continue to be capitalized. Borrowing expenses incurred during the interrupted period are recognized in current profit or loss and continue to be capitalized until the acquisition of the asset or the recommencement of production activities.

4. Calculation of borrowing expenses capitalization amount

As for special borrowings borrowed for acquiring and constructing or producing assets eligible for capitalization, borrowing costs of special borrowing actually incurred in the current period less the interest income of the borrowings unused and deposited in bank or return on temporary investment should be recognized as the capitalization amount of borrowing costs.

The interest of general borrowings to be capitalized should be calculated by multiplying the weighted average of asset disbursements of the part of accumulated asset disbursements exceeding special borrowings by the capitalization rate of used general borrowings. The capitalization rate shall be determined based on the weighted average interest rate of general borrowings.

Where there is a discount or premium on borrowings, the amount of discount or premium to be amortized in each accounting period is determined by the effective interest method, together with an adjustment to the amount of interest payable in each period.

(XXI) Right-of-use assets

The Company initially measures the right-of-use asset at cost. The cost includes:

1) The initial measurement amount of lease liabilities;

2) For lease payments paid on or before the starting date of the lease term, if there is a lease incentive, the lease incentive related amount that has been enjoyed shall be deducted;

3) Initial direct expenses incurred to the Company;

4) Costs expected to be incurred by the Company to dismantle and remove a leased asset, to restore the premises on which the leased asset is located or to restore the leased asset to the condition agreed under the terms of the lease do not include costs that are part of the costs incurred to produce the inventory.

After the starting date of the lease term, the Company makes subsequent measurement on the right-of-use asset at cost.

Where it is reasonably certain that ownership of the leased asset will be obtained at the end of the lease term, the Company depreciates the leased asset over its remaining service life. Where it is not reasonably certain that ownership of the leased asset will be obtained at the end of the lease term, the Company depreciates over the shorter of the lease term and the remaining service life of the leased asset. For the right-of-use asset for which provision for impairment has been made, depreciation shall be calculated based on the book value net of provision for impairment in the future period in accordance with the above principles.

(XXII) Intangible assets and development expenditure

The "intangible assets" refers to the identifiable non-monetary assets which have no physical shape and are possessed or controlled by the Company, including land use rights, software, etc.

1. Initial measurement of intangible assets

The cost of an externally acquired intangible asset comprises the purchase price, related taxes and other expenditure directly attributable to bringing the asset to its intended use. Where the purchase price of intangible assets is delayed beyond the normal credit conditions and is of a financing nature, the cost of the intangible assets is determined on the basis of the present value of the purchase price.

For the intangible assets used by the debtor for debts during debt restructuring, the enter value shall be determined based on the fair value of the intangible assets; and the difference between the book value of the reorganized debt and the fair value of the intangible assets used for debts shall be included in the current profits or losses.

On the premise that an exchange of non-monetary assets has commercial substance and the fair value of the assets acquired or exchanged can be measured reliably, intangible assets acquired in exchange for non-monetary assets are recorded at the fair value of the assets exchanged, unless there is conclusive evidence that the fair value of the assets exchanged is more reliable; for exchanges of non-monetary assets that do not satisfy the above premise, the book value of the assets exchanged and the related tax payable are used as the cost of the acquired intangible assets and no profit or loss is recognized.

Intangible assets acquired by way of absorption and combination of enterprises under common control shall be determined according to the book value of the combined party; intangible assets acquired by way of absorption and combination of enterprises not under common control are recorded at fair value.

The cost of an intangible asset developed in-house includes materials used in the development of the intangible asset, labor costs, registration fees, amortization of other patents and licenses used in the development process and interest costs that meet the conditions for capitalization, and other direct costs incurred in bringing the intangible asset to its intended use.

2. Subsequent measurement of intangible assets

The Company analyzes and judges the service life of intangible assets when acquiring them, and divides them into intangible assets with limited service life and uncertain service life.

(1) Intangible assets with a limited service life

For intangible assets with a limited service life, it is amortized on a straight-line basis over the term of economic benefits brought to the enterprise. Estimated life of Intangible assets with a limited service life include:

Items	Estimated service life	Basis
Land use rights	40-70	The usage term stated in the land registration certificate
Software	5-10	Expected income period

At the end of the period, the service life and amortization method of intangible assets shall be reviewed and adjusted accordingly if there are differences with the original estimates.

Upon review, the service life and amortization method of intangible assets at the end of the period is not different from the previous estimates.

(2) Intangible assets with an uncertain service life

If it is impossible to foresee the period within which the intangible assets will bring economic benefits to the enterprise, such intangible assets shall be regarded as intangible assets with an uncertain service life. Intangible assets with an uncertain service life are not amortized during the holding period. The service life of intangible assets is reviewed at the end of each period. If it is still uncertain after re-review at the end of the period, the impairment test shall continue in each accounting period.

3．Specific standards for dividing research phase and development phase of internal research and development projects

Research stage: The stage in which original and planned investigation and research activities are carried out to acquire and understand new scientific or technical knowledge, etc.

Development phase: The phase in which research results or other knowledge are applied to a plan or design to produce new or substantially improved materials, devices, products, etc., prior to commercial production or use.

The research expenditures for its internal research and development projects shall be recorded into the current profits or losses when incurred.

4．Specific criteria for development stage expenditure to qualify for capitalization

Expenditure on the development phase of an internal R&D project is recognized as an intangible asset when both the following conditions are met:

(1) It is feasible technically to finish intangible assets for use or sale;

(2) It is intended to finish and use or sell the intangible assets;

(3) The usefulness of methods for intangible assets to generate economic benefits can be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally;

(4) It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources;

and

(5) The development expenditures of the intangible assets can be reliably measured.

Expenditure in the development phase that does not meet the above criteria is included in current profit or loss as incurred. Development expenditures already recorded into the profit or loss will no longer be recognized as assets in prior periods. Capitalized expenditures on the development phase shall be recognized as development expenditures on the balance sheet, and changed to intangible assets for presentation on the date when they reach the intended use.

(XXIII) Impairment of long-term assets

The Company shall, on the balance sheet date, make a judgment on whether there is any sign of possible impairment of assets. Where there is any evidence indicating a possible impairment of assets, the Company shall, on the basis of single item assets, estimate the recoverable amount. Where it is difficult to do so, it shall determine the recoverable amount of the group assets on the basis of the asset group to which the asset belongs.

The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the assets minus the disposal expenses and the current value of the expected future cash flow of the assets.

Where the measurement result of the recoverable amount indicates that the long-term asset's recoverable amount is lower than its book value, the book value of the long-term asset shall be recorded down to the recoverable amount, and the reduced amount shall be recognized as the loss of asset impairment and be recorded as the profit or loss for the current period. Simultaneously, a provision for the asset impairment shall be made accordingly. Once any loss of asset impairment is recognized, it shall not be switched back in the future accounting periods.

After the loss of asset impairment has been recognized, the depreciation or amortization expenses of the impaired asset shall be adjusted accordingly in the future periods so as to amortize the post-adjustment book value of the asset systematically (deducting the expected net salvage value) within the residual service life of the asset.

No matter whether there is any sign of possible assets impairment, the goodwill formed by the combination of enterprises and intangible assets with uncertain service lives shall be subject to impairment test every year.

When performing an impairment test for goodwill, the book value of goodwill is amortized among asset groups or asset portfolios which benefit from the effect of enterprise consolidation as anticipated. When testing for impairment of a relevant group of assets or a portfolio of asset groups that includes goodwill, if there is an indication that the group of assets or portfolio of asset groups to which goodwill relates is impaired, the group of assets or portfolio of asset groups that does not include goodwill is tested for impairment first, the recoverable amount is calculated and compared with the relevant book value, and a corresponding impairment loss is recognized. The asset group or portfolio of asset groups comprising goodwill is then tested for impairment by comparing the book value of these relevant asset groups or portfolio of asset groups (including the portion of the book value of goodwill apportioned) with their recoverable amounts. If the recoverable amount of the relevant asset group or portfolio of asset groups is less than its book value, an impairment loss on goodwill is recognized accordingly.

(XXIV) Long-term deferred expenses

Long-term deferred expense are various expenditures incurred but that should be allocated over the current and future periods of more than one year (excluding one year). Long-term deferred expenses shall be amortized on a straight-line basis over the respective beneficial period.

(XXV) Contract liabilities

The Company recognizes the portion of the obligation to transfer goods to the customer for the consideration received or receivable from the customer as a contractual liability.

(XXVI) Employee remuneration

The term "employee remuneration" refers to all forms of remuneration and compensations given by the Company in order to obtain services offered by its employees or to terminate labor relationships. Employee remuneration includes short-term remuneration, post-employment benefits, termination benefits and other long-term employee benefits.

1. Short-term remuneration

Short-term remuneration refers to the employee compensation that the company needs to pay in full within twelve months after the end of the annual report period during which employee render services to the Company, excluding post-employment benefits and termination benefits. The Company recognizes the short-term remuneration payable in the accounting period during which employee render services to the Company as liabilities, and records it into costs and expenses of associated assets.

2. Post-employment benefits

Post-employment benefits refers to various forms of compensation and benefits provided by the Company after employees retire or terminate labor relationships with the Company so as to obtain services from them, with the exception of short-term remuneration and termination benefits.

All post-employment benefits plans of the Company are defined contribution plans.

The defined contribution plan of post-employment benefits is primarily to participate in basic social pension insurance, unemployment insurance, etc. organized and implemented by labor and social security institutions of different places. The Company shall recognize, in the accounting period in which an employee provides services, the contribution payable to a defined contribution plan as liability, with a corresponding charge to profit or loss for the current period or the cost of a relevant asset.

The Company shall have no other payment obligations after regularly paying the above-mentioned funds in accordance with the standards as stipulated by the state.

3. Termination benefits

Termination benefits is a kind of compensation to employees if the Company cancels the labor relationship with any employee prior to the expiration of a relevant labor contract or brings forward any compensation proposal for the purpose of encouraging employees to accept a layoff; the Company cannot unilaterally withdraw the termination benefits due to termination of employment relations plan or layoff proposal and recognizes the costs or expenses related to the restructuring of termination benefits payment, the Company recognizes employee compensation liabilities generated due to termination benefits according to one of the above earlier time and records into the current profits or losses.

The company provides early retirement benefits to employees who accept internal retirement arrangements. Early retirement benefits refer to wages and social insurance premiums paid to employees who have not reached the retirement age set by the state and have voluntarily quit their jobs with the approval of the management of the company. The company may pay internal retirement benefits to retired employees from the day when the internal retirement arrangement begins until the employees reach the normal retirement age. Regarding early retirement benefits, the company conducts accounting treatment in accordance with termination benefits. When the conditions for the confirmation of termination benefits are met, the wages and social insurance premiums of the employees to be paid during the period from the day when the employees stop providing services to the normal retirement date will be recognized as liabilities and included in the current profit and loss at one time. Changes in actuarial assumptions of early retirement benefits and adjustments to benefits standards are charged to profit or loss of current year.

4. Other long-term employee benefits

Other long-term employee benefits refer to all other employee benefits other than short-term remuneration, post-employment benefits and termination benefits.

For other long-term employee benefits in line with the conditions of a defined contribution plan, the Company shall recognize, in the accounting period in which an employee provides services, the contribution payable as liability, with a corresponding charge to profit or loss for the current period or the cost of a relevant asset.

(XXVII) Estimated liabilities

1. Recognition criteria for estimated liabilities

The obligation pertinent to contingencies shall be recognized as an estimated debts when the following conditions are satisfied simultaneously:

That obligation is a current obligation of the Company;

It is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation; and

The amount of the obligation can be measured in a reliable way.

2. Measurement method of estimated liabilities

Included amount of estimated liabilities is the best estimated number of the needed expenditure for paying the liability off.

In determining the best estimate, comprehensively consider the risks relating to contingencies, uncertainties and time value of money and other factors. If the influence of the time value of money is significant, determine the best estimate after discounting relevant future cash outflows.

The best estimates shall be processed as follows:

If there is a sequent range (or interval) for the necessary expenses and if all the outcomes within this range are equally likely to occur, the best estimate shall be determined in accordance with the middle estimate within the range.

If there is no sequent range (or interval) for the necessary expenses or although there is a sequent range while the possibility of various results within the range is not the same, if the contingencies concern a single item, it shall be determined in the light of the most likely outcome; and if the contingencies concern two or more items, the best estimate should be calculated and determined in accordance with all possible outcomes and the relevant probabilities.

When all or some of the expenses necessary for the liquidation of an estimated debts of the Company is expected to be compensated by a third party, the compensation should be separately recognized as an asset only when it is virtually certain that the reimbursement will be obtained. The amount recognized for the reimbursement should not exceed the book value of the estimated debts.

(XXVIII) Lease liabilities

The Company measures the lease liabilities at the present value of the unpaid lease payments on the commencement date of the lease term. In calculating present value of the lease payment amounts, the Company adopts the lease embedded interest rate as the discount rate; and if the lease embedded interest rate cannot be determined, the incremental loan interest rate of the Company shall be used as the discount rate. Lease payments include:

1) The fixed payment amount and substantial fixed payment amount after deducting the amount related to lease incentives;

2) Variable lease payments depending on indices or ratios;

3) If the Company reasonably determines that the option will be exercised, the lease payment amount shall include the exercise price of the purchase option;

4) If the lease term reflects that the Company will exercise the option to terminate the lease, the lease payment amount shall include the amount payable to exercise the option to terminate the lease;

5) The amount expected to be paid according to the guaranteed residual value provided by the Company.

The Company calculates the interest expense on the lease liability for each period of the lease term based on a fixed discount rate, which is charged to current profit or loss or the cost of the related asset.

Variable lease payments that are not included in the measurement of lease liabilities shall be included in the current profit or loss or the cost of the related asset when actually incurred.

(XXIX) Revenue (Applicable from January 1, 2021)

The company's operating income mainly includes engineering construction business and land development and consolidation business, water affairs business such as tap water, purified water, and sewage treatment, and real estate development and sales business.

1． General principles for revenue recognition

The Company has fulfilled the performance obligation in the contract, that is, when the customer obtains the control right of related goods or services, the revenue is recognized according to the transaction price allocated to the performance obligation.

Performance obligation refers to the Company's commitment to transfer clearly distinguishable goods or services to customers in a contract.

Obtaining the control over related commodities refers to being able to dominate the use of the commodities and obtain almost all economic benefits from them.

The Company evaluates the Contract on the start date of the Contract, identifies each individual performance obligation included in the Contract, and determines whether each individual performance obligation shall be fulfilled within a certain period of time or at a certain time point. Revenue is recognized over a period of time according to the Company's progress of performance if one of the following conditions is met: (1) the customer obtains and consumes the economic benefits resulting from the Company's performance while the Company is performing; (2) the customer is able to control the goods under construction in the course of the Company's performance; (3) the goods produced in the course of the Company's performance are of irreplaceable use, and the Company shall be entitled to receive payment for the cumulative portion of performance completed to date throughout the term of the contract. Otherwise, the Company recognizes revenue at the point at which the customer obtains control of the relevant goods or services.

For the performance obligations to be fulfilled within a certain period of time, the Company adopts the input method to determine the appropriate performance schedule based on the nature of goods and services. The output method determines the performance schedule based on the value of the goods transferred to the customer for the customer (The input method determines the performance schedule based on the Company's input to fulfill the performance obligations). When the performance schedule cannot be reasonably determined, if the Company's already incurred costs are expected to be compensated, the revenue shall be recognized according to the already incurred costs until the performance schedule can be reasonably determined.

2. Specific method of revenue recognition

The Company mainly has three business segments, including engineering construction business and land development and consolidation business, water affairs business such as tap water purification and sewage treatment, and real estate development and sales business. According to the company's own business model and settlement method, the specific methods of revenue recognition of various business are disclosed as follows:

(1) Engineering construction business and land development and consolidation business

The company's land development and consolidation business is a performance obligation to be fulfilled at a certain point of time. The land formed from the company's land development and consolidation business that meets the conditions of stock is handed over to the Land and Resources Bureau for stock, and settled with the government in accordance with the contracted amount. The received price or relevant economic benefits with obtained collection rights is very likely to be recognized at inflow; the Company's engineering construction business services are performance obligations to be fulfilled within a certain period of time. The performance progress of the services provided is determined based on the proportion of incurred costs to the estimated total costs, and revenue is recognized based on the performance progress. Upon completion of the construction project, the total confirmed engineering cost settlement review amount is taken as the the total settlement amount, and the settlement is made with the project owner according to the contracted amount. The received price or relevant economic benefits with obtained collection rights is very likely to be recognized at inflow.

(2) Water affairs business such as tap water, purified water, and sewage treatment

The company's water affairs business such as tap water, purified water, and sewage treatment is a performance obligation to be fulfilled at a certain point of time. The company transports tap water, purified water, etc. to the customer for use, and the revenue of the received price or relevant economic benefits with obtained collection rights is very likely to be recognized at inflow.

(3) Real estate development business

The company's real estate development business is a performance obligation to be fulfilled at a certain point of time, and the revenue of the received price or relevant economic benefits with obtained collection rights is very likely to be recognized at inflow.

(XXX) Contract cost

1. Contract performance cost

The Company recognizes the cost incurred for performing the Contract as an asset if it does not fall within the scope of accounting standards for business enterprises other than revenue standards and meets all the following conditions:

(1) The cost is directly related to a current or expected contract, including direct labor cost, direct material cost, manufacturing overhead (or similar expenses), cost clearly borne by the customer and other costs incurred only due to the contract;

(2) The cost increases the resources used by the enterprise to fulfill its performance obligations in the future.

(3) The cost is expected to be recovered.

The asset is presented in inventory or other non-current assets based on whether the amortization period exceeds a normal operating cycle at the time of initial recognition.

2. Acquisition cost of contracts

The incremental cost incurred by the Company to obtain a contract, which is expected to be recovered, is recognized as an asset as the contract acquisition cost. Incremental costs refer to costs that the Company would not have incurred had it not obtained the Contract, such as sales commissions. If the amortization period does not exceed one year, it will be included in the current profits and losses when it occurs.

