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## **PUBLICATION OF THE OFFERING CIRCULAR**



**淮北建投**  
HUAI BEI JIAN TOU

**Huaibei City Construction Investment Holding Group Company Limited**  
**(淮北市建投控股集团有限公司)**

*(a company incorporated in the People’s Republic of China with limited liability)*

**U.S.\$150,000,000 2.90 per cent. Credit Enhanced Bonds due 2025**  
**(Stock Code: 4496)**  
**(the “Bonds”)**

**with the benefit of an irrevocable Standby Letter of Credit issued by**  
**Huishang Bank Corporation Limited**

This announcement is issued pursuant to Rule 37.39A of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”).

Please refer to the offering circular dated 16 February 2022 (the “**Offering Circular**”) appended herein in relation to the issuance of the Bonds. As disclosed in the Offering Circular, the Bonds were intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) (“**Professional Investors**”) only and have been listed on the Hong Kong Stock Exchange on that basis.

**Notice to Hong Kong Investors:** Huaibei City Construction Investment Holding Group Company Limited (淮北市建投控股集團有限公司) (the “**Issuer**”) confirms that the Bonds are intended for purchase by Professional Investors only and have been listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular must not be regarded as an inducement to subscribe for or purchase any securities of the Issuer, and no such inducement is intended. No investment decision should be made based on the information contained in the Offering Circular.

Hong Kong, 24 February 2022

*As at the date of this announcement, the directors of the Issuer are Mr. GU Jun (顧俊), Mr. XU Jun (徐君), Mr. CHEN Wei (陳偉), Mr. ZHANG Lizhe (張立哲), and Mr. ZHOU Kaiyu (周開宇).*

## IMPORTANT NOTICE

**NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES.  
THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE  
ADDRESSEES OUTSIDE OF 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 (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 PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.**

**THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.**

**Confirmation of Your Representation:** You have accessed the Offering Circular on the basis that you have confirmed to TFI Securities and Futures Limited and Golden Rich Securities Limited (the “Joint Lead Managers”) and Huaibei City Construction Investment Holding Group Company Limited (淮北市建投控股集团有限公司) (the “Issuer”), that: (1) you and any customers you represent are not in the United States, (2) the e-mail address that you gave the Issuer and to which this e-mail has been delivered is not located in the United States, (3) you consent to delivery of this document and any amendments or supplements by electronic transmission, and (4) to the extent you purchase the Securities, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S thereunder.

The Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer, the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents (as defined in the attached Offering Circular) nor any of their affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them accepts any liability or responsibility whatsoever in respect of any such alteration or change to the Offering Circular distributed to you in electronic format or any difference between the Offering Circular distributed to you in electronic format and the hard copy version.

**Restrictions:** 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.

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 or the Joint Lead Managers to subscribe or purchase any of the Securities, in any place where offers or solicitations are not permitted by law and access has been limited so that it shall not constitute in the United States or elsewhere directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Joint Lead Manager or any affiliate of a Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Joint Lead Manager or such affiliate on behalf of the Issuer in such jurisdiction. Any Securities to be issued in respect thereof will not be registered under the Securities Act and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from such registration. Access has been limited so that it shall not constitute a general solicitation in the United States or elsewhere. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the Securities.

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**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.



淮北建投  
HUAI BEI JIAN TOU

**Huaibei City Construction Investment Holding Group Company Limited**  
(淮北市建投控股集團有限公司)

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

**U.S.\$150,000,000 2.90 per cent. Credit Enhanced Bonds due 2025**  
**with the benefit of an irrevocable Standby Letter of Credit issued by**  
**Huishang Bank Corporation Limited**

Issue Price: 100.00 per cent.

The 2.90 per cent. Credit Enhanced Bonds due 2025 in the aggregate principal amount of U.S.\$150,000,000 (the "Bonds") will be issued by Huaibei City Construction Investment Holding Group Company Limited (淮北市建投控股集團有限公司) (the "Issuer"). Payments of principal and interest in respect of the Bonds will have the benefit of an irrevocable standby letter of credit (the "Standby Letter of Credit") denominated in U.S. dollars and issued by Huishang Bank Corporation Limited (the "LC Bank" or the "Huishang Bank"). See "Appendix 1 – Form of Standby Letter of Credit" for the form of the Standby Letter of Credit.

The Bonds will bear interest on their outstanding principal amount from and including 23 February 2022 (the "Issue Date") at the rate of 2.90 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.\$14.50 per Calculation Amount (as defined in the terms and conditions of the Bonds (the "Terms and Conditions")) on the Interest Payment Date (as defined in the Terms and Conditions) falling on 23 February and 23 August in each year, commencing 23 August 2022.

All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without set-off or counterclaim and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the People's Republic of China 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".

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 and regulations, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 23 February 2025. The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, at their principal amount (together with interest accrued up to, but excluding, the date fixed for redemption), in the event of certain changes or amendments affecting taxes of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations. See "Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Tax Reasons". At any time following the occurrence of a Relevant Event (as defined in the Terms and Conditions), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions) at 100 per cent. of their principal amount, together in each case with interest accrued up to but excluding the Put Settlement Date. See "Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Event".

The Issuer undertakes that it will (i) within five Registration Business Days after the Issue Date, register or cause to be registered with SAFE the Bonds pursuant to the Administrative Measures for Foreign Debt Registration (《外債登記管理辦法》) and its operating guidelines issued by SAFE, effective as of 13 May 2013 and the Circular of the People's Bank of China on Implementing Macro Prudential Management of Full-covered Cross-border Financing (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》) (the "Cross Border Financing Circular") (the "Foreign Debt Registration"), (ii) use all reasonable endeavours to complete the Foreign Debt Registration and obtain a registration record from SAFE on or before the Registration Deadline (as defined in the Terms and Conditions) and provide copies of relevant documents evidencing the Foreign Debt Registration within the required timeframes described in Condition 4(c) (Notification of Completion of the Foreign Debt Registration and the NDRC Post-Issue Filing), and (iii) comply with all applicable PRC laws and regulations in relation to the Bonds, including but not limited to, if applicable, the Cross Border Financing Circular and any implementing measures promulgated thereunder from time to time.

The Issuer has made an application for the pre-issuance registration (the "Pre-Issuance Registration") of the offering of the Bonds with the National Development and Reform Commission (the "NDRC") in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發改委關於推進企業發行外債備案登記制管理改革的通知) (發改外資[2015]2044號) (the "NDRC Circular") issued by the NDRC and which came into effect on 14 September 2015. The Issuer has received an Enterprise Foreign Debt Pre-Issuance Registration Certificate dated 27 May 2021 from the NDRC in connection with the Pre-Issuance Registration. The Issuer undertakes that it will (i) within 10 Registration Business Days after the Issue Date file or cause to be filed with the NDRC the requisite information and documents in accordance with the NDRC Circular (the "NDRC Post-issue Filing") and (ii) complete the NDRC Post-issue Filing and provide such document(s) (if any) evidencing the NDRC Post-Issue Filing (if any) within the prescribed timeframe and, and (iii) comply with all applicable PRC laws, rules and regulations in connection with the Bonds (including, but not limited to, any rules issued by the NDRC from time to time).

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.

**The Bonds 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 are being offered in offshore transactions outside the United States in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see "Subscription and Sale".**

Application will be made to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for the listing of, and permission to deal in, the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Professional Investors") only and such permission is expected to become effective on 24 February 2022. This Offering Circular is for distribution to Professional Investors only.

**Notice to Hong Kong Investors:** The Issuer confirms that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risk 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 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 depository for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, definitive certificates for Bonds will not be issued in exchange for beneficial interests in the Global Certificate.

For a description of these and certain further restrictions on offers and sales of the Bonds, the Standby Letter of Credit and the distribution of this Offering Circular, see "Subscription and Sale".

Sole Global Coordinator

TF International

Joint Bookrunners and Joint Lead Managers

TF International

Golden Rich

Offering Circular dated 16 February 2022

## NOTICE TO INVESTORS

**THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER OR ANY OF ITS SUBSIDIARIES (COLLECTIVELY, THE “GROUP”) 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 and the Group. The Issuer accepts full responsibility for the accuracy of the information contained in this document and confirm, 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.

The Issuer 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 Group, the Bonds 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 Group, the Bonds and the Standby Letter of Credit, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Group and of the rights attaching to the Bonds and the Standby Letter of Credit), (ii) the statements contained in this Offering Circular relating to the Issuer, the Issuer’s shareholder(s), the Group, the Bonds, transaction documents in connection with the Bonds 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, 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 Group, the Bonds, transaction documents in connection with the Bonds 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, (v) 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 and the Group believe to be accurate and reliable in all material respects; (vi) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements in this Offering Circular, and (vii) the information relating to the LC Bank included in this Offering Circular has been derived from or extracted from, among other sources, publicly available information, and the Issuer has exercised reasonable care in compiling and reproducing such information relating to the LC Bank.

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 has taken reasonable care in the compilation and reproduction of the information. However, none of the Issuer, the Joint Lead Managers (as defined below), the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank and the Agents (in each case as defined in the Terms and Conditions), or any person who controls any of them, or their respective affiliates, directors, officers, employees, representatives, agents or advisers has independently verified such information regarding the LC Bank. No representation or warranty, express or implied, is made or given by the Issuer, the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds

Account Bank or the Agents, or any person who controls any of them, or their respective affiliates, directors, officers, employees, representatives, agents or advisers as to the accuracy, completeness or sufficiency of such information regarding the LC Bank. Accordingly, the information regarding the LC Bank disclosed in this Offering Circular should not be unduly relied upon.

This Offering Circular has been prepared by the Issuer solely for use in connection with the proposed offering of the Bonds and giving of the Standby Letter of Credit described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, TFI Securities and Futures Limited and Golden Rich Securities Limited (the “**Joint Lead Managers**”) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds and giving of 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 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 not contained in or not consistent with this Offering Circular or any information supplied by the Issuer, the Group, the LC Bank or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Group, the LC Bank, the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents (as defined in the Terms and Conditions), or any person who controls any of them, or 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 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 Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents, 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 Joint Lead Managers, the Trustee, the LC Bank (except in the case of the Standby Letter of Credit), the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents (as defined in the Conditions), or any person who controls any of them, or their respective directors, officers, employees, agents, representatives, advisers and affiliates has separately verified the information contained in this Offering Circular. None of the Joint Lead Managers, the Trustee, the LC Bank (except in the case of the Standby Letter of Credit), the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents, or any person who controls any of them, or any director, officer, employee, agent, representative, adviser or affiliate of any such person, 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 and the Standby Letter of Credit. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the LC Bank (except in the case of the Standby Letter of Credit), the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents, 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 Group, the LC Bank, 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 Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents, or any person who controls any of them, or any director, officer, employee, agent, representative, adviser or affiliate of any such person, accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by a Joint Lead Manager, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or an Agent, or any person who controls any of them, or any director, officer, employee, agent, adviser, representative or affiliate of any such person or on its behalf, in connection with the Issuer, the Group, the LC Bank, the issue and offering of the Bonds or the giving of the Standby Letter of Credit. Each of the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank and the Agents, and any person who controls any of them, and the directors, officers, employees, agents, representatives, advisers and affiliates of such persons accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents, or any person who controls any of them, or any director, officer, employee, agent, representative, advisers or affiliate of any such person, undertakes to review the financial condition or affairs of the Issuer, 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 Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents, or any person who controls any of them, or any director, officer, employee, agent, representative, advisers or affiliate of any such person.

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 Group, the LC Bank, the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank, the Agents, or any person who controls any of them, or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers 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 with its own tax, legal and business advisers as it deems necessary.

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

**IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS STABILISATION MANAGER (THE “STABILISATION MANAGER”) (OR ANY PERSON ACTING ON ITS BEHALF) 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.**

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 LC Bank and the Joint Lead 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 Group, the LC Bank, the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents, 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.

The contents of this Offering Circular have not been reviewed by any regulatory authority in the People’s Republic of China, Hong Kong or elsewhere. Investors are advised to exercise caution in relation to the offer. If any investor is in any doubt about any of the contents of this Offering Circular, that investor should obtain independent professional advice.

### **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 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 LC Bank, the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents, 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

This Offering Circular contains the audited consolidated financial information of the Group as at and for the years ended 31 December 2019 and 2020 and the unaudited consolidated financial information of the Group as at and for the six months ended 30 June 2020 and 2021.

The consolidated financial information of the Group as at and for the years ended 31 December 2019 and 2020 has been extracted from the Group's consolidated financial statements as at and for the years ended 31 December 2019 and 2020 (the "**Audited Financial Statements**"). The consolidated financial information of the Group as at and for the six months ended 30 June 2020 and 2021 has been extracted from the Group's unaudited consolidated financial statements as at and for the six months ended 30 June 2021 (the "**Reviewed Financial Statements**", together with the Audited Financial Statements, the "**Historical Financial Statements**"). The Historical Financial Statements were prepared and presented in accordance with the Accounting Standards for Business Enterprises in China ("**PRC GAAP**"). The Audited Financial Statements have been audited by, and the Reviewed Financial Statements have been reviewed by, Reanda Certified Public Accountants LLP (利安達會計師事務所) ("**Reanda**"), the Issuer's independent auditor, in accordance with the Chinese Auditing Standards issued by the Ministry of Finance of the PRC ("**MOF**").

The Reviewed Financial Statements have not been audited by the Issuer's independent auditors. As a result, the Reviewed Financial Statements should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit. Potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations. None of the Joint Lead Managers makes any representation or warranty, express or implied, regarding the sufficiency of the Reviewed Financial Statements for an assessment of, and potential investors must exercise caution when using such data to evaluate, the financial condition and results of operations of the Issuer and the Group. The Reviewed Financial Statements should not be taken as an indication of the expected financial condition and results of operations of the Group for the full financial year ending 31 December 2021.

PRC GAAP is substantially in line with International Financial Reporting Standards ("**IFRS**"), except for certain modifications which reflect the PRC's unique circumstances and environment. For a discussion of certain differences between PRC GAAP and IFRS, see "*Summary of Certain Differences Between PRC GAAP and IFRS*".

## Rounding

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, 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.

## CERTAIN TERMS AND CONVENTIONS AND CURRENCY PRESENTATION

This Offering Circular is prepared using a number of conventions, which should be considered when reading the information contained herein. When using the terms the “**Issuer**”, Huaibei City Construction Investment Holding Group Company Limited (淮北市建投控股集團有限公司) itself, is being referred to, or the terms the “**Group**” and words of similar import to Huaibei City Construction Investment Holding Group Company Limited and its consolidated subsidiaries, as the context requires.

Market data and certain industry forecast and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Group believes this information to be reliable, it has not been independently verified by the Group, the LC Bank, the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank, the Agents, or any person who controls any of them, or their respective affiliates, advisers, directors, employees, officers, agents or representatives, and neither the Group, the LC Bank, the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank, the Agents, nor any person who controls any of them, nor their respective affiliates, advisers, directors, employees, officers, agents or representatives make any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.

This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents. In making an investment decision, each investor must rely on its own examination of the Issuer and the terms of the offering and the Bonds, including the merits and risks involved.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to “**China**” or the “**PRC**” are to the People’s Republic of China and, for the purpose of this Offering Circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan; and references to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the PRC.

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to “**Renminbi**” or “**RMB**” are to the lawful currency of the PRC and references to “**U.S. dollars**”, “**U.S.\$**” or “**USD**” are to the lawful currency of the United States of America.

Solely for the sake of convenience, this Offering Circular contains translations of certain Renminbi amounts into U.S. dollars. Unless otherwise stated in this Offering Circular, all translations from Renminbi into U.S. dollars were made at the rate of RMB6.4566 to U.S.\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi on 30 June 2021 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 Rate Information*”.

References to “**Huaibei government**” and “**Huaibei City municipal government**” are to the Huaibei Municipal People’s Government (淮北市人民政府).

References to “**Huaibei SASAC**” are to the State-owned Assets Supervision and Administration Commission of Huaibei City (淮北市人民政府國有資產監督管理委員會) (previously known as Stated-owned Assets Administration Commission of People’s Government of Huaibei City (淮北市人民政府國有資產管理委員會) and subsequently as Stated-owned Assets Supervision and Administration Bureau of Huaibei City (淮北市國有資產監督管理局)).

References to “**NDRC**” are to the National Development and Reform Commission of the PRC. References to “**PBOC**” are to the People’s Bank of China, the central bank of the PRC.

References to “**PRC government**” are to the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or where the context requires, any of them.

References to “**SAFE**” are to the State Administration of Foreign Exchange of the People’s Republic of China or its competent local counterparts.

References to “**sq.m.**” are to square metres.

Any discrepancies in the tables included herein between the listed amounts and the totals thereof are due to rounding.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, 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.

## FORWARD-LOOKING STATEMENTS

The Issuer has made forward-looking statements in this Offering Circular regarding, among other things, the Group's financial condition, future expansion plans and business strategies. These forward-looking statements are based on the Group's current expectations about future events. Although the Issuer believes that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- the risks associated with the Group's business activities;
- general economic and political conditions, including those related to the PRC;
- accidents and natural disasters;
- changes in laws, regulations, taxation or accounting standards or practices;
- the risks of increased costs and the uncertainty of technological change;
- the ability to implement the Group's business strategy and plan of operation;
- the ability to expand and manage the growth of the Group;
- fluctuations in foreign currency exchange rates; and
- other risks identified in the section entitled "Risk Factors" section of this Offering Circular.

The words "aim", "anticipate", "believe", "can", "could", "estimate", "expect", "intend", "may", "plan", "will", "would" and similar expressions are intended to identify a number of these forward-looking statements. The Issuer and any other members of the Group undertake no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the actual results of the Issuer or the Group could differ materially from those anticipated in these forward-looking statements. Accordingly, investors are cautioned not to place undue reliance on these forward-looking statements.

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

## TABLE OF CONTENTS

	<b>Page</b>
SUMMARY .....	1
THE ISSUE .....	3
SUMMARY OF PAYMENT ARRANGEMENTS ON EACH SCHEDULED DUE DATE UNDER THE BONDS .....	12
SUMMARY FINANCIAL INFORMATION OF THE GROUP .....	14
RISK FACTORS .....	18
TERMS AND CONDITIONS OF THE BONDS .....	48
USE OF PROCEEDS .....	73
CAPITALISATION AND INDEBTEDNESS .....	74
DESCRIPTION OF HUISHANG BANK .....	75
DESCRIPTION OF THE GROUP .....	77
PRC LAWS AND REGULATION .....	94
DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT .....	109
EXCHANGE RATE INFORMATION .....	112
TAXATION .....	113
SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM .....	117
SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS .....	119
SUBSCRIPTION AND SALE .....	121
GENERAL INFORMATION .....	126
INDEX TO FINANCIAL STATEMENTS .....	F-1
APPENDIX A – FORM OF IRREVOCABLE STANDBY LETTER OF CREDIT .....	A-1
APPENDIX A-1 – FORM OF DEMAND .....	A-5

## SUMMARY

*The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. This summary does not contain all of the information that may be important to investors in deciding to invest in the Bonds. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Investors should therefore read this entire Offering Circular, including the section entitled “Risk Factors” and the financial statements and related notes thereto, before making an investment decision.*

### THE ISSUER AND ITS CONSOLIDATED GROUP

The Issuer, Huaibei City Construction Investment Holding Group Company Limited (淮北市建投控股集团有限公司), was incorporated in April 2008 as a company with limited liability under the PRC laws. The registered office of the Issuer is located at No. 56 Binhe Road, Economic and Development New Area, Huaibei City, Anhui Province, China. Since its establishment in April 2008, the Group engages in a wide range of business activities, which primarily consist of property leasing, commodities trading, regional water supply construction and water treatment services, construction contracting services, financial services and public transportation services in Huaibei City.

As at 30 June 2021, the Group had a registered capital of RMB8,229.0 million. For the years ended 31 December 2019 and 2020 and the six months ended 30 June 2020 and 2021, the Group reported total operating income of approximately RMB12,012.0 million, RMB12,789.8 million, RMB5,638.9 million and RMB8,042.8 million, respectively, and net profits of approximately RMB1,654.4 million, RMB1,798.9 million, RMB454.1 million and RMB771.5 million of the respective periods.

### BUSINESS STRENGTHS

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

- the investment and financing platform for urban development under the Huaibei SASAC, with strong support from the Huaibei City municipal government;
- affluent supply of land resources;
- strong financing and business operation capabilities; and
- dedicated senior management with extensive experience in corporate management.

### BUSINESS STRATEGIES

The Group’s objective is to strengthen its position in various industries in which the Group operates and further expand its business operations in Huaibei City. The Group intends to implement the following strategies to achieve this objective:

- continue to support national development strategies and serve regional development;
- further improve the synergies among the Group’s different business segments; and
- adhere to prudent financial management with a stringent risk control.

## **RECENT DEVELOPMENT**

### **Quarterly Results as at and for the Nine Months Ended 30 September 2021**

As at 30 September 2021, as compared to the financial information as at 30 June 2021, the Group's contractual liabilities and bonds payable increased. For the nine months ended 30 September 2021, as compared to the same period in the preceding year, the Group experienced an increase of net loss in net cash flow from investment activities, primarily due to the increase of cash outflow from cash paid for investment and cash paid for acquisition of property, plant and equipment, intangible assets and other long-term assets. For the nine months ended 30 September 2021, as compared to the same period in the preceding year, the Group experienced a significant decrease in net cash flow from financing activities, primarily due to the increase of cash outflow from cash repayments for debts. As a result of the foregoing, for the nine months ended 30 September 2021, the Group experienced a net decrease in cash and cash equivalents, representing a significant decrease of net change in cash and cash equivalents comparing to the same period in the preceding year.

Potential investors should note, in particular, that the Group's financial information as at and for the nine months ended 30 September 2021 is derived from the Issuer's management accounts and has not been audited or reviewed by independent auditors. As such, the Group's financial information as at and for the nine months ended 30 September 2021 has not been set out in detail in this Offering Circular and does not form part of this Offering Circular and potential investors should not rely on such financial information in their evaluation of the financial condition of the Group and in making their investment decisions. The aforementioned financial information as at and for the nine months ended 30 September 2021 is not necessarily indicative of the results that may be expected for the year ended 31 December 2021 or any period thereafter. Consequently, potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations.

None of the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents, or any person who controls any of them, or any director, officer, employee, agent, representative, adviser or affiliate of any such person, makes any representation or warranty, express or implied, regarding the accuracy of the Group's financial information as at and for the nine months ended 30 September 2021 or the sufficiency of such financial information for an assessment of the Group's financial condition and results of operation.

## THE ISSUE

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

<b>Issuer</b> .....	Huaibei City Construction Investment Holding Group Company Limited (淮北市建投控股集团有限公司)
<b>LC Bank</b> .....	Huishang Bank Corporation Limited
<b>Issue</b> .....	U.S.\$150,000,000 aggregate principal amount of 2.90 per cent. Credit Enhanced Bonds due 2025.
<b>Issue Price</b> .....	100.00 per cent.
<b>Form and Denomination</b> .....	The Bonds will be issued in registered form in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
<b>Interest</b> .....	The Bonds will bear interest from and including 23 February 2022 at the rate of 2.90 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.\$14.50 per Calculation Amount (as defined in the Terms and Conditions) on 23 February and 23 August in each year, commencing on 23 August 2022.
<b>Issue Date</b> .....	23 February 2022.
<b>Maturity Date</b> .....	23 February 2025.
<b>Use of Proceeds</b> .....	The net proceeds from the offering of the Bonds will be used to refinance the Issuer’s existing offshore indebtedness. See “ <i>Use of Proceeds</i> ”.

**Standby Letter of Credit . . . . .**

The Bonds will have the benefit of the irrevocable Standby Letter of Credit issued by Huishang Bank Corporation Limited (the “**LC Bank**”) in favour of the Trustee, on behalf of itself and the holders of the Bonds. 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 to the LC Bank in accordance with the Standby Letter of Credit (the “**Demand**”) (provided that in the event that the SWIFT system is not available for any reason, the Trustee may instead present a copy of the demand to the LC Bank via facsimile transmission in accordance with the Standby Letter of Credit) stating that (i) the Issuer has failed to comply with Condition 4 (b) (*Pre-funding*) of the Terms and Conditions in relation to pre-funding the amount that is required to be pre-funded under the Terms and Conditions and/or failed to provide the Required Confirmations (as defined in the Terms and Conditions) in accordance with Condition 4 (b) (*Pre-funding*) of the Terms and Conditions, or (ii) an Event of Default (as defined in Condition 10 (*Events of Default*) of the Terms and Conditions) has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 10 (*Events of Default*) of the Terms and Conditions. Only one drawing is permitted under the Standby Letter of Credit.

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.

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

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.\$153,175,000 (the “**Maximum Limit**”). The Standby Letter of Credit takes effect from the Issue Date and shall remain valid and in full force until 6:00 p.m. (Hong Kong time) on the earlier of (1) the date specified in the confirmation of redemption (together with a signed and stamped power of attorney authorising signatories of the confirmation of redemption) provided by the Trustee as the beneficiary under the Standby Letter of Credit by email to the Issuer with the LC Bank copied in the form set out in Schedule 7 of the Trust Deed on which the Bonds have been redeemed in full and, to the best knowledge of the Trustee, all payment obligations under the Trust Deed and the Agency Agreement have been satisfied or (2) 23 March 2025 (the earlier of (1) or (2), the “**Expiry Date**”).

See “*Terms and Conditions of the Bonds – Standby Letter of Credit and Pre-funding*” and “*Appendix 1 – Form of 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) (*Mandatory Redemption upon Pre-funding Failure*) of the Terms and Conditions of the Bonds) (the “**Relevant Amount**”) as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than the Business Day falling nine Business Days (the “**Pre-funding Date**”) prior to the due date for such payment under the Terms and Conditions of the Bonds:

- (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 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. (Hong Kong time) on the Business Day immediately preceding the due date for such payment (together, the “**Required Confirmations**”).

The Pre-funding Account Bank shall notify the Trustee by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date upon the failure by the Issuer to pay the Relevant Amount into the Pre-funding Account in accordance with Condition 4 (b) (*Pre-funding*) of the Terms and Conditions. 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 (and the Trustee may rely conclusively on any such confirmation), or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date (a “**Pre-funding Failure**”), the Trustee shall:

- (A) as soon as reasonably practicable notify the LC Bank and the LC Proceeds Account Bank by facsimile or by SWIFT of the occurrence of the Pre-funding Failure; and

(B) by no later than 6:00 p.m. (Hong Kong time) on the Business Day following the Pre-funding Date, (x) give notice (the “**Pre-funding Failure Notice**”) to the Bondholders of (I) the Pre-funding Failure and (II) the redemption of the Bonds in accordance with Condition 7 (d) (*Mandatory Redemption upon Pre-funding Failure*) of the Terms and Conditions of the Bonds to occur as a result of the Pre-funding Failure; and (y) issue a Demand to the LC Bank for the principal amount in respect of all the Bonds then outstanding, together with interest accrued to, but excluding, the Mandatory Redemption Date (as defined in Condition 7 (d) (*Mandatory Redemption upon Pre-funding Failure*) of the Terms and Conditions of the Bonds) and all fees, costs, expenses, indemnity payments and all other amounts payable by the Issuer under or in connection with the Bonds, the Trust Deed, the Standby Letter of Credit and/or the Agency Agreement and/or any other transaction document relating to the Bonds, provided that, subject to and in accordance with the terms of 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 to the LC Bank, or in the event that the SWIFT system is not available for any reason, via facsimile transmission (followed by the original of that Demand) as contemplated in the Standby Letter of Credit.

Following receipt by the LC Bank of such Demand on or before 6:00 p.m. (Hong Kong time) on a Business Day, the LC Bank shall on or before 10:00 a.m. (Hong Kong time) on the fifth Business Day immediately following such Business Day (or, if such Demand is received after 6:00 p.m. (Hong Kong time) on a Business Day, the sixth Business Day immediately following such Business Day), pay to or to the order of the Trustee the amount in U.S. dollars specified in the Demand to the account specified in the Demand.

*See “Terms and Conditions of the Bonds – Standby Letter of Credit and Pre-funding” and “Appendix A – Form of Standby Letter of Credit”.*

**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 and regulations, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

**Events of Default** . . . . . Upon the occurrence of certain events of default, as further described in “*Terms and Conditions – Events of Default*”, in respect of the Issuer and the LC Bank, the Trustee at its discretion may, and if so requested in writing 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, 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, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued but unpaid interest.

**Cross-Acceleration** . . . . . The Bonds are subject to a cross-acceleration provision in relation to the Issuer and a cross-acceleration in relation to the LC Bank as further described in Condition 10 (a) (iii) (*Cross-Acceleration*) and Condition 10 (b) (i) (*Cross-Acceleration*) of the Terms and Conditions, respectively.

**Taxation** . . . . . All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without set-off or counterclaim and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the PRC or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law, as further described in Condition 9 (*Taxation*) of the Terms and Conditions of the Bonds.

Where such withholding or deduction is made by the Issuer by or within the PRC at a rate up to and including the aggregate rate applicable on 16 February 2022 (the “**Applicable Rate**”), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by the Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer is required to make a deduction or withholding by or within the PRC in excess of the Applicable Rate, the Issuer shall pay such additional amounts (“**Additional Tax Amounts**”) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond. 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 23 February 2025.

**Redemption for Taxation**

**Reasons** .....

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders in accordance with Condition 17 (*Notices*) of the Terms and Conditions (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount (together with interest accrued up to, but excluding, the date fixed for redemption), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 9 (*Taxation*) of the Terms and Conditions of the Bonds as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 16 February 2022, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, as further described in Condition 7 (b) (*Redemption for Taxation Reasons*) of the Terms and Conditions of the Bonds.

**Redemption for**

**Relevant Events** .....

Following the occurrence of a Relevant Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Put Settlement Date (as defined in Condition 7 (c) (*Redemption for Relevant Events*) of the Terms and Conditions) at 100 per cent. of their principal amount, together in each case with interest accrued up to but excluding the Put Settlement Date, as further described in Condition 7 (c) (*Redemption for Relevant Events*) of the Terms and Conditions of the Bonds.

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

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

- (i) Huaibei SASAC or any other government organ of the Huaibei Municipal Government, the Anhui Provincial Government and PRC Government Persons collectively cease to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer; or
- (ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the Issuer's assets to any other person or person (s), 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 Huaibei SASAC or any other government organ of the Huaibei Municipal Government, the Anhui Provincial Government or PRC Government Persons.

“**Control**” means (i) the ownership, acquisition or control of 50 per cent. of the voting rights of the issued share capital or issued shares of a person or (ii) the right to appoint and/or remove all or the majority of the members of a person’s board of directors or other governing body, in each case whether obtained directly or indirectly, and whether obtained by ownership of share capital, shares, the possession of voting rights, contract or otherwise; the term “**Controlled**” has meanings correlative to the foregoing.

“**Anhui Provincial Government**” means the People’s Government of Anhui Province;

“**Huaibei Municipal Government**” means the People’s Government of Huaibei Municipality;

“**Huaibei SASAC**” means the State-owned Assets Supervision and Administration Commission of the People’s Government of Huaibei City, Anhui Province of the PRC or its successor;

a “**No Registration Event**” occurs when the Registration Conditions are not complied with on or before the Registration Deadline;

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

“**PRC Government Persons**” means any person directly or indirectly Controlled by the Huaibei SASAC or any other government organ of the Huaibei Municipal Government, the Anhui Provincial Government or the central government of the PRC;

“**Registration Conditions**” means the receipt by the Trustee of the Registration Documents referred to in Condition 5(c);

a “**Relevant Event**” means a Change of Control or a No Registration Event;

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

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

**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) (*Pre-funding*) of the Terms and Conditions (the “**Mandatory Redemption Date**”), together with interest accrued up to, but excluding, the Mandatory Redemption Date, as further described in Condition 7 (d) (*Mandatory Redemption upon Pre-funding Failure*) of the Terms and Conditions.

**Clearing Systems** .....

The Bonds will be evidenced by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depository for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on and transfers whereof will be effected only through records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.

**Governing Law** .....

English law.

**Trustee** .....

Citicorp International Limited.

**Registrar, Principal Paying Agent  
and Transfer Agent** .....

Citibank, N.A., London Branch.

**Pre-funding Account Bank and  
LC Proceeds Account Bank** ...

Citibank, N.A., Hong Kong Branch.