3. Amortization of contract costs

The above-mentioned assets related to contract costs shall be amortized at the time of the performing the obligations or according to the obligation performance schedule and included into current profits and losses on the same basis as the revenue recognition of the goods or services related to the assets.

4. Impairment of contract cost

If the book value of the above-mentioned assets related to contract costs is higher than the difference between the expected remaining consideration for the transfer of goods related to the assets and the estimated cost to be incurred for the transfer of such related goods, the excess shall be subject to impairment provision and recognized as an asset impairment loss.

If, after a provision for impairment has been made, there is a change in the factors for impairment in prior periods such that the difference between the above two is higher than the book value of the asset, the original provision for impairment is reversed and charged to current profit or loss. However, the book value of the reversed asset does not exceed the book value of the asset at the date of reversal under the assumption that no provision for impairment is made.

(XXXI) Government Subsidy

1. Type

A government subsidy means the monetary or non-monetary assets obtained free by the Company from the government, but excluding the capital invested by the government as the owner of the enterprise. According to the subsidy object provided by relevant government documents, government subsidies consist of the government subsidies pertinent to assets and the government subsidies pertinent to income.

The government subsidies pertinent to assets mean the government assets that are obtained by the Company used for purchase or construction, or forming the long-term assets by other ways. Government subsidies related to revenue are government subsidies other than those related to assets.

2. Recognition of government subsidy

Government subsidies shall be recognized as government subsidies as accounts receivable when there is conclusive evidence indicating that it can meet relevant conditions specified by financial support policies and it is expected to receive financial support funds at the end of the period. Other government subsidies shall be recognized when received.

If the government subsidies are monetary assets, they shall be measured according to the amount received or receivable. If a government subsidy is a non-monetary asset, it shall be measured at its fair value. If its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount (RMB 1 Yuan). The government subsidies measured according to the nominal amounts shall be directly included in the current profit and loss.

3. Accounting treatment

The government subsidies pertinent to assets shall be recognized as deferred income, equally distributed in a reasonable and systematic manner within the service life of the assets built or purchased, and included in the profit or loss of the future periods.

The government subsidies pertinent to incomes shall be treated respectively in accordance with the circumstances as follows: those subsidies used for compensating the related future expenses or losses of the enterprise shall be recognized as deferred income and shall be included in the current profits and losses during the period when the relevant expenses or losses are recognized; or those subsidies used for compensating the related expenses or losses incurred to the enterprise shall be directly included in the current profits and losses.

The government subsidies pertinent to daily operations shall be included in other income; for those not pertinent to daily operations shall be included in non-operating income and expense.

Received government subsidies related to policy-based concessional loan with discounted interest offset related borrowing costs; the relevant borrowing costs of obtained loan with policy-based concessional interest rate provided by the lending bank shall be calculated based on the loan principal and the policy-based concessional interest rate with the actual received loan amount as the entry value of the loan.

When the confirmed government subsidy needs to be returned, if the book value of the relevant assets is offset at the initial recognition, the book value of the assets shall be adjusted; If there is a balance of related deferred income, the book balance of the related deferred income shall be offset, and the excess shall be included in the profits and losses of the current period; If there is no deferred income concerned to the government subsidy, it shall be directly included in the current profits and losses.

(XXXII) Deferred Income Tax Assets and Deferred Income Tax Liabilities

Deferred income tax assets and deferred income tax liabilities are recognized based on the difference between the tax bases of assets and liabilities and their book values (temporary differences). For the balance sheet, deferred income tax assets and deferred income tax liabilities shall be measured at the applicable tax rate for the period during which such assets are expected to be recovered, or such liabilities are paid off.

1. Recognition basis of deferred income tax assets

The Company recognizes the deferred income tax assets arising from the deductible temporary differences to the extent that it is probable to obtain taxable income to offset deductible temporary differences and carry forward deductible losses and tax deductions in the future years. However, deferred income tax assets arising from the initial recognition of assets or liabilities in a transaction with the following characteristics shall not be recognized: (1) the transaction is not a business combination; and (2) the transaction does not affect accounting profit or taxable income or deductible losses.

Deductable temporary differences related to investment of associate should be recognized as corresponding deferred income tax assets if they meet the following requirements simultaneously: Temporary differences are likely to be reversed in the foreseeable future, and it is likely to obtain the taxable income to offset deductible temporary differences in the future.

2. Basis for recognizing deferred income tax liabilities

The company recognizes the temporary differences in taxable income between the current period and previous periods as deferred income tax liabilities. But they do not include:

(1) Temporary differences arising from the initial recognition of goodwill;

(2) Temporary differences formed by transactions or events formed by non-business combinations that do not affect accounting profits or taxable income (or deductible losses);

(3) For the taxable temporary differences relevant to the investment of subsidiaries and associates, the reversed time of such temporary differences are controllable and unlikely to be reversed in the foreseeable future.

(XXXIII) Leasing

On the commencement date of a contract, the Company shall evaluate whether a contract is a lease or contains a lease. If a party to the contract transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract shall be a lease or contain a lease.

1. Splitting of lease contract

If the contract contains multiple separate leases at the same time, the Company shall split the contract and make accounting treatment for each separate lease.

If the Contract includes both the lease section and non-lease section, the Company shall split the lease and non-lease sections. The lease section shall be accounted for in accordance with the leasing standards, and the non-lease section shall be accounted for in accordance with other applicable accounting standards for business enterprises.

2. Consolidation of lease contracts

Two or more contracts including lease entered into at the same or similar time between the Company and the same counterparty or its affiliates shall be consolidated into one contract for accounting treatment if such contract(s) meet(s) one of the following conditions:

(1) Such two or more contracts are entered into for the overall commercial purpose and constitute a package transaction. If they are not considered as a whole, their overall commercial purpose cannot be understood.

(2) The consideration amount for one of such two or more contracts depends on the pricing or performance of other contracts.

(3) The rights to use the assets transferred by such two or more contracts constitute a separate lease.

3. Accounting treatment for the Company as the lessee

On the starting date of the lease term, except for the simplified short-term leases and low-value asset leases, the Company recognizes the right-of-use assets and lease liabilities for leases.

(1) Short-term leases and low-value asset leases

Short-term leases are those do not include an option to purchase with a lease term of not more than 12 months. Low-value asset leases are leases where the value of the individual leased assets is lower when they are brand new.

The Company does not recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value asset. The relevant lease payments over the respective periods of the lease term are included in related asset costs or current profit and loss by the straight-line method or other systematic and reasonable methods.

The Company recognizes the right-of-use assets and lease liabilities for assets other than short-term leases and low value asset leases.

(2) The accounting policies for right-of-use assets and lease liabilities are detailed in this Note IV/(XXI) Right-of-use assets and Note IV/(XXVIII) Lease liabilities.

4. Accounting treatment for the Company as the lessor

(1) Classification of leases

The Company divides the lease into finance lease and operating lease on the lease start date.

Financing lease refers to a lease that substantially transfers almost all the risks and rewards associated with ownership of the leased asset, and its ownership may or may not be transferred eventually. Operating lease refers to any lease other than financing lease.

If a lease involves one or more of the following circumstances, the Company usually classifies it as a finance lease.

1) At the expiration of the lease term, the ownership of the leased assets is transferred to the lessee.

2) The lessee has the option to buy the leased asset at a price which is expected to be lower enough than the fair value of the leased asset at the date when the option becomes exercisable. Thus, on the lease beginning date, it can be reasonably determined that the lessee will exercise the option.

3) Even if the ownership of the asset is not transferred, the lease term covers the major part of the use life of the leased asset.

4) On the starting date of the lease term, the present value of the lease proceeds is almost equivalent to the fair value of the leased asset.

5) The leased assets are of a specialized nature that only the lessee can use them without making major modifications.

If a lease has one or more of the following signs, the Company may also classify it as a finance lease:

1) If the lessee cancels the lease, the losses caused to the lessor by canceling the lease shall be borne by the lessee.

2) The profits or losses arising from fluctuations in the fair value of the residual value of the assets are attributable to the lessee.

3) The lessee has the ability to continue the lease into the next period at a much lower rent than the market level.

(2) Accounting treatment for finance lease

On the starting date of the lease term, the Company recognizes the financing lease receivables for financing leases and de-recognizes the financing lease assets.

During the initial measurement of the finance lease receivable, the sum of the unguaranteed residual value and the present value of the lease proceeds that have not been received on the starting date of the lease term discounted at the interest rate implicit in lease shall be used as the entry value of the finance lease receivable. The lease proceeds include:

1) The fixed payment amount and substantial fixed payment amount after deducting the amount related to lease incentives;

2) Variable lease payments depending on indices or ratios;

3) If it is reasonably determined that the lessee will exercise the purchase option, the lease proceed amount shall include the exercise price of the purchase option;

4) If the lease term reflects that the lessee will exercise the option to terminate the lease, the lease proceed amount shall include the amount payable by the lessee to exercise the option to terminate the lease;

5) The guaranteed residual value provided to the lessor by the lessee, the party related to the lessee, and independent third parties with the financial ability to fulfill the guarantee obligation.

The Company calculates and recognizes the interest income for each period of the lease term based on a fixed interest rate implicit in lease, and the amount of variable lease payments obtained that are not included in the measurement of net lease investment shall be included in the current profits and losses when actually incurred.

(3) Accounting treatment for operating lease

The Company recognizes the lease proceeds from operating leases as rental income for each period of the lease term by the straight-line method or other systematic and reasonable methods; capitalizes initial direct expenses related to operating leases, amortizes such expenses over the lease term on the same basis as the recognition of rental income and includes them in the current profit and loss in installments; and includes the obtained variable lease payments related to operating leases that are not included in the lease proceeds in the current profit and loss when actually incurred.

(XXXIV) Discontinued Operation

The Company recognizes a component that meets one of the following conditions and has been disposed of or classified as held for sale, which can be separately distinguished, as a discontinued operations component:

(1) The component represents a separate primary business or a separate major business area.

(2) The component is part of a linked plan for the proposed disposal of a separate primary business or a separate major business area.

(3) The component is a subsidiary acquired exclusively for resale.

Operating profits and losses, such as impairment losses and repatriated amounts, as well as profits and losses on disposal of terminated operations are shown in the income statement as terminated operating profits and losses.

V. Significant changes in accounting policies and accounting estimates and corrections of significant accounting errors

1. Changes in accounting policies

Contents of and reasons for changes in accounting policies	Approval procedures	Remarks
Effective from January 1, 2021, the Company has implemented the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, the Accounting Standards	This change has been reviewed and approved by the board of directors of the company.	

Contents of and reasons for changes in accounting policies	Approval procedures	Remarks
for Business Enterprises No.23 - Transfer of Financial Assets and the Accounting Standards for Business Enterprises No.24 -Hedging and Accounting, and the Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments revised by the Ministry of Finance in 2017		
Effective from January 1, 2021, the Company has implemented the Accounting Standards for Business Enterprises No. 14 - Revenue revised by the Ministry of Finance in 2017	This change has been reviewed and approved by the board of directors of the company.	
Effective from January 1, 2021, the Company has implemented the Accounting Standards for Business Enterprises No. 21 - Lease revised by the Ministry of Finance in 2018	This change has been reviewed and approved by the board of directors of the company	

Description of changes in accounting policies:

(1) The impact of implementing the New Financial Instruments Standards on the Company

Effective from January 1, 2021, the Company has implemented the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, the Accounting Standards for Business Enterprises No.23 - Transfer of Financial Assets and the Accounting Standards for Business Enterprises No.24 -Hedging and Accounting, and the Accounting Standards for Business Enterprises No. 37 - Presentation of Financial Instruments revised by the the Ministry of Finance in 2017 (The above four items are collectively referred to as the New Financial Instruments Standards), and the modified accounting policies are detailed in Note IV.

If the recognition and measurement of financial instruments before January 1, 2021 are inconsistent with the requirements of the New Financial Instruments Standards, the Company made alignments adjustments in accordance with the requirements of the New Financial Instruments Standards. Where comparative financial statement data for prior periods are inconsistent with the requirements of the New Financial Instruments Standards, the Company has not adjusted the comparable period information. The difference between the original book value of a financial instrument and the new book value at the date of application of the New Financial Instruments Standard is included in retained earnings or other comprehensive income as at January 1, 2021.

(2) The impact of implementing the New Standards on Revenue on the Company

Effective from January 1, 2021, the Company has implemented the Accounting Standards for Business Enterprises No. 14 - Revenue revised by the Ministry of Finance in 2017, and the modified accounting policies are detailed in Note IV. According to the alignment provisions of the New Standards on Revenue, the cumulative influence number of the first execution of the Standards adjusts the amount of retained earnings and other related items in the financial statements at the beginning of the current period of the first implementation (January 1, 2021), without adjusting the information in the comparable period.

When implementing the New Standards on Revenue, the Company only adjusted the cumulative influence number of the contract that has not been completed on the first execution date; it did not make retrospective adjustments to contract changes that occurred before the beginning of the earliest comparable period or before the beginning of 2021. Instead, based on the final arrangement of contract changes, it identified fulfilled and unfulfilled performance obligations, determined the transaction price, and apportioned the transaction price between fulfilled and unfulfilled performance obligations.

(3) The impact of implementing the New Standards on Lease on the Company

The Company has implemented the Accounting Standards for Business Enterprises No. 21 – Lease revised by the Ministry of Finance in 2018 since January 1, 2021. The modified accounting policies are detailed in Note IV.

At the date of first implementation, the Company elected not to reassess whether pre-existing contracts were leases or contained leases and applied this approach consistently to all contracts. Consequently, the convergence provisions of the Standards were applied only to those contracts identified as leases under the original Lease Standards as described above.

Moreover, the Company has elected to adopt the simplified retrospective adjustment method of bridging accounting for the above lease contracts in accordance with the Accounting Standards for Business Enterprises No. 28--Accounting Policies, Changes in Accounting Estimates and Error Corrections, whereby only the amounts of retained earnings and other related items in the financial statements at the beginning of the year in which the Standard is first implemented are adjusted and no comparable period information is adjusted, while the right-of-use asset measurement method and related simplified treatment is selected for the operating leases therein based on each lease, as follows:

The Company's accounting policy for low-value asset leases is to not recognize right-of-use assets and lease liabilities. According to the alignment provisions of the New Standards on Lease, the Company accounted for low-value asset leases prior to the date of initial implementation in accordance with the New Lease Standard from the date of initial implementation without retrospective adjustments to low-value asset leases.

The implementation of the New Standards on Lease has had no impact on the financial statements for the reporting period.

2. Changes in accounting estimates

There were no changes in major accounting estimates during the reporting period.

3. Correction of significant accounting errors

There were no correction of significant accounting errors in this reporting period.

VI. Taxation

(I) Main tax categories and tax rates of the company

Tax item	Tax (fee) basis	Tax (fee) rate	Remarks
VAT	Domestic sales; provide processing, repair and replacement services; provide tangible movable property leasing services; provide transportation, post, basic telecommunications, construction, and real estate leasing services, sell real estate, and transfer land use rights; other taxable sales services	6%, 9%, 13%	
	Simple tax calculation method	5% or 3%	
City maintenance and construction tax	Paid-in turnover tax	5%	
Educational surcharges	Paid-in turnover tax	3%	
Local educational surcharge	Paid-in turnover tax	2%	
Enterprise Income Tax	Taxable income	25%	
Housing property tax	Take 70% of the original value of the property (or rental income) as the tax base	1.2%, 12%	
Land use tax	According to the actual occupied land area	2.00, 4.00, 6.00 yuan/square meter	

Note: According to the provisions of the Announcement of the Ministry of Finance and the State Taxation Administration on Continuing to Implement Preferential Tax Policies for the Rural Drinking Water Safety Project (Announcement No. 67 of 2019 of the Ministry of Finance and the State Taxation Administration): “IV. The sales revenue of tap water obtained by the operation and management units of drinking water projects providing domestic water to rural residents is exempt from value-added tax.” Besides, the Announcement of the Ministry of Finance and the State Taxation Administration on Extending the Implementation Period of Some Preferential Tax Policies (Announcement No. 6 of 2021 of the Ministry of Finance and the State Administration of Taxation): “I. Any of the preferential tax policies stipulated in the Announcement of the Ministry of Finance and the State Taxation Administration on Continuing to Implement Preferential Tax Policies for the Rural Drinking Water Safety Project (Announcement No. 67 of 2019 of the Ministry of Finance and the State Taxation Administration) that is expired shall be extended to December 31, 2023 for its implementation period.” The subsidiaries of the Group, Guannan Tianlou Water Supply Co., Ltd. and Guannan Shuoxiang Lake Water Supply Co., Ltd., enjoy the above-mentioned VAT exemption preferential policies for rural water supply revenue.

VII. Notes to Key Items of the Consolidated Financial Statements

(Unless otherwise specified, the following monetary units are all in RMB)

Note 1. Monetary fund

Items	December 31, 2022	December 31, 2021
Cash on hand	166,548.61	173,178.14
Cash at banks	2,387,585,810.80	2,598,970,375.14
Other monetary funds	1,026,591,055.53	599,995,769.03
Interest receivable not due		1,164,131.51
Total	3,414,343,414.94	3,200,303,453.82

Restricted use of monetary funds at the end of the period:

Items	Amount	Reasons for restricted use
Letter of guarantee margins	233,000,225.01	Security deposit
Time deposit or call deposit for guarantee	203,383,053.00	Pledged borrowings
Guarantee margins	71,197,777.52	Guarantee margins
Bank acceptance deposit	519,010,000.00	Security deposit
Total	1,026,591,055.53	

As of December 31, 2022, the Company had no funds pledged, frozen, or with potential recovery risks.

Note 2. Held-for-trading financial assets

Items	December 31, 2022	December 31, 2021
Subtotal of financial assets classified as measured at fair value through profit or loss	321,208,549.87	
Investment in debt instruments		
Investment in equity instrument		
Others	321,208,549.87	
Total	321,208,549.87	

Note 3. Notes receivable

Items	December 31, 2022	December 31, 2021
Bank acceptance bills	800,000.00	2,560,000.00
Total	800,000.00	2,560,000.00

Note 4. Accounts receivable

1. Classified disclosure at bad debt provision accrual method

Category	December 31, 2022				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Accounts receivable for which expected credit losses are individually accrued					
Accounts receivable with expected credit losses accrued by portfolio	2,344,204,768.52	100.00	620,382.34	0.03	2,343,584,386.18
Including: Aging combination	121,013,921.43	5.16	620,382.34	0.51	120,393,539.09
Risk-free portfolio	2,223,190,847.09	94.84			2,223,190,847.09
Total	2,344,204,768.52	100.00	620,382.34	0.03	2,343,584,386.18

Continued:

Category	December 31, 2021				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Accounts receivable for which expected credit losses are individually accrued					
Accounts receivable with expected credit losses accrued by portfolio	2,106,989,577.99	100.00	92,966.14		2,106,896,611.85
Including: Aging combination	14,520,211.86	0.69	92,966.14	0.64	14,427,245.72
Risk-free portfolio	2,092,469,366.13	99.31			2,092,469,366.13
Total	2,106,989,577.99	100.00	92,966.14		2,106,896,611.85

2. Description of accounts receivable classification

(1) In the combination, accounts receivable with expected credit losses for which provision is made by the aging analysis method

Name of portfolio	December 31, 2022

	Accounts receivable	Provision for bad debts	Provision proportion (%)
Within 1 year	116,251,594.63		0
1 to 2 years	3,912,846.80	195,642.34	5
2 to 3 years			10
3 to 4 years			20
4 to 5 years	849,480.00	424,740.00	50
Greater than 5 years			100
Total	121,013,921.43	620,382.34	

3. Provision for bad debts withdrawn, recovered or reversed during the current period

Type	December 31, 2021	Changes in the current period				December 31, 2022
		Provisions	Recovery or reversal	Write off	Other changes	
Accounts receivable for which expected credit losses are individually accrued						
Accounts receivable with expected credit losses accrued by portfolio	92,966.14	527,416.20				620,382.34
Including: Aging combination	92,966.14	527,416.20				620,382.34
Total	92,966.14	527,416.20				620,382.34

4. There were no actual accounts receivable written off in this reporting period

5. Accounts receivable of Top 5 closing balance collected by debtor

Unit name	Closing balance	Proportion of closing balance amount to accounts receivable (%)	Accrued bad debt reserves
Housing and Urban-Rural Development Bureau of Guannan County	927,638,511.04	39.57	
Guannan County Finance Bureau	916,763,371.37	39.11	
Guannan Water Supply Co., Ltd	128,889,654.70	5.50	
Guannan Wulongkou Water Investment Co., Ltd	74,070,056.04	3.16	
Lianyungang Yaxin Iron and Steel Co., Ltd	64,024,780.87	2.73	
Total	2,111,386,374.02	90.07	

Note 5. Accounts receivable financing

Items	December 31, 2022	December 31, 2021
Notes receivable		600,000.00
Total		600,000.00

Note 6. Prepayments

1. Accounts prepaid are listed by aging

Aging	December 31, 2022		December 31, 2021	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	16,403,243.36	50.21	304,824.95	1.83
1 to 2 years	448.43		169,978.40	1.02
2 to 3 years	146,098.40	0.45	10,000,000.00	60.19
More than 3 years	16,120,300.54	49.34	6,141,400.00	36.96
Total	32,670,090.73	100.00	16,616,203.35	100.00

2. There were no prepayments with an account age exceeding one year and significant amount at the end of the period

3. Prepayments of Top 5 closing balance collected by debtor

Unit name	Closing balance	Proportion in its total accounts prepaid(%)	Reason for unsettlement
Zhejiang Jurui International Trade Co., Ltd	15,827,850.00	48.45	Not yet due for settlement period
Jiangsu Renxin Chemical Co., Ltd	10,000,000.00	30.61	Not yet due for settlement period
Lianyungang Jinchanglin Winery Co., Ltd	6,117,300.00	18.72	Not yet due for settlement period
Nanjing Honglihui Trading Co., Ltd	188,100.00	0.58	Not yet due for settlement period
Guannan Zhongyu Gas Co., Ltd	183,486.22	0.56	Not yet due for settlement period
Total	32,316,736.22	98.92	

Note 7. Other receivables

Items	December 31, 2022	December 31, 2021
Interest receivable		
Dividend receivable		
Other receivables	2,437,121,551.02	2,634,711,487.19
Total	2,437,121,551.02	2,634,711,487.19

Note: Other receivables in the above table refer to other receivables after deducting interest receivable and dividend receivable.

1. Classified disclosure at bad debt provision accrual method

Type	December 31, 2022		
	Book balance	Provision for bad debts	Book value

	Amount	Proportion (%)	Amount	Provision proportion (%)	
Other receivables for which expected credit losses are individually accrued	1,800,000.00	0.07	1,800,000.00	100.00	
Other receivables with expected credit losses accrued by combination	2,467,132,983.09	99.93	30,011,432.07	1.22	2,437,121,551.02
Including: Aging combination	167,590,822.86	6.79	30,011,432.07	17.91	137,579,390.79
Risk-free portfolio	2,299,542,160.23	93.14			2,299,542,160.23
Total	2,468,932,983.09	100.00	31,811,432.07	1.29	2,437,121,551.02

Continued:

Type	December 31, 2021				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Other receivables for which expected credit losses are individually accrued	1,800,000.00	0.07	1,800,000.00	100.00	
Other receivables with expected credit losses accrued by combination	2,636,001,379.51	99.93	1,289,892.32	0.05	2,634,711,487.19
Including: Aging combination	250,380,228.36	9.49	1,289,892.32	0.50	249,090,336.04
Risk-free portfolio	2,385,621,151.15	90.44			2,385,621,151.15
Total	2,637,801,379.51	100.00	3,089,892.32	0.12	2,634,711,487.19

2．Other receivables with expected credit losses for which provision is made individually

Unit name	December 31, 2022			
	Book balance	Provision for bad debts	Provision proportion (%)	Cause of provision
Lianyungang Hengaoda Fertilizer Technology Co., Ltd	1,800,000.00	1,800,000.00	100.00	Abnormal operation and debt crisis
Total	1,800,000.00	1,800,000.00	100.00	

3．Other receivables with expected credit losses accrued by combination

In the combination, other receivables with expected credit losses for which provision is made by the aging analysis method

Name of portfolio	December 31, 2022		
	Other receivables	Provision for bad debts	Provision proportion (%)
Within 1 year	26,689,445.24		0
1 to 2 years	85,000,000.00	4,250,000.00	5

Name of portfolio	December 31, 2022		
	Other receivables	Provision for bad debts	Provision proportion (%)
2 to 3 years	5,950,314.25	595,031.43	10
3 to 4 years	30,607,381.54	6,121,476.31	20
4 to 5 years	597,515.00	298,757.50	50
Greater than 5 years	18,746,166.83	18,746,166.83	100
Total	167,590,822.86	30,011,432.07	

1. Provision for bad debts of other receivables

(1) Other receivables for which the Company made provision for bad debt reserves based on the expected credit loss model

Provision for bad debts	Phase 1	Phase 2	Phase 3	Total
	Expected credit loss in the next 12 months	Expected credit loss in the entire duration (no credit impairment occurred)	Expected credit loss in the entire duration (credit impairment occurred)	
Opening balance	1,289,892.32		1,800,000.00	3,089,892.32
Opening balance in current period				
-Transfer to stage 2				
-Transfer to stage 3				
-Transfer back to stage 2				
-Transfer back to stage 1				
Provisions in the current period	28,721,539.75			28,721,539.75
Current reversal				
Current write off				
Current charge off				
Other changes				
Closing balance	30,011,432.07		1,800,000.00	31,811,432.07

2. There are no other receivables actually written off in the current period.

3. Other receivables of Top 5 closing balance collected by debtor

Unit name	Nature of payables	Closing balance	Aging	Proportion to other receivables on December 31, 2022 (%)	Provision for bad debts December 31, 2022
Guannan County Finance Bureau	Current accounts	623,274,739.13	Within 1 year and 1-2 years	25.24	

Guannan Wulongkou Water Investment Co., Ltd	Current accounts	581,866,036.72	Within 1 year and 1-2 years	23.57	
Jiangsu Lianyungang Chemical Industrial Park Management Committee	Current accounts	483,969,446.64	Within 1 year, 1-2 years, 2-3 years	19.60	
Guannan Housing Expropriation and Compensation Service Center	Current accounts	360,330,461.00	1-2 years, 2-3 years, 3-4 years, 5 years or more	14.59	
Jiangsu Guanjiang Agricultural Development Group Co., Ltd	Current accounts	77,637,950.97	Within 1 year	3.14	
Total		2,127,078,634.46		86.14	

Note 8. Inventories

1． Classification of inventories

Items	December 31, 2022			December 31, 2021		
	Book balance	Inventory falling price reserve/contract performance cost impairment reserve	Book value	Book balance	Falling price reserves	Book value
Raw materials	9,439,704.92		9,439,704.92	10,114,010.94		10,114,010.94
Development costs	15,956,380,703.95		15,956,380,703.95	13,980,708,674.61		13,980,708,674.61
Contract performance cost	158,860,493.52		158,860,493.52	167,230,068.38		167,230,068.38
Goods in stock	20,447,740.15		20,447,740.15	778,665.96		778,665.96
Products in process	105,789.84		105,789.84	197,504.05		197,504.05
Low-value consumables	4,081,657.71		4,081,657.71	1,363,867.57		1,363,867.57
Materials in transit	18,000.00		18,000.00	18,000.00		18,000.00
Total	16,149,334,090.09		16,149,334,090.09	14,160,410,791.51		14,160,410,791.51

Note 9. Other current assets

Items	December 31, 2022	December 31, 2021
Financial products		100,010,000.00
VAT tax credit	40,196,076.26	41,281,907.18
Prepayment of taxes	1,415,314.95	724,191.34
Total	41,611,391.21	142,016,098.52

Note 10. Debt investment

1. Facts of debt investments

Items	December 31, 2022			December 31, 2021		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Other bonds	61,628,876.15		61,628,876.15	261,968,345.27		261,968,345.27
Subtotal	61,628,876.15		61,628,876.15	261,968,345.27		261,968,345.27
Less: 1-year due debt investment						
Total	61,628,876.15		61,628,876.15	261,968,345.27		261,968,345.27

Note 11. Long-term equity investments

Nature of payables	December 31, 2022			December 31, 2021		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries						
Investment in associates and joint ventures	56,428,802.84		56,428,802.84	122,731,682.91		122,731,682.91
Total	56,428,802.84		56,428,802.84	122,731,682.91		122,731,682.91

1. Investment in associates and joint ventures

The investee	December 31, 2021	Current movement			
		Additional investments	Decrease investments	Investment profits and losses recognized by equity method	Other comprehensive income adjustments
I. Joint venture					
II. Associates					
Jiangsu Lianyungang Chemical Industrial Park Public Pipe Gallery Management Co., Ltd	5,569,663.02				
Jiangsu Guanhe International Port Affairs Co., Ltd	14,230,966.15			-6,625,297.51	
Jiangsu Wannianda Hangxiao Steel Structure Co., Ltd	18,190,051.00			-677,582.56	
Lianyungang Airuike New Materials Technology Co.,	60,000,000.00		60,000,000.00		

The investee	December 31, 2021	Current movement			
		Additional investments	Decrease investments	Investment profits and losses recognized by equity method	Other comprehensive income adjustments
Ltd					
Jiangsu Mupro Ift Corp.	21,253,403.82				
Guannan Shengda Real Estate Development Co., Ltd	3,487,598.92				
Lianyungang Yuanfuxiang Industrial Co., Ltd		1,000,000.00			
Subtotal	122,731,682.91	1,000,000.00	60,000,000.00	-7,302,880.07	
Total	122,731,682.91	1,000,000.00	60,000,000.00	-7,302,880.07	

Continued:

The investee	Current movement				December 31, 2022	Impairment provision December 31, 2022
	Other changes in equity	Declared distribution of cash dividends or profits	Provision for impairment	Others		
I. Joint venture						
II. Associates						
Jiangsu Lianyungang Chemical Industrial Park Public Pipe Gallery Management Co., Ltd					5,569,663.02	
Jiangsu Guanhe International Port Affairs Co., Ltd					7,605,668.64	
Jiangsu Wannianda Hangxiao Steel Structure Co., Ltd					17,512,468.44	
Lianyungang Airuike New Materials Technology Co., Ltd						
Jiangsu Mupro Ift Corp.					21,253,403.82	
Guannan Shengda Real Estate Development Co., Ltd					3,487,598.92	
Lianyungang Yuanfuxiang Industrial Co., Ltd					1,000,000.00	
Subtotal					56,428,802.84	
Total					56,428,802.84	

Note 12. Other equity instrument investments

1. Other equity instruments are listed by items as follows

Items	December 31, 2022	December 31, 2021
Jiangsu Guannan Rural Commercial Bank Co., Ltd	41,710,384.60	41,710,384.60
Jiangsu Dipu Technology Co., Ltd	7,520,000.00	8,540,000.00
Gezhouba Water (Guannan) Co., Ltd	30,000,000.00	
Lianyungang Rural Industry Investment Fund Partnership (Limited Partnership)	12,000,000.00	
Guannan Investment Promotion Industry Development Guidance Fund Partnership Enterprise (Limited Partnership)	9,950,000.00	
Total	101,180,384.60	50,250,384.60

2. Investments in non-trading equity instruments

Items	The reason of designation for the measurement at fair value and the change being included in other comprehensive income	Dividend income recognized for the current period	Aggregate gains	Aggregate losses	The amount of other comprehensive income transferred to retained income	The reason of transferring other comprehensive income to retained income
Jiangsu Guannan Rural Commercial Bank Co., Ltd	Not for sale					
Jiangsu Dipu Technology Co., Ltd	Not for sale					
Gezhouba Water (Guannan) Co., Ltd	Not for sale					
Lianyungang Rural Industry Investment Fund Partnership (Limited Partnership)	Not for sale					
Guannan Investment Promotion Industry Development Guidance Fund Partnership Enterprise (Limited Partnership)	Not for sale					
Total						

Note 13. Other non-current financial assets

Items	December 31, 2022	December 31, 2021
Trust protection fund	2,000,000.00	2,000,000.00
Total	2,000,000.00	2,000,000.00

Note 14. Investment properties

1. Investment properties

Items	House buildings	Land use rights	Total

Items	House buildings	Land use rights	Total
I. December 31, 2021	200,454,134.00	3,347,485,866.00	3,547,940,000.00
II. Current changes			
1．Increase in purchase			
2．Inventory \ fixed assets \ construction in progress transferred in			
3．Business combination not under common control			
4．Increase in shareholder investment			
5．Converted difference in foreign currency statements			
6．Increase due to other reasons			
7．Decrease in disposal			
8．Disposal of subsidiaries			
9．Decrease due to other reasons			
10．Changes to fair value	555,866.00	26,914,134.00	27,470,000.00
III. December 31, 2022	201,010,000.00	3,374,400,000.00	3,575,410,000.00

2．Investment properties without outstanding certificate of title at the end of the period

Note 15. Fixed assets

Items	December 31, 2022	December 31, 2021
Fixed assets	2,031,948,086.73	2,143,971,919.61
Disposal of Fixed Assets	1,732,723.30	1,732,723.30
Total	2,033,680,810.03	2,145,704,642.91

Note: The above fixed assets refer to the fixed assets after deducting the disposal of fixed assets.

(I) Fixed assets

1．Status of fixed assets

Items	Houses and	Machinery	Transportation	Electronic	Other	Total
I. Original book value						
1. December 31, 2021	2,263,272,820.32	197,470,242.39	3,242,017.61	31,447,324.52	7,464,801.19	2,502,897,206.03
2. Increase in current period	2,980,614.96	2,596,949.65	875,185.82	1,693,946.35	581,241.50	8,727,938.28
Purchasing	2,980,614.96	2,596,949.65	875,185.82	1,693,946.35	581,241.50	8,727,938.28
Carryover of construction in progress						

Items	Houses and	Machinery	Transportation	Electronic	Other	Total
Others						
3. Decrease in current period			403,520.22	8,600.00		412,120.22
Disposal or scrapping			403,520.22	8,600.00		412,120.22
Other transfer out						
4. December 31, 2022	2,266,253,435.28	200,067,192.04	3,713,683.21	33,132,670.87	8,046,042.69	2,511,213,024.09
II. Accumulated depreciation						
1. December 31, 2021	267,047,739.66	72,104,648.32	2,516,586.02	11,914,680.35	5,341,632.07	358,925,286.42
2. Increase in current period	92,792,865.96	19,166,130.22	207,389.37	7,779,508.55	785,985.51	120,731,879.61
Provisions in the current period	92,792,865.96	19,166,130.22	207,389.37	7,779,508.55	785,985.51	120,731,879.61
Increase in business merger						
3. Decrease in current period			383,939.72	8,288.95		392,228.67
Disposal or scrapping			383,939.72	8,288.95		392,228.67
Other transfer out						
4. 2022.12.31	359,840,605.62	91,270,778.54	2,340,035.67	19,685,899.95	6,127,617.58	479,264,937.36
III. Impairment provision						
1．December 31, 2021						
2．Increase in current period						
Provisions in the current period						
3．Decrease in current period						
Disposal or scrapping						
4.2022.12.31						
III. Book value						
1． December 31, 2022	1,906,412,829.66	108,796,413.50	1,373,647.54	13,446,770.92	1,918,425.11	2,031,948,086.73
2． December 31, 2021	1,996,225,080.66	125,365,594.07	725,431.59	19,532,644.17	2,123,169.12	2,143,971,919.61

2．Fixed assets without outstanding certificate of title at the end of the period

(II) Liquidation of fixed assets

Items	December 31, 2022	December 31, 2021
The Water Group suspends a batch of fixed assets	1,732,723.30	1,732,723.30
Total	1,732,723.30	1,732,723.30

Note 16. Construction in progress

Items	December 31, 2022	December 31, 2021
Construction in progress	569,365,403.80	337,468,983.59
Engineering materials		
Total	569,365,403.80	337,468,983.59

Note: The construction in progress in the above table refers to the construction in progress after deducting engineering materials.