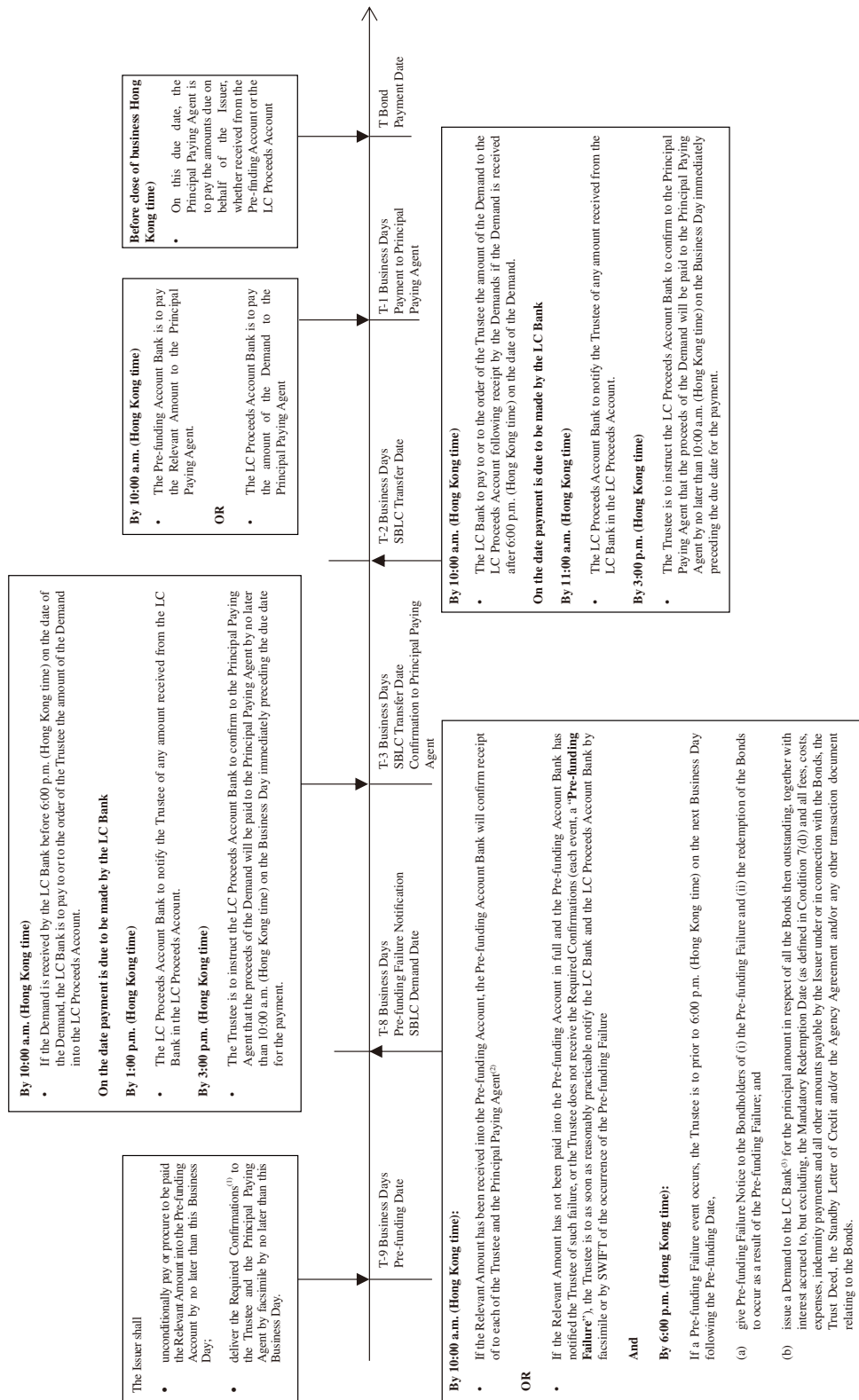
**Rating** .....

The Bonds will not be rated.

<b>Listing</b> .....	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 as described in this Offering Circular and it is expected that the dealing in, and listing of, the Bonds on the Hong Kong Stock Exchange will commence on 24 February 2022.
<b>ISIN</b> .....	XS2418729559.
<b>Common Code</b> .....	241872955.
<b>Legal Entity Identifier (LEI)</b> ....	3003007RNMOKJ30VBI36.

## 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. 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, the Agency Agreement referred therein and the Standby Letter of Credit. Words and expressions defined in the “Terms and Conditions of the Bonds” shall have the same meaning in this summary.



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*Notes:*

- (1) The Required Confirmations consist of: (x) a Payment and Solvency Certificate signed by any Authorised Signatory 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 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. (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 authenticated SWIFT or other means of communication as the Principal Paying Agent may in its discretion agree with the Pre-funding Account Bank.
- (3) 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 draw on the Standby Letter of Credit by way of a Demand by authenticated SWIFT or in the event that the SWIFT system is not available for any reason, via facsimile transmission as contemplated in the Standby Letter of Credit (followed by the original of that Demand) as contemplated in the Standby Letter of Credit.

## SUMMARY FINANCIAL INFORMATION OF THE GROUP

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

*The summary audited consolidated financial information as at and for the years ended 31 December 2019 and 2020, and as at and for the six months ended 30 June 2020 and 2021 set forth below is extracted from the Historical Financial Statements, which have been prepared and presented in accordance with PRC GAAP. The Group's Audited Financial Statements have been audited by, and its Reviewed Financial Statements have been reviewed by Reanda, its independent auditor, in accordance with the Chinese Auditing Standards issued by MOF.*

*The Reviewed Financial Statements have not been audited by the Group's independent auditors. As a result, the Reviewed Financial Statements should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit. Potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations. The Reviewed Financial Statements should not be taken as an indication of the expected financial condition and results of operations and prospect of the Group for the full financial year ending 31 December 2021. PRC GAAP differs in certain respects from 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 Historical Financial Statements and, including the notes thereto, included elsewhere in this Offering Circular.*

## Summary Consolidated Balance Sheet Data

	As at 31 December			As at 30 June	
	2019	2020		2021	
	(RMB)	(RMB)	(U.S.\$)	(RMB)	(U.S.\$)
	(audited)	(audited)	(unaudited)	(unaudited)	(unaudited)
			<i>(in thousands)</i>		
<b>Current Assets</b>					
Monetary fund . . . . .	7,290,811.9	11,436,105.9	1,771,227.3	11,597,928.0	1,796,290.3
Financial assets at fair value through profit and loss . . . . .	110,998.3	1,946,094.7	301,411.7	2,587,205.6	400,707.1
Notes receivable . . . . .	22,400.0	14,648.0	2,268.7	18,286.4	2,832.2
Accounts receivable . . . . .	7,658,487.5	7,606,022.0	1,178,022.8	8,759,127.1	1,356,616.0
Prepayments . . . . .	2,343,242.1	3,152,711.8	488,292.9	3,248,601.4	503,144.3
Other receivables . . . . .	12,975,238.4	11,773,840.6	1,823,535.7	12,164,813.7	1,884,089.7
Inventories . . . . .	13,850,922.8	18,795,723.9	2,911,086.9	20,776,304.0	3,217,839.7
Non-current assets due within one year . . . . .	611,712.0	1,003,096.8	155,359.9	1,145,401.3	177,400.1
Other current assets . . . . .	10,020,334.2	9,373,566.9	1,451,780.6	9,419,294.4	1,458,862.9
<b>Total Current Assets</b> . . . . .	<b>54,884,147.2</b>	<b>65,101,810.5</b>	<b>10,082,986.5</b>	<b>69,716,961.9</b>	<b>10,797,782.4</b>
<b>Non-current Assets</b>					
Available-for-sale financial assets . . . . .	2,104,882.6	2,217,563.4	343,456.8	–	–
Long-term receivables . . . . .	706,966.9	832,341.1	128,913.2	766,186.3	118,667.1
Long-term equity investments . . . . .	2,238,302.3	3,271,809.7	506,738.8	3,351,611.1	519,098.5
Other non-current financial assets . . . . .	–	–	–	2,473,075.1	383,030.6
Investment property . . . . .	16,218,585.8	16,048,250.5	2,485,557.5	16,090,906.6	2,492,164.1
Fixed assets . . . . .	5,446,567.7	8,756,476.0	1,356,205.4	8,724,476.9	1,351,249.4
Work in progress . . . . .	15,421,836.2	15,298,873.8	2,369,493.8	17,029,245.5	2,637,494.3
Intangible assets . . . . .	12,086,133.9	12,109,850.7	1,875,577.0	12,788,192.4	1,980,638.8
Goodwill . . . . .	316,024.7	316,024.7	48,946.0	316,024.7	48,946.0
Long-term unamortised expenses . . . . .	137,710.3	172,013.8	26,641.5	123,909.5	19,191.1
Deferred income tax assets . . . . .	20,731.9	35,543.5	5,505.0	36,072.8	5,587.0
Other non-current assets . . . . .	11,677,516.4	13,397,326.3	2,074,981.6	14,871,801.2	2,303,348.7
<b>Total non-current Assets</b> . . . . .	<b>66,375,258.6</b>	<b>72,456,073.4</b>	<b>11,222,016.8</b>	<b>76,571,502.2</b>	<b>11,859,415.5</b>
<b>Total Assets</b> . . . . .	<b>121,259,405.8</b>	<b>137,557,884.0</b>	<b>21,305,003.3</b>	<b>146,288,464.1</b>	<b>22,657,197.9</b>
<b>Current Liabilities</b>					
Short-term loans . . . . .	4,176,586.1	4,073,740.4	630,942.0	3,441,050.0	532,950.8
Notes payable . . . . .	631,597.5	382,395.5	59,225.5	172,993.1	26,793.2
Accounts payable . . . . .	572,476.8	487,814.9	75,552.9	825,665.4	127,879.3
Advance payment received . . . . .	781,944.0	1,510,332.2	233,920.7	–	–
Contractual liabilities . . . . .	–	–	–	2,460,015.1	381,007.8
Employee benefits payable . . . . .	19,671.7	28,560.7	4,423.5	28,526.3	4,418.2
Taxes payable . . . . .	1,881,291.0	2,154,703.1	333,721.0	2,079,325.3	322,046.5
Other payable . . . . .	5,322,974.3	4,532,128.9	701,937.4	4,998,645.8	774,191.6
Non-current liabilities due within one year . . . . .	8,532,078.3	12,735,024.8	1,972,404.2	11,297,740.3	1,749,797.2
Other current liabilities . . . . .	149,812.6	178,551.2	27,654.1	194,783.1	30,168.1
<b>Total Current Liabilities</b> . . . . .	<b>22,068,432.3</b>	<b>26,083,251.5</b>	<b>4,039,781.2</b>	<b>25,498,744.4</b>	<b>3,949,252.6</b>

	As at 31 December			As at 30 June	
	2019	2020		2021	
	(RMB)	(RMB)	(U.S.\$)	(RMB)	(U.S.\$)
	(audited)	(audited)	(unaudited)	(unaudited)	(unaudited)
	<i>(in thousands)</i>				
<b>Non-current Liabilities</b>					
Long-term borrowings	20,911,400.0	22,452,860.9	3,477,505.3	26,012,995.1	4,028,899.9
Bonds payables	12,525,516.6	17,651,550.5	2,733,877.0	20,473,768.9	3,170,983.0
Long-term payables	2,550,755.9	5,257,708.5	814,315.4	8,024,571.8	1,242,847.9
Deferred income	10,226.6	5,000.0	774.4	5,000.0	774.4
Deferred income tax liabilities	1,949,249.8	2,028,588.0	314,188.3	2,028,867.5	314,231.6
Other non-current liabilities	4,382,500.0	4,962,943.7	768,662.1	4,197,674.7	650,137.0
<b>Total Non-current Liabilities</b>	<b>42,329,648.9</b>	<b>52,358,651.5</b>	<b>8,109,322.5</b>	<b>60,742,878.0</b>	<b>9,407,873.8</b>
<b>Total Liabilities</b>	<b>64,398,081.2</b>	<b>78,441,903.0</b>	<b>12,149,103.7</b>	<b>86,241,622.4</b>	<b>13,357,126.4</b>
<b>Owners' Equity</b>					
Paid-in capital	8,229,000.0	8,229,000.0	1,274,509.8	8,229,000.0	1,274,509.8
Other equity instruments	1,198,160.0	1,198,160.0	185,571.4	1,198,160.0	185,571.4
Capital reserve	39,462,045.4	39,962,853.7	6,189,457.9	40,278,120.0	6,238,286.4
Other comprehensive income	1,161,337.1	1,168,561.1	180,987.1	1,168,561.1	180,987.1
Specific reserve	12,504.0	13,720.5	2,125.0	15,318.1	2,372.5
Surplus reserve	807,087.8	1,101,793.4	170,646.1	1,101,793.4	170,646.1
Undisturbed profits	1,691,608.1	3,027,911.4	468,963.8	3,420,482.9	529,765.3
Total owner's equity attributable to parent company	52,561,742.4	54,702,000.1	8,472,261.0	55,411,435.6	8,582,138.5
Minority shareholder's equity	4,299,582.2	4,413,980.8	683,638.6	4,635,406.1	717,933.0
<b>Total owners' equity</b>	<b>56,861,324.6</b>	<b>59,115,980.9</b>	<b>9,155,899.5</b>	<b>60,046,841.6</b>	<b>9,300,071.5</b>
<b>Total liabilities and owner's equity</b>	<b>121,259,405.8</b>	<b>137,557,884.0</b>	<b>21,305,003.2</b>	<b>146,288,464.1</b>	<b>22,657,197.9</b>

### Summary Consolidated Income Statement Data

	For the year ended 31 December			For the six months ended 30 June		
	2019	2020		2020	2021	
	(RMB)	(RMB)	(U.S.\$)	(RMB)	(RMB)	(U.S.\$)
	(audited)	(audited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	<i>(in thousands)</i>					
<b>Total operating income</b>	<b>12,012,035.6</b>	<b>12,789,771.3</b>	<b>1,980,883.3</b>	<b>5,638,928.4</b>	<b>8,042,835.6</b>	<b>1,245,676.6</b>
Operating cost	(10,299,560.1)	(11,452,883.5)	(1,773,825.8)	(4,966,931.8)	(7,428,203.0)	(1,150,482.1)
Taxes and surcharge	(58,054.0)	(61,131.4)	(9,468.1)	(28,082.3)	(36,793.8)	(5,698.6)
Selling expenses	(52,184.8)	(39,715.0)	(6,151.1)	(29,618.7)	(15,637.8)	(2,422.0)
Administrative expenses	(242,631.8)	(241,534.0)	(37,408.9)	(124,428.4)	(154,288.7)	(23,896.3)
Financial expenses	(482,735.9)	(228,372.7)	(35,370.4)	(105,800.1)	(168,533.0)	(26,102.4)
Other income	652,406.5	524,738.3	81,271.6	105,023.5	413,380.4	64,024.5
Investment income	170,132.7	501,924.9	77,738.3	6,033.5	156,296.7	24,207.3
Income from change in fair value	312,500.3	287,491.1	44,526.7	-	-	-
Assets impairment losses	(11,340.9)	(36,805.5)	(5,700.4)	(2,181.4)	(8,797.6)	(1,362.6)
Income from asset disposal	932.8	150.5	23.3	-	-	-
<b>Operating profit</b>	<b>2,001,500.5</b>	<b>2,043,634.0</b>	<b>316,518.6</b>	<b>492,942.7</b>	<b>800,258.8</b>	<b>123,944.3</b>
Non-business income	21,572.1	37,252.3	5,769.6	10,562.2	6,124.7	948.6
Non-business expenses	(6,475.7)	(5,738.4)	(888.8)	(2,851.8)	(5,610.9)	(869.0)
<b>Total profit</b>	<b>2,016,596.9</b>	<b>2,075,147.9</b>	<b>321,399.5</b>	<b>500,653.2</b>	<b>800,772.6</b>	<b>124,023.9</b>

	For the year ended 31 December			For the six months ended 30 June		
	2019	2020		2020	2021	
	(RMB)	(RMB)	(U.S.\$)	(RMB)	(RMB)	(U.S.\$)
	(audited)	(audited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	<i>(in thousands)</i>					
Income tax expenses . . . . .	(362,214.1)	(276,214.1)	(42,780.1)	(46,558.7)	(29,310.2)	(4,539.6)
<b>Net profit . . . . .</b>	<b>1,654,382.8</b>	<b>1,798,933.8</b>	<b>278,619.4</b>	<b>454,094.5</b>	<b>771,462.4</b>	<b>119,484.3</b>
Net profit attributable to shareholders of parent company . . . . .	1,459,995.0	1,720,367.4	266,451.0	426,406.3	692,571.5	107,265.7
Minority interest income or loss . . . . .	194,387.8	78,566.4	12,168.4	27,688.2	78,891.0	12,218.7
<b>After-tax net amount of other comprehensive income . . . . .</b>	<b>23,595.2</b>	<b>13,892.3</b>	<b>2,151.6</b>	<b>-</b>	<b>-</b>	<b>-</b>
After-tax net amount of other comprehensive income attributable to the owner of parent company . . . . .	21,995.4	7,224.0	1,118.9	-	-	-
After-tax net amount of other comprehensive income attributable to minority shareholders . . . . .	1,599.8	6,668.3	1,032.8	-	-	-
<b>Total comprehensive income . . . . .</b>	<b>1,677,978.0</b>	<b>1,812,826.1</b>	<b>280,771.0</b>	<b>454,094.5</b>	<b>771,462.4</b>	<b>119,484.3</b>
Comprehensive income attributable to the owner of parent company . . . . .	1,481,990.5	1,727,591.4	267,569.8	426,406.3	692,571.5	107,265.7
Comprehensive income attributable to minority shareholders . . . . .	195,987.5	85,234.7	13,201.2	27,688.2	78,891.0	12,218.7

#### Summary Consolidated Cash Flow Statement Data

	For the year ended 31 December			For the six months ended 30 June		
	2019	2020		2020	2021	
	(RMB)	(RMB)	(U.S.\$)	(RMB)	(RMB)	(U.S.\$)
	(audited)	(audited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	<i>(in thousands)</i>					
Net cash flows from operating activities . .	(1,955,815.7)	111,319.6	17,241.2	(1,072,348.6)	25,617.7	3,967.7
Net cash flows from investing activities . .	(1,716,747.7)	(7,649,523.5)	(1,184,760.3)	(3,990,303.0)	(5,346,673.2)	(828,094.2)
Net cash flows from financing activities . .	3,605,945.2	11,516,576.0	1,783,690.5	10,853,289.5	4,470,547.1	692,399.6
Influence of exchange rate change on cash and cash equivalents . . . . .	12,467.6	(2,637.6)	(408.5)	17.9	6.6	1.0
<b>Net increase/(decrease) in cash and cash equivalents . . . . .</b>	<b>(54,150.6)</b>	<b>3,975,734.4</b>	<b>615,762.9</b>	<b>5,790,655.8</b>	<b>(850,501.8)</b>	<b>(131,726.0)</b>
Opening balance of cash and cash equivalents . . . . .	5,776,464.3	5,722,313.8	886,273.5	5,722,313.8	9,698,048.2	1,502,036.4
<b>Closing balance of cash and cash equivalents . . . . .</b>	<b>5,722,313.8</b>	<b>9,698,048.2</b>	<b>1,502,036.4</b>	<b>11,512,969.6</b>	<b>8,847,546.3</b>	<b>1,370,310.4</b>

## RISK FACTORS

*An investment in the Bonds is subject to a number of risks. Prior to making any investment decision, investors should carefully consider all of the information contained in this Offering Circular, and in particular, the risks and uncertainties described below. The following describes some of the significant risks relating to the Group, its business, the market in which it operates and the Bonds. Some risks may be unknown to the Group and other risks, currently believed to be immaterial, could in fact be material. Any of these could materially and adversely affect the Group's business, financial condition, results of operations or prospects or the value of the Bonds. The Group believes that the risk factors described below represent the principal risks inherent in investing in the Bonds, but the Issuer's 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 Group based on information currently available to the Group or which the Group is currently unable to anticipate. All of these factors are contingencies which may or may not occur and the Group is not in a position to express a view on the likelihood of any such contingency occurring.*

*This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The Group's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular.*

*The Group does not represent that the statements below regarding the risk factors 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 AND ITS BUSINESS**

***The Group's business, financial condition, results of operations and prospects are heavily dependent on the level of economic development in Huaibei City.***

The Group's businesses and assets are primarily concentrated in Huaibei City, which is a prefecture level city located in Anhui Province, China. Therefore, the Group's business, financial condition, results of operations and prospects have been, and will continue to be, heavily dependent on the social conditions, local government policies and level of economic activity in Huaibei City. Huaibei City has experienced rapid economic growth in recent years.

However, in recent years, there was a slowdown in the overall growth of the PRC's economy. It is difficult to predict how the economic development of Huaibei City will be affected by this slowdown in the growth of the PRC economy. As such, there can be no assurance that the level of economic development in Huaibei City will continue to be maintained at the past rate of growth, if at all.

The Group may not be able to establish or invest in any new businesses outside Huaibei City in the future and it is expected that the Group's future business and operations will continue to be primarily concentrated in Huaibei City. If economic growth slows, adverse changes in social conditions or local government policies arise or any severe natural disasters or catastrophic events occur in Huaibei City, the Group's business, financial condition, results of operations and prospects would be materially and adversely affected.

***PRC regulations on the administration of local government debt may have a material adverse effect on the Group's financing and business models.***

The PRC Government has in recent years issued multiple regulations intended to restrict the ability of local governments to use state-owned enterprises to incur debt that should be directly incurred by government bodies. These regulations include: the Opinion on Enhancing the Administration of Fiscal Debts of Local Governments (Guo Fa [2014] No. 43) (關於加強地方政府性債務管理的意見(國發[2014]43號)) (“**Circular 43**”) released by the State Council in September 2014, the Circular on Further Regulating the Debt Financing Behaviours of Local Government (Cai Yu [2017] No. 50) (關於進一步規範地方政府舉債融資行為的通知(財預[2017]50號)) (“**Circular 50**”) jointly issued by the Ministry of Finance (“**MOF**”), the NDRC, the Ministry of Justice of the PRC, the PBOC, the China Banking Regulatory Commission (reorganised into the China Banking and Insurance Regulatory Commission) and the China Securities Regulatory Commission in April 2017, the Circular on Firmly Curbing Local Governments’ Illegal Financing Activities in the Name of Government Procurement of Services (Cai Yu [2017] No. 87) (關於堅決制止地方以政府購買服務名義違法違規融資的通知(財預[2017]87號)) (“**Circular 87**”) issued by the MOF in May 2017, the Notice of the Ministry of Finance 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)) (“**Circular 23**”) in March 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 (Fa Gai Wai Zi [2018] No. 706) (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知(發改外資[2018]706號)) (“**Circular 706**”) jointly issued by the NDRC and the MOF in May 2018, the Guiding Opinion on Strengthening the Asset and Liability Constraints of State-Owned Enterprises (中共中央辦公廳、國務院辦公廳《關於加強國有企業資產負債約束的指導意見》) jointly issued by the General Office of the Central Committee of the Communist Party of China and the State Council in September 2018 (the “**Joint Opinion**”) and the Circular on Filing Requirements with respect to Application for Foreign Debt Issuance by Local State-owned Enterprises (Fa Gai Ban Wai Zi [2019] No. 666) (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(發改辦外資[2019]666號)) issued by the General Office of NDRC in June 2019 (“**Circular 666**”) (Circular 43, Circular 50, Circular 87, Circular 23, Circular 706, the Joint Opinion and Circular 666, together, the “**Debt Control Circulars**”).

Circular 50 reaffirmed the Circular 43 policy that local governments are not permitted to use any means other than local government bonds for debt financing within the quota approved by the State Council and are prohibited from requesting or ordering enterprises to issue debt on their behalf. Circular 87 required that local governments and their departments shall not take advantage of or make up a contract for the government procurement of services in such a manner that conceals an underlying objective of raising funds for any construction project. Circular 23 and Circular 706 established policies for foreign debt issuance including exclusions on public assets being listed as enterprise assets and restrictions on making disclosure in offering circulars that imply government endorsement of the issuance or an association with the government’s credit. The Joint Opinion, consistent with Circular 43 and Circular 50, banned local governments from engaging in “disguised” borrowing by using state-owned enterprises to issue corporate debt on their behalf.

The Group believes that the PRC Government will continue to implement the Debt Control Circulars to control local government debts. Accordingly, the Group should rely on the cash flow generated from its operations and external borrowings for financing its operating activities and to satisfy its cash needs for servicing its outstanding indebtedness. Pursuant to the terms of the Bonds and as required by the Debt Control Circulars, neither the Huaibei SASAC, the Huaibei City municipal government nor any other PRC governmental entity has any obligation to repay any amount under the Bonds and will not provide a guarantee of any kind for the Bonds. The Bonds are solely to be repaid by the Issuer, and the obligations of the Issuer under the Bonds or the Trust Deed shall solely be fulfilled by the Issuer as an independent legal person. The Huaibei City municipal government as the ultimate equity holder of the Issuer only has

limited liability to the Issuer in the form of its equity contribution in the Issuer. If the Issuer does not fulfil its obligations under the Bonds and the Trust Deed, the Bondholders will only have recourse against the Issuer, and not the Huaibei SASAC, the Huaibei City municipal government or any other PRC governmental entity.

The PRC Government may continue to release new policies or amend existing regulations to control the increase in local governmental debts in the PRC. There is no assurance that the Group's financing and business model and also its indebtedness will not be materially affected by future changes in the regulatory regime concerning the local state-owned enterprises in response to such regulations.

***The Group's business and future prospects depend upon the public spending on infrastructure and fixed asset investments by the Huaibei City municipal government.***

The Group's businesses depend on continued spending and investment by the Huaibei City municipal government to the construction contracting services business. The Group undertakes a number of infrastructure construction projects within Huaibei City, as such, the Group plays an important role in the development of Huaibei City.

The Group's business, results of operations and future prospects can be significantly affected by the Huaibei City municipal government's budget and policies, in particular those in relation to the acquisition and transfer of land, infrastructure construction or the development of Huaibei City in general. For example, the Group entered into construction contracting services contracts and project construction and repurchase agreements with the relevant competent authorities of the Huaibei City municipal government, and the Group's operating income from these projects is derived from the project buyback amounts paid by the Huaibei City municipal government. As such, any significant reduction in the Huaibei City municipal government's public budgets and changes in policies relating to acquisition and transfer of land, infrastructure construction or the development of Huaibei City in general could materially and adversely affect the Group's business.

***The Group may not make decisions, take action or invest or operate in businesses or projects that are always in the Group's best interests or that aim to maximise the Group's profits as the Huaibei City municipal government can exert significant influence on the Group.***

The Group is a leading entity undertaking the development and construction of urban infrastructure in Huaibei City. Given the Group's strategic role in the development of Huaibei City, the Group may not always be able to make decisions, take action or invest or operate in businesses or projects that are in the Group's best interests or that aim to maximise the Group's profits. Wholly-owned by the Huaibei SASAC, the Huaibei City municipal government is in a position to exert significant influence on the Group's major business decisions and strategies, including the scope of its activities, investment decisions and dividend policy, as well as the appointment of the management team of the Group. Further, the Group generally relies on the Huaibei City municipal government to select and propose new projects for the Group to undertake. There can be no assurance that the Huaibei City municipal government would always take action that is in the Group's best interests or that aims to maximise the Group's profits. The Huaibei City municipal government may use their ability to influence the Group's business and strategy in a manner which is beneficial to Huaibei City as a whole, but which may not necessarily be in the Group's best interests. The Huaibei City municipal government may also change their policies, intentions, preferences, views, expectations, projections, forecasts and opinions, as a result of changes in the economic, political and social environment as well as their projections of population and employment growth in Huaibei City and any such change may have a material effect on the Group's business and prospects. Any amendment, modification or repeal of the Huaibei City municipal government's existing policies could result in a modification of the existing regulatory regime which in turn could have a material adverse effect on the Group's financial condition and results of operations.

***The Group relies on government support and a reduction or discontinuance of government support could materially and adversely affect the financial condition and results of operations of the Group.***

In light of the strategic importance of some of the Group's businesses in Huaibei City, the Group has received support from the Huaibei government for the development and operations of its business. For example, the Huaibei government enhanced the Group's financial strengths by increasing the Issuer's capital via capital injections in the past years. In addition, the Group has historically received government support in the form of fiscal subsidies to support the Group's operations. For the years ended 31 December 2019 and 2020 and the six months ended 30 June 2020 and 2021, the Group received fiscal subsidies of approximately RMB671.4 million, RMB559.2 million, RMB413.7 million and RMB111.3 million, respectively.

The amount of fiscal subsidies received from the Huaibei government fluctuates during the years ended 31 December 2019 and 2020, and the six months ended 30 June 2020 and 2021. There can be no assurance that the Huaibei government will continue to provide support to the Group or that government support will not be adjusted or terminated due to changes in government policy or otherwise, which in turn may materially and adversely affect the Group's businesses, the financial condition and results of operations.

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

As a leading entity undertaking the development and construction of infrastructure in Huaibei City, the Group collaborates with the Huaibei government. Although the Group believes that it currently maintains a close working relationship with the Huaibei government, there can be no assurance that these close working relationships will continue to be maintained in the future. The Huaibei government may (i) have economic or business interests or considerations that are inconsistent with the Group's best interests; (ii) be unable or unwilling to fulfil its obligations; (iii) encounter financial difficulties; or (iv) have disputes with the Group as to the contractual terms or other matters. In addition, the Group entered into construction contracting services contracts and project construction and repurchase agreements with the relevant competent authorities of the Huaibei City in which the Huaibei City municipal government repurchases at a pre-agreed rate. The Huaibei government, its controlled agencies or entities may not honour their contractual obligations in a timely manner, if at all, or may, without prior notice or consent from the Group, change existing policies and project plans in Huaibei City for a number of reasons, such as government budgeting. Failure by the Huaibei government to fulfil its contractual obligations or any adverse change to the policies or business plans may require the Group to adjust its construction and development plans and thus adversely affect its operating results, which in turn may increase the procurement risk of the Group. If there is any material disagreement between the Group and the Huaibei government or any of its controlled agencies or entities, the Group may not be able to successfully resolve the disagreement in a timely manner. Disputes with public bodies may last for considerably longer period of time than for those with private sector counterparties, and payments from the public bodies may be delayed as a result. Any of these factors may materially and adversely affect the business relationship between the Group and the Huaibei government, which may in turn materially and adversely affect the Group's business, financial condition, results of operations and prospects.

***The Group may not effectively implement risk management and internal control policies and procedures to manage its financial risks.***

Financial risks are inherent in the Group's businesses. Although systems and procedures are in place to identify and report on a timely basis the liquidity, foreign exchange, interest rate and credit risks arising from the activities of its businesses, there can be no assurance that these systems and procedures will prevent any loss that affects the Group's financial conditions. In addition, many of the current systems have a significant manual component. There are additional risks inherent in any manual risk management system, including human error. The reliability of the systems and the information generated from them depends on, *inter alia*, the configuration and design of the systems, the built-in system control features

and the internal control measures surrounding them. Any failure of internal controls could have a material adverse effect on the Group's businesses, results of operations and financial conditions.

***The Group may fail to obtain sufficient capital resources for its continued growth and other operation needs.***

Most of the Group's business activities, such as its construction contracting services businesses are capital intensive and require substantial capital expenditure for, among other things, the acquisition of land, purchase of materials, construction and maintenance of plant and equipment used in its operations as well as compliance with environmental laws.

The Group intends to use cash on hand, funds from operations, and source additional funding options, including but not limited to, debt financing to finance its capital expenditure going forward. The Group's ability to access and raise capital depends upon a number of factors, such as the PRC's economic condition, relationships with key commercial banks, prevailing conditions in capital markets, regulatory requirements, the Group's financial condition, and costs of financing. Some of these factors are beyond the Group's control. There can be no assurance that the relevant funding sources will provide the Group with sufficient amounts of capital in a timely manner. Also, there can be no assurance that additional financing will be available to the Group or, if available, that it can be obtained on terms acceptable to the Group and within the covenants and limitations imposed by the Group's existing or any future financings and the applicable regulations which the Group may be subject to.

***The Group recorded negative cash flows from operating activities in the past and are exposed to risks to generate cash to service its indebtedness depends on many factors beyond its control.***

For the year ended 31 December 2019 and the six months ended 30 June 2020, the Group recorded negative operating cash flows of RMB1,955.8 million and RMB1,072.3 million, respectively. For the year ended 31 December 2020 and for the six months ended 30 June 2021, the Group recorded positive operating cash flows of RMB111.3 million and RMB25.6 million. There is no assurance that the Group will continue to record cash inflow from its operating activities. If the Group records cash outflow from its operating activities again in the future, the working capital of the Group may be constrained, which may materially and adversely affect the business, financial condition and results of operations of the Group.

The Group's ability to make payments on and to refinance its indebtedness, including the Bonds, and to fund planned capital expenditures and project development will depend on the Group's ability to generate cash. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond the Group's control. The Group's businesses might not generate sufficient cash flow from operations to enable it to pay its indebtedness, including the Bonds, or to fund the Group's other liquidity needs. The Group may need to refinance all or a portion of its indebtedness, including the Bonds, on or before maturity. However, the Group might not be able to refinance any of its indebtedness, including the Bonds, on commercially reasonable terms or at all. If the Group is unable to service its indebtedness or obtain refinancing on terms acceptable to the Group, it may be forced to adopt an alternative strategy that may include reducing or delaying capital expenditures, selling assets or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

***The global economy is facing significant uncertainties and disruptions caused by COVID-19.***

In March 2020, WHO declared the COVID-19 to be a global pandemic. There has been rapid and widespread increase in new infections in the United States, Europe and other parts of the world and increased fatality rates in many countries. Many countries have declared a state of emergency, closed their borders to international travellers, and restricted movements of their citizens with a view to contain COVID-19 and there is no assurance that such measures will be effective.

The impacts of COVID-19, and other epidemics and pandemics that may arise in the future, could adversely affect the economies of many nations, particular regions, or the entire global economy, individual companies and the market in general. The full extent of such impacts cannot necessarily be foreseen at the present time. The prolonged occurrence of COVID-19 has, in extreme circumstances, led to the forced suspension or closure of factories, which could in turn materially affect the supply and lead to a shortage of raw materials from suppliers or production from the PRC factories and hence the Group's ability to complete construction projects or deliver products to customers in a timely manner, or at all.

Although the Group have taken preventive measures to control the spread of such disease in workplace, there is no assurance that such measures would be effective, and would not have a negative effect in the Group's business operations and financial conditions. The impacts may be short term or may last for an extended period of time. Consequently, the Group's results of operations will likely be adversely, and may be materially, affected, to the extent that COVID-19 or any other epidemic harms the global economy in general. Any potential impact to the Group's results of operations will depend on, to a large extent, future developments and new information that may emerge regarding the duration and severity of COVID-19 and the actions taken by government authorities and other entities to contain COVID-19 or treat its impact, almost all of which are beyond the Group's control.

Governments and central banks around the globe have introduced or are planning fiscal and monetary stimulus measures including tax cuts, direct subsidies, rates cuts, bond repurchase programmes and suspension or relaxation of prudential bank capital requirements. These measures aim to contain the economic impact of the pandemic, stabilise the markets and provide liquidity easing to the markets. There is no assurance that such measures may be introduced in time or will be sufficient or effective in delivering its policy objectives or be successful in containing the economic impact of the pandemic or stabilising the markets.

As a result, the global economy is facing significant uncertainties and the global financial markets are experiencing significant volatilities which may adversely affect the economy of the PRC, and in turn, affect the Group, its business and financial condition, as well as the outlook and value of the Bonds.

***The Group consists of a number of companies operating in various business segments and is subject to challenges not found in companies with a single business line.***

The Group conducts businesses in various industries and is exposed to risks associated with multiple businesses.

The Group is exposed to business, market and regulatory risks relating to different industries and markets, and may from time to time expand its businesses to new industries and markets in which it has limited operating experience. In addition, such laws, regulations and policies may be subject to changes of substance or interpretation that could adversely affect the Group's businesses. These may include tariffs, trade barriers, licences, approvals, health and safety and environmental regulations, regulations relating to the registered capital of a company, emission controls, taxation, exchange controls, employment legislation, and other matters, which may be imposed at both national and local government levels. The Group needs to devote substantial resources to become familiar with, and monitor changes in, different operating environments so that it can succeed in its businesses.

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

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

***The main business income stream of the Group changes over time, which may fluctuate further due to the macroeconomics and regulatory policies, and hence affect the future earnings of the Group.***

The business income stream of the Group mainly consists of the property leasing, commodities trading, regional water supply construction and water treatment services, construction contracting services and financial services. The income stream and composition of the Group has changed significantly in the past periods.

The property leasing business and construction contracting services business are part of the Group's core business segments. Although the geographic position of Huaibei City is superior with high potential growth capabilities in the future, the income of the Group's business is subject to the trend of the real estate and property market, which may be affected by the macroeconomic situation and regulatory policies. Prices may fluctuate significantly, which may impact the asset quality, profitability and debt payment of debt repayment level of the Group.

In addition, the Group previously engaged in land demolition and restoration business pursuant to the agreement entered into between the Group and Huaibei City municipal government. The Group has completed all of the land demolition and restoration work under the aforementioned agreement, and starting 2018, the Group no longer engages in land demolition and restoration business. Consequently, the Group's business, financial condition and results of operations may be adversely affected.

The total GDP of Huaibei City ranked the last three in Anhui Province, and the local fiscal income has a relatively slow growth rate. In addition, the local government is under pressure on its revenue, certain future projects that have large investment value or long project cycle may change to a public-private partnership ("PPP"), the repurchase or buyback cycle could then be lengthened, and hence reduces the investment value on such projects, which in turn affects the cash flow level of the Group.

***The Group may not be successful in integrating and managing future investments and/or acquisitions.***

The Group may from time to time consider investment and acquisition opportunities that may complement its core business portfolio and capabilities, and assist in expanding the market share of its core business operations. The ability of the Group's operations to grow by investments in and/or acquisitions of its target businesses is dependent upon, and may be limited by, the availability of attractive projects, its ability to agree commercial, technical and financing terms to the satisfaction of the Group and to obtain required approvals from relevant regulatory authorities.

Such investments and/or acquisitions may expose the Group to potential difficulties that could prevent it from achieving the strategic objectives for the investments and/or acquisitions or the anticipated levels of profitability from the investments and/or acquisitions. These difficulties include:

- diversion of management's attention from the Group's existing businesses;
- increases in the Group's expenses and working capital requirements, which may reduce its return on invested capital;
- difficulty of expanding into different markets and challenges of operating in markets and industries that the Group does not have substantial experience in;
- increases in debt, which may increase the Group's financing costs as a result of higher interest payments;
- exposure to unanticipated contingent liabilities to acquired businesses; and
- difficulties in integrating acquired businesses or investments into the Group's existing operations, which may prevent it from achieving, or may reduce, the anticipated synergies.

In addition, where the Group invests in joint ventures, it may not have management control over its investments and there can be no assurance that such joint ventures will operate smoothly or successfully, if at all. There can also be no assurance that joint venture partners will act in a way which is consistent with the interests of the Group and be able and willing to fulfil their obligations under the relevant joint venture or other agreements.

***The Group may not be able to successfully identify, acquire, invest in or operate suitable investment projects, acquisition targets or businesses.***

There can be no assurance that the Group will be able to identify suitable investments and acquisition targets, complete the investments and acquisitions on satisfactory terms or, if at all, if any such investments and acquisitions are consummated, satisfactorily integrate the acquired businesses and investments. Any failure of the Group to implement its expansion plans through investments and acquisitions could have a material adverse effect on the Group's business, financial position and results of operations, as well as its future prospects.

In addition, the Group's subsidiaries operating in different segments may determine that it is in their shareholders' interests to pursue new business ventures. There can be no assurance that such business ventures will be successful or generate the synergies expected, if any. The successful completion of this type of transaction will depend on several factors, including satisfactory due diligence findings and the receipt of necessary regulatory approval, among others. If the Group fails to complete such business ventures or such ventures prove to be unsuccessful, the Group's operating segments involved may be adversely affected.

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

The Group may consider expanding its business by acquiring certain interests in other companies. During the course of these transactions, the Group will conduct due diligence investigations with respect to the target companies, but the due diligence with respect to any acquisition opportunity may not reveal all relevant facts that are necessary or useful in evaluating such opportunity, which could subject the Group to unknown financial, legal and other risks and liabilities. When determining the consideration for any acquisition, the Group will consider various factors, including but not limited to the quality of the target business, estimated costs associated with the acquisition and the management of the target business,

prevailing market conditions and intensity of competition. The Group will also face various issues arising from the acquisition after the relevant transaction is completed, such as integration of the business into its operations and allocation of internal resources. There can be no assurance that the Group will be able to address these issues effectively.

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

***The Group engages in related party transactions with its associates and joint ventures from time to time which may create potential conflicts of interest.***

The Group has engaged in and will continue to engage in a variety of transactions with its associates and joint ventures, which primarily include providing guarantees. There can be no assurance that those transactions would be deemed as arm's-length or its related parties will not take actions that favour their interests over the Group's. If a borrower defaults on any borrowings guaranteed by the relevant Group's member, the relevant lender may exercise its right under the guarantee to demand repayment from the Group, which may result in a funding shortage at the Group level. The internal control regarding the management of various related party transactions can be also challenging and demanding for the Group. Failure to adequately control and manage its related party transaction could have an adverse effect on the Group's business, financial condition or results of operations.

***The Group has substantial indebtedness and may incur additional indebtedness in the future, which could adversely affect its future strategy and operations and its ability to generate sufficient cash to satisfy its outstanding and future debt obligations.***

The Group currently has a large amount of indebtedness and its indebtedness has been increasing in recent years. As at 30 June 2021, the short-term borrowings of the Group amounted to approximately RMB3,441.1 million, the total current liabilities of the Group amounted to approximately RMB25,498.7 million and the long-term borrowings of the Group amounted to approximately RMB26,013.0 million.

The Group may incur additional indebtedness and continuing liabilities in the future, including the issuance of debt securities or entering into financing or other loan arrangements. The level of existing indebtedness and incurrence of further indebtedness could have important consequences to the Group's business, including:

- increasing the Group's vulnerability to adverse general economic and industry conditions;
- requiring the Group to dedicate a substantial portion of its cash flows from operations to servicing and repaying its indebtedness, thereby reducing the availability of its cash flows to fund working capital, capital expenditures and other general corporate purposes;
- limiting the Group's ability to capture investment and/or acquisition opportunities and inhibiting its ability to grow and expand its business;
- adding to the Group's interest exposure as a proportion of its costs of doing business;

- limiting the Group's flexibility in planning for or reacting to changes in its businesses and the industries in which it operates;
- reducing the Group's competitiveness compared to its competitors that have less debt; and
- increasing the costs of additional financing.

Creditors of the Issuer's subsidiaries would have a claim on the Issuer's subsidiaries' assets that would be prior to the claims of the Issuer's creditors. As a result, the payment obligations under the Issuer's indebtedness and liabilities will be effectively subordinated to all existing and future obligations of the Issuer's subsidiaries, and all claims of creditors of the Issuer's subsidiaries, will have priority as to the assets of such entities over the Issuer's claims and those of its creditors.

In addition, the Group continually reviews its current and expected future funding requirements and evaluates and engages in discussions with financial institutions and other market participants, from time to time, on proposals regarding different sources of funding. In incurring indebtedness and liabilities from time to time, members of the Group may create security over their assets, receivables or equity interests in companies or entities held by them (which may include the Issuer's subsidiaries) in favour of the relevant creditors. Should any of such secured indebtedness becomes immediately due and payable as a result of any default in payment or the occurrence of other events of default as defined under the relevant secured indebtedness, the relevant secured creditors would be entitled to take enforcement actions against such secured assets, receivables and equity interests. The secured creditors might take over the relevant subsidiaries' titles to the secured assets, receivables and equity interests or sell them through auction. In such an event, the value of the Group's assets portfolio will diminish and fewer assets and/or equity interests will be available for distribution to unsecured creditors if the relevant subsidiaries are in liquidation. If any member of the Group incurs additional debt, the risks that the Group faces as a result of its already substantial indebtedness and leverage could intensify.

Also, if the Issuer or the relevant subsidiaries are unable to comply with the restrictions (including restrictions on the Group's future investments) and covenants in its current or future debt obligations and other agreements, a default under the terms of such agreements may occur. In the event of a default under such agreements, the holders of the debt could terminate their commitments to the Issuer or its subsidiaries, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Some of the financing arrangements entered into by the Issuer and its subsidiaries may contain cross-acceleration or cross-default provisions. As a result, a default by the Issuer or any of its subsidiaries under any of such agreements may cause the acceleration of repayment of not only such debt but also other debts, or result in a default under other debt agreements. If any of these events occurs, there can be no assurance that the assets and cash flows of the Issuer or its subsidiaries would be sufficient to repay in full all of their respective debts as they become due, or that the Issuer or its subsidiaries would be able to find alternative financing. Even if the Issuer and its subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer or, as the case may be, its subsidiaries.

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

The Group's notes receivables and accounts receivables have substantially increased in recent years. As at 30 June 2021, the Group's notes receivables and accounts receivables amounted to approximately RMB8,777.4 million. If a substantial amount of the Group's notes receivables and accounts receivables are not paid off by the Group's debtors on time, or at all, the Group's financial condition and results of operation may be materially and adversely affected. Also, if the Group's notes receivables and accounts receivables were to continue to increase without the corresponding financing alternatives being available to fund its working capital, it may also materially and adversely affect its operating cash flow, financial condition and results of operations.

***The Group requires various approvals, permits and licences to operate its businesses.***

Pursuant to the applicable laws and regulations in the PRC, the Group is required to obtain or renew approvals, permits and licences with respect to its relevant operations. As at the date of this Offering Circular, the Group is in the process of obtaining certain permits, licences, certificates and other approvals from the relevant PRC government authorities for some of the projects under construction. There can be no assurance that the Group will be able to obtain or renew all necessary approvals, permits and licences on a timely basis or at all. Failure to comply with the applicable laws and regulations or the inability to obtain the relevant approvals, permits and licences could expose the Group to the imposition of sanctions, fines, penalties, revocation of licence or other punitive actions, including suspension of the Group's business operations or restrictions or prohibitions on certain of the Group's business activities, which may adversely affect the Group's financial condition and results of operations.

***The Group may not possess all the necessary usage, title or ownership certificates for the real properties and assets it possesses and some of the Group's properties are subject to usage for special purposes and restrictions on transfer.***

The Group may not hold all applicable usage, title or ownership certificates in respect of certain land, buildings and/or assets that the Group occupies or possesses. The Group may not be able to obtain or cure all of the title deeds for the defective properties or assets and the Group is uncertain how its rights as owner/occupier of these defective properties or assets would be adversely affected as a result of the absence of the title deeds as described above. There can be no assurance that the Group's business, financial conditions and operation performance would not be adversely affected should there be defects in the relevant titles and certificates that the Group holds or the Group is unable to possess all the applicable usage, title or ownership certificates in respect of the land, buildings and/or assets that the Group occupies or possesses. In addition, some of the land that the Group uses or occupies is obtained through allocation from the government, therefore, restrictions of transfer of such land and properties may also have a material adverse impact on the liquidity of the Group's assets and the Group's financial condition.

***Delays or defaults in repurchase payments by the Huaibei government to the Group may affect its working capital and cash flow.***

The payment collection period of some of the Group's construction projects is relatively long, and all or a large portion of the agreed repurchase payment is generally paid only after the Huaibei government or the relevant authorities or entities complete(s) its or their testing and inspection works and provide(s) its or their approval for the project or a phase of the project. However, the Group incurs costs such as material, equipment and labour costs, at the beginning of a project on an on-going basis and before achieving any project milestones, the Group already bears the risk of such expenditures relating to the project. The Huaibei government or the relevant authorities or entities may postpone payment or even fail to make the repurchase payment. Therefore, any delay or default in the repurchase payments by the Huaibei government or the relevant authorities or entities may increase the Group's cash flow pressure, which will in turn increase its financial vulnerability and adversely affect its financial condition and results of operations.

As at the date of the Offering Circular, the Group has not experienced any significant delay in payment by the Huaibei government or the relevant authorities or entities in accordance with the agreed payment timetable. However, there can be no assurance that the Huaibei government or the relevant authorities or entities will continue to make all payments in a timely manner, or that no events of default will occur in the future.

***Non-compliance with environmental regulations, including those to be implemented in the future, may result in material adverse effects on the Group's results of operations.***

A variety of general and industry-specific PRC environmental laws and regulations apply to the Group's operations such as damage caused by air emissions, noise emissions, waste water discharges, waste pollution and solid and hazardous waste handling and disposal. Costs and liabilities relating to compliance with applicable environmental laws and regulations are an inherent part of the Group's business operations. These laws can impose liability for non-compliance or clean up liability on the generation of hazardous waste and other substances from the Group's business operations that are disposed of either on or off-site, regardless of fault or the legality of the disposal activities. The Group may also be required to investigate and remedy contamination at its properties or where the Group conducts operations, including contamination that was caused in whole or in part by previous owners of properties.

In addition, environmental laws and regulations are becoming increasingly stringent and may in the future impose onerous obligations on the Group or significant penalties for non-compliance. While the Group intends to comply with applicable environmental legislation and regulatory requirements, it is possible that such compliance may materially restrict the operation of its business and/or result in significant costs for the Group.

In addition to potential clean-up liability, the Group may become subject to monetary fines and penalties for violation of applicable environmental laws, regulations or administrative orders. This may result in closure or temporary suspension or the imposition of restrictions on the Group's operations. The Group may become involved in legal proceedings that may require it to pay fines, comply with more rigorous standards or incur capital and operating expenses for environmental compliance. Third parties may sue the Group for damages and costs resulting from environmental contamination from its properties and/or production facilities. There can be no assurance that changes in laws or regulations, in particular environmental laws and regulations, will not result in the Group having to incur substantial capital expenditure to upgrade or supplement its existing facilities or becoming subject to any fines or penalties. If the Group were to incur significant fines or penalties or become involved in protracted litigation, or if any of its facilities are closed down or required to be temporarily suspended or if any upgrade is required to comply with the applicable laws and regulations, then the Group's financial condition and results of operations may be adversely affected.

***The Group is subject to extensive regulatory requirements and any failure to comply with the applicable laws, rules and regulations may materially and adversely affect the Group's financial condition and results of operations.***

Certain segments of the Group's business activities are extensively regulated in the PRC. The Group is subject to extensive laws, policies and regulatory requirements issued by the relevant governmental authorities in the PRC, including but not limited to extensive health and safety regulations in the PRC. The Group is also subject to the supervision of a number of government ministries and departments, including but not limited to NDRC and the State Administration of Work Safety. Any breach of the applicable laws or regulations to which the Group is subjected to may result in the imposition of fines and penalties, the suspension or closure of its relevant operations or the suspension or revocation of its licences or permits to conduct its relevant businesses.

Given the magnitude and complexity of the laws and regulations to which the Group is subjected to, compliance with such laws and regulations or the establishment of effective monitoring systems may be onerous or may require a significant amount of financial and other resources. Although the Group is obliged to comply with all applicable laws and regulations, there can be no assurance that the Group will be in compliance with all applicable laws and regulations at all times due to the capricious, arbitrary and unpredictable nature of such applicable laws and regulations in the PRC. Any failure of the Group to comply with applicable laws and regulations could subject the Group to, among other things, civil liabilities and penalties.

As at the date of this Offering Circular, the Group has not received any notice regarding non-compliance with the applicable safety regulations or requirements from any government authority. However, PRC health and safety laws and regulations are constantly evolving. There can be no assurance that the PRC government will not impose additional or stricter health and safety laws or regulations, which may increase the Group's compliance costs and in turn could materially and adversely affect the Group's operations and financial condition.

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

There are a number of constructions, financing, operating and other risks associated with project development in the PRC. Construction projects that the Group undertakes, for example in its construction contracting business segment, typically require substantial capital expenditure during the construction phase. The time taken and the costs involved in completing construction can be adversely affected by many factors, including shortages of raw materials, equipment and labour, adverse weather conditions, natural disasters, terrorism, labour disputes, disputes with subcontractors, accidents, changes in governmental priorities and other unforeseen circumstances. Any of these instances could give rise to delays in the completion of the Group's infrastructure construction projects, which in turn could lead to cost overruns. Construction delays can result in loss of operating income. In addition, as construction costs for new projects have generally increased due to factors that are generally beyond the Group's control, construction delays may further increase such costs. There is no assurance that the Group's existing and future construction projects will commence as scheduled or will be completed on time, or at all, and generate satisfactory returns.

***Failure to recruit and retain key managerial personnel, highly skilled employees and the occurrence of labour unrest may materially and adversely affect the Group's operations.***

The success of the Group's business depends, to a large extent, on the strategic vision of its board of directors, the continued service of key managerial personnel including directors and key senior executives and the ability to attract and retain highly skilled personnel. If the Group is not successful in recruiting or retaining its employees, its operations may be adversely affected. In addition, if any of them fails to observe and perform their obligations under their service agreements, this may have a material adverse effect on the Group's results of operations and profits.

The Group's construction contracting business is labour intensive. As such, labour shortages or labour disputes could materially and adversely affect the Group's business, prospects and results of operations. Industrial action or other labour unrest could directly or indirectly prevent or hinder the progress of the affected construction projects, and, if not resolved in a timely manner, could lead to delays in completing the Group's projects.

In addition, as at 30 June 2021, the Group employed approximately 1,983 employees. Some of the Group's employees are currently represented by labour unions. Although the Group enjoyed good labour relations with its employees and had not experienced any labour disputes that could cause material adverse effect to the Group's operation and performance, the Group is unable to predict the outcome of any future labour negotiations. Any conflicts with the Group's employees or contractors and/or their respective unions could have a material adverse effect on its 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.***

Following the 18th Chinese Communist Party Congress in 2012 and the wide-reaching anti-corruption campaign in the PRC, the Central Leading Group for Inspection Work (the "**Inspection Leading Group**"), a coordination body set up under the Central Committee of the Chinese Communist Party for the purpose of managing party disciplinary inspections nationwide, has dispatched inspection teams to provinces and central government organs such as ministries and state-owned enterprises, including the Issuer, in the PRC to conduct inspection work on party disciplinary enforcement.

The Issuer believes that the inspection team's findings will not materially and adversely affect the business, financial condition and results of operations of the Group. However, there can be no assurance that there will not be any further investigations or actions against the Group or its officers or employees resulting from the findings taken by the Inspection Leading Group or other governmental authorities or that such investigations or actions would not affect the Group as a result.

In addition, 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.

In particular, the Group is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in the PRC and other relevant jurisdictions.

The Group's internal control procedures are designed to monitor its operations and ensure overall compliance. In particular, the Group has adopted policies and procedures aimed at detecting and preventing the use of its business platforms to facilitate money laundering activities and terrorist acts. 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. In addition, it is not always possible to detect and prevent fraud and other misconduct, and the precautions undertaken by the Group to prevent and detect such activities may not be effective. There can be no assurance that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may cause negative publicity as a result and the relevant government agencies may freeze its assets or impose fines or other penalties on the Group. Any of these may materially and adversely affect the Group's reputation, financial condition and results of operations.

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

The Group relies heavily on its quality control systems to ensure the safety and quality of its projects. Therefore it needs to maintain an effective quality control system for the Group's development and construction activities as well as other operational activities. The effectiveness of the Group's quality control system depends significantly on a number of factors, including the design of the system, the related training programme as well as its ability to ensure that the Group's employees adhere to its quality control policies and guidelines. Any failure or deterioration of the Group's quality control systems could result in defects in its projects, which in turn may subject the Group to contractual, product liability and other claims. Any such claims, regardless of whether they are ultimately successful, could cause the Group to incur significant costs, harm its business reputation and result in significant disruption to its operations. In addition, if any such claims were ultimately successful, the Group could be required to pay substantial monetary damages or penalties. Although the Issuer believes that the Group's quality control systems have functioned properly, there can be no assurance that failures in its quality control systems will not occur in the future, and any such failure could have an adverse effect on the Group's business and operations.

***The Group is exposed to interest rate risk.***

Interest rate fluctuations may influence the Group's financial performance. Any changes in the prevailing interest rates may impact the Group's borrowing costs as a portion of the Group's borrowings bear floating interest rates. The Group may be susceptible to interest rate volatility if it is unable to match its floating rate liabilities with floating rate payments or secure appropriate hedges for the same. While the Group's exposure to interest rate volatility may be hedged through the use of interest rate swaps and interest caps, the magnitude of the final exposure depends on the effectiveness of the hedge. There can be no assurance that fluctuations in interest rates will not have an adverse effect on the Group's earnings or cash flows. If any of the various instruments and strategies which the Group uses to hedge its exposure to interest rate risk are or become ineffective, the Group may incur significant losses, which could have a material adverse effect on the Group's financial position and results of operations.

***The Group may be subject to legal, litigation, arbitration and regulatory proceedings.***

The Group may be involved, from time to time, in legal proceedings arising in the ordinary course of its operations. Litigation arising from any failure, injury or damage from the Group's operations may result in the relevant member of the Group being named as defendant in lawsuits asserting large claims against such member of the Group or subject such member of the Group to significant regulatory penalties. These risks often may be difficult to assess or quantify and their existence and magnitude often remain unknown for a substantial period of time. Actions brought against the Group may result in settlements, injunctions, fines, penalties or other sanctions adverse to the Group's reputation, financial condition and results of operations. Even if the Group is successful in defending against these actions, the costs associated with the Group's defence may be significant. When the market experiences a downturn, the number of legal claims and amount of damages sought in litigations and regulatory proceedings may increase. A significant judgment, arbitration award or regulatory action against the Group, or a disruption in the Group's business arising from adverse adjudications in proceedings against the Group's directors, senior management or key employees, would materially and adversely affect the Group's liquidity, business, financial condition, reputation, results of operations and prospects.

In addition, the Group may have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings and unfavourable decrees that result in liabilities. Also, in the event that the Group makes any other investments or acquisitions in the future, there can be no assurance that the Group would not have any exposure to any litigation or arbitration proceedings or other liabilities relating to the acquired businesses or entities.

*The Group's operations are subject to force majeure events, natural disasters and outbreaks of contagious diseases.*

Force majeure events, natural disasters, catastrophe or other events could result in severe personal injury to the Group's staff, property damage and environmental damage, which may curtail the Group's operations, cause delays in estimated completion dates for the Group's various construction projects and could in turn, materially and adversely affect The Group's cash flows and, accordingly, adversely affect its ability to repay any debt.

The Group's operations are mainly based in Huaibei City, which is exposed to potential natural disasters including, but not limited to, flooding, typhoons, rainstorms, storm surges, hailstorms, low-temperature conditions and drought. If any of the Group's developments are damaged by severe weather or any other disasters, accidents, catastrophes or other events, the Group's operations may be significantly interrupted. The occurrence or continuance of any of such unforeseen events or similar events could increase the costs associated with the Group's operations and reduce its ability to operate its businesses effectively, thereby reducing its operating income and profits.

In addition, the Group's contracts with its suppliers and other counterparties 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, 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 suppliers or other 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.

Risks of substantial costs and liabilities are inherent in the Group's principal operations and there can be no assurance that significant costs and liabilities will not be incurred, including those relating to claims for damages to property or persons. Insurance policies for civil liability and damages taken out by the Group could prove to be significantly inadequate, and there can be no assurance that the Group will always be able to maintain an adequate level of coverage at least equal to the Group's current coverage and at the same cost. The frequency and magnitude of natural disasters seen over the past few years, could have a significant impact on the capacities of the insurance and reinsurance market and on the costs of civil liability and damages insurance cover for the Group.

In addition, the Group's operations are subject to outbreaks of contagious diseases. For example, the global outbreak of COVID-19 has adversely affected the global economy and may further create negative economic impact and increase volatility in the PRC and global market which can have a material adverse effect on the Group. See also *"The global economy is facing significant uncertainties and disruptions caused by COVID-19"*. Furthermore, the outbreak of severe acute respiratory syndrome ("**SARS**") in the PRC and Hong Kong in early 2003 had an adverse effect on all levels of business in Hong Kong and the PRC. There have been sporadic outbreaks of the H5N1 virus or "**Avian Influenza A**" among birds, in particular poultry, as well as some isolated cases of transmission of the virus to humans. There have also been global outbreaks of the A/H1N1 influenza virus. On 11 June 2009, the World Health Organisation raised its global pandemic alert to Phase 6 after considering data confirming the outbreak. Other recent epidemics include the Middle East Respiratory Syndrome (MERS), H5N1 avian flu and the recent cases of H7N9 avian flu. The outbreak of SARS and the A/H1N1 influenza virus led to a significant decline in travel volumes and business activities throughout most of the Asia-Pacific region. The occurrence of another outbreak of SARS, the A/H1N1 influenza virus or of any other highly contagious disease may result in another economic downturn and could adversely affect the overall level of business and travel in the affected areas. There may also be significant disruption to the Group's business operations and consequently have an adverse effect on its financial condition and results of operations.

***The insurance coverage of the Group may not adequately protect it against all operational risks or any potential liabilities or losses.***

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

- construction interruptions caused by operational errors, electricity outages, raw material shortages, equipment failure and other operational risks;
- operating limitations imposed by environmental or other regulatory requirements;
- defective quality of the real estate property it develops;
- work-related personal injuries;
- on-site construction related 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.

To manage operating risks, the Group maintains insurance policies that provide different types of risk coverage, which the Issuer believes to be consistent with market practice within the relevant industries that the Group operates in and in amounts that the Issuer believes to be adequate. However, the Group faces various risks in connection with its businesses and may lack adequate insurance coverage or may have no relevant insurance coverage. There can be no assurance that the insurance policies maintained by the Group will provide adequate coverage in all circumstances. Although each of the Group's facilities has had a track record of safe operation and none of them has suffered any material hazards over the last three years, there can be no assurance that hazards, accidents or mishaps will not occur in the future. The occurrence of any such incident for which the Group is uninsured or inadequately insured may have a material adverse effect on its business, financial condition and results of operations.

In addition, the Group may not always be able to obtain the type and amount of insurance at commercially reasonable rates. Over time, premiums and deductibles for insurance policies may substantially increase, and certain insurance policies could become unavailable or only available with reduced amounts of coverage. There are also certain types of losses, such as loss caused by wars, acts of terrorism or acts of God, business interruption, property risks and third party (public) liability, that are generally not covered by insurance policies as such events are deemed economically uninsurable. If the Group were to incur significant liability for which the Group is not insured or not fully insured, such liability could have a material adverse effect on its financial position and results of operations. In addition, any claims made under any insurance policies maintained by the Group may not be paid in a timely manner, or at all, and may be insufficient if such an event were to occur.

***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 depends on the integrity and performance of its business, accounting and other data processing systems. If the Group's systems cannot cope with increased demand or otherwise fail to perform, the Group could experience unanticipated business disruptions, slower response times and limitation on its ability to monitor and manage data and exposure to risk, control financial and operation conditions, and keep accurate records. These consequences could result in operating outages, poor operating performance, financial losses, and potential intervention by regulatory authorities.

Although the Group's systems have not experienced major system failures and delays in the past, there can be no assurance that the Group's systems would not experience future system failures and delays, or the measures taken by the Group to reduce the risk of system disruptions are effective or adequate. If internet traffic and communication volume increase unexpectedly or other unanticipated events occur, the Group may need to expand and upgrade the Group's technology, systems and network infrastructure. There can be no assurance that the Group will be able to accurately project the rate, timing or cost of any increases, or expand and upgrade the Group's systems and infrastructure to accommodate any increases in a timely manner.

***The Group may not be able to adequately protect its intellectual property, which could adversely affect its business operations.***

The Group may rely on patents, copyrights, trademarks and/or contractual rights to protect its intellectual property. There can be no assurance that any protective measures adopted by the Group will be sufficient to prevent any misappropriation of the Group's intellectual property. The legal regime governing intellectual property in the PRC is still evolving and the level of protection afforded in respect of intellectual property rights in the PRC differs from those in other jurisdictions. In the event that the measures taken by the Group and the protection afforded by law do not adequately safeguard the Group's proprietary technology or property, the Group could suffer significant losses due to the sales of competing products or services that appoints the Group's intellectual property, which in turn could adversely affect its business, financial condition and results of operations.

***Changes in the organisational structure of the Group may affect the Group's financial condition and results of operations.***

The Group may undergo certain organisational restructuring from time to time which may involve disposal by the Issuer of certain subsidiaries or affect whether certain subsidiaries of the Issuer will be consolidated in the Issuer's consolidated financial statements. There can be no assurance that any such organisational restructuring or changes in the Issuer's shareholding structure will not have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Members of the Group may become listed and therefore may be subject to regulatory restrictions and listing requirements and the Issuer's shareholding or voting interests in such subsidiaries may be diluted.

The shares of one or more members of the Group may become listed on one or more stock exchanges. As a result, the entering into certain transactions by any such member may be subject to various regulatory restrictions. Intra-group transactions may also be subject to applicable listing requirements, such as the issuance of press notices and public announcements, the obtaining of independent shareholders' approval at general meetings and/or disclosure in annual reports and accounts. Members with funding needs may therefore not be able to obtain financial support from the Group in a timely manner, or at all.

In addition, in the event that the shares of one or more subsidiaries of the Issuer become listed on a stock exchange, the Issuer's shareholding or voting interests in such subsidiaries may be diluted. There can be no assurance that any such dilution in shareholding or voting interests will not have a material adverse effect on the Group's business, financial condition and results of operations.

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

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

The Group's accounts are in accordance with PRC GAAP which may be different from IFRS. The Group's auditors are certified public accountants registered in the PRC. The Group's Audited Financial Statements and Group's Reviewed Financial Statements were prepared in accordance with PRC GAAP. Although PRC GAAP is substantively in line with IFRS, PRC GAAP is, to a certain extent, different from IFRS. See "*Summary of Certain Differences Between PRC GAAP and IFRS*". There is no guarantee that PRC GAAP will fully converge with IFRS or that there will be no additional differences between the two accounting standards in the future. Potential investors should consult their own professional advisors 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.

## **RISKS RELATING TO THE PRC**

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

A substantial part of the Group's assets are located in the PRC and a substantial part of its revenue is sourced from the PRC. Accordingly, the Group's results of operations, financial position and prospects are subject, to a significant degree, to economic, political and legal developments and changes in the PRC.

The economy of the PRC experienced rapid growth in the past 30 years. There has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. According to the National Statistics Bureau of China, the annual growth rate of China's GDP in 2015 slowed down to 6.9 per cent. on a year-on-year basis compared to 7.3 per cent. in 2014, and it further decreased to 6.7 per cent. for 2016, which was the slowest annual GDP growth rate recorded in 26 years. For the years ended 31 December 2017, 2018 and 2019, China's GDP growth rate was 6.9 per cent., 6.6 per cent. and 6.6 per cent. In May 2017, Moody's changed China's long-term sovereign credit rating and foreign currency issuer ratings to A1 from Aa3. In September 2017, S&P Global Ratings also downgraded China's long term sovereign credit rating to A+ from AA-, citing increasing economic and financial risks from a prolonged period of strong credit growth. Further indication of the slowdown in the growth of China's economy is evidenced by press reports of a recent increase in bond defaults by PRC corporate issuers.

The future performance of China's economy is not only affected by the economic and monetary policies of the PRC government, but it is also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world, such as the United States and the European Union. There is substantial uncertainty relating to the implementation of

the United Kingdom's exit or its impact on the economic conditions of other part of the world, such as China's, including but not limited to further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and euro against other leading currencies) and a possible economic recession involving more countries and areas. Therefore, there exists continued uncertainty for the overall prospects for the global and the PRC economies this year and beyond.