(I) Construction in progress

1. Status of construction in progress

Items	December 31, 2022			December 31, 2021		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Water Resources Management Project of the Water Group	38,981,079.33		38,981,079.33	18,027,852.89		18,027,852.89
Shuoxiang Lake Waterworks Project	4,210,300.44		4,210,300.44	2,993,822.06		2,993,822.06
Shuoxiang Lake Hotel - Decoration Project (including Phase II)	216,290,878.35		216,290,878.35	115,524,895.41		115,524,895.41
Park Infrastructure Project	12,732,047.05		12,732,047.05	9,763,400.86		9,763,400.86
Enterprise Service Center Building	38,104,092.25		38,104,092.25	38,104,092.25		38,104,092.25
Neighborhood Center Dormitory Building	5,141,933.00		5,141,933.00	5,141,933.00		5,141,933.00
Zhongxin Sewage Treatment Plant Upgrading and Renovation Project	145,413,803.80		145,413,803.80	113,489,150.29		113,489,150.29
Xinmin Village Characteristic Countryside Project	12,784,466.45		12,784,466.45	11,334,917.71		11,334,917.71
Project of Supervisory Committee of Discipline Inspection Commission of Guannan County	3,932,554.07		3,932,554.07	3,333,298.40		3,333,298.40

Items	December 31, 2022			December 31, 2021		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
County East District Fire Station	5,332,985.30		5,332,985.30	2,226,492.46		2,226,492.46
Other projects	86,441,263.76		86,441,263.76	17,529,128.26		17,529,128.26
Total	569,365,403.80		569,365,403.80	337,468,983.59		337,468,983.59

Note 17. Intangible assets

1. Status of intangible assets

Items	Land use rights	Software	Total
I. Original book value			
1. December 31, 2021	38,965,086.70	1,131,827.81	40,096,914.51
2. Increase in current period		79,449.73	79,449.73
Purchasing		79,449.73	79,449.73
Shareholder investment			
3. Decrease in current period			
Disposals			
Decrease due to other reasons			
4.2022.12.31	38,965,086.70	1,211,277.54	40,176,364.24
II. Accumulated amortization			
1. December 31, 2021	2,569,805.03	608,504.58	3,178,309.61
2. Increase in current period	1,033,415.76	496,873.49	1,530,289.25
Provisions in the current period	1,033,415.76	496,873.49	1,530,289.25
3. Decrease in current period			
Disposals			
Decrease due to other reasons			
4. December 31, 2022	3,603,220.79	1,105,378.07	4,708,598.86
III. Provision for impairment			
1. December 31, 2021			
2. Increase in current period			
3. Decrease in current period			
4. December 31, 2022			
IV. Book Value			

Items	Land use rights	Software	Total
1. Closing book value	35,361,865.91	105,899.47	35,467,765.38
2. Opening book value	36,395,281.67	523,323.23	36,918,604.90

Note 18. Deferred Income Tax Assets and Deferred Income Tax Liabilities

1. Un-offset deferred income tax assets

Items	December 31, 2022		December 31, 2021	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Changes in fair value of investment in other equity instruments (negative changes)	480,000.00	120,000.00		
Assets depreciation reserves	26,443,834.62	6,610,958.66	1,074,400.55	268,600.14
Deductible losses	84,588,154.66	21,147,038.67		
Total	111,511,989.28	27,877,997.33	1,074,400.55	268,600.14

2. Un-offset deferred income tax liabilities

Items	December 31, 2022		December 31, 2021	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Changes in fair value of investment properties	2,677,288,579.49	669,322,144.87	2,649,818,579.47	662,454,644.87
Changes in fair value of investment in other equity instruments (positive changes)			540,000.00	135,000.00
Total	2,677,288,579.49	669,322,144.87	2,650,358,579.47	662,589,644.87

Note 19. Other non-current assets

Items	December 31, 2022			December 31, 2021		
	Book balance	Impairment	Book value	Book balance	Impairment	Book value
Prepayment for purchase of assets	628,390,142.15		628,390,142.15	364,473,463.56		364,473,463.5
Total	628,390,142.15		628,390,142.15	364,473,463.56		364,473,463.5

Note 20. Short-term borrowings

1. Classification of short-term borrowings

Items	December 31, 2022	December 31, 2021
Pledged borrowings	214,500,000.00	19,000,000.00
Mortgage borrowings	48,000,000.00	209,000,000.00
Guarantee borrowings	1,203,000,000.00	650,751,400.00

Items	December 31, 2022	December 31, 2021
Credit borrowings	339,000,000.00	105,000,000.00
Pledge + guarantee borrowings		100,000,000.00
Undue interest payable		5,576,413.89
Total	1,804,500,000.00	1,089,327,813.89

Note 21. Notes payable

Category	December 31, 2022	December 31, 2021
Bank acceptance bills	638,139,250.00	179,010,000.00
Commercial acceptance bills		160,000,000.00
Total	638,139,250.00	339,010,000.00

Note 22. Accounts payable

Items	December 31, 2022	December 31, 2021
Payments for goods payable	6,478.35	4,270.35
Payable project funds	125,034,777.51	83,185,982.65
Payables for materials	9,789,864.32	107,704,415.66
Fees Payable	464,750.80	919,883.73
Electric charge payable		597,068.64
Others	71,166.42	69,633.00
Total	135,367,037.40	192,481,254.03

Note 23. Contract liabilities

1. Details of contract liabilities

Items	December 31, 2022	December 31, 2021
Advances on sales	65,146.42	
Project payment received in advance	321,553.40	321,553.40
Prepaid tap water installation fee	31,708,243.96	2,985,478.42
Prepaid housing fund	46,163,566.06	33,269,809.17
Prepaid water rates	13,139,338.14	15,248,889.47
Prepaid sewage treatment fee	2,662,026.11	2,270,158.41
Rights not exercised by customers	3,495,209.12	1,075,618.00
Total	97,555,083.21	55,171,506.87

Note 24. Accrued payroll

1. Listing of Accrued payroll

Items	December 31, 2021	Increase in current	Decrease in	December 31, 2022

		period	current period	
Short-term remuneration	1,656,334.75	39,716,349.92	39,511,883.61	1,860,801.06
Post-employment benefits - defined contribution plan		3,644,585.86	3,644,585.86	
Total	1,656,334.75	43,360,935.78	43,156,469.47	1,860,801.06

2. Listing of short-term remuneration

Items	December 31, 2021	Increase in current period	Decrease in current period	December 31, 2022
Salaries, bonuses, allowances and subsidies	1,377,649.61	31,805,207.61	31,558,102.59	1,624,754.63
Employee benefits	193,213.43	2,330,716.71	2,330,716.71	193,213.43
Social insurance premiums		2,167,269.47	2,167,269.47	
Including: basic medical insurance premiums		1,785,641.02	1,785,641.02	
Supplementary medical insurance				
Work-related injury insurance premiums		167,292.32	167,292.32	
Maternity insurance premium		214,336.13	214,336.13	
Housing funds		2,048,491.00	2,048,491.00	
Trade union funds and employee education funds	85,471.71	1,364,665.13	1,407,303.84	42,833.00
Total	1,656,334.75	39,716,349.92	39,511,883.61	1,860,801.06

3. Listing according to defined contribution plan

Items	December 31, 2021	Increase in current period	Decrease in current period	December 31, 2022
Basic pension insurance		3,471,666.12	3,471,666.12	
Unemployment insurance premiums		172,919.74	172,919.74	
Total		3,644,585.86	3,644,585.86	

Note 25. Taxes payable

Tax items	December 31, 2022	December 31, 2021
VAT	271,042,331.54	249,256,510.55
Enterprise Income Tax	224,871,803.66	183,077,406.21
City maintenance and construction tax	13,916,685.57	13,334,139.47
Educational surcharges	13,874,059.29	13,291,833.89
Housing property tax	5,940,356.33	5,983,040.12
Land use tax	8,014,702.25	4,162,020.09

Tax items	December 31, 2022	December 31, 2021
Stamp Duty	1,375,032.39	1,384,597.69
Individual income tax	24,459.45	11,628.68
Others	17,219.70	8,085.86
Total	539,076,650.18	470,509,262.56

Note 26. Other payables

Items	December 31, 2022	December 31, 2021
Interests payable		
Dividend payable		
Other payables	1,103,228,299.47	742,589,030.20
Total	1,103,228,299.47	742,589,030.20

(I) Other payables

1. Other payables listed by nature of payment

Nature of payables	December 31, 2022	December 31, 2021
Deposit and security	11,411,306.93	33,696,049.16
External current accounts	1,056,190,317.21	655,310,501.70
Withholding payment	32,196,359.47	49,079,556.12
Accrued expenses	1,469,577.42	1,373,966.71
Guarantee money	1,835,559.35	3,105,786.14
Others	125,179.09	23,170.37
Total	1,103,228,299.47	742,589,030.20

2. Other significant payables with an account age over one year at the end of the period

Unit name	Closing balance	Reason for non-reimbursement or non-carry-over
Guannan Guanhe Tourism Development Co., Ltd	44,911,463.21	Not yet due for settlement period
Lianyungang Yaxin Iron and Steel Co., Ltd	50,000,000.00	Not yet due for settlement period
Lianyungang Fengguan New Rural Construction and Development Co., Ltd	29,054,640.38	Not yet due for settlement period
The People's Government of Liji Town, Guannan County	24,782,400.00	Not yet due for settlement period
Lianyungang Yuanfuxiang Industrial Co., Ltd	28,000,000.00	Not yet due for settlement period
Total	176,748,503.59	

Note 27. Non-current liabilities due within one year

Items	December 31, 2022	December 31, 2021
Long-term borrowings due within one year	1,087,604,000.00	1,000,570,000.00

Items	December 31, 2022	December 31, 2021
Bonds payable due within one year	746,605,462.25	462,431,540.84
Long-term payables due within one year	570,910,416.40	447,917,277.56
Total	2,405,119,878.65	1,910,918,818.40

Note 28. Other current liabilities

Items	December 31, 2022	December 31, 2021
Guarantee compensation reserve	22,175,400.00	18,345,900.00
Undue liability reserve	1,907,815.95	1,568,396.19
Output VAT to be transferred	7,976,913.39	4,065,540.00
Total	32,060,129.34	23,979,836.19

Note 29. Long-term borrowings

1. Classification of long-term borrowings

Category	December 31, 2022	December 31, 2021
Mortgage borrowings	250,000,000.00	138,000,000.00
Guarantee loan	3,395,230,000.00	2,339,800,000.00
Guarantee + pledge + mortgage borrowings	1,632,721,000.00	1,641,600,000.00
Pledge + guarantee borrowings	355,000,000.00	568,000,000.00
Mortgage + Guarantee borrowings	912,500,000.00	707,000,000.00
Undue interest payable		
Less: Long-term borrowings due within one year	1,087,604,000.00	1,000,570,000.00
Total	5,457,847,000.00	4,393,830,000.00

Note 30. Bonds payable

1. Increase or decrease of bonds payable

Items	December 31, 2022	December 31, 2021
Other bonds payable	2,835,789,017.97	2,640,792,081.92
Less: Bonds payable due within one year	746,605,462.28	462,431,540.84
Total	2,089,183,555.69	2,178,360,541.08

2. Increase or decrease of bonds payable

Name of Bond	Denomination	Issued on	Bond maturity	Issue amount	December 31, 2021
17 Jinguan Investment MTN001	500,000,000.00	June 20, 2017	5	500,000,000.00	133,886,655.77

Name of Bond	Denomination	Issued on	Bond maturity	Issue amount	December 31, 2021
17 Jinguan Investment MTN002	500,000,000.00	June 29, 2017	5	500,000,000.00	92,467,357.08
19 Jinguan Bond 01	550,000,000.00	August 12, 2019	7	550,000,000.00	557,845,618.11
19 Jinguan Bond 02	360,000,000.00	October 25th, 2019	7	360,000,000.00	364,045,387.78
21 Jinguan Bond 01	500,000,000.00	March 19, 2021	2	500,000,000.00	523,491,494.09
22 Jinguan Investment PPN001	230,000,000.00	January 28, 2022	3	230,000,000.00	
22 Jinguan 01	271,000,000.00	December 2, 2022	3	271,000,000.00	
HAIXI OSI B2405	US$100,000,000.00	May 25, 2021	3	US$100,000,000.00	646,448,817.29
HAIXI OSI B2410	US$50,000,000.00	November 26, 2021	3	US$50,000,000.00	322,606,751.80
Total					2,640,792,081.92

Continued:

Name of Bond	Current issue	Accrued interest at face value	Premium and discount amortization	Repayment in the current period	Exchange profits and losses	December 31, 2022
17 Jinguan Investment MTN001		-4,167,123.29	280,467.52	-130,000,000.00		
17 Jinguan Investment MTN002		-2,668,561.64	201,204.56	-90,000,000.00		
19 Jinguan Bond 01		-2,049,857.53	825,097.87	-110,000,000.00		446,620,858.45
19 Jinguan Bond 02		-938,958.90	213,007.09	-72,000,000.00		291,319,435.97
21 Jinguan Bond 01			2,422,881.78			525,914,375.87
22 Jinguan Investment PPN001	230,000,000.00	14,909,041.10	-491,472.97			244,417,568.13
22 Jinguan 01	271,000,000.00	1,447,808.22				272,447,808.22
HAIXI OSI B2405		9,698,921.04		-8,878,817.29	58,890,000.00	706,158,921.04
HAIXI OSI B2410		680,050.29		-3,821,751.80	29,445,000.00	348,910,050.29
Total	501,000,000.00	16,911,319.29	3,451,185.85	-414,700,569.09	88,335,000.00	2,835,789,017.97

Note 31. Long-term payables

Items	December 31, 2022	December 31, 2021
Long-term payables	406,798,665.10	688,473,081.10
Special accounts payable	3,100,202.04	3,100,202.04
Total	409,898,867.14	691,573,283.14

Note: Long-term payables in the above table refer to long-term payables after deducting special payables.

(I) Long-term payables

1. Classification of long-term payables

Nature of payables	December 31, 2022	December 31, 2021
Debt financing plan	500,000,000.00	850,000,000.00
Direct financial tools	300,000,000.00	
Lease payable	81,209,081.50	179,126,358.66
Long-term non-financial institution borrowings	96,500,000.00	107,264,000.00
Less: Long-term payables due within one year	570,910,416.40	447,917,277.56
Total	406,798,665.10	688,473,081.10

(II) Special payables

Items	December 31, 2021	Increase in current period	Decrease in current period	December 31, 2022	Cause of formation
Water conservancy construction fee of Shuoxiang Lake tap water	89,657.09			89,657.09	
Special fee for water treatment of Shuoxiang Lake tap water	313,264.82			313,264.82	
South-to-north Water Diversion Fund of Shuoxiang Lake tap water	669,594.17			669,594.17	
Xinyuan Yipin Pipeline Relocation Fee of Shuoxiang Lake tap water	2,027,685.96			2,027,685.96	
Total	3,100,202.04			3,100,202.04	

Note 32. Deferred income

Items	December 31, 2021	Increase in current period	Decrease in current period	December 31, 2022	Cause of formation
Government subsidies related to assets	109,017,733.22		30,440,260.37	78,577,472.85	
Government subsidies related to income					
Total	109,017,733.22	—	—	78,577,472.85	

1. Deferred income related to government subsidies

Liability projects	December 31, 2021	Current new subsidy	Amount included in current other income	Add: Other changes	December 31, 2022	Pertinent to assets / income
Regional water supply of Shuoxiang Lake tap water	109,017,733.22		30,440,260.37		78,577,472.85	Related to assets
Total	109,017,733.22		30,440,260.37		78,577,472.85	

Note 33. Paid-in capital

1. The paid-in capital at the end of each period within the reporting period is as follows

Name of shareholders	December 31, 2022	December 31, 2021	December 31, 2020
Guannan County People's Government	1,100,000,000.00	1,070,000,000.00	600,000,000.00
Total	1,100,000,000.00	1,070,000,000.00	600,000,000.00

2. Changes of paid-in capital

Items	December 31, 2021		Increase in current period	Decrease in current period	December 31, 2022	
	Investment amount	Proportion (%)			Investment amount	Proportion (%)
Guannan County People's Government	1,070,000,000.00	100.00	30,000,000.00		1,100,000,000.00	100.00
Total	1,070,000,000.00	100.00	30,000,000.00		1,100,000,000.00	100.00

Continued:

Items	December 31, 2020		Increase in current period	Decrease in current period	December 31, 2021	
	Investment amount	Proportion (%)			Investment amount	Proportion (%)
Guannan County People's Government	600,000,000.00	100.00	470,000,000.00		1,070,000,000.00	100.00
Total	600,000,000.00	100.00	470,000,000.00		1,070,000,000.00	100.00

Continued:

Items	January 1, 2020		Increase in current period	Decrease in current period	December 31, 2020	
	Investment amount	Proportion (%)			Investment amount	Proportion (%)
Guannan County People's Government	600,000,000.00	100.00			600,000,000.00	100.00

Items	January 1, 2020		Increase in current period	Decrease in current period	December 31, 2020	
	Investment amount	Proportion (%)			Investment amount	Proportion (%)
Total	600,000,000.00	100.00			600,000,000.00	100.00

Note 34. Capital reserve

1. The capital reserve at the end of each period within the reporting period is as follows

Items	December 31, 2022	December 31, 2021	December 31, 2020
Capital premium	10,056,269,442.98	10,056,269,442.98	10,056,269,442.98
Other capital reserves	608,987,413.39	634,319,516.17	863,748,991.97
Total	10,665,256,856.37	10,690,588,959.15	10,920,018,434.95

2. Changes of capital reserve

Items	December 31, 2021	Current increase	Current decrease	December 31, 2022
Capital premium	10,056,269,442.98			10,056,269,442.98
Other capital reserves	634,319,516.17		25,332,102.78	608,987,413.39
Total	10,690,588,959.15		25,332,102.78	10,665,256,856.37

Continued:

Items	December 31, 2020	Current increase	Current decrease	December 31, 2021
Capital premium	10,056,269,442.98			10,056,269,442.98
Other capital reserves	863,748,991.97		229,429,475.80	634,319,516.17
Total	10,920,018,434.95		229,429,475.80	10,690,588,959.15

Continued:

Items	January 1, 2020	Current increase	Current decrease	December 31, 2020
Capital premium	10,056,269,442.98			10,056,269,442.98
Other capital reserves	879,280,852.88	115,663,371.35	131,195,232.26	863,748,991.97
Total	10,935,550,295.86	115,663,371.35	131,195,232.26	10,920,018,434.95

Explanation of capital reserve:

(1) In 2020, the capital reserve increased by 115,663,371.35 yuan, which was an increase of capital reserve of 85,663,371.35 yuan by transferring equity to the sub-subsidiary Lianyungang Zhongxin Chemical Environmental Protection City Development Co., Ltd., and an increase of capital reserve of 30,000,000.00 yuan by transferring equity to Lianyungang Guannan Runguan Technology Petty Loan Co., Ltd.; in 2020, the capital reserve decreased by 131,195,232.26 yuan, which was a decrease of capital reserve of 30,000,000.00 yuan by transferring equity from Lianyungang Guannan Runguan Technology Petty Loan Co., Ltd., a decrease of capital reserve of

887,861.49 yuan by transferring equity from Guannan Xingmin Poverty Alleviation Development Co., Ltd., and a decrease of capital reserve of 100,307,370.77 yuan by transferring equity from Guannan Guanjiang Agricultural Investment Development Co., Ltd.