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

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

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

The Group's operations and financial results may also be affected by changes in political, economic and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof). In addition, infrastructure construction demand in China depends heavily on economic growth. If the China's economic growth slows down or if China experiences an economic recession, the growth of development in China's economic and technology development zones and infrastructure construction demand may also slow down, and the Group's business prospects may be materially and adversely affected. The Group's operations and financial results, as well as its ability to satisfy its obligations under the Bonds, could also be materially and adversely affected by changes to or introduction of measures to control changes in the rate or method of taxation and the imposition of additional restrictions on currency conversion.

***Uncertainty with respect to China's legal system may affect the Group.***

As substantially all of the Group's businesses are conducted, and substantially all of its assets are located, in the PRC, the Group's operations are governed principally by laws and regulations of the PRC. The PRC's legal system is based on written statutes while prior court decisions, in certain circumstances, may be cited as reference but have limited precedential value. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to enhancing the protections afforded to market participants in the PRC. However, the PRC has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their nonbinding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, PRC's legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Group may not be aware of its violation of these policies and rules until sometime after the violation. Furthermore, the administration of PRC laws and regulations may be subject to a certain degree of discretion by the executive authorities. This has resulted in the outcome of dispute resolutions not being as consistent or predictable compared to more developed jurisdictions. In addition, any litigation in the PRC may be protracted and result in substantial costs and

diversion of resources and management's attention and it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgments by a court of another jurisdiction. These uncertainties relating to the interpretation and implementation of PRC's laws and regulations may adversely affect the legal protections and remedies that are available to the Group in its operations and to the holders of the Bonds.

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

The Issuer and its subsidiaries are incorporated under the laws of the PRC. A majority of the Group assets are located in the PRC. In addition, all of the Group's directors, supervisors and senior management reside within the PRC and the assets of the Group's directors and officers are located within the PRC. As a result, it may not be possible for investors to effect service of process outside the PRC upon all of the Group's directors, supervisors and senior management, including for matters arising under applicable securities law. A judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if judgments of the courts in the PRC have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. However, the PRC does not have treaties or arrangements providing for the reciprocal recognition and enforcement of judgments of courts with most other jurisdictions, including Japan, the United States and the United Kingdom. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgment 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), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a "choice of court" agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final court judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a "choice of court" agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A "choice of court" agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute do not enter into a "choice of court" agreement in writing. Therefore, it may be difficult or impossible for investors to recognise and enforce any judgments obtained from foreign courts against the Group, or the Group's directors, supervisors or senior management in the PRC. On 18 January 2019, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters between the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "2019 Arrangement"), which seeks to establish a bilateral legal mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between the courts of Hong Kong and the PRC. The 2019 Arrangement will be implemented by local legislation in Hong Kong and will take effect after both Hong Kong and the PRC have completed the necessary procedures to enable implementation and shall apply to judgments made by the courts of Hong Kong and the PRC on or after the date of the commencement of the 2019 Arrangement. Upon commencement of the 2019 Arrangement, the Choice of Court Arrangement shall be terminated, except for "choice of court" agreements in writing made between parties before the commencement of the 2019 Arrangement, in which case the Choice of Court Arrangement shall continue to apply. However, the recognition and enforcement of judgments rendered by a Hong Kong court in the PRC are subject to the provisions, limits, procedures and other terms and requirements of the 2019 Arrangement. There can be no assurance that investors can successfully effect service of process against the Guarantor or the Guarantor's directors or members of its senior management in the PRC and/or to seek recognition and enforcement for judgments rendered by a Hong Kong court in the PRC.

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

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

Facts and other statistics in this Offering Circular relating to the PRC, its economy or the relevant industry in which the Issuer operates have been directly or indirectly derived from official government publications and certain other public industry sources and although the Issuer believes such facts and statistics are accurate and reliable, the Issuer 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 Joint Lead Managers, the Trustee, the LC Bank, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents or any of the Group's or their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls the Issuer, the Group, or any of them, and, therefore, the Issuer, the Group, the Joint Lead Managers, the Trustee, the LC Bank, the Pre-funding Account Bank, the LC Proceeds Account Bank and the Agents and each of their respective affiliates, directors, employees, agents, representatives, officers and advisers and any person who controls any of them makes no representation as to the completeness, accuracy or fairness of such facts or other statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be incomplete, inaccurate or unfair or may not be comparable to statistics produced for other economies or the same or similar industries in other countries and should not be unduly relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or other statistics.

**RISKS RELATING TO THE BONDS AND THE STANDBY LETTER OF CREDIT**

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

The NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of the securities. The NDRC Circular is silent on the legal consequences of non-compliance with the pre-issue registration requirement. The Issuer has obtained the NDRC pre-issuance registration certificate on 27 May 2021. Similarly, there is no clarity on the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular. In the worst case scenario, such non-compliance with the post-issue notification requirement under the NDRC circular may result in it being unlawful for the Issuer to perform or comply with any of its obligations under the Bonds and the

Bonds might be subject to enforcement as provided in Condition 10 (*Events of Default*) of the Terms and Conditions. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions. The Issuer has undertaken file or cause to be filed with the NDRC the requisite information and documents in accordance with the NDRC within 10 Registration Business Days after the Issue Date and comply with all applicable PRC laws, rules and regulations in connection with the Bonds (including, but not limited to, any rules issued by the NDRC from time to time).

In accordance with the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) (the “**Foreign Debt Registration Measures**”) and its operating guidelines issued by the SAFE on 28 April 2013, which came into effect on 13 May 2013, the Issuer shall complete foreign debt registration in respect of the issue of the Bonds with the local branches of SAFE in accordance with the relevant laws and regulations. Before such registration of the Bonds is completed, it is uncertain whether the Bonds are enforceable under the PRC laws and it may be difficult for Bondholders to recover amounts due from the Issuer, and the Issuer may not be able to remit the proceeds of the offering into the PRC or remit money out of the PRC in order to meet its payment obligations under the Bonds. Pursuant to article 27(5) of the Foreign Debt Registration Measures, a failure to comply with registration requirements may result in a warning and fine as set forth under article 48 of the Foreign Exchange Administrative Regulations (外匯管理條例) promulgated by the State Council in 2008. However, pursuant to article 40 of the Foreign Debt Administration Provisional Rules (外債管理暫行辦法) promulgated by MOF, the NDRC and SAFE, a failure by a domestic entity to register a foreign debt contract will render the contract not legally binding and unenforceable. Under the Terms and Conditions, the Issuer has undertaken (i) within five Registration Business Days after the Issue Date, file or cause to be filed with SAFE the Bonds pursuant to the Foreign Debt Registration Measures and (ii) to use its best endeavours to complete the Foreign Debt Registration with SAFE within 120 calendar days after the Issue Date. If the Issuer is unable to complete the registration with the local branches of SAFE, the Issuer may have difficulty in remitting funds offshore to service payments in respect of the Bonds and investors may encounter difficulties in enforcing judgments obtained in the Hong Kong courts with respect to the Bonds and the Trust Deed in the PRC. In such circumstances, the value and secondary market price of the Bonds may also be materially and adversely affected.

According to Notice of People’s Bank of China on Matters Concerning Macro-prudential Management on All-round Cross-border Financing (Yin Fa [2017] No. 9) (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知), the Issuer shall file the information of relating to the Bonds in the capital project information system with the SAFE. The Issuer, after filing with SAFE, may carry out relevant capital settlement for the Issuer according to the withdrawal and repayment arrangement, report the relevant clearing information to the relevant systems of the PBOC and SAFE, and update the information on the transaction in relation to the Bonds (including offshore creditors, maturity, amount, interest rate and net assets). If the audited net assets, the foreign creditors involved in the financing contract, the term of the loan, the amount and interest rates have changed, the Issuer shall file the changes in a timely manner. If the Issuer fails to report or update the cross-border financing information in time, the PBOC and SAFE may circulate the criticism on the Issuer after verification, order a rectification, and impose sanctions according to the Law on People’s Bank of China (中國人民銀行法) and Foreign Exchange Administrative Regulations (外匯管理條例).

***The PRC government has no obligations under the Bonds.***

The PRC government is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds in lieu of the Issuer. Any ownership or control by the PRC government does not necessarily correlate to, or provide any assurance as to, the Issuer’s financial condition. The PRC government as the ultimate shareholder of the Issuer only has limited liability in the form of its equity contribution in the Issuer. As such, the PRC government does not have any payment obligations under the Bonds or the Trust Deed if the Issuer fails to meet its respective obligations. In addition, the controlling relationship between the Issuer and its sole shareholder, Huaibei SASAC, which is under the

administration of Huaibei government, does not necessarily correlate to, or provide any assurance as to the Group's financial condition. The repayment obligations under the Bonds remain the sole obligations of the Issuer.

**The Issuer has limited sources of funding in order to meet its debt obligations.**

The Issuer operates its business mainly through itself and its subsidiaries. Accordingly, the Issuer has limited sources of funding available to it to service its debts and its ability to meet the obligations under its debt obligations. These mainly include dividends and repayments on intercompany loans received from its subsidiaries, as well as divestments of investment assets and obtaining external financing.

With respect to dividends and repayments of intercompany loans from its subsidiaries, if a subsidiary of the Issuer incurs any debt, such debt may impair its subsidiaries from distributing dividends or making other distributions to it ultimately. In addition, PRC laws require that dividends can only be paid out of the net income calculated according to PRC GAAP and financial regulations in the PRC. In addition, the PRC laws require the companies incorporated in the PRC to set aside part of their net income as statutory reserves. These statutory reserves are not available for distribution as cash dividends. Such restrictions may have an adverse effect on the Issuer's ability to service its debts and its ability to meet its debt obligations as the Issuer relies heavily on dividends and repayments from its subsidiaries.

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

As the Issuer and its subsidiaries are incorporated under the laws of the PRC, any insolvency proceeding relating to the Group would likely involve insolvency laws of the PRC, as applicable, 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.

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

The Bonds are denominated and payable in U.S. dollars. An investor who measures investment returns by reference to a currency other than U.S. dollars would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which the Group has any control. Depreciation of the U.S. dollars 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.

**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 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 subprime mortgage crisis in 2008, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

**A trading market for the Bonds may not develop.**

The Bonds are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. The Joint Lead Managers are not obligated to make a market in the Bonds, and if it does so it may discontinue such market-making activity at any time without notice. Further, the Bonds may be allocated to a limited number of investors, in which case liquidity may be limited. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, the holders of the Bonds will only be able to resell the Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. It is the obligation of investors to ensure that offers and sales of the Bonds within relevant countries comply with applicable securities laws. Please see "*Subscription and Sale*." The Issuer cannot predict whether an active trading market for the Bonds will develop or be sustained.

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

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in each of the Group's revenue, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies or any adverse change in the credit rating, revenues, earnings or results of operations 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.

**Modifications and waivers may be made in respect of the Terms and Conditions of the Bonds, the Standby Letter of Credit, the Agency Agreement and the Trust Deed by the Trustee or less than all of the holders of the Bonds.**

The Terms and Conditions of the Bonds provide that the Trustee may (but shall not be obliged to), without the consent of Bondholders, agree to any modification (except as mentioned in the Trust Deed) of the Trust Deed, the Agency Agreement, the Standby Letter of Credit and/or the Terms and Conditions of the Bonds which in the opinion of the Trustee will not be materially prejudicial to the interests of Bondholders and to any modification of the provisions of the Trust Deed, the Agency Agreement, the Standby Letter of Credit and/or the Terms and Conditions of the Bonds 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.

In addition, the Trustee may (but shall not be obliged to), without the consent of the Bondholders, authorise or waive any proposed breach or actual breach of, or any failure to comply with, any of the provisions of the Bonds, the Trust Deed, the Agency Agreement, the Standby Letter of Credit and/or the Terms and Conditions of the Bonds (other than a proposed breach, or a breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be binding on the Bondholders and shall be notified to the Bondholders as soon as practicable thereafter.

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

In certain circumstances (including without limitation the giving of notice to the Issuer pursuant to Condition 10 (*Events of Default*) of the Conditions and the taking of steps and/or actions and/or the

instituting of proceedings against the Issuer and/or the LC Bank pursuant to Condition 14 (*Enforcement*) of the Terms and Conditions), the Trustee may (at its sole discretion) request Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions and/or steps and/or institutes proceedings on behalf of Bondholders. The Trustee shall not be obliged to take any such actions and/or steps and/or institute such proceedings if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions and/or steps can be taken and/or such proceedings can be instituted. The Trustee may not be able to take actions, and/or steps and/or institute proceedings notwithstanding the provision of an indemnity and or security and or pre-funding to it, in breach of the terms of the Trust Deed (as defined in 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 law, it will be for the Bondholders to take such actions and/or steps and/or institute such proceedings directly.

**The LC Bank’s ability to perform its obligations under the Standby Letter of Credit is subject to its financial conditions.**

The ability of the LC Bank to make payments under the Standby Letter of Credit will depend on its financial conditions, 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 financial condition will be 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 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 certain portion of the LC Bank’s loans is secured by collateral and 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, such as the recent COVID-19 pandemic. 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.

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

Under the Enterprise Income Tax Law of the PRC (the “**EIT Law**”) as last amended on 29 December 2018 and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a

“non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by non-resident enterprise Bondholders would be treated as income derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, under the Individual Income Tax Law of the PRC (the “**IIT Law**”) as last amended on 31 August 2018, and its implementation rules, any individual who has no domicile and does not live within the territory of the PRC or who has no domicile but has lived within the territory of China for less than 183 days in aggregate within a tax year shall pay individual income tax for any income obtained within the PRC. There is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (the “**Arrangement**”) which was promulgated on 21 August 2006, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied. On 23 March 2016, the MOF and the State Administration of Taxation issued the Circular of Full Implementation of Replacing Business Tax with Value-Added Tax Reform (關於全面推開營業稅改徵增值稅試點的通知) (Caishui [2016] No. 36) (“**Circular 36**”), which introduced a new value-added tax (“**VAT**”) from 1 May 2016. Under Circular 36, VAT is applicable where the entities or individuals provide financial services such as providing loans within the PRC. The Issuer will be obliged to withhold VAT of 6 per cent. and certain surcharges on payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, 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 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 may not be a suitable investment for all investors.**

Each potential investor in any Bond 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 relevant Bonds, the merits and risks of investing in the relevant Bonds and the information contained 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 relevant Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Bonds;

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

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

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

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

The Bonds will initially be represented by a Global Certificate. Such Global Certificate will be deposited with a common depository for Euroclear and Clearstream. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive bonds. The relevant clearing system will maintain records of the beneficial interests in the Global Certificate. While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the clearing systems.

While the Bonds are represented by the Global Certificate, the Issuer will discharge its payment obligations under the Bonds by making payments to the common depository for Euroclear and Clearstream for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant clearing system to receive payments under the Bonds. The Issuer has no 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 relevant clearing system to appoint appropriate proxies.

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

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

### **The Bonds are unsecured obligations.**

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

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

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

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

The Issuer may redeem the Bonds at its option, in whole but not in part, at a redemption price equal to 100 per cent. of their principal amount, together with any interest accrued to (but not including) the date fixed for redemption if, subject to certain conditions, as a result of a change in tax law, the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in Condition 9 (*Taxation*) of the Conditions), as further described in Condition 7(b) (*Redemption for Taxation Reasons*) of the Conditions.

If the Issuer redeems the Bonds prior to their 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 not be able to meet its outstanding obligations under the Bonds.**

The Issuer may (and at maturity, will) be required to redeem all of the Bonds. If such an event were to occur, the Issuer may not have sufficient cash on hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Bonds by or on behalf of the Issuer may constitute an event of default under the Bonds, which may also constitute a default under the terms of its other indebtedness.

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

The Issuer may, from time to time, and without prior consultation with the Bondholders create and issue further bonds (see "*Terms and Conditions of the Bonds – Further Issues*") or otherwise raise additional capital through such means and in such manner as the Issuer 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 fixed interest rates. Consequently, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. If Bondholders sell the Bonds they hold before the maturity of such Bonds, they may receive an offer less than their investment.

**The SBLC expires within certain days after the Maturity Date.**

The SBLC will expire within certain days after the Maturity Date. In the event that the Trustee does not enforce the SBLC by this expiration date, Bondholders will not be able to benefit from the credit protection provided by the LC Bank.

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

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

## TERMS AND CONDITIONS OF THE BONDS

*The following, other than the words in italics, is the text of the terms and conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:*

The issue of the U.S.\$150,000,000 in aggregate principal amount of 2.90 per cent. credit enhanced bonds due 2025 (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 resolution of the board of directors of Huaibei City Construction Investment Holding Group Company Limited (淮北市建投控股集團有限公司) (the “**Issuer**”) passed on 4 February 2021. The Bonds are constituted by a trust deed (as amended, supplemented and/or replaced from time to time, the “**Trust Deed**”) dated 23 February 2022 (the “**Issue Date**”) between the Issuer and Citicorp International Limited (花旗國際有限公司) (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 are the subject of an agency agreement (as amended, supplemented and/or replaced from time to time, the “**Agency Agreement**”) dated 23 February 2022 between the Issuer, the Trustee, Citibank, N.A., London Branch as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time with respect to the Bonds), as transfer agent (the “**Transfer Agent**”, which expression includes any successor or additional transfer agents appointed from time to time with respect to the Bonds) and as principal paying agent (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 transfer 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, Citibank, N.A., Hong Kong Branch as the account bank (the “**Pre-funding Account Bank**”, which expression shall include any successor) with which the Pre-funding Account (as defined below) is held and Citibank, N.A., Hong Kong Branch as the account bank (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 “**Paying Agents**” includes the Principal Paying Agent and “**Agents**” means the Principal Paying Agent, the Registrar, the Transfer Agent 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 23 February 2022 issued by Huishang Bank Corporation Limited (the “**LC Bank**”) in favour of the Trustee on behalf of itself and the holders of the Bonds. 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 Standby Letter of Credit and those provisions of the Agency Agreement applicable to them. For as long as any Bond is outstanding, copies of the Trust Deed, the Agency Agreement and the Standby Letter of Credit are available for inspection by Bondholders upon prior written request and satisfactory proof of holding to the Trustee at all reasonable times during normal business hours (being between 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays)) at the principal office of the Trustee (being at the Issue Date at 20th Floor, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong) following prior written request and proof of holding satisfactory to the Trustee.

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 (the “**Certificates**”) and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same holder. Title to the Bonds shall pass by transfer and registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”). 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 shall be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

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

In these Conditions, “**Bondholder**” or “**holder**” in relation to a Bond means the person in whose name a Bond is registered.

## **2. Transfers of Bonds**

- (a) **Transfer:** A holding of Bonds may, subject to Condition 2(d), 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 a 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 a 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. All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfers and registration of Bonds, the initial form of which is scheduled to the Agency Agreement. No transfer of title to a Bond will be valid unless and until entered on the Register. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be mailed (free of charge to the Bondholders and at the Issuer’s expense) by the Registrar to any Bondholder following prior written request and proof of holding satisfactory to the Registrar.

*Transfers of interests in the Bonds evidenced 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) or Condition 2(b) shall be available for delivery within seven business days of receipt by the Registrar or, as the case may be, any Transfer Agent, of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery of such form of transfer and 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 banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

*Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates.*

- (c) **Formalities Free of Charge:** Certificates, on transfer or exercise of an option, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon (i) payment by the relevant holder of any taxes, duties or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require), (ii) the Registrar being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the Registrar or the relevant Transfer Agent being satisfied that the regulations concerning transfer of Bonds have been complied with.
- (d) **Closed Periods:** No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for any payment of principal in respect of that Bond or redemption of that Bond; (ii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 8(a)(ii)); (iii) after a Tax Redemption Notice (as defined in Condition 7(b)) has been delivered by the Issuer pursuant to Condition 7(b) and (iv) after a Put Exercise Notice (as defined in Condition 7(c)) in respect of such Bond has been deposited by such Bondholder pursuant to Condition 7(c).

### 3. 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 and regulations, 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 to the LC Bank in accordance with the Standby Letter of Credit (the “**Demand**”) (provided

that in the event that the SWIFT system is not available for any reason, the Trustee may instead present a copy of the demand to the LC Bank via facsimile transmission in accordance with the Standby Letter of Credit) 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 Condition 10) has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 10.

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

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.

Subject to the terms and conditions of the Standby Letter of Credit, 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 Trust Deed and/or the Agency Agreement shall, to the extent of the drawing paid to or to the order of the Trustee, satisfy the obligations of the Issuer in respect of such amount payable under these Conditions or in connection with the Bonds, the Trust Deed and/or the Agency Agreement.

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.\$153,175,000 (the "**Maximum Limit**"). The Standby Letter of Credit takes effect from the Issue Date and shall remain valid and in full force until 6:00 p.m. (Hong Kong time) on the earlier of (1) the date specified in the confirmation of redemption (together with a signed and stamped power of attorney authorising signatories of the confirmation of redemption) provided by the Trustee as the beneficiary under the Standby Letter of Credit by email to the Issuer with the LC Bank copied in the form set out in Schedule 7 of the Trust Deed on which the Bonds have been redeemed in full and, to the best knowledge of the Trustee, all payment obligations under the Trust Deed and the Agency Agreement have been satisfied or (2) 23 March 2025 (the earlier of (1) or (2), the "**Expiry Date**").

- (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 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 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. (Hong Kong time) on the Business Day immediately preceding the due date for such payment (together, the "**Required Confirmations**").

The Pre-funding Account Bank shall notify the Trustee by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date upon the failure by the Issuer

to pay the Relevant Amount into the Pre-funding Account in accordance with these Conditions. 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 (and the Trustee may rely conclusively on any such confirmation), or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date (a “**Pre-funding Failure**”), the Trustee shall

- (A) as soon as reasonably practicable notify the LC Bank and the LC Proceeds Account Bank by facsimile or by SWIFT of the occurrence of the Pre-funding Failure; and
- (B) by no later than 6:00 p.m. (Hong Kong time) on the Business Day following the Pre-funding Date, (x) give notice (the “**Pre-funding Failure Notice**”) to the Bondholders of (I) the Pre-funding Failure and (II) the redemption of the Bonds in accordance with Condition 7(d) to occur as a result of the Pre-funding Failure; and (y) issue a Demand to the LC Bank for the principal amount in respect of all 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 payable by the Issuer under or in connection with the Bonds, the Trust Deed, the Standby Letter of Credit and/or the Agency Agreement and/or any other transaction document relating to the Bonds, provided that, subject to and in accordance with the terms of 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 to the LC Bank, or in the event that the SWIFT system is not available for any reason, via facsimile transmission (followed by the original of that Demand) as contemplated in the Standby Letter of Credit.

Following receipt by the LC Bank of such Demand on or before 6:00 p.m. (Hong Kong time) on a Business Day falling on or after the Issue Date and on or before the Expiry Date, the LC Bank shall on or before 10:00 a.m. (Hong Kong time) on the fifth Business Day immediately following such Business Day (or, if such Demand is received after 6:00 p.m. (Hong Kong time) on a Business Day, the sixth Business Day immediately following such Business Day), pay to or to the order of the Trustee the amount in U.S. dollars specified in the Demand to the account specified in the Demand.

For the purposes of these Conditions:

“**Authorised Signatory**” has the meaning given to it in the Trust Deed;

“**Business Day**” means a day (other than a Saturday or a Sunday or a public holiday) on which commercial banks and foreign exchange markets are open for business in Hong Kong, Beijing 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 (i) payment for the Relevant Amount has been made by the Issuer to the Pre-funding Account in accordance with Condition 4(b) and (ii) the Issuer 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) Undertakings relating to Foreign Debt Registration:

The Issuer undertakes that it will (i) within five Registration Business Days after the Issue Date, register or cause to be registered with SAFE the Bonds pursuant to the Administrative Measures for Foreign Debt Registration (《外債登記管理辦法》) and its operating guidelines issued by SAFE, effective as of 13 May 2013 and the Circular of the People's Bank of China on Implementing Macro Prudential Management of Full-covered Cross-border Financing (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》) (the “**Cross Border Financing Circular**”) (the “**Foreign Debt Registration**”), (ii) use all reasonable endeavours to complete the Foreign Debt Registration and obtain a registration record from SAFE on or before the Registration Deadline, and (iii) comply with all applicable PRC laws and regulations in relation to the Bonds, including but not limited to, if applicable, the Cross Border Financing Circular and any implementing measures promulgated thereunder from time to time.

### (b) Notification to NDRC

The Issuer undertakes that it will (i) within 10 Registration Business Days after the Issue Date file or cause to be filed with the NDRC the requisite information and documents in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC on 14 September 2015 which came into effect on the same day (the “**NDRC Post-issue Filing**”) and (ii) comply with all applicable PRC laws, rules and regulations in connection with the Bonds (including, but not limited to, any rules issued by the NDRC from time to time).

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

The Issuer shall before the Registration Deadline and within 10 Registration Business Days after the later of the submission of the NDRC Post-issue Filing and receipt of the registration form or filing evidence from SAFE (or any other document evidencing the completion of the Foreign Debt Registration), provide the Trustee with (i) a certificate in English substantially in the form scheduled to the Trust Deed signed by an Authorised Signatory of the Issuer confirming the completion of the NDRC Post-issue Filing and the Foreign Debt Registration and (ii) copies of the relevant documents evidencing the NDRC Post-Issue Filing (if any) and the Foreign Debt Registration, each certified in English by an Authorised Signatory as a true and complete copy of the original (the items specified in (i) and (ii) together of this Condition 5(c) together, the “**Registration Documents**”).

In addition, the Issuer shall, within 10 Registration Business Days after the Registration Documents are delivered to the Trustee, give notice to the Bondholders in the form scheduled to the Trust Deed (in accordance with Condition 17 (*Notices*)) confirming the completion of the NDRC Post-issue Filing and the Foreign Debt Registration.

The Trustee shall have no obligation or duty to monitor or ensure the Foreign Debt Registration is completed and/or, if applicable, any filing is made pursuant to the Cross Border Financing Circular as required by Condition 5(a) or the NDRC Post-issue Filing is made as required by Condition 5(b) or to assist with any of the NDRC Post-issue Filing, any filing pursuant to the Cross Border Financing Circular (if applicable) or the Foreign Debt

Registration or to verify the accuracy, validity and/or genuineness of any Registration Documents or to give notice to the Bondholders confirming the completion of the NDRC Post-issue Filing and the Foreign Debt Registration, and shall not be liable to Bondholders or any other person for not doing so.

- (d) **Provision of Financial Information:** So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer shall furnish the Trustee with:
- (i) a Compliance Certificate of the Issuer (on which the Trustee may conclusively rely as to such compliance and shall not be liable to any Bondholder or any other person for such reliance) and a copy of the relevant Audited Financial Reports within 150 days of the end of each Relevant Period prepared in accordance with the Accounting Standards for Business Enterprises in China (audited by a nationally recognised firm of independent accountants) of the Issuer and its Subsidiaries (if any) and if such statements shall be in the Chinese language, together with an English translation of the same translated by (A) a nationally recognised firm of independent accountants or (B) a professional translation service provider and checked by a nationally recognised firm of independent accountants, together with a certificate in English signed by an Authorised Signatory of the Issuer certifying that such translation is complete and accurate;
  - (ii) a copy of the Unaudited Financial Reports within 120 days of the end of each Relevant Period prepared on a basis consistent with the Audited Financial Reports of the Issuer and its Subsidiaries (if any) and if such statements shall be in the Chinese language, together with an English translation of the same and translated by (A) a nationally recognised firm of independent accountants or (B) a professional translation service provider and checked by a nationally recognised firm of independent accountants, together with a certificate in English signed by an Authorised Signatory of the Issuer certifying that such translation is complete and accurate; and
  - (iii) a Compliance Certificate (on which the Trustee may rely conclusively on as to such compliance and shall not be liable to any Bondholder or any other person for such reliance) of the Issuer within 14 days of any written request by the Trustee;

provided that, if at any time the capital stock of the Issuer is listed for trading on a recognised stock exchange, the Issuer may furnish to the Trustee, as soon as they are available but in any event not more than 10 Business Days (as defined in Condition 8(f)) after any financial reports of the Issuer are filed with the stock exchange on which the Issuer's capital stock is at such time listed for trading, copies, each certified as a true and complete copy of the original by an Authorised Signatory of the Issuer, of any financial report filed with such exchange in lieu of the reports identified in Conditions 5(c)(i) and 5(c)(ii) above, and if such financial or other reports shall be in the Chinese language, together with an English translation of the same and translated by (I) a nationally recognised firm of independent accountants or (II) a professional translation service provider and checked by a nationally recognised firm of independent accountants, together with a certificate in English signed by an Authorised Signatory of the Issuer certifying that such translation is complete and accurate.

(e) Definitions: In these Conditions:

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

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

- (i) no Event of Default (as defined in Condition 10) or Potential Event of Default (as defined in the Trust Deed) had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and
- (ii) the Issuer has complied with all its obligations under the Trust Deed and the Bonds or, if any non-compliance had occurred, giving details of it;

“**NDRC**” means the National Development and Reform Commission of the PRC or its local counterparts;

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

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

“**Registration Deadline**” means the day falling 120 calendar days after the Issue Date;

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

“**SAFE**” means the State Administration of Foreign Exchange of the PRC or its local branch; and

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

## 6. Interest

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 2.90 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.\$14.50 per Calculation Amount (as defined below) on 23 February and 23 August in each year (each an “**Interest Payment Date**”) commencing on 23 August 2022.

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

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

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

## 7. Redemption and Purchase

- (a) **Final Redemption:** Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 23 February 2025 (the “**Maturity Date**”). 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 (a “**Tax Redemption Notice**”) to the Bondholders in accordance with Condition 17 (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount (together with interest accrued up to, but excluding, the date fixed for redemption), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 16 February 2022, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due.

Prior to the giving of any Tax Redemption Notice pursuant to this Condition 7(b), the Issuer shall deliver to the Trustee (A) a certificate in English signed by any Authorised Signatory of the Issuer stating that the obligation referred to in (i) above of this Condition 7(b) cannot be avoided by the Issuer taking reasonable measures available to it and (B) an opinion, in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendments. The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 7(b), in which event they shall be conclusive and binding on the Bondholders. The Trustee shall be protected and shall have no liability to any Bondholder or any other person for so accepting and relying on such certificate or opinion. Neither the Trustee nor any of the Agents shall be responsible for monitoring or taking any steps to ascertain whether any of the circumstances mentioned in this Condition 7(b) has occurred or for calculating or verifying the calculations of any amount payable under any notice of redemption under this Condition 7(b) and none of them shall be liable to the Bondholders or the Issuer or any other person for not doing so.

- (c) **Redemption for Relevant Events:** Following the occurrence of a Relevant Event, the holder of any Bond will have the right (the “**Relevant Event Put Right**”), at such holder’s option, to require the Issuer to redeem all, but not some only, of such holder’s Bonds on the Put Settlement Date (as defined below in this Condition 7(c)) at 100 per cent. of their principal amount, together in each case with interest accrued up to but excluding the Put Settlement Date. To exercise such right, the holder of the relevant Bond must deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a “**Put Exercise Notice**”), together with the Certificate evidencing the Bonds to be redeemed, by not later than 30 days following a Relevant Event or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 17.

The “**Put Settlement Date**” shall be the fourteenth day (in the case of a redemption for a Change of Control) or the fifth day (in the case of a redemption for a No Registration Event) or, if such day is not a Business Day (as defined in Condition 8(f)), the next following Business 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 that are the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

Not later than 14 days (in the case of a Change of Control) or five days (in the case of a No Registration Event) following the day on which the Issuer becomes aware of a Relevant Event, the Issuer shall procure that notice regarding such Relevant Event shall be delivered to the Trustee and the Principal Paying Agent in writing and to the Bondholders (in accordance with Condition 17) stating:

- (i) the Put Settlement Date;
- (ii) the date of the Relevant Event;
- (iii) the date by which the Put Exercise Notice must be given;
- (iv) the redemption amount;

- (v) the names and addresses of all Paying Agents;
- (vi) the procedures that Bondholders must follow and the requirements that Bondholders must satisfy in order to exercise the Relevant Event Put Right; and
- (vii) that a Put Exercise Notice, once validly given, may not be withdrawn.

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur and 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 and none of them shall have any obligation or duty to verify the accuracy, validity and/or genuineness of any documents in relation to or connection with the Registration Conditions and none of them shall be liable to Bondholders, the Issuer or any other person for not doing so.

- (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 up to, but excluding, the Mandatory Redemption Date.

If the holder of any Bond shall have exercised its right to require the Issuer to redeem its Bond under 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, such holder’s Bonds 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 up to, but excluding, such Put Settlement Date, provided that if such Pre-funding Failure occurs and a Pre-funding Failure Notice has been given or is given to the Bondholders in respect of a scheduled payment of principal or interest payable under Condition 6 or Condition 7(a), the Put Settlement Date shall be the Mandatory Redemption Date.

- (e) **Purchase:** The Issuer and its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purposes of calculating quorums at meetings of the Bondholders and for the purposes of Conditions 10, 13(a) and 14.
- (f) **Cancellation:** All Certificates representing Bonds purchased by or on behalf of any of the Issuer and its 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 in respect of any such Bonds shall be discharged.
- (g) **Definitions:** For the purposes of these Conditions:

a “**Change of Control**” occurs when:

- (i) Huaibei SASAC or any other government organ of the Huaibei Municipal Government, the Anhui Provincial Government and PRC Government Persons collectively cease to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer; or

- (ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the Issuer’s assets to any other person or person(s), 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 Huaibei SASAC or any other government organ of the Huaibei Municipal Government, the Anhui Provincial Government or PRC Government Persons;

“**Control**” means (i) the ownership, acquisition or control of 50 per cent. of the voting rights of the issued share capital or issued shares of a person or (ii) the right to appoint and/or remove all or the majority of the members of a person’s board of directors or other governing body, in each case whether obtained directly or indirectly, and whether obtained by ownership of share capital, shares, the possession of voting rights, contract or otherwise; the term “**Controlled**” has meanings correlative to the foregoing;

“**Anhui Provincial Government**” means the People’s Government of Anhui Province;

“**Huaibei Municipal Government**” means the People’s Government of Huaibei Municipality;

“**Huaibei SASAC**” means the State-owned Assets Supervision and Administration Commission of the People’s Government of Huaibei City, Anhui Province of the PRC or its successor;

a “**No Registration Event**” occurs when the Registration Conditions are not complied with on or before the Registration Deadline;

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

“**PRC Government Persons**” means any person directly or indirectly Controlled by the Huaibei SASAC or any other government organ of the Huaibei Municipal Government, the Anhui Provincial Government or the central government of the PRC;

“**Registration Conditions**” means the receipt by the Trustee of the Registration Documents referred to in Condition 5(c);

a “**Relevant Event**” means a Change of Control or a No Registration Event;

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

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

## 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 any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 8(a)(ii) below.
- (ii) Interest on each Bond shall be paid to the person shown on the Register at the close of business on the 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 at the close of business 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 in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

*So long as the Global Certificate is held on behalf of Euroclear and Clearstream or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the holder 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, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 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 on the first following day which is a Business Day) will be initiated or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on 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, and (iii) a Transfer Agent, in each case as approved in writing by the Trustee.

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Bondholders 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 open for business in the place in which the specified office of the Registrar, the Transfer Agent or the Principal Paying Agent is located and on which foreign exchange transactions may be carried on in U.S. dollars in New York City.

## 9. Taxation

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

Where such withholding or deduction is made by the Issuer for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC at a rate up to and including the aggregate rate applicable on 16 February 2022 (the “**Applicable Rate**”), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

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

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

- (c) **Tax Declaration:** to a holder (or to a third party on behalf of a holder) who would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such declaration or claim, such holder fails to do so within any applicable period prescribed by such relevant tax authority.

References in these Conditions to principal 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.

Neither the Agents nor the Trustee shall in any event be responsible for paying any tax, duty, charges, assessments, withholding or other payment referred to in this Condition 9 or otherwise in connection with the Bonds or for determining whether such amounts are payable or the amount thereof, nor shall they be responsible or liable for any failure by the Issuer, any Bondholder or any third party 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, and nor would they permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charge, assessment, withholding or other payment imposed by or in any jurisdiction.

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

## 10. Events of Default

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

- (a) With Respect to the Issuer:
- (i) **Non-Payment:** there has been a failure to pay (A) the principal of or any premium (if any) of the Bonds when due or (B) interest on any of the Bonds when due and such failure continues for a period of 14 days; or
  - (ii) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations under the Bonds or the Trust Deed (other than where such default gives rise to a right of redemption pursuant to Condition 7(c)) and such default (A) is, in the opinion of the Trustee, incapable of remedy or (B) being a default which is, in the opinion of the Trustee, capable of remedy, remains unremedied for 60 days after notice of such default shall have been given to the Issuer by the Trustee; provided that if there has been a breach by the Issuer of its obligations to pre-fund any amount in respect of the Bonds in accordance with Condition 4(b) and such amount has subsequently been paid by the LC Bank following a drawing under

the Standby Letter of Credit to or to the order of the Trustee and paid to holders of the Bonds, then such breach will not constitute an Event of Default under this Condition 10(a)(ii); or

- (iii) **Cross-Acceleration:** (A) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 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 or any of its Principal Subsidiaries and is not discharged or stayed within 60 days; or
- (v) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Principal Subsidiaries 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 60 days; or
- (vi) **Insolvency:** the Issuer or any of its Principal Subsidiaries is (or is, or could be, deemed by law or a court of competent jurisdiction to be) insolvent or bankrupt or unable to pay its debts 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 or any of its Principal Subsidiaries; or
- (vii) **Winding-up:** an order of a court of competent jurisdiction is made or an effective resolution is passed for the winding-up or dissolution of the Issuer or any of its Principal Subsidiaries, or the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for, in each case above, (i) the purpose of and followed by a voluntary solvent winding up or voluntary dissolution, reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Principal Subsidiary, whereby a material part of the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer and/or another of its Subsidiaries, or (iii) a disposal of or by a Principal Subsidiary on an arm's-length basis where the assets (whether in cash or otherwise) from such disposal shall be transferred to or otherwise vested in the Issuer and/or any of its Subsidiaries; or

- (viii) **Nationalisation:** any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries; 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 in order (A) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Trust Deed, (B) to ensure that those obligations are legally binding and enforceable and (C) to make the Bonds and the Trust Deed admissible in evidence in the courts of Hong Kong and the PRC is not taken, fulfilled or done; or
- (x) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds and/or the Trust Deed; or
- (xi) **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
- (xii) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Condition 10(a)(iv) to Condition 10(a)(xi) (both inclusive).

In this Condition 10(a), “**Principal Subsidiary**” means any Subsidiary of the Issuer:

- (A) whose total revenue (consolidated in the case of a Subsidiary which has subsidiaries), as shown by its latest audited income statement is at least 10 per cent. of the consolidated total revenue as shown by the latest audited consolidated income statement of the Issuer and its consolidated Subsidiaries; or
- (B) whose gross profit (consolidated in the case of a Subsidiary which itself has subsidiaries), as shown by its latest audited income statement, is at least 10 per cent. of the consolidated gross profit as shown by the latest audited consolidated income statement of the Issuer and its consolidated Subsidiaries, including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of associated entities and after adjustments for minority interests; or
- (C) whose gross assets (consolidated in the case of a Subsidiary which itself has subsidiaries), as shown by its latest audited statement of financial position, are at least 10 per cent, of the consolidated gross assets of the Issuer and its Subsidiaries as shown by the latest audited consolidated statement of financial position of the Issuer and its Subsidiaries, including the investment of the Issuer and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and of associated companies and after adjustment for minority interests; or
- (D) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that (x) the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall become a Principal Subsidiary, and (y) on or after the

date on which the first audited accounts (consolidated, if appropriate) of the Issuer prepared as of a date later than such transfer are issued, 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 (A), (B) or (C) above of this definition;

provided that, in relation to paragraphs (A), (B) and (C) above of this definition:

- (I) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer and its Subsidiaries for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Issuer and its Subsidiaries adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has subsidiaries) of such Subsidiary in such accounts;
- (II) if at any relevant time in relation to the Issuer or any Subsidiary which itself has subsidiaries no consolidated accounts are prepared and audited, revenue, gross profit or gross assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer;
- (III) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, gross profit or gross assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer for the purposes of preparing a certificate thereon to the Bondholders; and
- (IV) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (i) above of this definition) are not consolidated with those of the Issuer, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer.

A certificate signed by any Authorised Signatory of the Issuer 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.

(b) With respect to the LC Bank:

- (i) Cross-Acceleration:
  - (A) any Public External Indebtedness of the LC Bank or any of its Subsidiaries is not paid when due or, as the case may be, within any originally applicable grace period;
  - (B) any such Public External Indebtedness becomes 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 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 of its Subsidiaries 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 Conditions 10(b)(i)(A) or 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.\$50,000,000 (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 any part of the undertaking, assets and revenues of the LC Bank or any of its Material Subsidiaries; or
- (iii) **Insolvency:** the LC Bank or any of its Material Subsidiaries is insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of any 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 part of the debts of the LC Bank; or
- (iv) **Winding-up:** an order is made or an effective resolution is passed for the winding up or dissolution of the LC Bank or any of its 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; or
- (vi) **Analogous Events:** any event occurs which under the laws of the relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 10(b)(ii) to 10(b)(v) (both inclusive).

In this Condition 10(b):

“**Public External Indebtedness**” means any indebtedness of the LC Bank or any Material Subsidiary of the LC Bank, or any guarantee or indemnity by the LC Bank of indebtedness, for money borrowed which (i) 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 (ii) has an original maturity in excess of 365 days; and

“**Material Subsidiary**” means a Subsidiary of the LC Bank:

- (A) (A) whose gross revenue (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries), whose gross assets (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries, and including the investment of the LC Bank and its consolidated Subsidiaries in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the LC Bank and of associated companies and after adjustment for minority interests) or whose net profit (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries, and including, for the avoidance of doubt, the LC Bank and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of associated

entities and after adjustments for minority interests) represent not less than 5 per cent. of the consolidated gross revenue, the consolidated gross assets, or, as the case may be, the consolidated net profit of the LC Bank and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest audited or reviewed financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited or reviewed consolidated financial statements of the LC Bank, provided that:

- (I) in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited or reviewed consolidated financial statements of the LC Bank relate for the purpose of applying each of the foregoing tests, the reference to the LC Bank's latest audited or reviewed consolidated financial statements shall be deemed to be a reference to such audited or reviewed financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant audited or reviewed financial statements, adjusted as deemed appropriate by the auditor for the time being, after consultation with the LC Bank;
  - (II) if at any relevant time in relation to the LC Bank or any Subsidiary no financial statements are prepared and audited, its gross revenue, gross assets and net profit (consolidated, if applicable) shall be determined on the basis of pro forma consolidated financial statements (consolidated, if applicable) prepared for this purpose; and
  - (III) if the financial statements of any Subsidiary (not being a Subsidiary referred to in proviso (I) above) are not consolidated with those of the LC Bank, then the determination of whether or not such Subsidiary is a Material Subsidiary shall be based on a pro forma consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements (determined on the basis of the foregoing) of the LC Bank; or
- (B) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon (i) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary and (ii) the transferee Subsidiary shall immediately become a Material Subsidiary, provided that on or after the date on which the relevant financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of paragraph (A) of this definition above.

A certificate signed by an authorised signatory of the LC Bank that a Subsidiary is or is not or was or was not at any particular time or during any particular period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Trustee and the Bondholders.

## **11. Prescription**

Claims against the Issuer for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal or premium) 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 Waiver

- (a) Meetings of Bondholders: The Trust Deed contains provisions for convening meetings of the Bondholders to consider matters affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed, the Agency Agreement or the Standby Letter of Credit. Such a meeting may be convened by the Issuer or the Trustee, and shall be convened by the Trustee if so requested in writing by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to 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 more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons holding 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 date of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable in respect of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or 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 bonds 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 66.6 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 resolution (A) in writing signed by or on behalf of the holders of not less than 75 per cent. in aggregate principal amount of the Bonds for the time being outstanding or (B) passed by Electronic Consent (as defined in the Trust Deed) shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by one or more Bondholders.

- (b) Modification of the Conditions, Trust Deed, Agency Agreement and 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 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, (ii) any other modification (except as mentioned in the Trust Deed), 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 or the Standby Letter of Credit that is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders, and (iii) any amendment or supplement to, or a replacement of, the Standby Letter of Credit in connection with a future issue of securities pursuant to Condition 16 to reflect the new aggregate principal amount of the Bonds following such issue. 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 to the Bondholders in accordance with Condition 17 as soon as practicable.

- (c) Entitlement of the Trustee: In connection with the performance and 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 interests of, or be responsible for 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 any such steps and/or actions and/or institute such proceedings against the Issuer and/or the LC Bank as it may think fit to enforce the terms of the Trust Deed and/or the Agency Agreement and/or the Bonds and, where appropriate, to draw down on and enforce the Standby Letter of Credit, but it need not take any such steps and/or actions and/or institute any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in aggregate 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 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 LC Bank and/or any entity related (directly or indirectly) to the Issuer and/or the LC Bank without accounting for any profit.

The Trustee and each Agent may accept and shall be entitled to rely conclusively without liability to Bondholders, the Issuer, the LC Bank or any other person on any report, confirmation, information or certificate from or any opinion or advice of any lawyers, accountants, auditors, valuers, auctioneers, surveyors, brokers, financial advisers, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely conclusively on any such report, confirmation, information, certificate, opinion or advice and, in such event, such report, confirmation, information, certificate, opinion or advice shall be binding on the Issuer, the LC Bank and the Bondholders. Neither the Trustee nor any Agents shall be responsible or liable to the

Issuer, the LC Bank, the Bondholders or any other person for any loss occasioned by acting on or refraining from acting on such report, information, confirmation, certificate, opinion or advice.

None of the Trustee or any of the Agents shall be responsible or liable for the performance by the Issuer, the LC Bank and/or any other person appointed by the Issuer and/or the LC Bank in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer and/or the LC Bank to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed.

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

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement, 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 or certification, 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 or certification, to seek directions from the Bondholders by way of an Extraordinary Resolution or clarification of any directions, and the Trustee shall be entitled to rely conclusively on any such directions or clarification and is not be responsible for any loss or liability incurred by the Issuer, 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 or certification where the Trustee is seeking such directions or clarifications from Bondholders or in the event that no such directions or clarifications are received by the Trustee.

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

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

## **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, the first payment of interest on them and the timing for complying with the Registration Conditions and making of the Foreign Debt Registration and the NDRC Post-issue Filing) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any further bonds issued pursuant to this Condition 16. However, such further bonds 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 bonds and any fees, costs, expenses, indemnity payments and all other amounts in connection with such issue (subject to a cap (if any) as agreed between the Issuer and the Trustee)); and such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed. Any such further bonds shall be constituted by a deed supplemental to the Trust Deed. References to the Standby Letter of Credit shall thereafter include such further, supplemental, replacement or amended standby letter of credit.

## 17. Notices

Notices to the holders of Bonds shall be mailed to them by uninsured mail at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday 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 represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System (as defined in the form of the Global Certificate), notices to the Bondholders shall be validly given by the delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given at the time of delivery to the relevant clearing system(s).

## 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 Bonds, the Trust Deed, the Agency Agreement, the Standby Letter of Credit and any non-contractual obligations arising out of or in connection with them, are all 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 Agency Agreement, the Standby Letter of Credit or the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Agency Agreement, the Standby Letter of Credit or the Trust Deed (“**Proceedings**”) may be brought in such courts. The Issuer has irrevocably submitted to the jurisdiction of such courts.
- (c) **Agents for Service of Process:** The Issuer has irrevocably appointed in the Trust Deed Cogency Global (HK) Limited at its principal place of business (being at the Issue Date at Unit B, 1/F, Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong) at its authorised agent to receive service of process in any Proceedings in Hong Kong based on any of the Bonds or the Trust Deed or the Agency Agreement. If for any reason the Issuer 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:** The Issuer has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or 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.

## **USE OF PROCEEDS**

The Issuer estimates that the proceeds from the offering of the Bonds will be U.S.\$150,000,000, before deducting commissions and other estimated expenses payable in connection with the offering of the Bonds. The Issuer intends to use the net proceeds to refinance its existing offshore indebtedness.

## CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated total indebtedness and total capitalisation of the Group as at 30 June 2021 on an actual basis and on an adjusted basis to give effect to the issue of the Bonds before deducting the underwriting fees and commissions and other estimated expenses payable in connection with this offering:

	Actual		As adjusted	
	(RMB)	(U.S.\$) <sup>(1)</sup>	(RMB)	(U.S.\$) <sup>(1)</sup>
	<i>(in millions)</i>			
<b>Current indebtedness:</b>				
Short-term borrowings . . . . .	3,441.1	533.0	3,441.1	533.0
Notes payable . . . . .	173.0	26.8	173.0	26.8
Non-current liabilities due within a year . . . . .	11,297.7	1,749.8	11,297.7	1,749.8
<b>Total current indebtedness . . . . .</b>	<b>14,911.8</b>	<b>2,309.5</b>	<b>14,911.8</b>	<b>2,309.5</b>
<b>Non-current indebtedness:</b>				
Long-term borrowings . . . . .	26,013.0	4,028.9	26,013.0	4,028.9
Bonds payable . . . . .	20,473.8	3,171.0	20,473.8	3,171.0
Long-term payable (interest-bearing part) . . . . .	8,024.6	1,242.8	8,024.6	1,242.8
Other non-current liabilities . . . . .	4,197.7	650.1	4,197.7	650.1
Bonds to be issued <sup>(2)</sup> . . . . .	—	—	968.5	150.0
<b>Total non-current indebtedness . . . . .</b>	<b>58,709.0</b>	<b>9,092.9</b>	<b>59,677.6</b>	<b>9,242.9</b>
<b>Total indebtedness<sup>(3)</sup> . . . . .</b>	<b>73,620.8</b>	<b>11,402.4</b>	<b>74,589.4</b>	<b>11,552.4</b>
<b>Total owner's equity . . . . .</b>	<b>60,046.8</b>	<b>9,300.1</b>	<b>60,046.8</b>	<b>9,300.1</b>
<b>Total capitalisation<sup>(4)</sup> . . . . .</b>	<b>133,667.6</b>	<b>20,702.5</b>	<b>134,636.2</b>	<b>20,852.5</b>

*Notes:*

- (1) For convenience only, all translations from Renminbi into U.S. dollars are made at the rate of RMB6.4566 to U.S.\$1.00, based on the noon buying rate as set forth in the H. 10 statistical release of the Federal Reserve Bank of New York on 30 June 2021.
- (2) This amount represents the aggregate principal amount of the Bonds to be issued, before deducting commissions and other estimated expenses payable in connection with the offering of the Bonds.
- (3) Total indebtedness equals the sum of total current indebtedness and total non-current indebtedness.
- (4) Total capitalisation represents the sum of total indebtedness and total owners' equity.

Since 30 June 2021, the Group continued utilising external financing in the ordinary course of business to finance its operation. For example, the Issuer issued credit enhanced bonds with an aggregate principal amount of U.S.\$300 million at a coupon rate of 2.75 per cent. due 2024 with the benefit of an irrevocable standby letter of credit issued by Huishang Bank Corporation Limited in September 2021. The Group may, from time to time, enter into bank loans and other financing arrangement and issue debt securities in the capital market in the ordinary course of business to finance its operations and to refinance existing debt.

Except as disclosed above, there has been no material change in the Group's consolidated capitalisation and indebtedness since 30 June 2021.

## DESCRIPTION OF THE HUISHANG BANK

*The information included in this Offering Circular regarding Huishang Bank Corporation Limited is for information purposes only and is based on, or derived or extracted from, among other sources, publicly available information. Other than specifically stated in this Offering Circular, 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 Group have taken reasonable care in the compilation and reproduction of the information. However, none of the Issuer, the Group, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers 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 Group, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers 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 have the benefit of the Standby Letter of Credit which will be issued by Huishang Bank Corporation Limited as the LC Bank.

### OVERVIEW

The Huishang Bank is the first regional joint stock commercial bank in the PRC established through the merger and reorganisation of city commercial banks and urban credit cooperatives with the approval of the former CBRC. Its headquarters is located in Hefei City, Anhui Province, the PRC. The Huishang Bank was incorporated on 4 April 1997, and changed its name to Huishang Bank Corporation Limited on 30 November 2005. On 28 December 2005, The Huishang Bank officially merged with the five city commercial banks of Wuhu City, Ma'anshan City, Anqing City, Huaibei City and Bengbu City and the seven urban credit cooperatives of Lu'an City, Huainan City, Tongling City, Fuyang Technology, Fuyang Xinying, Fuyang Yinhe and Fuyang Jinda in Anhui Province. The Huishang Bank officially opened for business on 1 January 2006.

On 12 November 2013, H shares of the The Huishang Bank were listed on the main board of the Hong Kong Stock Exchange (stock code: 3698.HK). The Huishang Bank holds a financial institution license numbered B0162H234010001 from the former CBRC Anhui Office and the unified social credit code numbered 913400001489746613 from the former Anhui Provincial Administration of Industry and Commerce. The registered address of the Huishang Bank is Block A, Tianhui Building, 79 Anqing Road, Hefei, Anhui Province, the PRC. As at the end of June 2021, the registered capital of the Huishang Bank was RMB13,889,801,211. The Huishang Bank successfully issued the U.S.\$888,000,000 Overseas Preference Shares in November 2016 and such shares were listed on the Hong Kong Stock Exchange (stock code: 4608.HK).

### BUSINESS ACTIVITIES

The Huishang Bank's principal business scope in the PRC covers the taking of deposits from corporate and retail customers, the granting of loans using the deposits received, and the conducting of capital business, which encompasses money market business, investment and trading business and transactions on behalf of customers. As at the end of June 2021, the Huishang Bank had 10,583 on-the-job employees. Apart from its headquarter, the Huishang Bank has 21 branches, 482 front offices and 646 self-service areas (points). The Huishang Bank also has four subsidiaries, namely Huishang Bank Financial Leasing Co., Ltd., Huishang Bank Wealth Management Co., Ltd., Wuwei Huiyin Rural Bank Co., Ltd. and Jinzhai Huiyin Rural Bank Co., Ltd. and owns equity interest in Chery Huiyin Motor Finance Service Co., Ltd. and Mengshang Bank Co., Ltd.

By maintaining its market position as a bank “serving the local economy, serving small and medium enterprises (“SME(s)”) and serving the general public”, the Bank has continuously experienced a relatively fast growth in its business development, has gradually strengthened its comprehensive strength, has steadily improved its operational management standards, and has achieved a synergic development of scale, quality and efficiency. With the full recognition and widespread praise from all sectors of society, the Bank was named one of the top 200 in the “Top 1000 World Banks” and “Top 500 World Banks Brand Value” by The Banker, a UK magazine, with the ranking at No. 132 and No. 141. The Bank ranked at No. 326 of Fortune’s “Top 500 Chinese Companies”, ranking the 20th among commercial banks and the 6th among city commercial banks.

## **FINANCIAL INFORMATION**

Copies of the Huishang Bank’s published audited consolidated financial statements and interim consolidated financial statements, as well as its public filings, can be downloaded free of charge from the websites of the Huishang Bank and the Hong Kong Stock Exchange at <http://www.hsbank.com.cn> and [www.hkexnews.hk](http://www.hkexnews.hk), respectively. The financial statements and the public filings of the Huishang Bank are not included in and do not form part of this Offering Circular. The information contained on the websites of the Huishang Bank and the Hong Kong Stock Exchange is subject to change from time to time and does not form part of this Offering Circular. No representation or warranty, express or implied, is made or given by the Issuer, the Group, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them and none of the Issuer, the Group, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them takes any responsibility for any information contained in the latest audited consolidated financial statements of the Huishang Bank or on websites of the Huishang Bank and the Hong Kong Stock Exchange.

## DESCRIPTION OF THE GROUP

### OVERVIEW

Huaibei City Construction Investment Holding Group Company Limited (淮北市建投控股集团有限公司) is the investment and financing platform for urban development under the State-owned Assets Supervision and Administration Commission of Huaibei City (“**Huaibei SASAC**”). Since its establishment in April 2008, the Group engages in a wide range of business activities, which primarily consist of property leasing, commodities trading, regional water supply construction and water treatment services, land demolition and restoration services, construction contracting services, financial services and public transportation services in Huaibei City.

As at 30 June 2021, the Group had a registered capital of RMB8,229.0 million. For the years ended 31 December 2019 and 2020 and the six months ended 30 June 2020 and 2021, the Group reported total operating income of approximately RMB12,012.0 million, RMB12,789.8 million, RMB5,638.9 million and RMB8,042.8 million, respectively, and net profits of approximately RMB1,654.4 million, RMB1,798.9 million, RMB454.1 million and RMB771.5 million of the respective periods.

### Property Leasing Business Segment

The Group has leased some of the state-owned properties of the Huaibei City under its management. 10 per cent. of the leasing income is recognised as the Group’s maintenance fund of such assets and a further 10 per cent. of the leasing income is recognised as the Group’s management income. After paying the relevant enterprise income tax, the remaining of the leasing income is transferred to the municipal government.

For the six months ended 30 June 2021, the operating income generated from the property leasing business segment amounted to approximately RMB62.3 million, representing approximately 0.8 per cent. of the Group’s total operating income.

### Commodities Trading Business Segment

Huaibei City Construction Investment Trading Company Limited (淮北市建投商貿有限公司), a wholly-owned subsidiary of the Issuer, enjoys competitive advantages of resources and funding capital through the Group’s platform. The commodities trading business includes import, export and domestic trading of commodities, such as non-ferrous metal and coal, with third-party enterprises and associated companies in China.

In addition, with the guidance and support of the Group’s management and the efforts of the Huaibei City Construction Investment Trading Company Limited, the local small-to-medium enterprises (“**SMEs**”) were supported by conducting research and development on the business operation model of such enterprises.

For the six months ended 30 June 2021, the operating income generated from the commodities trading business segment amounted to approximately RMB5,916.3 million, representing approximately 73.6 per cent. of the Group’s total operating income.

## **Regional Water Supply Construction and Water Treatment Services Business Segment**

The Group is engaged in regional water supply construction and water treatment services. Huaibei Runsheng Municipal Engineering Co., Ltd. (淮北市潤生市政工程有限責任公司) (previously known as Huaibei Water Supply Industry Development Company Limited (淮北市供水實業發展有限責任公司)), a subsidiary of the Issuer, is the leading entity in providing installation, maintenance and water quality testing services to the water supply and drainage pipes in the urban district of Huaibei City. Huaibei Water Drainage Company Limited (淮北市排水有限責任公司), a wholly-owned subsidiary of the Issuer, plays an important role in providing water drainage and water treatment services in Huaibei City. Its business primarily includes treatment of waste water, testing of water quality and volume, survey map drawings and construction of inter-connected lines, maintenance, dredging and repair of the drainage pipes, pumping stations, sewage treatment facilities and septic tanks.

For the six months ended 30 June 2021, the operating income generated from the regional water supply construction and water treatment services business segment amounted to approximately RMB213.5 million, representing approximately 2.7 per cent. of the Group's total operating income.

## **Construction Contracting Services Business Segment**

The Group plays an important role in infrastructure construction in Huaibei City. The Group conducts its construction contracting services business through, among others, the Issuer and its subsidiaries, Huaibei City Construction Investment Company Limited (淮北市建設投資有限責任公司), Huaibei City Dongyu Construction Investment Group Co., Ltd. (淮北市東昱建設投資集團有限公司), Huaibei Phoenix Hill Industrial Group Co., Ltd. (淮北鳳凰山實業集團有限公司), Huaibei Shengda Holdings Group Co., Ltd. (淮北盛大控股集團有限公司) and Huaibei Huaihai Construction Engineering Environmental Protection Building Materials Co., Ltd (淮北淮海建工環保建材有限公司). The Group entered into construction contracting services contracts and project construction and repurchase agreements with the relevant competent authorities of the Huaibei City municipal government. Depending on the annual investment project plan, the Group commences construction on roads, bridges, public facilities and other infrastructure in Huaibei City. Upon completion of the projects, the Huaibei City municipal government repurchases such projects and pays the Group by instalment. Since 2019, the Group also enters into construction and engineering agreements with relevant authorities of the local government, as well as other entities to engage in infrastructure construction, renovation of shanty towns and other construction and engineering projects. The Group is responsible for construction of the projects, recognises revenue in accordance with the actual construction progress and generally settles with the relevant parties annually in accordance with the specifications under the construction and engineering agreements entered into with relevant parties.

Since establishment, the Group and Huaibei City Construction Investment Company Limited have undertaken numerous construction, reconstruction and restoration contracting projects on roads, including Suding Road, Huaihai East Road, Dongzhuang Road East Section and the connecting junction to Huaibei of the Hexu Expressway, and infrastructure and facilities such as school campuses, railway stations, people's hospitals and other municipal infrastructure.

For the six months ended 30 June 2021, the operating income generated from the construction contracting services business segment amounted to approximately RMB610.9 million, representing approximately 7.6 per cent. of the Group's total operating income.

## Financial Services Business Segment

Huaibei Tongchuang Finance Guarantee Group Company Limited (淮北市同創融資擔保集團有限公司), a subsidiary of the Group, engages in providing SMEs with financial services, including but not limited to, credit guarantee, counter-guarantee to land use rights mortgage, counter-guarantee to machineries and equipment mortgage, and counter-guarantee to accounts receivables pledge. It also provides loans based on the pledges of specific items or property rights, and collects custodian fees and interests on the loans as its revenue.

For the six months ended 30 June 2021, the operating income generated from the financial services business segment amounted to approximately RMB8.7 million, representing approximately 0.1 per cent. of the Group's total operating income.

## Other Principal Business Segment

The Group expands its business further by operating public transportation, pawnshops and providing other services. For the six months ended 30 June 2021, the operating income generated from the Group's other principal business segment amounted to approximately RMB1,201.9 million, representing approximately 14.9 per cent. of the Group's total operating income.

## HISTORY AND DEVELOPMENT

The Issuer is a state-owned enterprise wholly-owned and controlled by Huaibei SASAC. It was established as the investment and financing platform for urban development in Huaibei City.

The Issuer was established in April 2008 with an initial registered capital of RMB60.0 million under the name Huaibei City Construction Holding Company Limited (淮北市建設控股有限公司). The Issuer's name was subsequently changed to Huaibei City Construction Investment Holding Group Company Limited (淮北市建投控股集團有限公司) in May 2008. The Huaibei SASAC has subsequently injected new capital into the Issuer. As at 30 June 2021, the Issuer's registered capital was RMB8,229.0 million. The following table sets out a number of the key events occurred in the historic development of the Group.

2008	<p>The Issuer was established in April 2008 with an initial registered capital of RMB60.0 million.</p> <p>The name of the Issuer was changed to Huaibei City Construction Investment Holding Group Company Limited in May 2008.</p> <p>Huaibei SASAC injected new capital amounting to RMB1,000.0 million in September 2008. The new registered capital amounted to RMB1,060.0 million.</p>
2015	<p>Huaibei SASAC injected new capital amounting to RMB300.0 million in July 2015. The new registered capital amounted to RMB1,360.0 million.</p> <p>The Group diversified its investment in various industries, including energy, production, processing and sales, with a view to strengthen the Company's business portfolio.</p>
2017	<p>Huaibei SASAC injected new capital amounting to RMB100.0 million in February 2017. The new registered capital amounted to RMB1,460.0 million.</p> <p>Huaibei SASAC further injected new capital amounting to RMB369.0 million in March 2017. The new registered capital amounted to RMB1,829.0 million.</p>

- 2019 ..... Huaibei SASAC approved to transfer the retained earnings amounting RMB3,000.0 million into the registered capital of the Issuer in March 2019. The new registered capital amounted to RMB4,829.0 million.  
  
Huaibei SASAC approved to transfer the retained earnings amounting RMB3,400.0 million into registered capital of the Issuer in May 2019. The new registered capital amounted to RMB8,229.0 million.
- 2021 ..... The Issuer was assigned a corporate rating of AA+ by Dagong International Credit Rating Co., Ltd. (大公國際資信評估有限公司).

**HUAIBEI CITY**



Huaibei City is a prefecture-level city in northern Anhui Province, China. It is located at the junction of Jiangsu, Henan and Anhui Provinces. Huaibei City was selected as the fifth national civilised city in China in November 2017. According to Huaibei City master plan (2016-2035) (《淮北市城市總體規劃(2016-2035年)》), Huaibei City has been included in the pilot project as the third batch of “double repair” and the provincial ecological networking planning pilot city. It is one of the cities exporting resources and products including coal and textile in China. In 2020, the GDP of Huaibei City reached approximately RMB111.9 billion, with the investment in fixed assets increased by 9.3 per cent. compared to the investment in 2019, and the industrial added value above designated size increased by 3.5 per cent. compared to the amount in 2019.

**RELATIONSHIP WITH THE HUAIBEI CITY MUNICIPAL GOVERNMENT, THE SOLE EQUITY HOLDER OF THE ISSUER**

The Issuer is beneficially wholly-owned by the Huaibei City municipal government with Huaibei SASAC as its sole registered shareholder. As an important investment and financing platform for urban development in Huaibei City, the Group has extensive relationships with the Huaibei City municipal government and other entities directly or indirectly controlled by it. The Group is engaged by the Huaibei City municipal government and other local government entities and agencies to undertake projects such as demolition and restoration of land parcels and construction on roads, bridges, public facilities and other infrastructures in Huaibei City. The Group has also received various asset and capital injections, subsidies and other grants and tax incentives from the Huaibei City municipal government and other entities and enterprises controlled by it. As the sole registered shareholder of the Issuer, Huaibei SASAC also appoints the Issuer’s board of directors and management team and supervises the performance of the Group and the Issuer’s board of directors and management team in such capacity through various means.