(2) In 2021, the capital reserve decreased by 229,429,475.80 yuan, which was, in accordance with the document of the State-owned Assets Management Office of Guannan County People's Government [GGZF (2020) No. 51], a decrease of capital reserve of 4,898,253.60 yuan by transferring equity from Guannan Jinguan Property Management Service Co., Ltd. by the government without compensation in the current period; a decrease of capital reserve of 67,075,232.46 yuan by transferring equity from Guannan Sanchuang Transportation Investment Co., Ltd. without compensation; respective decreases of capital reserve of 94,793,270.72 yuan and 138,954.11 yuan by transferring equity to Guannan Guanhe Tourism Development Co., Ltd. and Shuogan Finance Lease (Shenzhen) Co., Ltd. without compensation; in the current period, the capital reserve decreased by 9,188,535.14 yuan due to changes in the support fund of Lianyungang Guanhe Financing Guarantee Co., Ltd.; in the current period, the capital reserve decreased by 486,176.55 yuan due to the changes in the assets of the Water Group, and the capital reserve decreased by 52,849,053.22 due to recovery of the land of the Water Group without compensation, resulting in a total decrease of capital reserve of 229,429,475.80 yuan.

(3) In 2022, the land of Lianyungang Shuoxiang Lake Water Group Co., Ltd. was recovered by the government without compensation, resulting in a decrease of capital reserve of 25,332,102.78 yuan.

Note 35. Other comprehensive income

Items	December 31, 2021	Amount incurred in current period									December 31, 2022
		The amount incurred in current period before income tax	Less: Amount included in other comprehensive income in the prior period but transferred to current profit and loss	Less: Financial assets included in other comprehensive income in the prior period and transferred to measured at amortized cost in the current period	Less: Related assets or liabilities transferred from the hedging reserve	Less: Income taxes expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	Less: Carry-over Changes in remeasurement on the net defined benefit plan	Less: Amount included in other comprehensive income in the prior period but transferred to retained earnings in the current period	
I. Other comprehensive income that cannot be reclassified into profits or losses	405,000.00	-1,020,000.00				-255,000.00	-765,000.00				-360,000.00
1.Changes in fair value of investments in other equity instruments	405,000.00	-1,020,000.00				-255,000.00	-765,000.00				-360,000.00
II. Other comprehensive income that can be reclassified into profits or losses	1,909,854,188.84										1,909,854,188.84
1. Changes in fair value of other debt investments											
2. The amount of financial assets reclassified into other comprehensive income											
3. Investment properties measured	1,909,854,188.84										1,909,854,188.84

at fair value converted from other assets											
Total other comprehensive income	1,910,259,188.84	-1,020,000.00				-255,000.00	-765,000.00				1,909,494,188.84

Continued:

Items	December 31, 2020	Amount incurred in current period									December 31, 2021
		The amount incurred in current period before income tax	Less: Amount included in other comprehensive income in the prior period but transferred to current profit and loss	Less: Financial assets included in other comprehensive income in the prior period and transferred to measured at amortized cost in the current period	Less: Related assets or liabilities transferred from the hedging reserve	Less: Income taxes expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	Less: Carry-over Changes in remeasurement on the net defined benefit plan	Less: Amount included in other comprehensive income in the prior period but transferred to retained earnings in the current period	
I. Other comprehensive income that cannot be reclassified into profits or losses	-1,725,000.00	2,840,000.00				710,000.00	2,130,000.00				405,000.00
1. Changes in fair value of investments in other equity instruments	-1,725,000.00	2,840,000.00				710,000.00	2,130,000.00				405,000.00
II. Other comprehensive income that can be	1,103,959,142.03	1,074,526,729.08				268,631,682.27	805,895,046.81				1,909,854,188.84

reclassified into profits or losses											
1. Changes in fair value of other debt investments											
2. The amount of financial assets reclassified into other comprehensive income											
3. Investment properties measured at fair value converted from other assets	1,103,959,142.03	1,074,526,729.08				268,631,682.27	805,895,046.81				1,909,854,188.84
Total other comprehensive income	1,102,234,142.03	1,077,366,729.08				269,341,682.27	808,025,046.81				1,910,259,188.84

Continued:

Items	January 1, 2020	Amount incurred in current period									December 31, 2020
		The amount incurred in current period before income tax	Less: Amount included in other comprehensive income in the prior period but transferred to current profit and loss	Less: Financial assets included in other comprehensive income in the prior period and transferred to measured at amortized cost in the current period	Less: Related assets or liabilities transferred from the hedging reserve	Less: Income taxes expenses	Attributable to parent company after tax	Attributable to minority shareholders after tax	Less: Carry-over Changes in remeasurement on the net defined benefit plan	Less: Amount included in other comprehensive income in the prior period but transferred to retained earnings in the current period	
I. Other comprehensive income that cannot be reclassified into profits or losses	-1,500,000.00	-300,000.00				-75,000.00	-225,000.00				-1,725,000.00
1. Changes in fair value of investments in other equity instruments	-1,500,000.00	-300,000.00				-75,000.00	-225,000.00				-1,725,000.00
II. Other comprehensive income that can be reclassified into profits or losses	1,100,633,541.53	4,434,134.00				1,108,533.50	3,325,600.50				1,103,959,142.03
1. Changes in fair value of other debt investme											

nts											
2. The amount of financial assets reclassified into other comprehensive income											
3. Investment properties measured at fair value converted from other assets	1,100,633,541.53	4,434,134.00				1,108,533.50	3,325,600.50				1,103,959,142.03
Total other comprehensive income	1,099,133,541.53	4,134,134.00				1,033,533.50	3,100,600.50				1,102,234,142.03

Note 36. Surplus reserve

1. The surplus reserve at the end of each period within the reporting period is as follows

Items	December 31, 2022	December 31, 2021	December 31, 2020
Legal surplus reserve	240,338,745.50	232,456,506.09	224,731,727.56
Total	240,338,745.50	232,456,506.09	224,731,727.56

2. Changes in surplus reserve

Items	December 31, 2021	Current increase	Current decrease	December 31, 2022
Legal surplus reserve	232,456,506.09	7,882,239.41		240,338,745.50
Total	232,456,506.09	7,882,239.41		240,338,745.50

Continued:

Items	December 31, 2020	Current increase	Current decrease	December 31, 2021
Legal surplus reserve	224,731,727.56	7,724,778.53		232,456,506.09
Total	224,731,727.56	7,724,778.53		232,456,506.09

Continued:

Items	January 1, 2020	Current increase	Current decrease	December 31, 2020
Legal surplus reserve	217,116,016.78	7,615,710.78		224,731,727.56
Total	217,116,016.78	7,615,710.78		224,731,727.56

Note 37. Undistributed profits

1. Changes in undistributed profits

Items	2022	2021	2020
Undistributed profits at the end of previous period before adjustment	2,259,917,568.96	2,105,307,774.94	2,021,213,932.06
Total undistributed profits at the beginning of the adjusting year (up/+, down/-)			
Opening undistributed profits after adjustment	2,259,917,568.96	2,105,307,774.94	2,021,213,932.06
Add: Net profits attributable to owners of the parent company in the period	93,324,717.39	162,334,572.55	91,775,723.27
Less: Extraction of legal surplus reserve	7,882,239.41	7,724,778.53	7,615,710.78
Extraction of General Risk Preparation			66,169.61
Add: Surplus reserve to cover losses			
Undistributed profits at the end of the period	2,345,360,046.94	2,259,917,568.96	2,105,307,774.94

Note 38. Operating incomes and operating costs

1. Operating incomes and operating costs

Items	2022		2021		2020	
	Revenue	Costs	Revenue	Costs	Revenue	Costs
Primary business	998,226,405.59	802,419,380.24	1,012,734,725.99	731,571,974.13	1,016,281,451.42	786,257,502.06
Other businesses	1,425,447.34	8,300.89	388,817.83			
Total	999,651,852.93	802,427,681.13	1,013,123,543.82	731,571,974.13	1,016,281,451.42	786,257,502.06

2. List of operating income and operating costs by item

Items	2022		2021		2020	
	Revenue	Costs	Revenue	Costs	Revenue	Costs
Subtotal of main business:	998,226,405.59	802,419,380.24	1,012,734,725.99	731,571,974.13	1,016,281,451.42	786,257,502.06
Engineering and construction	214,432,353.28	198,000,000.00	230,927,273.84	189,029,358.00	262,231,397.04	248,205,233.18
Land consolidation and development	251,025,339.81	184,789,500.00	334,470,388.35	258,533,400.00	383,903,669.73	278,518,665.46
Sales of real estate			48,225,777.52	14,266,273.69		
Financial guarantee industry	8,964,680.14	506,808.27	6,355,896.11	745,166.44	4,468,229.03	
Lease of Buildings	12,384,845.14		11,786,391.70		11,367,924.53	
Interest incomes	17,518,702.09	530.00	24,882,122.35	1,379.50	4,827,621.96	1,457.00
Water business	370,579,565.68	300,010,630.87	356,086,876.12	268,996,396.50	349,482,609.13	259,532,146.42
Supply chain business	123,320,919.45	119,111,911.10				
Subtotal of other businesses:	1,425,447.34	8,300.89	388,817.83			
Others	1,425,447.34	8,300.89	388,817.83			
Total	999,651,852.93	802,427,681.13	1,013,123,543.82	731,571,974.13	1,016,281,451.42	786,257,502.06

Note 39. Taxes and surcharges

Tax categories	2022	2021	2020
City maintenance and construction tax	983,462.23	749,922.53	2,886,887.33
Educational surcharges	909,809.03	749,922.53	2,886,887.33
Housing property tax	2,269,164.27	1,898,938.84	1,784,845.26
Land use tax	44,653,333.63	43,301,370.71	4,706,537.27
Stamp Duty	611,362.56	2,043,151.92	2,322,699.54
Environmental tax	3,922,826.93	3,242,589.90	197,969.33
Others	120,776.60	27,356.20	851,258.48
Total	53,489,523.95	52,013,252.63	15,637,084.54

Note 40. Financial expenses

Items	2022	2021	2020
Interest expenses	32,981,426.90	58,271,035.29	19,530,718.25
Less: Interest Income	12,979,597.33	9,670,417.53	12,690,392.93
Exchange profits and losses	-7,595,674.64	-564,171.00	
Banking charges	704,859.35	435,042.22	
Other financing expenses	16,613,909.40	31,922,912.39	19,090,341.33
Total	29,724,923.68	80,394,401.37	25,930,666.65

Note 41. Other gains

1. Details of other income

Items	2022	2021	2020
Government Subsidy	67,562,054.36	58,579,055.42	31,508,728.75
Total	67,562,054.36	58,579,055.42	31,508,728.75

2. Government subsidy through other income

Items	2022	2021	2020	Pertinent to assets Pertinent to income
Special subsidy for water conservancy fund	1,430,000.00	2,100,000.00		Pertinent to income
Maintenance and conservation funds for water conservancy projects		200,000.00		Pertinent to income
Provincial supplementary funds for regional water supply assets	30,440,260.37	42,438,430.16	25,891,693.82	Related to assets
Tax reliefs	712,569.16	603,249.26		Pertinent to income
Jiangsu Rural Domestic Sewage Treatment Promotion Action Award Fund	1,400,000.00	12,600,000.00		Pertinent to income
Finance Bureau Guarantee Business Fee Reduction Award Fund		637,376.00		Pertinent to income
Chemical industrial park operating subsidy	33,579,224.83			Pertinent to income
Rural water supply subsidy funds			5,600,000.00	Pertinent to income
Other subsidies			17,034.93	Pertinent to income
Total	67,562,054.36	58,579,055.42	31,508,728.75	

Note 42. Investment income

Source of investment income	2022	2021	2020
Long-term equity investment income accounted for under the equity method	-7,302,880.07	-7,210,230.87	-4,051,945.18
Investment income from disposal of long-term	58,947,510.94		827,243.20

Source of investment income	2022	2021	2020
equity investments			
Income from investment in trading financial assets in the holding period	1,213,949.40		
Investment income from disposal of trading financial assets	2,134,376.74		
Income from investment during the holding period of held-to-maturity investments	209,887.20		889,095.97
Dividend income from investments in other equity instruments during the holding period	22,750.00	240,328.86	1,001,370.25
Other investment income	55,225,594.21	8,177.85	
Total	-7,302,880.07	-6,961,724.16	-1,334,235.76

Note 43. Gains from changes in fair value

The sources of gains from changes in fair value	2022	2021	2020
Investment properties measured at fair value	27,470,000.00	103,346,327.71	
Total	27,470,000.00	103,346,327.71	

Note 44. Credit impairment loss

Items	2022	2021	2020
Bad debt losses	-29,248,955.95	-9,245,099.37	5,731,276.07
Total	-29,248,955.95	-9,245,099.37	5,731,276.07

Note 45. Gains from asset disposals

Items	2022	2021	2020
Gains or losses from disposal of fixed assets	17,700.10	3,499,499.68	
Total	17,700.10	3,499,499.68	

Note 46. Non-operating revenue

Items	2022	2021	2020
Government subsidies unrelated to the daily activities of the enterprise	1,287,312.84	1,169,320.75	1,284,362.36
Income from compensation for breach of contract	306,450.05	3,617,261.47	
Gains on scrapping of non-current assets		37,100.00	
Collection of fees	893,215.66	805,545.27	
Others	187,879.14	61,629.74	2,039,892.84
Total	2,674,857.69	5,690,857.23	3,324,255.20

Note 47. Non-operating expenses

Items	2022	2021	2020
Expenditures from fines	3,073.26	100,000.00	
Overdue fine	90,096.85	2,099,651.55	
Donation	803,086.00	426,008.92	566,360.00
Abnormal loss	156,252.00		1,565,381.95
Losses on scrapping of non-current assets	99,000.00	14,294.77	
Inventory loss		5,081.19	
Others	278,988.59	160,819.25	2,678,865.74
Total	1,430,496.70	2,805,855.68	4,810,607.69

Note 48. Income tax expenses

Items	2022	2021	2020
Current income tax expenses	54,111,451.71	19,550,725.28	46,832,872.72
Deferred income tax expenses	-20,621,897.19	25,567,981.79	
Total	33,489,554.52	45,118,707.07	46,832,872.72

Note 49. Supplementary information on cash flow statement

1. Supplementary information on cash flow statement

Supplementary information	2022	2021	2020
1. Cash flow from adjusting net profits into operating activities:			
Net profit	92,518,764.58	161,755,066.58	93,301,210.58
Add: Credit impairment losses	29,248,955.95	9,245,099.37	-5,731,276.07
Assets depreciation reserves			
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	120,731,879.61	87,897,306.43	84,021,733.42
Amortisation of intangible assets	1,530,289.25	1,479,185.45	38,171,354.10
Amortization of long-term deferred expenses	144,732.60	60,305.25	74,294.69
Losses on Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets (Fill in gains with "-")	-17,700.10	-3,499,499.68	
Losses on retirement of fixed assets (Fill in gains with "-")		-22,805.23	1,493,953.85
Losses from changes in fair value (Fill in Gains with "-")	-27,470,000.00	-103,346,327.71	
Financial expenses (Fill in income with "-")	49,595,336.30	90,193,947.68	19,530,718.25
Investment loss (Fill in income with "-")	-55,225,594.21	6,961,724.16	1,334,235.76
Decrease in deferred income tax assets (Fill in increase with "-")	-27,489,397.19	-268,600.14	-75,000.00
Increase in deferred income tax liabilities (Fill in decrease with "-")	6,867,500.00	25,836,581.93	1,108,533.50
Decrease in Inventory (Fill in increase with "-")	-1,988,923,298.58	-81,935,849.94	-1,233,619,348.38
Decrease in Operating Receivables (Fill in increase with "-")	305,151,725.54	77,339,614.03	418,019,717.08

Supplementary information	2022	2021	2020
Increase in operating payables (Fill in decrease with "-")	871,564,858.80	-256,386,014.81	929,933,751.45
Others			
Net cash flows from operating activities	-621,771,947.45	15,309,733.37	347,563,878.23
2. Significant investment and financing activities that do not involve cash receipts and payments:			
Liabilities converted into capital			
Convertible corporate bonds due within one year			
Fixed assets acquired under finance leases			
3. Net change of cash and cash equivalents:			
Closing balance of cash	2,387,752,359.41	2,599,143,553.28	926,474,425.00
Less: Opening balance of cash	2,599,143,553.28	926,474,425.01	1,705,744,594.30
Add: Closing balance of cash equivalents			
Less: Opening balance of cash equivalents			
Net increase amount of cash and cash equivalents	-211,391,193.87	1,672,669,128.28	-779,270,169.30