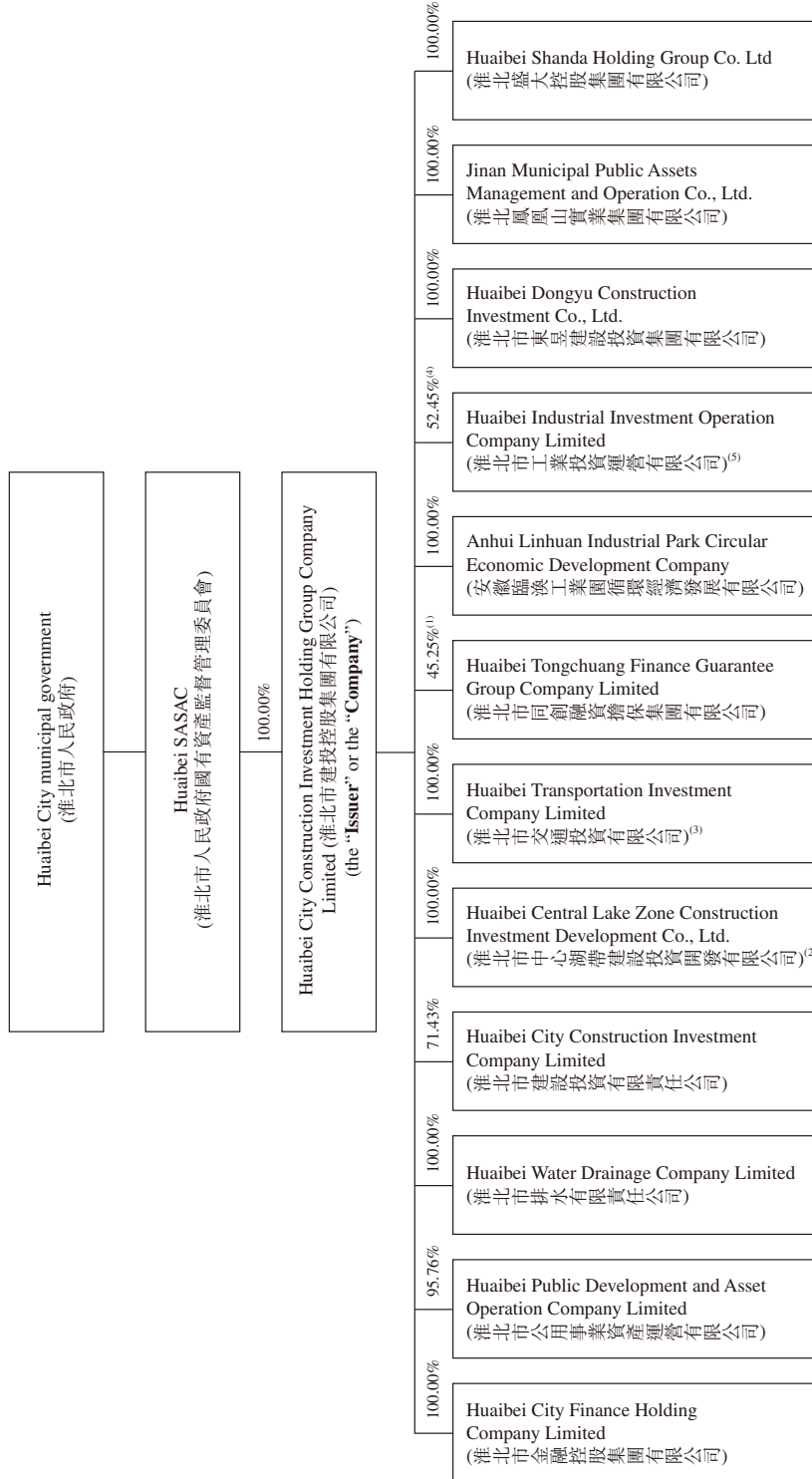
Notwithstanding the Issuer's extensive relationships with the Huaibei City municipal government and other entities controlled by it, the many social and community functions performed by the Group and the financial support received by it, the Issuer is not part of the government. It is operationally and financially separated from the Huaibei City municipal government. Its functions and departments are separate from those of the government and do not share any premises with the Huaibei City municipal government. Even though the board of directors of the Issuer are appointed by the Huaibei SASAC, they are not government officers and do not have any employment outside of the Group. The Issuer has a budget and financial reporting system and assets and liabilities separate from those of the Huaibei City municipal government. The Huaibei City municipal government as the ultimate equity holder of the Issuer only has limited liability to the Issuer in the form of its equity contribution in the Issuer.

Furthermore, the Joint Opinion, consistent with Circular 43 and Circular 50, bans local governments from engaging in “disguised” borrowing by using state-owned enterprises to issue corporate debt on their behalf. See also *“Risk Factors — Risks Relating to the Group and its Business — PRC regulations on the administration of local government debt may have a material adverse effect on the Group’s financing and business models.”* This position has been reinforced by the Opinion on Preventing and Resolving the Risks of Implicit Local Government Debt (Zhong Fa [2018] No. 27) (中共中央國務院關於防範化解地方政府隱性債務風險的意見(中發[2018]27號)) (“**Circular 27**”) jointly issued by the Central Committee of the Communist Party of China and the State Council, and the Guidelines for Banking and Insurance Institutions to Further Prevent and Defuse the Risks of Implicit Local Government Debt (Yin Bao Jian Fa [2021] No.15) (銀行保險機構進一步做好地方政府隱性債務風險防範化解工作的指導意見(銀保監發[2021]15號)) (“**Circular 15**”). According to Circular 27 and Circular 15, implicit local government debt refers to the debt being directly or indirectly repaid by local governments with fiscal funds other than statutory debt budgets, or debt illegally guaranteed by local governments. The Bonds do not constitute implicit local government debt of Huaibei City municipal government or any other PRC governmental entity. Neither the Huaibei City municipal government nor any other PRC governmental entity has any payment or other obligations under the Bonds or the Trust Deed and they will not provide a guarantee of any kind for the Bonds. The Bondholders do not have any recourse against the Huaibei City municipal government or any other PRC governmental entity in respect of any obligation arising out of or in connection with the Bonds or the Trust Deed. The Bonds are solely to be repaid by the Issuer and the obligations of the Issuer under the Bonds or the Trust Deed shall solely be fulfilled by the Issuer as an independent legal person. This position has been reinforced by Circular 23 and Circular 706. Both Circulars do not, however, prohibit the PRC government from providing support (in various forms including capital injection and subsidies, but excluding injecting any kinds of public assets and land reserves as the Group’s assets) to the Group in its ordinary course of business in compliance with the PRC laws and regulations. The detailed description of the relationships between the Issuer and Huaibei City municipal government in this Offering Circular does not imply in any way any explicit or implicit credit support of the Huaibei City municipal government in respect of the Bonds, the repayment of which remains the sole responsibility of the Issuer.

See also the risk factors section headed *“Risk Factors – Risks Relating to the Group and its Business – The Group relies on government support and a reduction or discontinuance of government support could materially and adversely affect the financial condition and results of operations of the Group”* and *“Risk Factors – Risks Relating to the Group and its Business – The Group may not make decisions, take action or invest or operate in businesses or projects that are always in the Group’s best interests or that aim to maximise the Group’s profits as the Huaibei City municipal government can exert significant influence on the Group”*.

## CORPORATE STRUCTURE

The chart below illustrates the simplified corporate structure of the Group. The chart also indicates the respective equity interest holdings of each of the entities as at 30 June 2021:



### Note:

- (1) The Issuer also indirectly held 26.69 per cent. of the shares of this subsidiary.
- (2) Huaibei Central Lake Zone Construction Investment Development Co., Ltd. changed its name to Huaibei Cultural Tourism Investment Development Group Co., Ltd. (淮北市文化旅游投資發展集團有限公司) in November 2021.
- (3) Huaibei Transportation Investment Company Limited changed its name to Huaibei City Construction Investment Transportation Investment Company Limited (淮北市建設交通投資有限公司) in August 2021.
- (4) As at the date of this Offering Circular, the Issuer holds 93.70 per cent. of the shares of this subsidiary.
- (5) Huaibei Industrial Investment Operation Company Limited changed its name to Huaibei Science and Technology Industry Investment Development Co., Ltd. (淮北市科技產業投資發展有限公司) in December 2021.

## **BUSINESS STRENGTHS**

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

### ***The investment and financing platform for urban development under the Huaibei SASAC, with strong support from the Huaibei City municipal government***

The Group is the investment and financing platform for urban development under the Huaibei SASAC and is wholly-owned directly by the Huaibei SASAC. Since its establishment in April 2008, the Group plays an important role in implementing the municipal government's urban planning and infrastructure construction, as well as providing other services such as regional water supply construction and water treatment services in Huaibei City. The strong support from the PRC government and the Huaibei City municipal government has been key for the Group to successfully carry out the development of capital intensive and large-scale projects. The Group has leveraged on different governmental support to grow its business and financial strength.

In April 2011, Huaibei City issued the document "Several Opinions of the Huaibei Municipal People's Government Regarding the Deepening of the Investment and Financing System Reform (Trial)" (Huai Zheng [2011] No.25) (《淮北市人民政府關於深化投融資體制改革的若干意見(試行)》(淮政[2011]25號)) that Huaibei City will maximise the government funding and land resources, integrate high quality assets and equity into the Group so as to enhance its profitability. In addition, the Group received policy support from the Huaibei City municipal government in terms of land transfer. Through land auction and bidding at the Huaibei City land development centre, as permitted under the Huai Zheng [2011] No.25, the Group conducts its transfer of land and is entitled to the full land transfer income after tax from the sale of such land parcel as its income.

### ***Affluent supply of land resources***

In light of the rapid economic development of the Huaibei City, the Group continues to increase its land resources to develop business in the Huaibei City. As the value attached to land for construction is directly linked to the level of economic development, the pace of urbanisation and the size of the City in which the land is located, the Group has benefited from, and the Group believes that it will continue to benefit from the continued growth and expansion of the Huaibei City's economy. As at 30 June 2021, the Group had a land reserve of over 2,588.24 mu (畝) for real estate development, most of which is high quality land located in the urban areas of Huaibei City.

The Group believes that it will continue to leverage its advantage on affluent land reserve and continue to expand the scale of operations and enhance the Group's profitability in the future.

### ***Strong financing and business operation capabilities***

As the investment and financing platform of the municipal government in Huaibei City, the Group has accumulated wealth experience in operation, established a good reputation and built a strong and long term relationship with a number of banks, allowing the Group to have strong financing capabilities and smooth financing channels. The Group has co-operated with a number of policy banks, such as China Agricultural Development Bank and China Development Bank, as well as commercial banks and financial institutions, such as Industrial and Commercial Bank of China. As at 30 June 2021 the Group had in place comprehensive credit facilities amounted to approximately RMB86.3 billion, of which RMB34.6 billion remained unutilised.

Since establishment, the Group has continuously improved its corporate governance structure and strengthened its business operation capabilities. The Group and its subsidiaries, namely Huaibei City Construction Investment Company Limited (淮北市建設投資有限責任公司) and Huaibei City Public Service Asset Operating Co., Ltd. (淮北市公共事業資產運營有限公司), have accumulated experience through long-term co-operation in investment, construction, operation and management areas, establishing cost effective and efficient with quality assuring management procedures which can implement into the daily business operations.

At present, the Group has a solid foundation in a diversified business portfolio, covering property leasing, commodities trading, regional water supply construction and water treatment services, construction contracting services, financial services and public transportation services in Huaibei City. The Group believes that it is in a robust liquidity position with access to different funding sources. The Group's ability to access diversified sources of funding and its strong financing capability have enabled itself to fulfil the capital requirement for its business development and capitalise on various business opportunities.

#### ***Dedicated senior management with extensive experience in corporate management***

The Group's senior management team and key operating personnel have on average over 20 years of experience in the businesses the Group conducts, with strong experience in project management, construction, operations, finance and accounting in various industries. Furthermore, the Group's senior management is highly experienced in collaborating with various levels of the PRC government, particularly the Huaibei City municipal government, in various projects which are of strategic value to the Group. A number of directors, supervisors and senior management have previously served as senior officials within various state-owned enterprises and government departments of the PRC. Their understanding of the regulatory framework and government policies allows the Group to play a significant role in the development of the business. See “*Directors, Supervisors and Senior Management*” for further information.

### **BUSINESS STRATEGIES**

The Group's objective is to strengthen its position in various industries in which the Group operates and further expand its business operations in Huaibei City. The Group intends to implement the following strategies to achieve this objective:

#### ***Continue to support national development strategies and serve regional development***

The Group intends to conscientiously adhere to the overall business objectives to “operate the business markets with the support of the government, strengthen the main business segment with a diversified business portfolio operation, and integrate the sources of resources in the city operation (依託政府、市場運作；做強主業、多元經營；整合資源、經營城市)”. The Group will operate with financing as its main business function, supported with ancillary business segments including the financial services and urban construction work.

In light of the core business themes of the Group “through the local market, to create a management platform, and build a capital market (做透本地市場、做實管理平臺、做通資本市場)”, the Group intends to implement the decisions and strategies made by the government of China and the local governments of Anhui Province and Huaibei City, enhance the economic and social development of Huaibei City, which then develop the city as “the main body of state-owned capital, the main body of major urban construction projects, the main financing entity for city infrastructure construction and the main operating entity of the urban public infrastructure (國有資本的經營主體、重大城建項目的建設主體、城市基礎設施的融資主體、市政公用設施的運營主體)”. The Group will implement the strategies, namely, PPP project-driven strategy (PPP項目帶動戰略), financial integration development strategy (金

融一體發展戰略), reform and innovation strategy (改革創新戰略), talent-strength strategy (人才強企戰略) and cultural enterprise strategy (文化興企戰略) in six major sectors, including, the urban construction development, land consolidation, public services, financial services, transportation operations and equity investments, and become the leading company in the industry and a first-class service provider in the urban infrastructure construction, financial and public services in the province.

#### ***Further improve the synergies among the Group's different business segments***

The Group intends to further improve the synergies between its various business segments. The Group focuses on developing a comprehensive project and operation management system and enhancing the operational integration between the Group's different business segments. The Group intends to improve its overall management efficiency and enhance the support from its core business segments to its other ancillary business segments, including the fiscal support and market information sharing. The Group will also enhance the communication among its sales and marketing teams that are in charge of different business segments to ensure that its operations are kept abreast with the latest market trends and capture business opportunities.

#### ***Adhere to prudent financial management with a stringent risk control***

The Group believes that a prudent financial management system reduces operational and financial risks and helps to achieve long-term sustainable growth. The Group will continue to implement and enhance its prudent financial management system with well-defined policies and procedures. Under the price fluctuations mechanism, the Group will continue to conduct strict review on the business partners' relevant qualifications, conduct credit management and tracking on large scale business transaction and improve the business risk guarantee measures. Under the interest rate management mechanism, the Group intends to closely monitor the fluctuation in foreign exchange market and implement necessary policies to manage financing costs, and the Group will continue to focus on broadening the Group's financing channels to further enhance its financing efficiency. The Group strives to prudently manage its financials while fulfilling investment and development needs to drive its profitability.

## **RECENT DEVELOPMENT**

### **Quarterly Results as at and for the Nine Months Ended 30 September 2021**

As at 30 September 2021, as compared to the financial information as at 30 June 2021, the Group's contractual liabilities and bonds payable increased. For the nine months ended 30 September 2021, as compared to the same period in the preceding year, the Group experienced an increase of net loss in net cash flow from investment activities, primarily due to the increase of cash outflow from cash paid for investment and cash paid for acquisition of property, plant and equipment, intangible assets and other long-term assets. For the nine months ended 30 September 2021, as compared to the same period in the preceding year, the Group experienced a significant decrease in net cash flow from financing activities, primarily due to the increase of cash outflow from cash repayments for debts. As a result of the foregoing, for the nine months ended 30 September 2021, the Group experienced a net decrease in cash and cash equivalents, representing a significant decrease of net change in cash and cash equivalents comparing to the same period in the preceding year.

Potential investors should note, in particular, that the Group's financial information as at and for the nine months ended 30 September 2021 is derived from the Issuer's management accounts and has not been audited or reviewed by independent auditors. As such, the Group's financial information as at and for the nine months ended 30 September 2021 has not been set out in detail in this Offering Circular and does not form part of this Offering Circular and potential investors should not rely on such financial information in their evaluation of the financial condition of the Group and in making their investment decisions. The aforementioned financial information as at and for the nine months ended 30 September 2021 is not

necessarily indicative of the results that may be expected for the year ended 31 December 2021 or any period thereafter. Consequently, potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations.

None of the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents, or any person who controls any of them, or any director, officer, employee, agent, representative, adviser or affiliate of any such person, makes any representation or warranty, express or implied, regarding the accuracy of the Group's financial information as at and for the nine months ended 30 September 2021 or the sufficiency of such financial information for an assessment of the Group's financial condition and results of operation.

## DESCRIPTION OF THE GROUP'S BUSINESS

The Issuer is a state-owned enterprise incorporated in April 2008. The Group is the investment and financing platform for urban development under the Huaibei SASAC. Huaibei City municipal government is the sole shareholder of the Issuer, and exercises its control by appointing most of the senior management of the Group.

The Group undertakes various major investment projects in the Huaibei City.

Since its establishment, the Group engages in a wide range of business activities, which primarily consist of property leasing, commodities trading, regional water supply construction and water treatment services, construction contracting services, financial services and public transportation services in Huaibei City.

The following table sets forth a breakdown of the Group's operating income by business segment and as percentage of the Group's income for the periods indicated:

	For the year ended 31 December				For the six months ended 30 June	
	2019		2020		2021	
	<i>Amount (in RMB millions)</i>	<i>% of total</i>	<i>Amount (in RMB millions)</i>	<i>% of total</i>	<i>Amount (in RMB millions)</i>	<i>% of total</i>
Property leasing . . . . .	124.9	1.0	133.6	1.0	62.3	0.8
Commodities trading . . . . .	6,157.9	51.3	8,953.6	70.0	5,916.3	73.6
Regional water supply construction and water treatment services . . . . .	199.8	1.7	155.1	1.2	213.5	2.7
Construction contracting services . . . . .	4,798.7	40.0	2,844.0	22.2	610.9	7.6
Financial services . . . . .	23.4	0.2	17.0	0.1	8.7	0.1
Other principal business . . . . .	315.3	2.6	320.0	2.5	1,201.9	14.9
Others . . . . .	392.0	3.3	366.4	2.9	29.2	0.4
<b>Total . . . . .</b>	<b>12,012.0</b>	<b>100.0</b>	<b>12,789.8</b>	<b>100.0</b>	<b>8,042.8</b>	<b>100.0</b>

### Property Leasing Business Segment

The Group has leased some of the state-owned properties of the Huaibei City under its management. 10 per cent. of the leasing income is recognised as the Group's maintenance fund of such assets and a further 10 per cent. of the leasing income is recognised as the Group's management income. After paying the relevant enterprise income tax, the remaining of the leasing income is transferred to the municipal government.

As at 30 June 2021, there were 330 properties managed by the Group with a total leasable area of approximately 107.0 thousand sq.m. Property types include shops, office buildings and hotels. The targeted tenants are primarily industrial and commercial households. Although the geographic position of Huaibei City is superior with high potential growth capabilities in the future, the income of the Group's business is subject to the trend of the real estate and property market. See the section headed "*Risk Factors – Risks Relating to the Group and its Business – The main business income stream of the Group changes over time, which may fluctuate further due to the macroeconomics and regulatory policies, and hence affect the future earnings of the Group*".

During the years ended 31 December 2019 and 2020 and the six months ended 30 June 2021, the operating income generated from the property leasing business segment amounted to approximately RMB124.9 million, RMB133.6 million and RMB62.3 million, representing approximately 1.0 per cent., 1.0 per cent. and 0.8 per cent. of the Group's total operating income of the respective periods.

### Commodities Trading Business Segment

Huaibei City Construction Investment Trading Company Limited (淮北市建投商貿有限公司), a wholly-owned subsidiary of the Issuer, enjoys competitive advantages of resources and funding capital through the Group's platform. The Group began commodities trading business in 2016, which includes export and domestic trading of commodities, such as non-ferrous metal and coal, with third-party enterprises and associated companies in China.

In addition, with the guidance and support of the Group's management and the efforts of the Huaibei City Construction Investment Trading Company Limited, the local SMEs were supported by conducting research and development on the business operation model of such enterprises.

The following table sets forth the income breakdown of the commodities trading business and as percentage of the Group's income for the periods indicated:

	For the year ended 31 December				For the six months ended 30 June	
	2019		2020		2021	
	Amount (in RMB millions)	% of total	Amount (in RMB millions)	% of total	Amount (in RMB millions)	% of total
Electrolytic copper	427.4	6.9	–	–	–	–
Petroleum products	1.0	0.0	–	–	–	–
Paper pulp	246.2	4.0	–	–	–	–
Stone	351.9	5.7	397.8	4.4	9.5	0.2
Coal and Coke	1,977.9	32.1	3,484.7	38.9	2,547.0	43.1
Copper rod and aluminium rod	–	–	–	–	–	–
Steel	1,593.8	25.9	3,236.8	36.2	1,980.8	33.5
Nylon products	1,275.1	20.7	1,512.0	16.9	1,298.0	21.9
Concrete	186.1	3.0	191.7	2.1	78.1	1.3
Others	98.6	1.6	130.6	1.5	3.0	0.1
<b>Total</b>	<b>6,157.9</b>	<b>100.0</b>	<b>8,953.6</b>	<b>100.0</b>	<b>5,916.3</b>	<b>100.0</b>

### Trading model

The commodities trading business primarily involves international as well as domestic trading.

#### International trading business

The international trading business mainly adopts agency export trade model. The Group is primarily involved in the processes, including but not limited to, obtaining price quotes, products ordering, payment procedures, stocking, packaging, settlement, custom clearance, shipping and bill of lading.

The Group obtains the price quotes of the relevant products for the customer's consideration. Upon the customer's confirmation on the price, the Group enters into a sales and purchase contract with the customer, agreeing on contract terms, including, product name, model series, quantity, price, packaging, product origin, delivery period, payment terms, settlement method, compensation, arbitration and other relevant terms. The relevant matters relating to the transportation insurance, such as air transportation insurance and marine insurance, are agreed at the time of signing the sales and purchase contract. Terms including free on board ("FOB"), cost, insurance and freight ("CIF") are also agreed upon signing the contract. The customers typically settle their payment in the form of letter of credit or telegraphic transfer remittance.

#### *Domestic trading business*

The domestic trading business mainly adopts sales ordering model. At present, the Group is optimising its domestic trading business, striving to change from the traditional business model to a large-scale modern business.

#### *Internal control*

The Group adheres to its business strategy on steady business operation and has implemented internal control on various risks, in particular, the risks relating to price fluctuation. The implemented control measures include, but not limited to, (i) strict review of the relevant qualifications of business partners, (ii) conduct credit management and tracking on large scale business transactions, and (iii) improve the business risk guarantee measures, such as obtaining guaranteed funds and insurance to minimise the risks, co-operating with certain service providers to undertake risks, and opting for settlement modes that have lower risks. There is a strict risk prevention and control system on business partners which conducts large business transactions with the Group. Such system monitors risks comprehensively from multiple dimensions of the business chain. Through the process of selecting and screening customers, reviewing contracts, selecting the appropriate trading model and cargo security management, risks can be reasonably minimised.

The Group selects suppliers based on their quality and operation capabilities. The reputation and technical level of the supplier, as well as their familiarity to the products, are also taken into account during the selection process. Once the co-operation is agreed, the Group enters into a sales and purchase contract with the supplier. The strategic operation department, the investment management department and the business department of the Group participate in the contract negotiation process, while the legal compliance department reviews the contract and approval process, which is then submitted to the management for approval.

Similar to the selection of suppliers, the Group selects the sales customers based on criteria such as their quality, operation capability and reputation, with internal approval processes, before entering into a sales and purchase contract.

#### *Settlement methods*

The Group generally settles the payment to the supplier by letter of credit, with a term of approximately 90 days. A credit term of approximately 180 days is provided to the customers of the Group for imported sales. For domestic trading business, the Group primarily accepts current exchange and domestic certificate, and to a lesser extent by cash, for settlement, with a term of approximately 90 days. For export trading, the main settlement methods between the Group and the customers are collection and telegraphic transfer remittance, with a term of approximately 90 days.

During the years ended 31 December 2019 and 2020 and the six months ended 30 June 2021, the operating income generated from the commodities trading business segment amounted to approximately RMB6,157.9 million, RMB8,953.6 million and RMB5,916.3 million, representing approximately 51.3 per cent., 70.0 per cent. and 73.6 per cent. of the Group's total operating income of the respective periods.

### **Regional Water Supply Construction and Water Treatment Services Business Segment**

The Group is engaged in regional water supply construction and water treatment services. Huaibei Runsheng Municipal Engineering Co., Ltd. (淮北市潤生市政工程有限責任公司) (previously known as Huaibei Water Supply Industry Development Company Limited (淮北市供水實業發展有限責任公司)), a wholly-owned subsidiary of the Issuer, is the leading entity in providing installation, maintenance and water quality testing services to the water supply and drainage pipes in the urban district of Huaibei City. Huaibei Water Drainage Company Limited (淮北市排水有限公司), a wholly-owned subsidiary of the Issuer, plays an important role in providing water drainage and water treatment services in Huaibei City. Its business primarily includes treatment of waste water, testing of water quality and volume, survey map drawings and construction of inter-connected lines, maintenance, dredging and repair of the drainage pipes, pumping stations, sewage treatment facilities and septic tanks.

The settlement for the water supply construction and water treatment services business is payment after usage, with a monthly manual reading on the metres.

During the years ended 31 December 2019 and 2020 and the six months ended 30 June 2021, the operating income generated from construction and water treatment services business segment amounted to approximately RMB199.8 million, RMB155.1 million and RMB213.5 million, representing approximately 1.7 per cent., 2.2 per cent. and 2.7 per cent. of the Group's total operating income of the respective periods.

### **Construction Contracting Services Business Segment**

The Group plays an important role in infrastructure construction in Huaibei City. The Group conducts its construction contracting services business through, among others, itself and its subsidiaries, Huaibei City Construction Investment Company Limited (淮北市建設投資有限責任公司), Huaibei City Dongyu Investment Group Co., Ltd. (淮北市東昱建設投資集團有限公司), Huaibei Phoenix Hill Industrial Group Co., Ltd. (淮北鳳凰山實業集團有限公司), Huaibei Shengda Holdings Group Co., Ltd. (淮北盛大控股集團有限公司) and Huaibei Huaihai Construction Engineering Environmental Protection Building Materials Co., Ltd (淮北淮海建工環保建材有限公司). Since establishment, the Group and Huaibei City Construction Investment Company Limited have undertaken numerous construction, reconstruction and restoration contracting projects on roads, including Suding Road, Huaihai East Road, Dongzhuang Road East Section and the connecting junction to Huaibei of the Hexu Expressway, and infrastructure and facilities such as school campuses, railway stations, people's hospitals and other municipal infrastructure.

The Group enters into construction contracting services contracts and project construction and repurchase agreements with the relevant competent authorities of the Huaibei City municipal government. The key terms may vary in one project from another, depending on the negotiation and definitive arrangements agreed upon with the Huaibei City municipal government. Depending on the annual investment project plan, the Group commences construction on roads, bridges, public facilities and other infrastructure in Huaibei City. The source of fund for the construction projects is either self-raised fund or bank loans. The Key Construction Management Project Bureau of Huaibei City (淮北市重點工程建設管理局) is responsible for reviewing the investment plan, contracts, project progress, project settlement and related bidding process, and preparing project progress reports and statics reports. Upon completion of the projects, the Huaibei City municipal government repurchases such projects at a pre-agreed rate, typically from 10 to 12 per cent., in which such buyback period generally shall not

exceed three years. The buyback period for the Huaibei City Penghu District Reconstruction Project shall be around 20 to 25 years as a result of a large capital investment value with long term loans.

Since 2019, the Group also enters into construction and engineering agreements with relevant authorities of the local government to engage in infrastructure construction and renovation of shanty towns through Huaibei City Dongyu Construction Investment Group Co., Ltd. (淮北市東昱建設投資集團有限公司), Huaibei Phoenix Hill Industrial Group Co., Ltd. (淮北鳳凰山實業集團有限公司) and Huaibei Shengda Holdings Group Co., Ltd. (淮北盛大控股集團有限公司). The Group is responsible for the construction of projects, recognises income in accordance with the actual construction progress and generally settles with the relevant government entities annually. The source of funding for the construction projects is generally bank loans. In addition, the Group enters into construction and engineering agreements with non-governmental entities through Huaibei Huaihai Construction Engineering Environmental Protection Building Materials Co., Ltd (淮北海海建工環保建材有限公司). The Group is responsible for the construction of projects, recognises income in accordance with the actual construction progress and generally settles with the relevant entities periodically. The source of funding for the construction projects is generally self-raised fund. A small percentage of the total contract value is usually retained by the customers as quality assurance, and will be paid to the Group by instalments upon the completion, inspection and acceptance of the projects in accordance with the specifications under the construction and engineering agreements entered into between the Group and the relevant parties.

As at 30 June 2021, the Group had six key construction contracting projects under construction with a total investment amount of RMB1,876.3 million.

The following table sets forth particulars of the aforementioned key construction contracting projects under construction by the Group as at 30 June 2020:

<b>Projects</b>	<b>Total Investment<sup>(1)</sup></b>	<b>Actual Invested Amount<sup>(2)</sup></b>	<b>Construction Period</b>	<b>Total Income Recognised<sup>(3)</sup></b>
	<i>(in RMB millions)</i>	<i>(in RMB millions)</i>	<i>(in years)</i>	<i>(in RMB millions)</i>
1. Huajiashan Residential Quarter (華家山小區) . .	350.0	–	2	–
2. Renzhuang Relocation Housing Project (任莊安置房項目) . . . . .	429.0	382.3	5	89.0
3. Huaikuang Relocation Housing Project (淮礦安置房項目) . . . . .	397.7	354.4	5	82.5
4. Fangan Phase III (Zhouzhuang) Placement Housing Project (方安三期(周莊)安置房項 目) . . . . .	117.2	104.4	5	24.3
5. Food Exposition Park Project (食品博覽園項目)	550.0	115.0	5	71.6
6. West Extension of Fengguan Road in the Park (園區鳳冠路西延工程) . . . . .	32.4	28.9	5	13.3

*Notes:*

- (1) Represents the estimated total cost to be incurred for the projects. The actual cost incurred upon completion may differ from the estimation.
- (2) Represents the actual invested amount being made, which is based on the Group's internal record.
- (3) Represents the total income recognised from the projects as at 31 December 2020, which is based on the Group's internal record.

During the years ended 31 December 2019 and 2020 and the six months ended 30 June 2021, the operating income generated from the construction contracting services business segment amounted to approximately RMB4,798.7 million, RMB2,844.0 million and RMB610.9 million, representing approximately 40.0 per cent., 22.2 per cent. and 7.6 per cent. of the Group's total operating income of the respective periods.

## **Financial Services Business Segment**

HuaiBei Tongchuang Finance Guarantee Group Company Limited (淮北市同創融資擔保集團有限公司), a subsidiary of the Group, engages in providing SMEs with financial services, including but not limited to, credit guarantee, counter-guarantee to land use rights mortgage, counter-guarantee to machineries and equipment mortgage, and counter-guarantee to accounts receivables pledge. The guarantee fee, which is typically at 1 per cent., provided for bank loans from local industrial SMEs in HuaiBei City was recognised as income. It also provides loans based on the pledges of specific items or property rights, and collects custodian fees and interests on the loans as its income.

During the years ended 31 December 2019 and 2020 and the six months ended 30 June 2021, the operating income generated from the financial services business segment amounted to approximately RMB23.4 million, RMB17.0 million and RMB8.7 million, representing approximately 0.2 per cent., 0.1 per cent. and 0.1 per cent. of the Group's total operating income of the respective periods.

## **Other Principal Business Segment**

The Group expands its business further by operating public transportation, pawnshops, and providing other services. During the years ended 31 December 2019 and 2020 and the six months ended 30 June 2021, the operating income generated from other principal business segment amounted to approximately RMB315.3 million, RMB320.0 million and RMB1,201.9 million, representing approximately 2.6 per cent., 2.5 per cent. and 14.9 per cent. of the Group's total operating income of the respective periods.

### ***Public Transportation***

The Group operates public transportation services through Anhui HuaiBei Automobile Transportation Company Limited (安徽省淮北市汽車運輸有限責任公司), a subsidiary of its wholly-owned subsidiary HuaiBei Transportation Investment Company Limited (淮北市交通投資有限公司). Anhui HuaiBei Automobile Transportation Company Limited is one of the largest transportation company in terms of business operation scale in HuaiBei City, which has the qualifications in repair and maintenance, providing drivers training, as well as operating passenger transportation. The Group is mainly engaged in the passenger transport in four public stations, namely, HuaiBei Passenger Transport Centre Station (淮北市客運中心站), Municipal Social Passenger Transport Station (市社會客運站), Suixi County Bus Station (濉溪縣汽車站) and South Bus Station (Qingxiangqiao Bus Station) (汽車站(慶相橋汽車站)). As at 30 June 2021, the Group had over 590 operating vehicles and operates over 140 bus lines.

### ***Pawnshops***

The Group operates pawnshops through HuaiBei Tongchuang Pawn Company Limited (淮北市同創典當有限公司). The Group generates operating income from its pawnshops by providing loans based on the pledge of specific items or property rights, reselling retail items and offering certain ancillary services, such as consignment sales. The Group makes a loan to an individual who mortgages personal properties or property rights as collateral, such as real estate, vehicles, precious calligraphy, paintings and jewellery, watches and other valuable collections. The Group charges an agree-upon proportion of the loan as an initial fee, and within a certain contractual period of time, the individual may redeem the item for the amount of the loan plus agreed-upon amount of interest. If the individual defaults on their loan, the pledged collateral property will be forfeited to the pawnshop, and the pawnshop may dispose the collateral through auctions, retails or other ways.

## **EMPLOYEES**

As at 30 June 2021, the Group had approximately 1,983 employees.

In accordance with the applicable regulations of local governments of the regions in which the Group has business operations, the Group makes contribution to the pension contribution plan, medical insurance, unemployment 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 the applicable PRC regulations. The Group enters into an employment contract with each of its employees in accordance with the applicable PRC laws. Such contracts include provisions on wages, vacation, employee benefits, training programs, health and safety, confidential obligations and grounds for termination.

## **COMPETITION**

The Group operates in highly fragmented and competitive markets, with intense competition for capital, labour, facilities and supporting infrastructure, as well as opportunities for acquisitions and new business. Certain of the Group's competitors in their respective businesses may have longer operating track records, stronger government and customer relationships and stronger parent support, and have access to greater financial, technical, infrastructure, marketing and other capabilities or other resources and/or name recognition than the Group. To maintain and enhance its competitiveness, the Group aims to further strengthen and develop long-term, stable and co-operative business relationships, capitalise upon its extensive local knowledge and strategic investment opportunities, focus on improving its operational efficiencies, enhance its marketing techniques, further lower its business costs and, ultimately, become a competitive diversified enterprise with a leading presence in its core business.

## **ENVIRONMENT**

The operations of the Group are subject to various national and local PRC environmental laws and regulations, including those relating to air pollution, noise, hazardous materials and waste discharge. As at the date of this Offering Circular, the Group believes that it is in compliance in all material respects with all applicable national or local environmental laws and regulations in the PRC, and has obtained or is in the process of obtaining all material permits, approvals and certifications required under the PRC law in relation to its facilities.

## **INSURANCE**

The Group is required to obtain contractors' all-risk and third-party liability insurance for most of the projects it undertakes. Such policies generally extend for the entire contract period, including the maintenance period following completion of the project. In addition, with regard to its infrastructure construction business, the Group generally purchases insurance for its fixed assets and key equipment. The Group also purchases pension insurance, unemployment insurance and medical insurance for its employees according to the relevant PRC laws and regulations. The Group maintains insurance coverage in amounts that it believes are 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 damages claims. Such insurances are not mandatory under the laws and regulations of the PRC, and such insurances are either unavailable in the PRC or requires substantial cost.

## **GOVERNMENTAL REGULATIONS AND LICENSES**

The operations are subject to a variety of laws and regulations promulgated by the governments in which the Group operates. See the section headed “*PRC Laws and Regulation*”.

The Group believes that it is in compliance in all material respects with the applicable governmental regulations, rules and executive orders in each jurisdiction in which the Group operates. The Group is not aware of any governmental proceedings or investigations to which it might become a party and which may have a material adverse effect on its properties and operations.

The Group maintains regular dialogue with local governments and regulatory authorities through its management teams or representatives, ensuring compliance with the requirements and conditions for obtaining and maintaining the aforementioned licenses, concessions, permits, or certificates.

## **LEGAL PROCEEDINGS**

The Group is from time to time involved in disputes and legal proceedings arising in the ordinary course of its business. See the section headed “*Risk Factors – Risks Relating to the Group and its Business – The Group may be subject to legal, litigation, arbitration and regulatory proceedings*”.

As at the date of this Offering Circular, to the best of the Group’s knowledge, except as disclosed in this Offering Circular, there are no current litigation or arbitration proceedings against the Group or any of its directors and senior management that could have a material adverse effect on its business, financial condition and results of operations.

## PRC LAWS AND REGULATION

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

### MAIN REGULATORY AUTHORITIES AND CONTENTS OF SUPERVISION

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

- Ministry of Housing and Urban-Rural Development of the PRC (the "MOHURD") (formerly Ministry of Construction of the PRC, the "MOC") and the competent local departments of MOHURD at various levels are responsible for the comprehensive supervision over the construction industry as well as real estate development qualifications. Such management mainly includes: management of the competency and qualification of market players, approval and verification of the qualifications of various construction enterprises for access to the market, examination and approval of occupational qualifications of individuals in the construction industry, supervision over and management of construction projects, and establishment of industrial standards.
- Ministry of Transport of the PRC (the "MOT") and the competent local departments of MOT at various levels are responsible for the construction projects of ports, airports and highways nationwide.
- National Railway Administration of the People's Republic of China (formerly Ministry of Railways, the "MOR") and the competent local departments of MOR at various levels are responsible for the railway construction projects nationwide.
- NDRC and the local development and reform commissions at various levels are responsible for the investment planning, examination and approval of city infrastructure construction projects.
- Ministry of Ecology and Environment of the PRC (former State Environmental Protection Administration, the "SEPA") and the competent local departments of environmental protection at various levels are responsible for the environmental protection management of construction projects.

### Regulation on Fiscal Debts of Local Governments

In accordance with Guidance on Further Strengthening Adjustment of the Credit Structure to Promote the Fast and Smooth Development of the National Economy (中國人民銀行、中國銀行業監督管理委員會關於進一步加強信貸結構調整促進國民經濟平穩較快發展的指導意見) issued jointly by the PBOC and the China Banking Regulatory Commission (the "CBRC") in March 2009, local governments are encouraged to establish financing platforms to issue financing instruments such as enterprise bonds and medium term notes. In order to strengthen the management of financing platforms and effectively prevent fiscal financial risks, Circular 19 and Circular 2881 were separately promulgated in June 2010 and November 2010, respectively. In accordance with Circular 19, all levels of local governments shall clear up the debts of their respective financing platform. In accordance with Circular 2881, the indebtedness of local governments will impact their financing platform's issuance of enterprise bonds.

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

In addition to Circular 43, Circular 50 reaffirmed that local government debts shall only be incurred through the issuance of local government bonds within the quota approved by the State Council, and the local governments and their departments are not permitted to use any other means for debt financing. The local governments and their departments are prohibited from requesting or ordering enterprises to issue debts for or on behalf of the local governments.

On 11 May 2015, the Opinion on the Proper Solution of the Follow-up Financing Issues for Projects under Construction of Financing Platform of Local Governments was issued jointly by the MOF, the PBOC and the CBRC (財政部人民銀行銀監會關於妥善解決地方政府融資平臺公司在建項目後續融資問題意見) (“**Circular 40**”) was promulgated by the General Office of the State Council of the PRC. In accordance with Circular 40, local governments at all levels and banking financial institutions shall properly deal with follow-up financing issues for projects under construction of financing platform companies. Projects under construction refer to projects that have started construction upon the completion of examination, approval or filing procedures in accordance with the relevant regulations by competent investment authorities before the date on which Circular 43 was promulgated.

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

- Support stock financing needs for projects under construction. Local governments at all levels and banking financial institutions shall ensure the orderly development of projects under construction. For the loans to the projects under construction of financing platform companies, if the loan contracts with legal effect had been signed before 31 December 2014 and the loans had been granted but the contracts have not yet expired, banking financial institutions shall, under the premise of fully controlling risks and implementing credit conditions, continue to grant loans as agreed in the contracts, and shall not call in loans in advance, delay or suspend the granting of loans.
- Regulate increment financing for projects under construction. Local governments at all levels shall pay close attention to the incremental financing needs which are expected to be given for the projects under construction of the financing platform companies, and shall, under the premise of compliance with laws and regulations and standard administration, make overall arrangements for various kinds of capital such as fiscal capital and social capital and ensure the continuation and completion of projects under construction. For the projects under construction of financing platform companies for which the loan amount in the contracts that have been signed fails to meet the construction needs, if it is suitable for them to adopt a government and social capital cooperation mode, they shall prioritise the adaptation of such a mode to make up the construction

needs. If they are in compliance with the relevant state provisions without any other funding sources for construction, but the PRC government and social capital cooperation mode is not suitable temporarily, the increment financing needs shall be incorporated into government budget management and solved through issuing government bonds by local governments as required by law and the relevant regulations.

- Administer in an effective and proper manner follow-up financing for projects under construction. Banking financial institutions shall carefully check the destinations of the loans, and focus on supporting the projects under construction of financing platform companies such as farmland water conservancy facilities, affordable housing projects and urban railway systems.
- Improve supporting measures. Under the premise of ensuring fiscal expenditure needs, in the regions where there are corresponding amounts of government bonds issuance and where the treasury balances exceed the treasury payment for one and a half months, the local financial departments are allowed to, within the limit of the amount of government bonds issuance, make more effort to effectively use the fiscal funds in the previous years and use the surplus amount of the treasury for capital flow before government bond issuance, so as to address the time difference between the financing for projects under construction and government bonds issuance.

On 26 April 2017, the MOF, the NDRC, the Ministry of Justice, the People's Bank of China, the CBRC and the China Securities Regulatory Commission jointly issued the Circular on Further Regulating the Debt Financing Behaviours of Local Government (關於進一步規範地方政府舉債融資行為的通知) (“**Circular 50**”). According to Circular 50, (i) local governments should not inject public assets and land reserves into their financing vehicles, and should not undertake to use the expected income from transfer of land reserves as sources of debt servicing for their financing vehicles; (ii) when providing financing to enterprises such as financing vehicles, the financial institutions shall not request or accept any form of guarantee of such financing from the local governments and their departments by way of letter of guarantee, letter of undertaking, letter of comfort or otherwise; (iii) a financing vehicle shall make a written representation to the relevant creditor that it does not perform any financing function on behalf of local governments, and any debts incurred by it after 1 January 2015 shall not be regarded as local government debts pursuant to applicable laws. As at the date of this Offering Circular, the Issuer believes that its business activities are in compliance with the requirements under Circular 50. The Issuer also represents that the issuance of the Bonds should not be regarded as the performance of any financing function on behalf of any local government, and that the Bonds will not be treated as local government debts under applicable laws and regulations.

On 28 March 2018, the MOF issued the Circular 23. According to Circular 23, (i) state-owned financial enterprises are prohibited from increasing loans of local government financing platform companies in violation of regulations including the new Budget Law of the PRC which took effect on 1 January 2015, Circular 43 and other requirements, except for purchase of local government debts; (ii) while providing financing for state-owned enterprises, financing platforms of local government or public-private partnership projects of local construction, state-owned financial enterprises shall, under the “penetration principle”, ensure that the source of financing entities’ capital funds is in compliance with applicable laws and regulations, and that the financing projects satisfy the requirements for the proportion of capital funds; (iii) state-owned financial enterprises are obliged to evaluate the financial capabilities of entities raising funds and sources of repayments when they provide agency services to local state-owned enterprises, such as financing platforms of local governments for domestic and overseas bonds issuance. Where the source of repayments made by the entities raising funds involve fiscal funds, state-owned financial enterprises shall conduct due diligence, and carefully verify whether the arrangement to offer fiscal funds is in compliance with applicable laws and regulations; and (iv) such documents including the offering circulars shall not disclose information that can implicitly or explicitly indicate the government’s endorsement, such as local financial revenues and expenditures and government debt information, or conduct misleading publicity that implies an association with the government’s credit.

On 11 May 2018, the NDRC and the MOF jointly issued the Circular 706. According to Circular 706, any enterprise that intends to incur medium and long-term foreign debt is prohibited from using such debt to fund public schools, public hospitals, public cultural facilities, parks, public squares, office buildings of government departments and public institutions, municipal roads, non-toll roads, non-operating water conservancy facilities, pipe network facilities, other public assets and the land use rights of reserve land. Circular 706 also reaffirms that the offering circulars of bonds issuances shall not disclose information that can implicitly or explicitly indicate the government's endorsement of capital raising or conduct misleading publicity that implies an association with the government's credit. In addition, the liability of the local government as the shareholder shall be limited to its agreed obligation to contribute to the registered capital of such enterprises, and the relevant foreign debts should be solely repaid by such enterprises as independent legal persons.

On 2 February 2016, the MOF, Ministry of Land and Resources, China Banking Regulatory Commission and the People's Bank of China promulgated the Notice on Regulating Land Banking and Fund Management Related Issues (Chongqing [2016] No. 4) (關於規範土地儲備和資金管理等相關問題的通知(財綜[2016]4號)) (“**Circular 4**”), which requires developers such as the Group to carry out primary land development in accordance with project buyback agreements to be entered between members of the Group and the relevant government authority. Pursuant to Circular 4, the land resources, finance and administrative bureaus of local governments shall be required to publish project information in respect of primary land development projects, including project plans, details of contractors or suppliers, performance evaluation standards, final results and achievements. Primary land developers or the designated contractors or suppliers are not permitted to completely sub-contract the development works to be carried out by them to third parties, and remuneration payable to primary land developers such as the Group may not be linked to the auction price. Without prejudice to the previous land use rights acquired, the Group is only permitted to carry out primary land development on an agency basis in which case the Group conducts its primary land development business as only an agent without obtaining land use rights of the underlying project. As at 31 December 2017, all the land on which the Group conducted primary land development was allocated to the Group before 2015.

The above-mentioned regulations may adversely affect the Group's access to financing by imposing requirements not only on the Group but also on lenders. These regulations and any more stringent policies that the PRC Government may issue in the future could have a material impact on the Group's business model, business, financial condition, results of operations and prospects.

On 28 March 2018, the MOF announced the Notice on Regulating Financial Enterprises' Investment and Financing Activities of Local Government and State-owned Enterprise (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). On 11 May 2018, the NDRC and the MOF promulgated 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). In accordance with the two circulars, the offering circular for any local state-owned enterprise's bond issuance should not include any explicit or implied suggestion of government credit support, such as inclusion of the revenue and expenditure of the local government or its debt levels, and should not market the bond by reference to the local government's credit, and shall clearly state in the offering circular that the local government only bears limited liability to the extent of its amount of contribution in such state-owned enterprise, and that the debt should be repaid by the local state-owned enterprise itself.

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

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

## **Regulation on the Foreign Exchange Administration**

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

## **Regulation on PRC Currency Controls**

### ***Current Account Items***

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

On 5 July 2013, the PBOC promulgated the Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures (關於簡化跨境人民幣業務流程和完善有關政策的通知) (the “**2013 PBOC Circular**”) which simplified the procedures for cross-border Renminbi trade settlement under current account items. On 1 November 2014, the PBOC introduced a cash pooling arrangement for qualified multinational enterprise group companies, under which a multinational enterprise group can process cross-border Renminbi payments and receipts for current account items on a collective basis for eligible member companies in the group. On 5 September 2015, the PBOC promulgated the Circular on Further Facilitating the Cross-Border Bi-directional Renminbi Cash Pooling Business by Multinational Enterprise Groups (關於進一步便利跨國企業集團開展跨國雙向人民幣資金池業務的通知) (the “**2015 PBOC Circular**”), which, *inter alia*, has lowered the eligibility requirements for multinational enterprise groups and increased the cap for net cash inflow. The 2015 PBOC Circular also provides that enterprises within a pilot free trade zone in the PRC, such as the China (Shanghai) Pilot Free Trade Zone (“**Shanghai FTZ**”) may establish an additional cash pool in the local scheme in such pilot free trade zone, but each onshore company within the group may only elect to participate in one cash pool.

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

### **Capital Account Items**

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to the approval of, and/or registration or filing with, the relevant PRC authorities. Until recently, settlement of capital account items, for example, the capital contribution of foreign investors to foreign-invested enterprises in the PRC, were generally required to be made in foreign currencies. Under progressive reforms by the PBOC, the MOFCOM and the SAFE, foreign investors are now permitted to make capital contribution, share transfer, profit allocation and liquidation and certain other transactions in Renminbi for their foreign direct investment within the PRC. Cross-border Renminbi payment infrastructure and trading facilities are being improved. Approval, registration and filing requirements for capital account payments in Renminbi are being removed gradually. The Circular on Reforming the Administrative Approach of the Foreign Exchange Capital Settlement for Foreign Invested Enterprises (關於改革外商投資企業外匯資本金結匯管理方式的通知) became effective on 1 June 2015 (the “**2015 SAFE Circular**”). In addition to the option to settle foreign current capital through payment-based foreign exchange settlement (支付結匯制), the 2015 SAFE Circular allows foreign-invested enterprises to settle up to 100 per cent. (subject to future adjustment at discretion of SAFE) of the foreign currency capital (which has been processed through the SAFE’s equity interest confirmation procedure for capital contribution in cash or registered by a bank on the SAFE’s system for account-crediting for such capital contribution) into Renminbi according to their actual operational needs on a voluntary basis. In principle, the Renminbi proceeds through the aforementioned voluntary settlement shall be deposited into designated bank account called capital account item – account for foreign currency settlement pending payment (資本項目–結匯待支付帳戶) (the “**Account for Foreign Currency Settlement Pending Payment**”) as opened by such foreign-invested enterprise, and accordingly all future payments shall be processed from such Account for Foreign Currency Settlement Pending Payment. A negative list with respect to the usage of the foreign currency capital and the Renminbi proceeds settled therefrom is set forth under the 2015 SAFE Circular. In particular, a foreign-invested enterprise with investment as its main business (including the foreign-invested investment company (外商投資性企業), foreign-invested venture capital enterprise (外商投資創業投資企業) or foreign-invested equity investment enterprise (外商投資股權投資企業) ) is permitted to use the Renminbi proceeds settled from its foreign currency capital (whether directly settled, or from the Renminbi deposit in its Account for Foreign Currency Settlement Pending Payment as previously settled through voluntary settlement) to make equity contribution to its invested enterprises directly, without further filings with SAFE. PRC entities are also permitted to borrow Renminbi-denominated loans from foreign lenders (which are referred to as “**foreign debt**”) and lend Renminbi-denominated loans to foreign borrowers (which are referred to as “**outbound loans**”), as long as such PRC entities have the necessary quota, approval or registration. PRC entities may also denominate security or guarantee arrangements in Renminbi and make payments thereunder to parties in the PRC as well as other jurisdictions (which is referred to as “**cross-border security**”).

On 9 June 2016, the SAFE promulgated the Notice on Reforming and Standardising the Administrative Provisions on Capital Account Foreign Exchange Settlement (關於改革和規範資本項目結匯管理政策的通知, the “**SAFE Circular 16**”) which took effect on the same day. According to the SAFE Circular 16, enterprises registered in PRC could settle the external debts in foreign currencies to Renminbi at their own discretion. The SAFE Circular 16 sets a uniform standard for discretionary settlement of foreign currencies under capital accounts (including but not limited to foreign currency capital, foreign debts and repatriated funds raised through overseas listing), which is applicable to all enterprises registered in PRC. It reiterated that the Renminbi funds obtained from the settlement of foreign currencies shall not be used directly or indirectly for purposes beyond the company’s scope of business, and shall not be used for domestic securities investment or investments and wealth management products other than principal-protected products issued by banks, unless otherwise expressly prescribed. Furthermore, such Renminbi funds shall not be used for disbursing loans to non-affiliated enterprises, unless the scope of business expressly provides so; and shall not be used to construct or purchase real estate not for self-use (except for real estate enterprises).

Under current rules promulgated by SAFE, foreign debts borrowed, outbound loans extended, and the cross-border security provided by a PRC onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt, outbound loan and cross-border security regimes applicable to foreign currencies. However, there remains potential inconsistencies between the provisions of the SAFE rules and the provisions of the 2013 PBOC Circular. It is not clear how regulators will deal with such inconsistencies in practice.

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

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

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

## **Regulations on Land and the Development of Real Estate Projects**

### ***Land Grants***

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

Under the Provisional Regulations of the People's Republic of China on Grant and Transfer of the Land Use Rights of State-owned Urban Land (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) (the "**Provisional Regulations on Grant and Transfer**") implemented by the State Council on 19 May 1990 and amended on 1 November 2002 and 4 July 2010 respectively, a system of assignment and transfer of the right to use state-owned land was adopted. A land user shall pay land premium to the government as consideration for the grant of the right to use a land site within a certain term, and the land user may transfer, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the Provisional Regulations on Grant and Transfer and the Law of the PRC on the Administration of Urban Real Estate (中華人民共和國城市房地產管理法), the land administration authority under the local government of the relevant city or county shall enter into an assignment contract with the land user to provide for the grant of land use rights. The land user shall pay the land premium as provided by the

assignment contract. After full payment of the land premium, the land user shall register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of land use rights. The Regulations on Administration of Development of Urban Real Estate (城市房地產開發經營管理條例) provide that the land use rights for a land parcel intended for real estate development shall be obtained through grant except for land use rights which may be obtained through appropriation pursuant to PRC laws or the stipulations of the State Council.

Under the Regulations regarding the Grant of State-Owned Land Use Rights by Way of Public Bidding, Auction and Listing Procedure (招標拍賣掛牌出讓國有土地使用權規定) issued by the Ministry of Land and Resources (the “MLR”) on 9 May 2002 and implemented on 1 July 2002 (the “**2002 Regulations**”) and revised on 28 September 2007 with the name Regulations regarding the Grant of State-Owned Construction Land Use Rights by Way of Public Bidding, Auction and Listing Procedure (招標拍賣掛牌出讓國有建設用地使用權規定) (the “**2007 Regulations**”) effective on 1 November 2007, land for industry (except land for mining), commercial use, tourism, entertainment and commercial residential properties, and land for which there are two or more intended users must be granted by way of the public bidding, auction and listing procedure. A number of measures in the 2007 Regulations ensure such grants of land use rights for commercial purposes are conducted openly and fairly. For instance, the local land 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 the approval of the city or county government. The grantee shall apply for land registration and obtain the land use rights certificate upon full payment of the land premium for the land according to the land grant contract. In the event that the land premium for the land is not paid in full, the grantee will not receive the land use rights certificate. In addition, the announcement of public bidding, auction and listing procedure must be made 20 days prior to the date on which such competitive process begins. Further, the 2007 Regulations stipulate that for listings on a land exchange, the time period for accepting bids must be no less than ten days. Following the 2002 Regulations, the MLR and the Ministry of Supervision issued the Notice on Continuing the Review of the Implementation of the Grant of Land Use Rights for Commercial Uses By Soliciting Public Bidding, Auction and Listing Procedure on a Land Exchange (關於繼續開展經營性土地使用權招標拍賣出讓情況執法監察工作的通知) on 31 March 2004, which requires all local land administration authorities to strictly enforce the 2002 Regulations. In addition, the MLR and the Ministry of Supervision required that beginning from 31 August 2004, no land use rights for commercial uses granted by way of agreement shall be dealt with due to reasons stemming from historical legal legacy issues. In the Urgent Notice of the General Office of the State Council on Intense Regulation and Rectification of the Land Market and Strict Administration of Land (國務院辦公廳關於深入開展土地市場治理整頓嚴格土地管理的緊急通知), issued by the General Office of the State Council on 29 April 2004, the approval process for the change of use from agricultural land to non-agricultural land for development was suspended for a period of approximately six months so that the PRC government could rectify irregularities in land development in China. On 11 May 2011, the MLR implemented the Opinions on Upholding and Improving the System for the Transfer of Land by Public Bidding, Auction and Listing Procedure (國有資源部關於堅持和完善土地招標拍賣掛牌出讓制度的意見), which provides, among other things (i) how to correctly implement the land transfer policy through the public bidding, auction and listing procedure; (ii) an explanation of improvements in the transparency of the public bidding, auction and listing procedure for housing land; (iii) an explanation of adjustments and improvements to the land transfer policy through the public bidding, auction and listing procedure; (iv) promotion of online operation of the transfer of land use rights; and (v) improvement in contracts for land transfers through the public bidding, auction and listing procedure.

In the case of tenders, the local land bureau granting the land use rights should examine the qualifications of the intended bidders and encourage those who are qualified to participate in the bidding process by sending out invitations to tender. Bidders are asked to submit sealed bids together with the payment of a security deposit. When land use rights are granted through tenders, a tender evaluation committee consisting of an odd number of members of at least five people (including a representative of the grantor and relevant expert) shall be formed by the land bureau which is responsible for initiating the tenders and

deciding on the successful bidder. The successful bidder will then sign the land grant contract with the land bureau and pay the balance of the land premium before obtaining a land use rights certificate.

Where land use rights are granted by way of the public bidding, auction and listing procedure, a public bidding, auction and listing procedure 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 local land bureau and pay the relevant land premium within a prescribed period.

Where land use rights are granted through a listing administered by the local government, a public notice will be issued by the local land bureau to specify, among other things, the location, area, purpose of use of the land and the period for receiving bids. The land use rights are granted to the bidder with the highest bid who satisfies the terms and conditions stipulated by the local land bureau. The successful bidder will enter into a land grant contract with the local land bureau and pay the relevant land premium within a prescribed period.

On 6 June 2003, the MLR promulgated the Regulations on the Grant of State-owned Land Use Rights by Agreement (協議出讓國有土地使用權規定), which was implemented on 1 August 2013. According to this regulation, if there is only one entity interested in using the land, the land use rights (excluding profit-oriented land for commercial use, tourism, entertainment and commercial residential properties) may be assigned by way of agreement. If two or more entities are interested in the land use rights to be assigned, such land use rights shall be granted by means of public bidding, auction and listing.

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

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

- The city or county land resource department must specify the land transfer price, rent and the total sum of the allocated land price, payment time and payment mode in the state-owned land transfer contract, lease contract and letter of decision on appropriation. If the land use conditions have been changed upon approval according to law, the city or county land resource management department must specify the additional price of the land that shall be paid in the land transfer and lease contracts and the payer shall pay the sum of money as stipulated by the contract. If a unit or individual fails to pay up the land price as required, the city or county land resource management department must neither approve nor issue the state-owned land use certificate nor issue a partial certificate according to the proportion of the land price paid.
- In principle, the term for paying the full land transfer price by instalments agreed between the city or county land resource management department and land transferee pursuant to law shall not exceed one year. The proportion of first payment shall not be less than 50.0 per cent. of the total land transfer price.

On 1 May 2012, the MLR implemented the Notice on Further Strengthening and Improving the Pre-examination of Land for Construction Projects (關於進一步加強和改進建設項目用地預審工作的通知) which reinforces the importance of pre-examination administration of land for commercial and industrial purposes. Taking advantage of the public bidding, auction and listing procedure to avoid the

pre-examination of the utility of land, entering into a land use right grant contract in advance or issuing a land use right certificate in substitute for a pre-examination opinion is strictly prohibited. Without passing a pre-examination, no application may be made for a project permit or construction land permit. On-line filing for records and tracking supervision shall also be strengthened.

### ***Planning of Construction Projects***

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

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

### ***Lease of Buildings***

The Administration Measures for Administration of Commodity Housing Tenancy (商品房屋租賃管理辦法) was issued on 1 December 2010 and came into effect on 1 February 2011. The parties to a real estate lease shall go through the lease registration formalities with the competent construction (real estate) departments of the cities directly under the central government, or the cities and counties where the housing is located, within 30 days after the lease contract is signed. There will be a fine below RMB1,000 on individuals who fail to make corrections within the specified time limit, and a fine between RMB1,000 and RMB10,000 on units which fail to make corrections within the specified time limit.

### ***Real Estate Registration***

According to the Interim Regulations on Real Estate Registration (不動產登記暫行條例) issued by the State Council on 24 November 2014, enforced on 1 March 2015 and amended on 24 March 2019, PRC will apply a uniform registration system over real estate. Under this system, ownership of buildings and land use right shall be registered in accordance with the provisions of the interim regulations. If registration is applied by reasons of transfer or settlement of mortgage, the application shall be made jointly by both parties. However, the first registration application for the real estate without registration record shall be filed by either party involved. Any interested party may apply to inquire about or copy the real estate registration materials in accordance with the law and the registration. The competent authorities shall not refuse to provide the information which has been registered. Furthermore, the Interim Regulation confirmed that various real estate ownership certificates issued prior to the implementation of the interim regulation shall remain valid.

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

### ***Bidding and Tendering Management***

Bidding and tendering for various construction projects have been provided for in the Bidding and Tendering Law of the People’s Republic of China (中華人民共和國招標投標法) promulgated by the SCNPC on 30 August 1999 which became effective on 1 January 2000 and was amended on 27 December 2017, Regulation on the Implementation of the Bidding and Tendering Law of the People’s Republic of China (中華人民共和國招標投標法實施條例) promulgated by State Council on 20 December 2011 which became effective on 1 February 2012 and was amended on 1 March 2017, 19 March 2018 and 3 February 2019 and which amendment became effective on the same date, Measures for the Construction Bidding and Tendering of Construction Projects (工程建設項目施工招標投標辦法) jointly promulgated by NDRC, MOC, MOR, MOT, Ministry of Information Industry of the People’s Republic of China, Ministry of Water Resources of the People’s Republic of China, and Civil Aviation Administration of China promulgated on 8 March 2003 which became effective on 1 May 2003 and was amended on 11 March 2013 and which amendment became effective on 1 May 2013, Administrative Measures for the Bidding and Tendering of Design of Construction Projects (建設工程涉及招標投標管理辦法) issued by MOC on 18 October 2000 and became effective on the same date, Provisions on the Tendering Scope and Scale Standards of Construction Projects (工程建設項目招標範圍和規模標準規定) issued by NDRC on 1 May 2000 and became effective on the same date. However, it became no longer effective on 8 August 2018. The Administrative Measures for the Bidding and Tendering of Housing Construction and City Infrastructure Work (房屋建築和市政基礎設施工程施工招標投標管理辦法) was issued by MOC on 1 June 2001, amended on 28 September 2018 and became effective on the same date.

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

The process of bidding and tendering consists of five stages including bid invitation, tendering, bid opening, bid evaluation and bid award. The principles of openness, fairness and equal competition shall be followed in the bidding and tendering for construction project contracting and the contractor shall be chosen after evaluation. After the contractor is determined, the tenderee shall issue the notification to the successful bidder. The notification is legally binding on both the tenderee and the bid winner.

In accordance with the Bidding and Tendering Law of the People's Republic of China and Measures for the Construction Bidding and Tendering of Construction Projects, if any project that should undergo bidding as required by law fails to go through the bidding process or the bidding process is otherwise evaded, the relevant administrative supervision department shall order rectification within a specified period, and may impose a fine of 0.5 per cent. up to 1.0 per cent. of the contract amount of the project. For projects using the state-owned funds in whole or in part, the project approval authority may suspend the implementation of the project or suspend the fund appropriation, and impose punishment on the person directly in charge of the entity or other person directly liable. Further, in accordance with the provisions of the Interpretations of the Supreme People's Court on Issues of Law Application during the Trial of Construction Contracts for Building Projects (最高人民法院關於審理建設工程施工合同糾紛案件適用法律問題的解釋) issued by the Supreme People's Court on 25 October 2004 and which became effective on 1 January 2005, with its recent amendment made on 29 December 2020 and became effective on 1 January 2021, if any project that is required to undergo a bidding process fails to go through the bidding process or the bid award is invalid, the construction contract for building projects shall become invalid.

### ***Quality Management***

Laws and regulations on project quality mainly include Construction Law of the People's Republic of China (建築法) which became effective on 1 March 1998 and amended on 22 April 2011 which amendment became effective on 1 July 2011, modified on 23 April 2019, Regulation on Quality Management of Construction Projects (建設工程質量管理條例) issued by the State Council on 30 January 2000, became effective on the same date, and was amended on 7 October 2017 and 23 April 2019, Administrative Measures for Quality Management of Construction Project Survey (建設工程勘察質量管理辦法) amended by MOC on 22 November 2007 and 1 April 2021 and became effective on the same date, Administrative Measures for Completion Acceptance Record of Building Construction and City Infrastructure Projects (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) issued by MOHURD on 19 October 2009 and became effective on the same date, Measures for Quality Warranty of Building Construction Projects (房屋建築工程品質保修辦法) issued by MOC on 30 June 2000 and became effective on the same date, Measures for Completion Acceptance of Port Works (港口工程竣工驗收辦法) promulgated by MOT on 12 April 2005 which became effective on 1 June 2005 and amended on 5 September 2014 and 19 April 2016, and subsequently was replaced by the Regulations on the Administration of Port Engineering Construction promulgated by MOT on 15 January 2018 and was amended on 28 November 2018. Measures for Completion (Delivery) Acceptance of Highway Works (公路工程竣(交)工驗收辦法) promulgated by MOT on 31 March 2004 and its implementation rules (公路工程竣(交)工驗收辦法實施細則) which was promulgated on 1 May 2010 and Measures for the Management of Construction Project Quality Deposits (建設工程品質保證金管理辦法) issued by the MOHURD and the MOF on 20 June 2017 and became effective on 1 July 2017.

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

## ***Environmental Protection Management***

Major laws and regulations on environmental protection during the project construction process include the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) amended by SCNPC on 24 April 2014 which became effective on 1 January 2015, Law on Environmental Impact Assessment of the People's Republic of China (中華人民共和國環境影響評價法) promulgated by SCNPC on 28 October 2002 which became effective on 1 September 2003 and last amended on 29 December 2018, Administrative Regulations on Environmental Protection of Construction Projects (建設項目環境保護管理條例) issued by State Council on 29 November 1998 and became effective on the same date and amended on 16 July 2017 and became effective on 1 October 2017, and Administrative Measures for Environmental Protection Acceptance of Construction Projects upon Completion (建設項目竣工環境保護驗收管理辦法) promulgated by SEPA on 27 December 2001 which became effective on 1 February 2002 and amended on 22 December 2010 which amendment became effective on the same date and became invalid on 4 January 2021.

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

## ***Environmental Protection***

The Environmental Protection Law (環境保護法), promulgated on 26 December 1989 by the Standing Committee of the National People's Congress, which became effective on 26 December 1989, as amended on 24 April 2014, establishes the legal framework for environmental protection in the PRC. The Ministry of Ecology and Environment of the State Council (the "MEE") supervises environmental protection work in the PRC and establishes national standards for the discharge of pollutants. Each of the local environmental protection bureaus is responsible for the environmental protection work within their respective jurisdictions.

## ***Air Pollution***

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

## ***Water Pollution***

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

### ***Noise Pollution***

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

### ***Construction Projects***

The Environmental Impact Appraisal Law (環境影響評價法), promulgated by the Standing Committee of the National People's Congress on 28 October 2002, which became effective on 1 September 2003 and was last amended on 29 December 2018, Administrative Regulations on Environmental Protection of Construction Projects (建設項目環境保護管理條例), promulgated by the State Council on 29 November 1998, which became effective on 29 November 1998 and was amended on 16 July 2017.