2. Composition of cash and cash equivalents

Items	2022	2021	2020
I. Cash	2,387,752,359.41	2,599,143,553.28	926,474,425.00
Including: Cash on hand	166,548.61	173,178.14	178,989.03
Bank deposit available for payment at any time	2,387,585,810.80	2,598,970,375.14	926,295,435.97
Other monetary funds available for payments at any time			
II. Cash equivalents			
Including: bond investment due within 3 months			
III. Closing balance of cash and cash equivalents	2,387,752,359.41	2,599,143,553.28	926,474,425.00
Including: Cash and cash equivalents restricted for use by the parent company or subsidiaries within the group			

Note 50. Assets with Restricted Ownership or Use Rights

Items	December 31, 2022	Causes of restriction
Monetary fund	1,026,591,055.53	Borrowing with certificate of deposit pledged, bank acceptance deposit, and guarantee deposit, etc.
Inventories	2,460,054,733.19	Used for bank borrowing mortgage and providing guarantee
Investment properties	102,810,000.00	Used for bank borrowing mortgage and providing guarantee
Fixed assets	16,621,149.33	Used for bank borrowing mortgage and providing guarantee
Intangible assets	9,525,926.60	Used for bank borrowing mortgage and providing guarantee

Items	December 31, 2022	Causes of restriction
Total	3,615,602,864.65	

VIII. Equities in Other Entities

(I) Interests in subsidiaries

1. Composition of enterprise group

SN	Name of first-tier subsidiary	Main place of operation	Place of registration	Business nature	Shareholding ratio (%)		Method of acquisition
					Direct	Indirect	
1	Lianyungang Shuoxiang Lake Water Group Co., Ltd	Jiangsu Guannan	Jiangsu Guannan	Investment, construction, and operation of water projects; centralized water supply; sewage disposal	100.00		Government allocation
2	Lianyungang Guanhe Financial Holdings Co., Ltd	Jiangsu Guannan	Jiangsu Guannan	Financial investments	100.00		Established by investment
3	Guannan Shengguan Industrial Co., Ltd	Jiangsu Guannan	Jiangsu Guannan	Land development and consolidation and engineering construction	100.00		Established by investment
4	Guannan Jingsheng Industrial Development Co., Ltd	Jiangsu Guannan	Jiangsu Guannan	Integrated service	100.00		Established by investment
5	Guannan Jinguan Real Estate Co., Ltd	Jiangsu Guannan	Jiangsu Guannan	Real Estate Development	100.00		Established by investment
6	Jiangsu Guanhe Investment Development Co., Ltd	Jiangsu Guannan	Jiangsu Guannan	Investment and development of Guanhe River shoreline	100.00		Established by investment
7	Lianyungang Ruixin Construction Engineering Co., Ltd	Jiangsu Guannan	Jiangsu Guannan	Engineering construction contracting	100.00		Established by investment
8	Guannan Hongguan Industrial Development Co., Ltd	Jiangsu Guannan	Jiangsu Guannan	Integrated service	75.3767	24.6233	Established by investment
9	Guannan Duigougang Industrial Co., Ltd	Jiangsu Guannan	Jiangsu Guannan	Integrated service	60.00		Established by investment
10	Haixi International Investment Co., Ltd	HONG KONG	HONG KONG	Investment, import and export trade, etc	100.00		Established by investment
11	Lianyungang Yuanguan Industrial Co., Ltd	Jiangsu Guannan	Jiangsu Guannan	Agriculture	100.00		Established by investme

SN	Name of first-tier subsidiary	Main place of operation	Place of registration	Business nature	Shareholding ratio (%)		Method of acquisition

(II) Equities in joint ventures and associates

1. Significant joint ventures or associates

Name of joint venture or associates	Main place of operation	Place of registration	Business nature	Shareholding ratio (%)		Accounting treatment
				Direct	Indirect	
Jiangsu Guanhe International Port Affairs Co., Ltd	Jiangsu Guannan	Jiangsu Guannan	Port terminal business	27.54		Equity method
Jiangsu Wannianda Hangxiao Steel Structure Co., Ltd	Jiangsu Guannan	Jiangsu Guannan	Construction engineering construction	30.00		Equity method
Jiangsu Lianyungang Chemical Industrial Park Public Pipe Gallery Management Co., Ltd	Jiangsu Guannan	Jiangsu Guannan	Investment and construction of comprehensive pipe galleries and pressure pipelines, etc		45.00	Equity method
Guannan Shengda Real Estate Development Co., Ltd	Jiangsu Guannan	Jiangsu Guannan	Real estate development and management		40.00	Equity method
Jiangsu Mupro Ift Corp.	Jiangsu Guannan	Jiangsu Guannan	Production and sales of food additives		8.80	Equity method
Lianyungang Yuanfuxiang Industrial Co., Ltd	Jiangsu Guannan	Jiangsu Guannan	Comprehensive business operation		20.00	Equity method

IX. Related party and related transactions

(I) Shareholders of the Enterprise

Name of shareholders	Place of registration	Nature of business	Shareholding in the Company (%)	Voting rights ratio in the Company (%)
Guannan County People's Government	Jiangsu Guannan	Government agency	100.00	100.00

1. A statement of shareholders of the Company

Guannan County People's Government, a shareholder of the Company, is both a shareholder and the actual controller of the company.

(II) Information about the Company's subsidiaries

See Note VIII (I) "Equities in subsidiaries" for details of subsidiaries of the Company.

(III) Information about the joint ventures and associates of the Company

See Note VIII (II) "Investment in joint ventures or associates" for details of joint ventures or associates of the Company.

(IV) Related Party Transactions

1. For the subsidiaries with control relationship that have been included in the consolidated financial statements of the Company, the transactions among them and between the parent and subsidiary companies have been offset.

2. Related guarantee

(1) The Company as guarantor

The secured party	Guarantee amount (ten thousand yuan)	Start date of the guarantee	Maturity date of the guarantee	Whether the guarantee has been fulfilled
Lianyungang Yuanfuxiang Industrial Co., Ltd	12,600.00	February 5, 2021	June 10, 2029	No
Lianyungang Yuanfuxiang Industrial Co., Ltd	20,000.00	2022/7/1	June 27, 2029	No
Lianyungang Yuanfuxiang Industrial Co., Ltd	20,000.00	August 23, 2022	June 27, 2029	No
Total	52,600.00			

3. Accounts receivable and payable of related party

(1) Receivables from related parties of the Company

Name of project	Related party	December 31, 2022		December 31, 2021		December 31, 2020	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Other receivables	Jiangsu Lianyungang Chemical Industrial Park Public Pipe Gallery Management Co., Ltd	60,950,000.00		61,992,483.78		62,750,000.00	

(2) Payables to related parties by the Company

Name of project	Related party	December 31, 2022	December 31, 2021	December 31, 2020
Other payables	Lianyungang Yuanfuxiang Industrial Co., Ltd	223,392,768.66	20,000,000.00	20,000,000.00

X. Commitments and Contingencies

(I) Significant commitments

The Company doesn't have any significant undertakings that need to be disclosed.

(II) Contingencies in the balance sheet

1. Contingencies arising from pending litigation or arbitration and their financial impact

The Company has no contingencies arising from significant pending litigation or arbitration and their financial impact that need to be disclosed.

2. Contingencies arising from external debt guarantee and their financial impact

As of December 31, 2022, the Company had provided guarantees to non-related parties as follows:

SN	The guarantor	Guaranteed unit	Amount (RMB 0'000)	Period	Whether the guarantee has been fulfilled
1	Jiangsu Jinguan Investment Development Group Co., Ltd.	Lianyungang Guanhe New Rural Development and Construction Co., Ltd	1,200.00	2017/01/05-2023/01/06	No
2	Jiangsu Jinguan Investment Development Group Co., Ltd.	Lianyungang Guanhe New Rural Development and Construction Co., Ltd	3,000.00	2022/03/24-2023/03/24	No
3	Jiangsu Jinguan Investment Development Group Co., Ltd.	Lianyungang Guanhe New Rural Development and Construction Co., Ltd	2,000.00	2022/01/24-2023/01/24	No
4	Jiangsu Jinguan Investment Development Group Co., Ltd.	Lianyungang Guanhe New Rural Development and Construction Co., Ltd	9,933.80	2019/06/19-2024/05/14	No
5	Jiangsu Jinguan Investment Development Group Co., Ltd.	Lianyungang Guanhe New Rural Development and Construction Co., Ltd	8,850.00	2019/06/25-2024/06/24	No
6	Jiangsu Jinguan Investment Development Group Co., Ltd.	Lianyungang Guanhe New Rural Development and Construction Co., Ltd	4,000.00	2020/04/29-2025/04/28	No
7	Jiangsu Jinguan Investment Development Group Co., Ltd.	Lianyungang Guanhe New Rural Development and Construction Co., Ltd	3,280.00	2021/08/30-2025/04/28	No
8	Jiangsu Jinguan Investment Development Group Co., Ltd.	Lianyungang Guanhe New Rural Development and Construction Co., Ltd	4,500.00	2022/12/09-2023/07/21	No
9	Jiangsu Jinguan Investment Development Group Co., Ltd.	Lianyungang Guanhe New Rural Development and Construction Co., Ltd	5,000.00	2022/04/26-2023/04/26	No
10	Jiangsu Jinguan Investment Development Group Co., Ltd.	Lianyungang Shuoguan Industrial Co., Ltd	15,600.00	2021/01/01-2028/12/20	No
11	Jiangsu Jinguan Investment Development Group Co., Ltd.	Lianyungang Shuoguan Industrial Co., Ltd	13,900.00	2021/01/12-2028/09/10	No
12	Jiangsu Jinguan Investment Development Group Co., Ltd.	Lianyungang Fengguan New Rural Construction and Development Co., Ltd	4,875.00	2020/12/31-2032/12/20	No
13	Jiangsu Jinguan Investment Development Group Co., Ltd.	Lianyungang Fengguan New Rural Construction and Development Co., Ltd	4,875.00	2021/03/01-2032/12/20	No
14	Jiangsu Jinguan Investment Development Group Co., Ltd.	Lianyungang Fengguan New Rural Construction and Development Co., Ltd	2,925.00	2021/03/31-2032/12/20	No
15	Jiangsu Jinguan Investment Development Group Co., Ltd.	Lianyungang Fengguan New Rural Construction and Development Co., Ltd	2,040.00	2021/05/01-2032/12/20	No
16	Jiangsu Jinguan Investment Development Group Co., Ltd.	Lianyungang Fengguan New Rural Construction and Development Co., Ltd	88.58	2021/03/12-2030/12/21	No
17	Jiangsu Jinguan Investment Development Group Co., Ltd.	Lianyungang Fengguan New Rural Construction and Development Co., Ltd	11,248.58	2021/06/30-2030/12/21	No

SN	The guarantor	Guaranteed unit	Amount (RMB 0'000)	Period	Whether the guarantee has been fulfilled
18	Jiangsu Jinguan Investment Development Group Co., Ltd.	Lianyungang Fengguan New Rural Construction and Development Co., Ltd	2,100.00	2021/07/01-2026/05/31	No
19	Jiangsu Jinguan Investment Development Group Co., Ltd.	Lianyungang Fengguan New Rural Construction and Development Co., Ltd	3,400.00	2022/03/16-2026/05/31	No
20	Jiangsu Jinguan Investment Development Group Co., Ltd.	Lianyungang Fengguan New Rural Construction and Development Co., Ltd	6,300.00	2022/07/01-2026/05/31	No
21	Jiangsu Jinguan Investment Development Group Co., Ltd.	Guannan Tangchen Industrial Co., Ltd	4,320.00	2017/06/01-2025/06/01	No
22	Jiangsu Jinguan Investment Development Group Co., Ltd.	Guannan Water Supply Co., Ltd	13,000.00	2021/12/23-2031/09/10	No
23	Jiangsu Jinguan Investment Development Group Co., Ltd.	Guannan Water Supply Co., Ltd	1,000.00	2022/06/30-2023/06/28	No
24	Jiangsu Jinguan Investment Development Group Co., Ltd.	Guannan Wulongkou Water Investment Co., Ltd	7,000.00	2022/01/26-2024/01/25	No
25	Jiangsu Jinguan Investment Development Group Co., Ltd.	Guannan Wulongkou Water Investment Co., Ltd	21,562.50	2021/01/07-2030/01/06	No
26	Jiangsu Jinguan Investment Development Group Co., Ltd.	Guannan Wulongkou Water Investment Co., Ltd	23,500.00	2019/12/23-2027/06/10	No
27	Jiangsu Jinguan Investment Development Group Co., Ltd.	Guannan Wulongkou Water Investment Co., Ltd	5,000.00	2022/11/18-2023/11/18	No
28	Jiangsu Jinguan Investment Development Group Co., Ltd.	Guannan City Construction Investment Development Co., Ltd	159,780.00	2017/06/26-2042/06/25	No
29	Jiangsu Jinguan Investment Development Group Co., Ltd.	Guannan City Construction Investment Development Co., Ltd	4,000.00	2022/01/07-2023/01/05	No
30	Jiangsu Jinguan Investment Development Group Co., Ltd.	Guannan City Construction Investment Development Co., Ltd	3,000.00	2021/06/29-2023/06/29	No
31	Jiangsu Jinguan Investment Development Group Co., Ltd.	Guannan City Construction Investment Development Co., Ltd	106,000.00	2016/12/13-2041/12/12	No
32	Jiangsu Jinguan Investment Development Group Co., Ltd.	Guannan City Construction Investment Development Co., Ltd	50,700.00	2017/08/23-2035/08/22	No
33	Jiangsu Jinguan Investment Development Group Co., Ltd.	Jiangsu Yaou Engineering Management Co., Ltd	4,000.00	2022/04/19-2023/04/17	No
34	Jiangsu Jinguan Investment Development Group Co., Ltd.	Guannan Sitong Highway Maintenance Engineering Co., Ltd	2,500.00	2022/06/27-2023/06/19	No
35	Jiangsu Jinguan Investment Development Group Co., Ltd.	Jiangsu Yanguan Investment Development Co., Ltd	13,200.00	2021/11/09-2028/06/10	No

SN	The guarantor	Guaranteed unit	Amount (RMB 0'000)	Period	Whether the guarantee has been fulfilled
36	Jiangsu Jinguan Investment Development Group Co., Ltd.	Guannan Guanhe Tourism Development Co., Ltd	9,600.00	2018/12/27-2026/12/10	No
37	Jiangsu Jinguan Investment Development Group Co., Ltd.	Guannan Guanhe Transportation Project Construction Management Co., Ltd	7,800.00	2022/01/01-2028/12/21	No
38	Jiangsu Jinguan Investment Development Group Co., Ltd.	Jiangsu Guanjiang Agricultural Development Group Co., Ltd	1,000.00	2020/05/19-2033/04/22	No
39	Jiangsu Jinguan Investment Development Group Co., Ltd.	Jiangsu Guanjiang Agricultural Development Group Co., Ltd	10,000.00	2020/06/01-2033/04/22	No
40	Jiangsu Jinguan Investment Development Group Co., Ltd.	Jiangsu Guanjiang Agricultural Development Group Co., Ltd	2,000.00	2020/10/01-2033/04/22	No
41	Jiangsu Jinguan Investment Development Group Co., Ltd.	Jiangsu Guanjiang Agricultural Development Group Co., Ltd	12,504.00	2020/06/12-2030/06/04	No
42	Jiangsu Jinguan Investment Development Group Co., Ltd.	Jiangsu Guanjiang Agricultural Development Group Co., Ltd	8,000.00	2020/06/29-2025/03/19	No
43	Jiangsu Jinguan Investment Development Group Co., Ltd.	Jiangsu Guanjiang Agricultural Development Group Co., Ltd	3,000.00	2022/06/08-2023/06/07	No
44	Jiangsu Jinguan Investment Development Group Co., Ltd.	Guannan Tengsheng Investment Co., Ltd	4,000.00	2022/06/22-2023/06/22	No
45	Jiangsu Jinguan Investment Development Group Co., Ltd.	Guannan Tengsheng Investment Co., Ltd	15,000.00	2018/03/26-2025/04/25	No
46	Jiangsu Jinguan Investment Development Group Co., Ltd.	Guannan Tengsheng Investment Co., Ltd	4,500.00	2022/08/30-2023/08/10	No
47	Jiangsu Jinguan Investment Development Group Co., Ltd.	Guannan Tengsheng Investment Co., Ltd	13,200.00	2019/04/29-2027/04/17	No
48	Jiangsu Jinguan Investment Development Group Co., Ltd.	Guannan Tengsheng Investment Co., Ltd	3,000.00	2022/01/04-2023/01/04	No
49	Jiangsu Jinguan Investment Development Group Co., Ltd.	Guannan Tengsheng Investment Co., Ltd	1,900.00	2021/10/08-2029/09/16	No
50	Jiangsu Jinguan Investment Development Group Co., Ltd.	Guannan Tengsheng Investment Co., Ltd	2,000.00	2022/01/04-2023/01/04	No
51	Guannan Tianlou Water Supply Co., Ltd	Guannan Hongxing Environmental Protection Technology Co., Ltd	2,350.00	2018/12/05-2025/12/10	No
52	Guannan Shuoxiang Lake Water Supply Co., Ltd				No
53	Lianyungang Shuoxiang Lake Water Group Co., Ltd	Guannan Water Supply Co., Ltd	3,000.00	2021/3/30-2024/3/30	No

SN	The guarantor	Guaranteed unit	Amount (RMB 0'000)	Period	Whether the guarantee has been fulfilled
54	Lianyungang Shuoxiang Lake Water Group Co., Ltd	Guannan Laurel Landscaping Co., Ltd	3,000.00	2022/5/26-2025/5/26	No
55	Jiangsu Lianyungang Chemical Industrial Park Investment and Development Group Co., Ltd	Guannan Tengsheng Investment Co., Ltd	4,500.00	2022/8/30-2023/8/10	No
56	Lianyungang Shuoxiang Lake Water Group Co., Ltd	Guannan Economic Investment Development Co., Ltd	45,000.00	2022/3/18-2034/3/17	No
57	Lianyungang Shuoxiang Lake Water Group Co., Ltd	Guannan Fengwang Investment Co., Ltd	1,000.00	2022/10/31-2023/10/30	No
58	Lianyungang Shuoxiang Lake Water Group Co., Ltd	Lianyungang Shanzhishui Industrial Development Co., Ltd	24,000.00	2022/4/24-2029/12/10	No
59	Guannan Shuoxiang Lake Water Supply Co., Ltd				No
60	Guannan Tianlou Water Supply Co., Ltd				No
61	Lianyungang Shuoxiang Lake Water Group Co., Ltd	Lianyungang Shanzhishui Industrial Development Co., Ltd	3,000.00	2022/8/19-2029/12/10	No
62	Guannan Shuoxiang Lake Water Supply Co., Ltd				No
63	Guannan Tianlou Water Supply Co., Ltd	Guannan Hongxing Environmental Protection Technology Co., Ltd	2,350.00	2018/12/05-2025/12/10	No
	Total		711,032.46		

Except the above contingencies, as of December 31, 2022, the Company had no material contingencies that should be disclosed but had not been disclosed.

XI. Post-balance sheet events

The Company has no material events after balance sheet date that should be disclosed as of the date of approval of the financial report.

XII. Notes to Key Items in the Financial Statements of the Parent Company

Note 1. Accounts receivable

1. Classified disclosure at bad debt provision accrual method

Category	December 31, 2022		
	Book balance	Provision for bad debts	Book value

	Amount	Proportion (%)	Amount	Provision proportion (%)	
Accounts receivable for which expected credit losses are individually accrued					
Accounts receivable with expected credit losses accrued by portfolio	1,904,831,882.41	100.00			1,904,831,882.41
Including: Aging combination					
Risk-free combination	1,904,831,882.41	100.00			1,904,831,882.41
Total	1,904,831,882.41	100.00			1,904,831,882.41

Continued:

Category	December 31, 2021				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Accounts receivable for which expected credit losses are individually accrued					
Accounts receivable with expected credit losses accrued by portfolio	1,672,436,682.41	100.00			1,672,436,682.41
Including: Aging combination					
Risk-free combination	1,672,436,682.41	100.00			1,672,436,682.41
Total	1,672,436,682.41	100.00			1,672,436,682.41

2. There was no provision, recovery or reversal of bad debt reserves in the current period

3. There were no actual accounts receivable written off in this reporting period

4. Accounts receivable of Top 3 closing balance collected by debtor

Unit name	Closing balance	Proportion of closing balance amount to accounts receivable (%)	Accrued bad debt reserves
Housing and Urban-Rural Development Bureau of Guannan County	927,638,511.04	48.70	
Guannan County Finance Bureau	916,763,371.37	48.13	
Guannan Office Affairs Service Center	60,430,000.00	3.17	

Unit name	Closing balance	Proportion of closing balance amount to accounts receivable (%)	Accrued bad debt reserves
Total	1,904,831,882.41	100.00	

Note 2. Other receivables

Items	December 31, 2022	December 31, 2021
Interest receivable		
Dividend receivable		
Other receivables	4,208,072,976.51	2,108,992,125.12
Total	4,208,072,976.51	2,108,992,125.12

Note: Other receivables in the above table refer to other receivables after deducting interest receivable and dividend receivable.

(I) Other receivables

1. Other receivables with expected credit losses accrued by combination

Category	December 31, 2022				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Other receivables for which expected credit losses are individually accrued					
Other receivables with expected credit losses accrued by combination	4,219,737,976.51	100.00	11,665,000.00	0.28	4,208,072,976.51
Including: Aging combination	34,330,738.00	0.81	11,665,000.00	33.98	22,665,738.00
Risk-free portfolio	4,185,407,238.51	99.19			4,185,407,238.51
Total	4,219,737,976.51	100.00	11,665,000.00		4,208,072,976.51

Continued:

Category	December 31, 2021				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Accounts receivable for which expected credit losses are individually accrued					
Accounts receivable with expected credit losses accrued by portfolio	2,109,546,779.06	100.00	554,653.94	0.03	2,108,992,125.12

Category	December 31, 2021				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Provision proportion (%)	
Including: Aging combination	110,930,788.32	5.26	554,653.94	0.50	110,376,134.38
Risk-free portfolio	1,998,615,990.74	94.74			1,998,615,990.74
Total	2,109,546,779.06	100.00	554,653.94	0.03	2,108,992,125.12

Description of other categories of receivables:

(1) Other receivables made a provision for bad debts in the aging analysis method in the combination

Name of portfolio	December 31, 2022		
	Other receivables	Provision for bad debts	Provision proportion (%)
Within 1 year	5,738.00		0
1 to 2 years			5
2 to 3 years			10
3 to 4 years	28,325,000.00	5,665,000.00	20
4 to 5 years			50
Greater than 5 years	6,000,000.00	6,000,000.00	100
Total	34,330,738.00	11,665,000.00	

1. Provision for bad debts of other receivables

(1) Other receivables for which the Company made provision for bad debt reserves based on the expected credit loss model

Provision for bad debts	Phase 1	Phase 2	Phase 3	Total
	Expected credit loss in the next 12 months	Expected credit loss in the entire duration (no credit impairment occurred)	Expected credit loss in the entire duration (credit impairment occurred)	
Opening balance	554,653.94			554,653.94
Opening balance in current period				
-Transfer to stage 2				
-Transfer to stage 3				
-Transfer back to stage 2				
-Transfer back to stage 1				
Provisions in the current period	11,110,346.06			11,110,346.06
Current reversal				

Provision for bad debts	Phase 1	Phase 2	Phase 3	Total
	Expected credit loss in the next 12 months	Expected credit loss in the entire duration (no credit impairment occurred)	Expected credit loss in the entire duration (credit impairment occurred)	
Current write off				
Current charge off				
Other changes				
Closing balance	11,665,000.00			11,665,000.00

2. There are no other receivables actually written off in the current period.

3. Other receivables of Top 5 closing balance collected by debtor

Unit name	Nature of payables	Closing balance	Aging	Proportion of closing balance to other receivables (%)	Provision for bad debts Closing balance
Guannan Jinguan Real Estate Co., Ltd	Internal current accounts	3,091,944,698.79	Within 1 year, 1-2 years, 2-3 years	73.27	
Jiangsu Guanhe Investment Development Co., Ltd	Internal current accounts	424,023,265.97	1-2 years, 3-4 years, 4-5 years, more than 5 years	10.05	
Guannan County Finance Bureau	External current accounts	172,064,946.26	Within 1 year	4.08	
Jiangsu Guanjiang Agricultural Development Group Co., Ltd	External current accounts	77,637,950.97	Within 1 year	1.84	
Guannan Housing Expropriation and Compensation Service Center	External current accounts	70,330,461.00	1-2 years, 2-3 years, 3-4 years	1.67	
Total		3,836,001,322.99		90.91	

Note 3. Long-term equity investments

Items	December 31, 2022			December 31, 2021		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment in subsidiaries	2,972,605,907.30		2,972,605,907.30	2,892,605,907.30		2,892,605,907.30
Investment in associates and joint ventures	25,118,137.08		25,118,137.08	32,421,017.15		32,421,017.15
Total	2,997,724,044.38		2,997,724,044.38	2,925,026,924.45		2,925,026,924.45

1. Investment in subsidiaries

The investee	Initial cost	December 31, 2021	Increase in current period	Decrease in current period	December 31, 2022	Current Accrual of Provision for Impairment	Impairment provision December 31, 2022
Jiangsu Guanhe Investment Development Co., Ltd	113,607,500.00	113,607,500.00			113,607,500.00		
Guannan Jinguan Real Estate Co., Ltd	100,000,000.00	100,000,000.00			100,000,000.00		
Guannan Duigougang Industrial Co., Ltd	120,000,000.00	120,000,000.00			120,000,000.00		
Lianyungang Shuoxiang Lake Water Group Co., Ltd	2,102,964,097.30	2,102,964,097.30	30,000,000.00		2,132,964,097.30		
Lianyungang Guanhe Financial Holdings Co., Ltd	120,000,000.00	120,000,000.00			120,000,000.00		
Guannan Shengguan Industrial Co., Ltd	110,000,000.00	200,000,000.00			200,000,000.00		
Guannan Hongguan Industrial Development Co., Ltd	35,000,000.00	67,552,700.00			67,552,700.00		
Haixi International Investment Co., Ltd	8,481,610.00	8,481,610.00			8,481,610.00		
Guannan Jingsheng Industrial Development Co., Ltd	60,000,000.00	60,000,000.00			60,000,000.00		
Lianyungang Yuanguan Industrial Co., Ltd	50,000,000.00		50,000,000.00		50,000,000.00		
Total	2,941,563,307.30	2,892,605,907.30			2,972,605,907.30		

2. Investment in associates and joint ventures

The investee	December 31, 2021	Current movement			
		Additional investments	Decrease investments	Investment profits and losses recognized by equity method	Other comprehensive income adjustments
I. Associates					
Jiangsu Guanhe International Port Affairs Co., Ltd	14,230,966.15			-6,625,297.51	

The investee	December 31, 2021	Current movement			
		Additional investments	Decrease investments	Investment profits and losses recognized by equity method	Other comprehensive income adjustments
Jiangsu Wannianda Hangxiao Steel Structure Co., Ltd	18,190,051.00			-677,582.56	
Subtotal	32,421,017.15			-7,302,880.07	
Total	32,421,017.15			-7,302,880.07	

Continued:

The investee	Current movement				December 31, 2022	Impairment provision December 31, 2022
	Other changes in equity	Declared distribution of cash dividends or profits	Provision for impairment	Others		
I. Associates						
Jiangsu Guanhe International Port Affairs Co., Ltd					7,605,668.64	
Jiangsu Wannianda Hangxiao Steel Structure Co., Ltd					17,512,468.44	
Subtotal					25,118,137.08	
Total					25,118,137.08	

Note 4. Operating incomes and operating costs

Items	2022		2021		2020	
	Revenue	Costs	Revenue	Costs	Revenue	Costs
Primary business	475,928,034.28	316,604,300.00	492,121,232.95	358,852,034.60	553,008,773.11	433,026,661.62
Other businesses	1,411,603.20		16,606.29			
Total	477,339,637.48	316,604,300.00	492,137,839.24	358,852,034.60	553,008,773.11	433,026,661.62

Note 5. Investment income

Items	2022	2021	2020
Long-term equity investment income accounted for under the equity method	-7,302,880.07	-9,277,898.36	-4,322,952.05
Income from investment in trading financial assets in the holding period	1,213,949.40		
Investment income from disposal of trading financial assets	2,134,376.74		
Dividend income from investments in other equity instruments during the holding period	116,897.03	133,851.56	557,714.85
Other investment income	22,750.00	8,177.85	
Total	-3,814,906.90	-9,135,868.95	-3,765,237.20

Legal representative: Zhou Zhou (seal) 周洲

Person in charge of accounting work: Sun Yu (seal) 孙玉

Person in charge of accounting agency: Chen Huaiyin (seal) 陈怀银印

Jiangsu Jinguan Investment Development Group Co., Ltd.

(Corporate Seal)

April 25, 2023

Jiangsu Jinguan Investment Development Group Co., Ltd. (Seal)

江苏金冠投资发展集团有限公司

统一社会信用代码

91110000785632412

营业执照

（副　本）(6-1)

扫描市场主体身份码了解更多登记、备案、许可、监管信息，体验更多应用服务。

名　　称　亚太（集团）会计师事务所（特殊普通合伙）

类　　型　特殊普通合伙企业

执行事务合伙人　邹泉水

经营范围　审查企业会计报表、出具审计报告；验证企业资本，出具验资报告；办理企业合并、分立、清算事宜中的审计业务，出具有关报告；基本建设年度财务决算审计；代理记账；会计咨询、税务咨询、管理咨询、会计培训；法律、法规规定的其他业务。（市场主体依法自主选择经营项目，开展经营活动；依法须经批准的项目，经相关部门批准后依批准的内容开展经营活动；不得从事国家和本市产业政策禁止和限制类项目的经营活动。）

出　资　额　3400万元

成立日期　2013年09月02日

主要经营场所　北京市丰台区丽泽路16号院3号楼20层2001

登记机关

北京市丰台区市场监督管理局

2023年12月28日

国家企业信用信息公示系统网址：http://www.gsxt.gov.cn

市场主体应当于每年1月1日至6月30日通过国家企业信用信息公示系统报送公示年度报告。

国家市场监督管理总局监制

会计师事务所

执业证书

名　　　　称：	亚太（集团）会计师事务所（特殊普通合伙）
首席合伙人：	邹泉水
主任会计师：	
经 营 场 所：	北京市丰台区丽泽路16号院3号楼20层2001
组 织 形 式：	特殊普通合伙
执业证书编号：	11010075
批准执业文号：	京财会许可[2013]0052号
批准执业日期：	2013年8月9日

证书序号：0020096

说　明

1、《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。

2、《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。

3、《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。

4、会计师事务所终止或执业许可注销的，应当向财政部门交回《会计师事务所执业证书》。

发证机关：北京市财政局

2023年11月6日

中华人民共和国财政部制

THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

中国注册会计师协会

姓 名 Full name	周雪明
性 别 Sex	男
出生日期 Date of birth	1978-09-29
工作单位 Working unit	亚太（集团）会计师事务所（特殊普通合伙）江苏分所
身份证号码 Identity card No.	340823197809297530

亚太(集团)会计师事务所(特殊普通合伙) 11010200430704

证书编号: No. of Certificate 320000140049

批准注册协会: Authorized Institute of CPAs 江苏省注册会计师协会

发证日期: Date of Issuance 2007 年/y 05 月/m 31 日/d

2007 05 30

年度检验登记

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This certificate is valid for another year after this renewal.

年 /y 月 /m 日 /d

7

证书编号：
No. of Certificate 110100750184

批准注册协会：
Authorized Institute of CPAs 江苏省注册会计师协会

发证日期：
Date of Issuance 2020 年 /y 07 月 /m 31 日 /d

姓名 Full name 黄春磊

性别 Sex 男

出生日期 Date of birth 1986-02-20

工作单位 Working unit 亚太（集团）会计师事务所（特殊普通合伙）江苏分所

身份证号码 Identity card No. 3206811986022[illegible]

亚太（集团）会计师事务所（特殊普通合伙） 1101020043070[illegible]

年度检验登记

Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.

年 /y　　月 /m　　日 /d

APPENDIX A
FORM OF IRREVOCABLE STANDBY LETTER OF CREDIT

FM: BANK OF JIANGSU CO., LTD. LIANYUNGANG BRANCH (SWIFT: BOJSCNBNXXX) ADDRESS: 17 FL., XINYIN DOUBLE MANSION, NO.1 YINGZHOU ROAD, LIANYUNGANG, JIANGSU PROVINCE 222000, PRC

DATE: 2024

TO BENEFICIARY: THE BANK OF NEW YORK MELLON, LONDON BRANCH (THE "**TRUSTEE**") IN ITS CAPACITY AS TRUSTEE FOR ITSELF AND ON BEHALF OF THE HOLDERS (THE "**BONDHOLDERS**") OF THE U.S.$100,000,000 5.30 PER CENT. CREDIT ENHANCED BONDS DUE 2027 (THE "**BONDS**") TO BE ISSUED BY HAIXI OVERSEAS INVESTMENT COMPANY LIMITED (THE "**ISSUER**") AND TO BE CONSTITUTED BY A TRUST DEED DATED ON 25 MARCH 2024 (THE "**ISSUE DATE**") AMONG THE ISSUER, JIANGSU JINGUAN INVESTMENT DEVELOPMENT GROUP CO., LTD. (THE "**COMPANY**") AND THE TRUSTEE (AS AMENDED AND/OR SUPPLEMENTED FROM TIME TO TIME, THE "**TRUST DEED**").

DEAR SIRS,

RE: OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [*NUMBER*]

AT THE REQUEST OF OUR CUSTOMER, THE ISSUER, WE, BANK OF JIANGSU CO., LTD. LIANYUNGANG BRANCH(THE "**ISSUING BANK**," "**OUR**," "**US**" OR "**WE**"), HEREBY ISSUE OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [*NUMBER*] IN YOUR FAVOUR, AND FOR THE ACCOUNT OF THE ISSUER, IN RESPECT OF AND IN CONNECTION WITH THE TERMS AND CONDITIONS OF THE BONDS APPENDED TO THE TRUST DEED (THE "**CONDITIONS**") AND THE TRUST DEED. THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS MADE AVAILABLE BY US FOR PAYMENT AGAINST OUR RECEIPT OF A DEMAND SUBSTANTIALLY IN THE FORM SET OUT IN APPENDIX A-1 PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT (A "**DEMAND**") STATING THAT (1) THE ISSUER HAS FAILED TO COMPLY WITH CONDITION 4(B) OF THE CONDITIONS (THE "**PRE-FUNDING CONDITION**") IN RELATION TO PRE-FUNDING THE AMOUNT THAT IS REQUIRED TO BE PRE-FUNDED UNDER THE CONDITIONS AND/OR FAILED TO PROVIDE THE REQUIRED CONFIRMATIONS (AS DEFINED IN THE CONDITIONS) IN ACCORDANCE WITH THE PRE-FUNDING CONDITION OR (2) AN EVENT OF DEFAULT (AS DEFINED IN THE CONDITIONS) HAS OCCURRED AND THE BENEFICIARY, AS TRUSTEE FOR THE BONDHOLDERS, HAS GIVEN NOTICE TO THE ISSUER THAT THE BONDS ARE IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH THE CONDITIONS OR (3) THE ISSUER HAS FAILED TO PAY THE FEES, COSTS, EXPENSES AND OTHER AMOUNTS IT IS OBLIGED TO PAY UNDER THE CONDITIONS IN CONNECTION WITH THE BONDS, THE TRUST DEED, THE AGENCY AGREEMENT (AS DEFINED IN THE TRUST DEED) AND/OR ANY OTHER TRANSACTION DOCUMENTS RELATING TO THE BONDS WHEN DUE AND SUCH FAILURE HAS CONTINUED FOR A PERIOD OF SEVEN DAYS FROM THE DATE OF THE TRUSTEE DELIVERING ITS DEMAND THEREFOR TO THE ISSUER IN ACCORDANCE WITH THE CONDITIONS.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE UNCONDITIONALLY AND IRREVOCABLY UNDERTAKE TO YOU THAT, ON AND AFTER THE ISSUE DATE AND FOLLOWING RECEIPT BY US OF A DEMAND PRESENTED BY THE TRUSTEE OR ON THE TRUSTEE'S BEHALF BY THE BANK OF NEW YORK MELLON, HONG KONG BRANCH (SWIFT: IRVTHKHX), WHOSE ADDRESS AT THE ISSUE DATE IS AT LEVEL 26, THREE PACIFIC PLACE, 1 QUEEN'S ROAD EAST, HONG KONG, ACTING AS THE DELEGATE OF AND

ON BEHALF OF THE TRUSTEE IN RELATION TO THIS IRREVOCABLE STANDBY LETTER OF CREDIT (THE "**DELEGATE**") IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT BY 6:00 P.M. (HONG KONG TIME) ON A BUSINESS DAY, WE SHALL BY 10:00 A.M. (HONG KONG TIME) ON THE FOURTH BUSINESS DAY AFTER THE BUSINESS DAY ON WHICH WE RECEIVE SUCH DEMAND (OR IF SUCH DEMAND IS RECEIVED AFTER 6:00 P.M. (HONG KONG TIME) ON A BUSINESS DAY, THEN ON THE FIFTH BUSINESS DAY AFTER THE BUSINESS DAY ON WHICH WE RECEIVE SUCH DEMAND), PAY TO OR TO THE ORDER OF THE BENEFICIARY THE AMOUNT IN U.S. DOLLARS SPECIFIED IN THE DEMAND TO THE ACCOUNT SPECIFIED IN THE DEMAND. "**BUSINESS DAY**" MEANS A DAY (OTHER THAN A SATURDAY, A SUNDAY OR A PUBLIC HOLIDAY) ON WHICH BANKS AND FOREIGN EXCHANGE MARKETS ARE OPEN FOR BUSINESS IN HONG KONG, BEIJING, LONDON AND NEW YORK CITY.

OUR AGGREGATE LIABILITY UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE EXPRESSED AND PAYABLE IN U.S. DOLLARS AND SHALL NOT IN ANY CIRCUMSTANCES EXCEED U.S.$103,650,000 (THE "**MAXIMUM LIMIT**"), AN AMOUNT REPRESENTING ONLY (I) THE AGGREGATE PRINCIPAL AMOUNT OF THE BONDS PLUS INTEREST PAYABLE FOR ONE INTEREST PERIOD (BEING SIX MONTHS) IN ACCORDANCE WITH THE CONDITIONS AND (II) U.S.$1,000,000 BEING THE MAXIMUM AMOUNT PAYABLE UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT FOR ANY FEES, COSTS, EXPENSES, INDEMNITY PAYMENTS AND ALL OTHER AMOUNTS PAYABLE BY THE ISSUER UNDER OR IN CONNECTION WITH THE BONDS, THE TRUST DEED, THE AGENCY AGREEMENT AND/OR ANY OTHER TRANSACTION DOCUMENT RELATING TO THE BONDS.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, OUR OBLIGATION TO PAY TO YOU IS UNCONDITIONAL, IRREVOCABLE AND ABSOLUTE AND ANY DEMAND BY YOU UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE HONOURED WITHOUT ANY FURTHER ENQUIRY AS TO YOUR RIGHTS TO MAKE SUCH DEMAND.

THIS IRREVOCABLE STANDBY LETTER OF CREDIT TAKES EFFECT FROM THE DATE HEREOF AND SHALL REMAIN VALID AND IN FULL FORCE UNTIL 6:00 P.M. (HONG KONG TIME) ON 25 APRIL 2027 (THE "**EXPIRY DATE**") AND SHALL EXPIRE AT THE PLACE OF THE ISSUING BANK. AFTER THE EXPIRY DATE, OUR LIABILITY UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT WILL BE IMMEDIATELY DISCHARGED RELEASED EXCEPT FOR ANY DEMAND VALIDLY PRESENTED UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT BEFORE THE EXPIRY DATE THAT REMAINS UNPAID.

PAYMENT WILL BE EFFECTED AFTER OUR RECEIPT OF A DEMAND PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WHICH IS PRESENTED ON OR AFTER THE ISSUE DATE AND ON OR BEFORE 6:00 P.M. (HONG KONG TIME) ON THE EXPIRY DATE.

ANY DEMAND UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS TO BE PRESENTED BY WAY OF AN AUTHENTICATED SWIFT PRESENTED BY THE TRUSTEE OR ON BEHALF OF THE TRUSTEE BY THE DELEGATE (AS DEFINED ABOVE) TO US (SWIFT: BOJSCNBNXXX) ON OR BEFORE 6:00 P.M. (HONG KONG TIME) ON THE EXPIRY DATE WITHOUT THE NEED TO PHYSICALLY PRESENT AN ORIGINAL OF THAT DEMAND AT OUR COUNTER; PROVIDED THAT IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON, YOU (THE BENEFICIARY) MAY INSTEAD PRESENT A COPY OF THE DEMAND TO US VIA FACSIMILE TRANSMISSION AT +86 518 85522503 AND SUCH DEMAND SHALL BE SIGNED BY YOU AS TRUSTEE FOR THE BONDHOLDERS AND ACCOMPANIED BY A COPY OF A LIST OF AUTHORISED SIGNATORIES OF THE TRUSTEE, FOLLOWED BY A

STATEMENT VIA AUTHENTICATED SWIFT ON THE NEXT BUSINESS DAY ON WHICH THE SWIFT SYSTEM IS AVAILABLE STATING THAT THE LIST OF AUTHORISED SIGNATORIES PROVIDED IS VALID AND EFFECTIVE. IN THE CASE OF A PRESENTATION OF A DEMAND BY WAY OF FACSIMILE TRANSMISSION IN THE CIRCUMSTANCE STATED ABOVE, YOU SHALL ARRANGE FOR THE ORIGINAL DEMAND TO BE DELIVERED AS SOON AS REASONABLY PRACTICABLE THEREAFTER VIA COURIER AT OUR COUNTER AT OUR ADDRESS (AS SPECIFIED ABOVE) DURING OUR NORMAL BRANCH OPENING HOURS ON OR AFTER THE ISSUE DATE AND ON OR BEFORE 6:00 P.M. (HONG KONG TIME) ON THE EXPIRY DATE. FOR THE AVOIDANCE OF DOUBT, THE DEMAND SHALL BE RECEIVED FOR ALL PURPOSES OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND WE SHALL START PROCESSING THE DEMAND UPON RECEIPT OF THE DEMAND SENT TO US BY WAY OF FACSIMILE TRANSMISSION.

ONLY ONE DRAWING UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS PERMITTED.

ALL CHARGES ARE FOR THE ACCOUNT OF THE ISSUER AND, FOR THE AVOIDANCE OF DOUBT, ARE NOT FOR THE ACCOUNT OF THE BENEFICIARY.

NOTWITHSTANDING THE MAXIMUM LIMIT, ALL PAYMENTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE MADE IN U.S. DOLLARS AND FOR VALUE ON THE DATE SPECIFIED IN THE DEMAND IN IMMEDIATELY AVAILABLE FUNDS WITHOUT ANY DEDUCTION OR WITHHOLDING ON ACCOUNT OF TAX, SET-OFF, COUNTER-CLAIM OR OTHERWISE. IN THE EVENT THAT ANY DEDUCTION OR WITHHOLDING IS REQUIRED BY LAW, THE ISSUING BANK SHALL PAY SUCH ADDITIONAL AMOUNTS AS WILL RESULT IN RECEIPT BY THE TRUSTEE FOR THE BONDHOLDERS OF SUCH AMOUNTS AS WOULD HAVE BEEN RECEIVED BY IT HAD NO SUCH DEDUCTION OR WITHHOLDING BEEN SO REQUIRED BY LAW.

THE BENEFICIARY'S RIGHTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT MAY BE TRANSFERRED OR RE-TRANSFERRED IN WHOLE OR IN PART TO ANY ADDITIONAL OR REPLACEMENT TRUSTEE APPOINTED AS CONTEMPLATED IN THE TRUST DEED IN RESPECT OF THE BONDS SUBJECT ONLY TO AT LEAST 15 DAYS' NOTICE HAVING BEEN GIVEN TO US BY OR ON BEHALF OF YOU AS TRUSTEE FOR THE BONDHOLDERS BY AUTHENTICATED SWIFT, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON BY LETTER TO US AT OUR ADDRESS (AS SPECIFIED ABOVE). MULTIPLE TRANSFERS ARE PERMITTED, SUBJECT TO AS PROVIDED IN THIS PARAGRAPH.

OUR OBLIGATIONS AND LIABILITIES UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE INDEPENDENT. THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS NOT SUBJECT TO ANY CONTRACT, AGREEMENT, CONDITION OR QUALIFICATION. WE MAY NOT TRANSFER, ASSIGN OR NOVATE ANY OF OUR OBLIGATIONS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND ARTICLE 36 OF UCP 600 (AS DEFINED BELOW), IN THE UNEXPECTED EVENT THAT WE ARE CLOSED WHEN YOU WISH TO PRESENT A DEMAND HEREUNDER ON THE DAY AND AT THE TIME A DEMAND IS ABLE TO BE PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE AGREE THAT YOU CAN PRESENT THE DEMAND BY AUTHENTICATED SWIFT OR BY PRESENTING A COPY OF THE DEMAND VIA FACSIMILE TRANSMISSION AT +86 518 85522503 FROM THE DATE OF OUR RESUMPTION OF OUR BUSINESS; PROVIDED THAT IF WE ARE CLOSED ON THE EXPIRY DATE, THE EXPIRY DATE SHALL BE AUTOMATICALLY EXTENDED BY, AND SUCH

PRESENTATION SHALL BE MADE WITHIN, FIVE BUSINESS DAYS AFTER THE DATE ON WHICH WE NOTIFY YOU BY AUTHENTICATED SWIFT, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT THEN AVAILABLE FOR ANY REASON VIA FACSIMILE TRANSMISSION (USING THE SWIFT ADDRESS OR, AS THE CASE MAY BE, THE FACSIMILE NUMBER SET OUT ABOVE FOR YOU AS BENEFICIARY) OF OUR RESUMPTION OF OUR BUSINESS. IN THE CASE OF A PRESENTATION OF A DEMAND BY WAY OF FACSIMILE TRANSMISSION IN THE CIRCUMSTANCE STATED ABOVE, YOU SHALL ARRANGE FOR THE ORIGINAL DEMAND TO BE DELIVERED AS SOON AS REASONABLY PRACTICABLE THEREAFTER VIA COURIER AT OUR COUNTER AT OUR ADDRESS (AS SPECIFIED ABOVE) DURING OUR NORMAL BRANCH OPENING HOURS. FOR THE AVOIDANCE OF DOUBT, THE DEMAND SHALL BE RECEIVED FOR ALL PURPOSES OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND WE SHALL START PROCESSING THE DEMAND SENT TO US UPON RECEIPT OF THE DEMAND BY WAY OF FACSIMILE TRANSMISSION. THE ABOVE UNEXPECTED EVENT ONLY REFERS TO THE CASE OF FORCE MAJEURE SPECIFIED IN ARTICLE 36 OF UCP 600.

ANY SETTLEMENT OR DISCHARGE BETWEEN US AS ISSUING BANK AND YOU AS TRUSTEE FOR THE BONDHOLDERS AND BENEFICIARY SHALL BE CONDITIONAL UPON NO PAYMENT TO YOU BY THE ISSUER OR ANY OTHER PERSON ON THE ISSUER'S BEHALF BEING AVOIDED (BY VIRTUE OF ANY LAWS OR REGULATIONS RELATING TO BANKRUPTCY, INSOLVENCY, RECEIVERSHIP, LIQUIDATION OR SIMILAR LAWS OF GENERAL APPLICATION FOR THE TIME BEING IN FORCE) AND, IN THE EVENT OF ANY SUCH PAYMENT BEING SO AVOIDED, YOU SHALL BE ENTITLED TO RECOVER THE AMOUNT BY WHICH SUCH PAYMENT IS SO AVOIDED FROM US SUBSEQUENTLY AS IF SUCH SETTLEMENT OR DISCHARGE HAD NOT OCCURRED.

EXCEPT TO THE EXTENT IT IS INCONSISTENT WITH THE EXPRESS TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (2007 REVISION), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 600 ("UCP 600").

THIS IRREVOCABLE STANDBY LETTER OF CREDIT, AND ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH IT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED IN ACCORDANCE WITH, ENGLISH LAW. NO PERSON SHALL HAVE ANY RIGHT TO ENFORCE ANY TERM OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT UNDER THE CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999. WE AGREED THAT (1) THE COURTS OF HONG KONG SHALL HAVE EXCLUSIVE JURISDICTION TO SETTLE ANY DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND (2) THAT THE COURTS OF HONG KONG ARE THE MOST APPROPRIATE AND CONVENIENT COURTS TO SETTLE ANY DISPUTE AND, ACCORDINGLY, THAT WE WILL NOT ARGUE THAT ANY OTHER COURTS ARE MORE APPROPRIATE OR CONVENIENT. IN CASE OF ANY DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE AGREE THAT THE DOCUMENTS WHICH START ANY LEGAL ACTION OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND ANY OTHER DOCUMENTS REQUIRED TO BE SERVED IN RELATION TO SUCH ACTION OR PROCEEDINGS MAY BE SERVED ON US BY BEING DELIVERED TO US AT COGENCY GLOBAL (HK) LIMITED AT ROOM 2303, 23/F, THE SUN'S GROUP CENTRE, 200 GLOUCESTER ROAD, WAN CHAI, HONG KONG, WHOM WE HAVE APPOINTED AS OUR PROCESS AGENT. IF FOR ANY REASON WE CEASE TO HAVE SUCH PROCESS AGENT IN HONG KONG, WE WILL PROMPTLY APPOINT A SUBSTITUTE PROCESS AGENT AND NOTIFY THE BENEFICIARY OF SUCH APPOINTMENT WITHIN 30 DAYS OF SUCH CESSATION. NOTHING HEREIN SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

APPENDIX A-1
FORM OF DEMAND

To: BANK OF JIANGSU CO., LTD. LIANYUNGANG BRANCH (SWIFT: BOJSCNBNXXX)

17 FL., XINYIN DOUBLE MANSION,
NO.1 YINGZHOU ROAD,
LIANYUNGANG, JIANGSU PROVINCE 222000, PRC

[DATE]

Dear Sirs

RE: DEMAND UNDER THE IRREVOCABLE STANDBY LETTER OF CREDIT NO. [*NUMBER*] IN RESPECT OF THE U.S.$100,000,000 5.30 PER CENT. CREDIT ENHANCED BONDS DUE 2027 (THE "BONDS") ISSUED BY HAIXI OVERSEAS INVESTMENT COMPANY LIMITED (THE "ISSUER")

The undersigned is a duly authorised person of The Bank of New York Mellon, London Branch/The Bank of New York Mellon, Hong Kong Branch as the Delegate of and on behalf of The Bank of New York Mellon, London Branch which is hereby making a Demand as Trustee for itself and on behalf of the Bondholders (the "**Beneficiary**") under your Irrevocable Standby Letter of Credit No. [*NUMBER*] (the "**Irrevocable Standby Letter of Credit**"). Capitalised terms used herein but not defined shall have the meanings given to them in the Irrevocable Standby Letter of Credit.

1. This Demand is made in connection with the following:

   ❏ The Issuer has failed to comply with Condition 4(b) (the "**Pre-Funding Condition**") in relation to pre-funding the amount that is required to be pre-funded under the Conditions and/or failed to provide the Required Confirmations (as defined in the Conditions) in accordance with the Pre-Funding Condition.

   ❏ An Event of Default (as defined in the Conditions) has occurred and the Beneficiary, as Trustee for the Bondholders, has given notice to the Issuer that the Bonds are due and payable in accordance with the Conditions.

   ❏ The Issuer has failed to pay the fees, costs, expenses, indemnity payments and other amounts it is obliged to pay under the Conditions, the Trust Deed, the Agency Agreement and/or any other transaction documents relating to the Bonds when due and such failure has continued for a period of seven days from the date of the Trustee delivering its demand therefor to the Issuer in accordance with the Conditions.

2. We hereby demand you to pay U.S.$[AMOUNT] representing the aggregate of (i) interest accrued up to the date when the Bonds cease to bear interest pursuant to the Conditions, (ii) the principal amount of the outstanding Bonds and (iii) all fees, costs, expenses, indemnity payments and other amounts in connection with the Bonds, the Trust Deed, the Agency Agreement and/or any other transaction documents relating to the Bonds which is due and now outstanding.

3. We hereby request you to pay the above amounts after you receive this Demand in accordance with the Irrevocable Standby Letter of Credit.

4. The proceeds of the drawing under this Demand are to be credited to the following account:

[Insert account details]

For and behalf of

____

[The Bank of New York Mellon, London Branch as Trustee] or [The Bank of New York Mellon, Hong Kong Branch as Delegate of and on behalf of The Bank of New York Mellon, London Branch as Trustee]

By: __________________________

Name: ________________________

Title: _________________________

ISSUER

HAIXI OVERSEAS INVESTMENT COMPANY LIMITED
Kingston Chambers
PO Box 173
Road Town, Tortola
British Virgin Islands

GUARANTOR

Jiangsu Jinguan Investment Development Group Co., Ltd.
(江蘇金灌投資發展集團有限公司)
No. 1 Weiyi Road
Economic Development Zone, Guannan County
Lianyungang City
Jiangsu Province, PRC

TRUSTEE

The Bank of New York Mellon, London Branch
160 Queen Victoria Street
London EC4V 4LA
United Kingdom

PRINCIPAL PAYING AGENT

The Bank of New York Mellon, London Branch
160 Queen Victoria Street
London EC4V 4LA
United Kingdom

REGISTRAR AND TRANSFER AGENT

The Bank of New York Mellon SA/NV, Dublin Branch
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