### **Regulations on Labour**

#### ***Employment Contracts***

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

## ***Employee Funds***

Under applicable PRC laws, regulations and rules, including the Social Insurance Law (社會保險法), promulgated by the Standing Committee of the National People's Congress on 28 October 2010, which became effective on 1 July 2011, and was amended on 29 December 2018 and became effective on the same date. The Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費征繳暫行條例), promulgated by the State Council on 22 January 1999, which became effective on 22 January 1999 and was last 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. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the outstanding amount within a stipulated time period.

## **Regulations on Work Safety**

According to the Work Safety Law of the People's Republic of China (安全生產法) effective from 1 November 2002 and last amended on 10 June 2021 and became effective on 1 September 2021, if anything relating to work safety shall be subject to examination and approval according to the provisions of the relevant laws and regulations (including approval, verification, permission, registration, certification, granting licences, and etc.), the departments responsible for work safety supervision and administration must carry out the examination and approval by strictly following the relevant laws and regulations as well as the conditions and procedures for safe production as required by national or industrial standards. In the event that the administrative department in charge of examination and approval discovers or receives reports that any entity has unlawfully engaged in relevant activities without obtaining approval or without passing the examinations for acceptance, it shall revoke the unlawful act without delay and handle the case according to the law.

Administrative Regulations on the Safety of Hazardous Chemicals (危險化學品安全管理條例), which was promulgated on 26 January 2002 and last amended on 7 December 2013, firstly provides that the State implements the licensing system for the operation of hazardous chemicals (including storage management, hereinafter the same), and without being licensed, any units and individuals shall not deal in hazardous chemicals. Secondly, it provides that the enterprises dealing in hyper-toxic chemicals or hazardous chemicals to make explosives shall file applications to the production safety supervision and administration departments of the local people's governments at municipality (with districts) level and the enterprises dealing in other hazardous chemicals shall file applications to the production safety supervision and administration departments of the local people's governments at county level (if the enterprise has storage facilities, it shall file applications to the production safety supervision and administration department of the local people's government at municipality (with districts) level). Thirdly, the authorities mentioned above shall examine such documents pursuant to laws, conduct on-site verification on the business premises and storage facilities of the applicants, and make the decision of approval or refusal (if the application is approved, the licences for dealing in hazardous chemicals shall be issued). At last, the applicants shall not deal in hazardous chemicals until they hold the licenses for dealing in hazardous chemicals to handle registration at AICs.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS

The Board of Directors of the Issuer (the “**Board**”) currently consists of five Directors. The table below shows certain information in respect of the Directors:

<u>Name</u>	<u>Age</u>	<u>Position</u>
GU Jun (顧俊) . . . . .	53	Chairman of the Board
XU Jun (徐君) . . . . .	56	Director and General Manager
CHEN Wei (陳偉) . . . . .	51	Director
ZHANG Lizhe (張立哲) . . . . .	52	Director and Deputy General Manager
ZHOU Kaiyu (周開宇) . . . . .	59	Director

**Mr. GU Jun (顧俊先生)**, aged 53, is the Chairman of the Board. Mr. Gu is a member of the Communist Party of China. Mr. Gu previously served as a staff member of Huaibei Municipal Taxation Bureau, the deputy section chief of the First Administration Section of the First Branch of Huaibei Municipal Office of the State Administration of Taxation (“**SAT**”), staff member of the Turnover Tax Section of Huaibei Municipal Office of SAT, the section chief of the First Inspection Section of the Tax Audit Department of Huaibei Municipal Office of SAT, the deputy director and the director of the First Branch of Huaibei Municipal Office of SAT, the director of Huaibei Economic and Technological Development Zone Office of SAT, the director of Huaibei Economic Development Zone Office of SAT, and member of the Party Leadership Group and the chief economist of Huaibei Municipal Office of SAT in Anhui Province, and the General Manager of the Issuer.

**Mr. XU Jun (徐君先生)**, aged 56, is a director and the General Manager of the Issuer. Mr. Xu is a member of the Communist Party of China. He previously served as the member of the Party Leadership Group and the deputy director of Huaibei Municipal Finance Bureau (from September 2007 to July 2010, he studied at the Party School of the Provincial Party Committee as a postgraduate student major in public management), the member of the Party Leadership Group and the deputy director of Huaibei Municipal Audit Bureau (from March 2013 to April 2014, he attended the county leaders classes at the Party School of the Municipal Party Committee).

**Mr. CHEN Wei (陳偉先生)**, aged 51, is a director of the Issuer. Mr. Chen is a member of the Communist Party of China. Mr. Chen previously served as the chief accountant, deputy section chief and section chief of Huaibei Municipal Gas Company, the director of the Xiangshan Business Office of Huaibei Municipal Gas Company, the section chief of the Finance (Audit) Section of the Urban and Rural Construction Committee of Huaibei City, and the deputy director of the Municipal Administration Bureau for Key Project Construction.

**Mr. ZHANG Lizhe (張立哲先生)**, aged 52, is a Deputy General Manager of the Issuer. Mr. Zhang is a member of the Communist Party of China. Mr. Zhang previously served as a staff member and the assistant political commissar of the Security Section, the assistant political commissar of Preexamination Section of the Public Security Division of Wanbei Mining Bureau, the assistant economist, the economist and the deputy section chief of the General Section of the Salary Division of Wanbei Mining Bureau, the deputy director of the Employment Introduction Center (section chief rank) and the deputy general manager of the Salary Department of Wanbei Coal and Electricity Group, and the deputy general manager of the Human Resources Department and the director of Planning and Recruitment Office of Hengyuan Coal and Electricity Company.

**Mr. ZHOU Kaiyu (周開宇先生)**, aged 59, is a director, the chairman of the labour union and Head of the Investment and Financing Department of the Issuer. Mr. Zhou is a member of the Communist Party of China. Mr. Zhou previously served as the special officer, deputy director and director of the Taxation Bureau of Suixi County of Huaibei City, the deputy director and director of the Management Committee

of Economic Development Zone of Suixi County, the director of the Economic and Technical Cooperation Office of the People’s Government of Suixi County, the section chief of the Political Secretary Section of the Cooperation Office of Huaibei Economic and Technical Development Zone, and the director of the General Department of Huaibei Construction and Investment Co., Ltd.

**SUPERVISORS**

The supervising council of the Issuer (the “**Supervising Council**”) currently consists of five members. The table below shows certain information in respect of the Supervising Council:

Name	Age	Position
ZHAO Mingling (趙明靈) . . . . .	52	Chairlady of Supervising Council
KONG Weiwei (孔偉偉) . . . . .	37	Supervisor
ZHANG Quan (張權) . . . . .	39	Supervisor
CHEN Hua (陳華) . . . . .	41	Employee Supervisor
ZHU Zhenli (朱真理) . . . . .	59	Employee Supervisor

**Ms. ZHAO Mingling (趙明靈女士)**, aged 52, is the chairlady of the Supervising Council. Ms. Zhao is a member of the Communist Party of China. Ms. Zhao is the deputy head of the Discipline Inspection, Supervision and Audit Department of the Issuer. She previously served as a statistician of Huaibei First Knitting Factory, a deputy director of Huaibei City Trust and Investment Corporation, the manager of Branch Office of Huaibei City Trust and Investment Corporation, the chief financial officer of Anhui Guohua Investment Group Co., Ltd., the chief financial director of China Netcom Group Co., Ltd. Huaibei Branch Company, a staff in Financial Planning Department of China United Network Communications Group Co., Ltd. Huaibei Branch Company (in charge of office supplies and tendering and bidding work), a staff of Huaibei Transportation Investment Co., Ltd., and the general director of Finance Department of Huaibei Tongchuang Financing Guarantee Co., Ltd.

**Ms. KONG Weiwei (孔偉偉女士)**, aged 37, is a supervisor of the Supervising Council. Ms. Kong is a member of the Communist Party of China. Ms. Kong is an employee in the Discipline Inspection, Supervision and Audit Department of the Issuer. She previously served as an organisational cadre and director of Woman’s Trade Union of Wanbei Coal and Electricity Group Corporation Wugou Coal Mine, and a staff member of the Human Resource Department of the Issuer.

**Mr. ZHANG Quan (張權先生)**, aged 39, is a supervisor of the Supervising Council. Mr. Zhang is a member of the Communist Party of China. Mr. Zhang is an employee in the Discipline Inspection, Supervision and Audit Department of the Issuer. He previously severed as a payroll account of operation and management department of Huaibei Mining (Group) Co., Ltd. Yuandianerjing Coal Mine, and discipline inspector of Audit department of Haozhou Coal Mining (Group) Co., Ltd. Yuandianerjing Coal Mine (formerly known Huaibei Mining Group Co., Ltd. Yuandianerjing Coal Mine).

**Ms. CHEN Hua (陳華女士)**, aged 41, is an employee supervisor of the Supervising Council. Ms. Chen is currently also an employee in the Fund Management Department of the Issuer. She previously served as an employee of Hengyuan Coal and Electricity Company of Wanbei Coal and Electricity Group and an employee of Huaibei Energy Investment Co., Ltd.

**Mr. ZHU Zhenli (朱真理先生)**, aged 59, is an employee supervisor of the Supervising Council. Mr. Zhu is a member of the Communist Party of China. Mr. Zhu is the Head of the Legal and Audit Department of the Issuer. He previously served as staff member, deputy section chief and section chief of Huaibei Municipal Finance Bureau, and the deputy general manager of Huaibei State-owned Assets Operation Company.

## SENIOR MANAGERS

The senior management team of the Issuer currently consists of four members. The table below shows certain information in respect of the senior management team:

Name	Age	Position
XU Jun (徐君)	56	General Manager
ZHANG Lizhe (張立哲)	52	Deputy General Manager
LIN Xiaohai (林曉海)	53	Deputy General Manager
GAO Jun (高軍)	49	Chief Accountant

**Mr. XU Jun** (徐君先生), please refer to the section above under the “– Executive Directors”.

**Mr. ZHANG Lizhe** (張立哲先生), please refer to the section above under the “– Executive Directors”.

**Mr. LIN Xiaohai** (林曉海先生), aged 53, is a Deputy General Manager of the Issuer. Mr. Lin is a member of the Communist Party of China. Mr. Lin previously served as a staff member of the Audit Bureau of Xiangshan Distinct of Huaibei City, a staff member of the Commission for Discipline Inspection of the Communist Party of China of Xiangshan Distinct of Huaibei City and the Commission of the Supervision of Xiangshan Distinct of Huaibei City, the chairman of the Office of the Supervision of the Commission for Discipline Inspection of the Communist Party of China of Xiangshan Distinct of Huaibei City and the Commission of the Supervision of Xiangshan Distinct of Huaibei City, a member of the Standing Commission for Discipline Inspection of the Communist Party of China of Xiangshan Distinct of Huaibei City, the section-chief-rank organisational cadre of the District Committee, a director of General Office of Xiangshan Distinct of Huaibei City, a director of the Foreign and Overseas Chinese Affairs Office of Xiangshan Distinct of Huaibei City, a director of the Municipal Finance Bureau of Xiangshan Distinct of Huaibei City, the deputy district mayor of Xiangshan Distinct of Huaibei City, a member of the Standing Committee of County Committee of Suixi County of Huaibei City, and the secretary of the Judicial and Law Enforcement Committee of County Committee of Suixi County of Huaibei City.

**Mr. GAO Jun** (高軍先生), aged 49, is the Chief Accountant of the Issuer. Mr. Gao is a member of the Communist Party of China. He previously served as the accountant of the Finance Section in the Cement Plant of Huaibei Mining Group, the accountant of the Finance Section in the Exploration Team of Huaibei Mining Group, and the deputy section chief and section chief of the Finance and Labour Section of the Medical and Health Management Department of Huaibei Mining Group.

## EXCHANGE RATE INFORMATION

The People’s Bank of China (the “PBOC”), the central bank of the PRC, sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2 per cent. against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0 per cent. on 16 April 2012. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.9 per cent. from 21 July 2005 to 31 December 2013. On 14 March 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0 per cent. On 11 August 2015, the PBOC announced to improve the central parity quotations of Renminbi against the U.S. dollar by authorising market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on 11 August 2015, Renminbi depreciated significantly against the U.S. dollar. On 11 December 2015, CFETS, a sub-institutional organisation of the PBOC, published the CFETS Renminbi exchange rate index for the first time which weighs the Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. In January and February 2016, Renminbi experienced further fluctuations in value against the U.S. dollar. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. The International Monetary Fund announced on 30 September 2016 that, effective on 1 October 2016, the Renminbi was added to its Special Drawing Rights currency basket. The PRC government has since made and in the future may make future adjustments to the exchange rate system.

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

Period	Noon Buying Rate			
	Period End	Average <sup>(1)</sup>	High	Low
		<i>(Renminbi per U.S.\$1.00)</i>		
2016	6.4480	6.6549	6.9580	6.9430
2017	6.4773	6.7564	6.9575	6.5063
2018	6.2649	6.6090	6.9737	6.8755
2019	6.6822	6.9014	7.1786	6.9618
2020	6.5250	6.9042	7.1681	6.5208
2021				
August	6.4604	6.4768	6.5012	6.4604
September	6.4434	6.4563	6.4702	6.4320
October	6.3839	6.4259	6.4485	6.3822
November	6.3640	6.3889	6.4061	6.3640
December	6.3435	6.3693	6.3772	6.3762
2022				
January	6.3610	6.3556	6.3822	6.3206
February (through 11 February)	6.3540	6.3599	6.3660	6.3526

Note:

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

## TAXATION

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

### **Hong Kong**

#### ***Withholding Tax***

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

#### ***Profits Tax***

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

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

- (i) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (iii) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “**IRO**”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (iv) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

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

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

### ***Stamp Duty***

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

### **PRC**

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

### ***EIT and IIT***

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

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

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

subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

### ***VAT***

On 23 March 2016, the MOF and the State Administration of Taxation (the “SAT”) issued the Circular of Full Implementation of Business Tax to VAT Reform (關於全面推開營業稅改徵增值稅試點的通知, Caishui [2016] No. 36, “**Circular 36**”), which confirms that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by and be subject to VAT.

The Issuer will be obliged to withhold VAT of 6 per cent. and certain surcharges on payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC.

However, Circular 36 and laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties, and the above statement may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

### ***Stamp Duty***

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

### **FATCA**

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

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

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

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

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

Under the Global Certificate, the Issuer, for value received, promises to pay such principal and interest on the Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Terms and Conditions of the Bonds, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by the Global Certificate. So long as the Bonds are represented by a Global Certificate and the relevant Global Certificate is held on behalf of a clearing system, the Issuer has promised, *inter alia*, to pay interest in respect of such Bonds from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Terms and Conditions, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by such Global Certificate.

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

### **Payment**

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

### **Trustee’s Powers**

In considering the interests of the Bondholders whilst the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obliged 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) may consider such interests on the basis that such account holders were the holder of the Bonds in respect of which such Global Certificate is issued.

## **Notices**

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

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

## **Bondholder's Redemption**

The Bondholder's redemption option in Condition 7(c) 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.

## **Transfers**

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

## **Cancellation**

Cancellation of any Bond by the Issuer following its redemption or purchase by the Issuer and its respective subsidiaries will be effected by reduction in the principal amount of the Bonds in the register of the Bondholders.

## **Meetings**

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

## **SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS**

*The Group's consolidated financial 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 Group. The Issuer is responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there is no assurance regarding the completeness of the financial information and related footnote disclosure between PRC GAAP and IFRS and no attempt has been made to quantify such differences. Had any such quantification or reconciliation been undertaken by the Issuer, other potentially significant accounting and disclosure differences may have required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant ongoing projects that could affect future comparisons or events that may occur in the future. Accordingly, no assurance is provided that the following summary of differences between PRC GAAP and IFRS is complete.*

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

### **Accounting Year**

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

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

### **Government Grant**

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

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

Under IFRS, if an entity relocates for reasons of public interests, the compensation received shall be recognised in profit or loss.

### **Reversal of an Impairment Loss**

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

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

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

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

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

### **Related Party Disclosures**

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

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

### **Fixed Assets and Intangible Assets**

Under PRC GAAP, only the cost model is allowed.

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

### **Available-for-sale Financial Assets**

Under PRC GAAP, an enterprise shall measure available-for-sale financial assets at their fair values. If the available-for-sale financial assets do not have a quoted market price in an active market, and their fair value cannot be reliably measured, cost model shall be applied.

Under IFRS, available-for-sale financial assets are measured at fair value.

## SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Joint Lead Managers dated 16 February 2022 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to, severally but not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds indicated in the following table.

	<b>Principal amount of the Bonds to be subscribed</b>
	<i>U.S.\$</i>
TFI Securities and Futures Limited . . . . .	150,000,000
Golden Rich Securities Limited . . . . .	0
<b>Total</b> . . . . .	<b>150,000,000</b>

The Subscription Agreement provides that the Joint Lead Managers and their respective affiliates, and their respective directors, officers and employees will be indemnified against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

In connection with the issue of the Bonds, any of the Joint Lead Managers appointed and acting in its capacity as a Stabilisation Manager or any person acting on behalf of the Stabilisation Manager may, to the extent permitted by applicable laws and directives, over-allot the Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager shall act as principal and not as the Issuer’s agent. However, there is no assurance that the Stabilisation Manager or any person acting on behalf of the 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 Bonds is made and, if begun, may be ended at any time, but must end after a limited period. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Stabilisation Manager.

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

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliate(s) may act as an investor for its own account and may take up Bonds in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer and may offer or sell such securities or other investments otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the Bonds being “offered” should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any applicable legal or regulatory requirements. The Joint Lead Managers or their respective affiliates may purchase the Bonds for its own account or for the accounts of their customers and enter into transactions, including credit derivative, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which

this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). Should any of the foregoing transactions occur the trading price and liquidity of the Bonds may be impacted.

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 and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

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

## **General**

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

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

## United States

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

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

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

## United Kingdom

***Prohibition of sales to UK Retail Investors:*** The Joint Lead Managers have represented and agreed that it have not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression **retail investor** means a person who is one (or more) of the following:
  - (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (EUWA); or
  - (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the “FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
  - (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and
- (b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Bonds.

***Other regulatory restrictions:*** The Joint Lead Managers represent, warrant and agree that:

- (a) in relation to any Bonds which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Bonds would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) 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 FSMA received by it in connection with the issue or sale of the Bonds in circumstances in which section 21(1) of the FSMA does not apply to Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

## **Hong Kong**

Each of the Joint Lead Managers has represented, warranted and undertaken 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.

## **The People’s Republic of China**

Each of the Joint Lead Managers has represented, warranted and undertaken that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including Hong Kong and the Macau Special Administrative Region or Taiwan), except as permitted by applicable laws of the PRC.

## **Singapore**

Each of the Joint Lead Managers has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead Managers has represented, warranted and undertaken that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interests (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

*Singapore SFA Product Classification: In connection with Section 309B of 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).*

## **Japan**

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

## GENERAL INFORMATION

1. **Clearing System:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 241872955, the ISIN XS2418729559 and the Legal Entity Identifier is 3003007RNMOKJ30VBI36.
2. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by a resolution of the Issuer's board of directors dated 4 February 2021 and a resolution of the Issuer's shareholders dated 24 February 2021.
3. **No Material and Adverse Change:** Save as disclosed in this Offering Circular, there has been no material adverse change, or any development or event involving a prospective change, in the condition (financial or other), prospects, results of the Group's operations or general affairs since 30 June 2021.
4. **Litigation:** The Group is not involved in any litigation or arbitration proceedings which could have a material and adverse effect on their businesses, results of operations and financial condition nor is the Group aware that any such proceedings are pending or threatened.
5. **Available Documents:** Copies of the audited consolidated financial statements of the Group as at and for the year ended 31 December 2019 and 2020, the unaudited but reviewed consolidated financial statements of the Group as at and for the six months ended 30 June 2021 and the articles of association of the Issuer will be available for inspection upon prior written request and satisfactory proof of holding from the Issue Date at the principal office of the Issuer's office in the PRC at No. 18 Suixi North Road, Xiangshan District, Huaibei City, Anhui, PRC. Copies of the Trust Deed, the Agency Agreement and the Standby Letter of Credit will be available for inspection from the Issue Date following prior written request and proof of holding satisfactory to the Trustee at the principal office of the Trustee (being at the date of this Offering Circular at 20th Floor, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong and at the specified office of the Principal Paying Agent at all reasonable times during normal business hours (being between 9:00 a.m. to 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays)), so long as any of the Bonds is outstanding.
6. **Financial Statements:** The audited consolidated financial statements of the Group as at and for the year ended 31 December 2019 and 2020, which are included elsewhere in this Offering Circular have been audited by Reanda. The unaudited but reviewed consolidated financial statements of the Group as at and for the six months ended 30 June 2021, which are included elsewhere in this Offering Circular, have been reviewed by Reanda. Reanda is a member of the Chinese Institute of Certified Public Accountants.
7. **Listing of Bonds:** Application will be made to the HKSE for the listing of, and permission to deal in the Bonds by way of debt issue to Professional Investors only and such permission is expected to become effective on or about 24 February 2022.

## INDEX TO FINANCIAL STATEMENTS

### UNAUDITED BUT REVIEWED CONSOLIDATED FINANCIAL STATEMENTS OF THE ISSUER AS AT AND FOR THE SIX MONTHS ENDED 30 JUNE 2021

Review Report . . . . .	F-3
Consolidated Financial Position Statement . . . . .	F-4
Consolidated Income Statement . . . . .	F-6
Consolidated Cash Flow Statement . . . . .	F-7
Consolidated Statement of Changes in Owners' Equity . . . . .	F-8
Financial Position Statement . . . . .	F-10
Income Statement . . . . .	F-12
Cash Flow Statement . . . . .	F-13
Changes in Owners' Equity . . . . .	F-14
Notes to Financial Statements . . . . .	F-16

### AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE ISSUER AS AT AND FOR THE YEARS ENDED 31 DECEMBER 2019 AND 2020

Audit Report . . . . .	F-123
Consolidated Financial Position Statement . . . . .	F-126
Consolidated Income Statement . . . . .	F-128
Consolidated Cash Flow Statement . . . . .	F-129
Consolidated Statement of Changes in Owners' Equity . . . . .	F-130
Financial Position Statement . . . . .	F-132
Income Statement . . . . .	F-134
Cash Flow Statement . . . . .	F-135
Changes in Owners' Equity . . . . .	F-136
Notes to Financial Statements . . . . .	F-138

**Review Report for Financial Statements in Jan to Jun 2021**  
**Of**  
**Huaibei City Construction Investment Holding Group Company**  
**Limited**

**Table of contents**

	Page
1. Review Report	1
2. Consolidated Financial Position Statement	2-3
3. Consolidated income statement	4
4. Consolidated cash flow statement	5
5. Consolidated statement of changes in owner's equity	6-7
6. Balance Sheet	8-9
7. Income statement	10
8. Cash flow statement	11
9. Statement of changes in owners' equity	12-13
10. Notes to Financial Statements	14-119

Client : Huaibei City Construction Investment Holding Group  
Company Limited

Practitioner: Reanda Certified Public Accountants LLP (Special  
general partnership)

TEL: (010) 85886680

FAX: (010) 85886690

Official Website: <http://www.Reanda.com>

# Review Report

Reanda Special [2021] No.2222

## To the shareholders of Huaibei City Construction Investment Holding Group Company Limited:

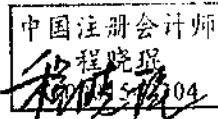
We have reviewed the accompanying financial statements of Huaibei City Construction Investment Holding Group Company Limited ("the Company"), which comprise the Company's consolidated balance sheet and parent company's balance sheet as at 30 June 2021, the Company's consolidated income statement and parent company's income statement, the Company's consolidated statement of cash flows and parent company's statement of cash flows and changes in owners' equity for the six months ended 30 June 2021, and notes to such financial statements. The management of the Company is responsible for the preparation of these financial statements, and our responsibility is to issue a review report on these financial statements based on our review work.

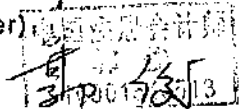
We conducted our review in accordance with Chinese Certified Public Accountants Review Standards No. 2101 - Financial Statements Review. Those Standards require that we plan and perform the review to obtain limited assurance about whether the financial statements are free from material misstatement. The review was mainly limited to inquire the relevant employees of the Company and perform the analytical procedures for financial data which provided less assurance than auditing. Since we did not conduct an audit, we shall not issue an audit opinion.

In accordance with our review, we have not noticed any events to make us believe that the accompanying financial statements did not present fairly, in all material respects, the Company's consolidated financial position and parent company's financial position as at 30 June 2021, and the Company's consolidated financial performance and cash flows and parent company's financial performance and cash flows for the six months ended 30 June 2021, in conformity with Accounting Standard for Business Enterprises (generally accepted accounting principles in the People's Republic of China).



China·Beijing

Chinese CPA:   
(Project Partner)

Chinese CPA:   
1310013013

6 December 2021

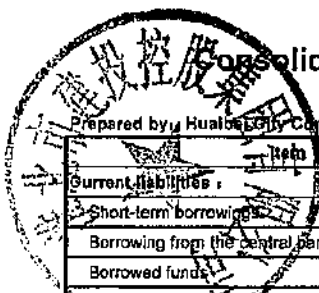
# Consolidated Financial Position Statement

30 Jun, 2021

Prepared by: Huaibei City Construction Investment Holding Group Company Limited

Unit: RMB Yuan

	Note	30 Jun, 2021	31 Dec, 2020
<b>Current assets</b>		—	—
Monetary funds	VIII. 1	11,597,927,987.47	11,438,105,928.48
Financial assets held for trading	VIII. 2	2,687,205,573.10	1,946,094,707.17
Financial assets at fair value through profit and loss			
Derivative financial assets			
Notes receivable	VIII. 3	18,286,356.44	14,648,000.00
Accounts receivable	VIII. 4	8,759,127,080.63	7,606,021,997.00
Accounts receivable financing			
Prepayments	VIII. 5	3,248,601,429.64	3,152,711,796.72
Other receivables	VIII. 6	12,164,813,693.49	11,773,840,550.48
Including: Interest receivable		27,850,965.89	26,554,190.25
Dividend receivable			
Inventory	VIII. 7	20,776,304,009.65	18,795,723,861.49
Contract asset			
Assets held for selling			
Noncurrent assets due within a year	VIII. 8	1,145,401,329.92	1,003,096,760.23
Other current assets	VIII. 9	9,419,294,443.94	9,373,566,933.65
<b>Total current assets</b>		<b>69,716,961,904.28</b>	<b>65,101,810,535.22</b>
<b>Noncurrent assets:</b>		—	—
Investments in debt			
Financial assets available for sale	VIII. 10		2,217,563,384.75
Other investments in debt			
Held-to-maturity investments			
Long-term receivables	VIII. 11	766,186,284.94	832,341,060.68
Long-term equity investments	VIII. 12	3,351,611,086.94	3,271,809,724.80
Investments in other equity instruments			
Other noncurrent financial assets	VIII. 13	2,473,075,118.08	
Investment property	VIII. 14	16,090,906,596.96	16,048,250,500.00
Fixed assets	VIII. 15	8,724,476,922.25	8,756,476,014.27
Works in progress	VIII. 16	17,029,245,474.26	15,298,873,784.77
Right to use assets			
Intangible assets	VIII. 17	12,768,192,387.20	12,109,850,686.71
Development expenditure			
Goodwill		316,024,678.80	316,024,678.80
Long-term unamortized expenses	VIII. 18	123,909,535.12	172,013,765.67
Deferred income tax assets	VIII. 19	36,072,840.40	35,543,541.67
Other noncurrent assets	VIII. 20	14,871,801,224.13	13,397,326,284.05
<b>Total noncurrent assets</b>		<b>76,571,502,159.08</b>	<b>72,456,073,425.17</b>
<b>Total assets</b>		<b>146,288,464,063.36</b>	<b>137,557,883,960.39</b>



## Consolidated Financial Position Statement(Continued)

30 Jun, 2021

Prepared by Hualong Construction Investment Holding Group Company Limited

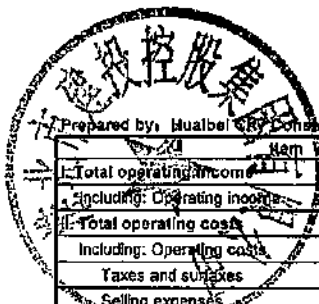
Unit: RMB Yuan

Item	Note	30 Jun, 2021	31 Dec, 2020
<b>Current liabilities:</b>		—	—
Short-term borrowings	VIII. 21	3,441,050,000.00	4,073,740,374.59
Borrowing from the central bank			
Borrowed funds			
Financial assets held for liabilities			
Financial liabilities at fair value through profit and loss			
Derivative financial liabilities			
Notes payable	VIII. 22	172,993,054.37	382,395,490.13
Accounts payable	VIII. 23	825,665,402.62	487,814,851.59
Advance receipts	VIII. 24		1,510,332,214.22
Contractual liabilities	VIII. 25	2,460,015,115.36	
Employee compensation payable	VIII. 26	28,526,328.52	28,580,659.05
Taxes payable	VIII. 27	2,079,325,309.46	2,154,703,078.42
Other payables	VIII. 28	4,998,645,805.18	4,532,128,899.02
Including: interest payable		75,420,659.72	75,467,879.31
Dividend payable		5,271,533.56	22,331,470.22
Fees and commissions payable			
Reinsurance accounts payable			
Liabilities held for sale			
Noncurrent liabilities due within a year	VIII. 29	11,297,740,306.17	12,735,024,799.90
Other current liabilities	VIII. 30	194,783,100.41	170,551,174.91
<b>Total current liabilities</b>		<b>25,498,744,424.09</b>	<b>26,063,251,541.93</b>
<b>Noncurrent liabilities:</b>		—	—
Long-term borrowings	VIII. 31	26,012,995,096.29	22,452,860,852.49
Bonds payable	VIII. 32	20,473,768,916.76	17,651,550,457.26
Lease liability			
Long-term payables	VIII. 33	8,024,571,791.80	5,257,708,513.55
Long-term employee compensations			
Estimated liabilities			
Deferred income	VIII. 34	5,000,000.00	5,000,000.00
Deferred income tax liabilities	VIII. 19	2,028,867,511.78	2,028,588,009.63
Other noncurrent liabilities	VIII. 35	4,197,674,700.00	4,962,843,662.90
<b>Total noncurrent liabilities</b>		<b>60,742,878,016.63</b>	<b>52,358,651,495.63</b>
<b>Total liabilities</b>		<b>86,241,622,440.72</b>	<b>78,441,903,037.76</b>
<b>Owner's equity:</b>		—	—
Paid-in capital	VIII. 36	8,229,000,000.00	8,229,000,000.00
National capital		8,229,000,000.00	8,229,000,000.00
State-owned legal person's capital			
Collective capital			
Private capital			
Foreign capital			
Less: returned investment			
Net paid in capital		8,229,000,000.00	8,229,000,000.00
Other equity instruments	VIII. 37	1,198,160,000.00	1,198,160,000.00
Including: preferred shares			
Perpetual bonds		1,198,160,000.00	1,198,160,000.00
Capital reserve	VIII. 38	40,278,120,013.85	39,962,853,592.73
Less: treasury shares			
Other comprehensive income	VIII. 39	1,168,561,085.65	1,168,561,085.65
Special reserve	VIII. 40	15,318,129.54	13,720,492.53
Surplus reserve	VIII. 41	1,101,783,444.32	1,101,793,444.32
General risk allowance			
Undistributed profits	VIII. 42	3,420,482,882.76	3,027,911,421.89
<b>Total ownership interest attributable to parent company</b>		<b>55,411,435,556.12</b>	<b>54,702,000,127.12</b>
Minority shareholder's equity		4,635,406,066.52	4,413,980,795.51
<b>Total owner's equity</b>		<b>60,046,841,622.64</b>	<b>59,115,980,922.63</b>
<b>Total liabilities and owner's equity</b>		<b>146,288,464,063.36</b>	<b>137,557,883,960.39</b>

The notes to the financial statements on pages 14 to 119 are an integral part of the financial statements

The notes to the financial statements on pages 2 to 13 are an integral part of the financial statements

Company's legal representative: \_\_\_\_\_ Chief accountant: \_\_\_\_\_ Person in charge of the company's accounting organization: \_\_\_\_\_



# Consolidated Income Statement

Jan to Jun, 2021

Prepared by: Hualbei City Construction Investment Holding Group Company Limited

Unit: RMB Yuan

Name	Note	January to June, 2021	January to June, 2020
I. Total operating income		8,042,835,559.86	5,638,928,411.78
Including: Operating income	VIII. 43	8,042,835,559.86	5,638,928,411.78
II. Total operating costs		7,803,456,296.68	5,254,861,299.64
Including: Operating costs	VIII. 43	7,428,203,013.71	4,966,931,815.78
Taxes and surcharges	VIII. 44	36,793,821.62	28,082,310.03
Selling expenses		15,637,775.97	29,818,745.24
Administrative expenses		154,288,720.14	124,428,352.38
R&D expenses			
Financial expenses	VIII. 45	168,532,985.24	105,800,075.13
Including: Interest expense		173,075,696.55	104,942,929.21
Interest income		47,330,837.11	48,655,190.61
Add: other income	VIII. 46	413,380,395.24	105,023,635.03
Investment income (loss to be denoted by "-")	VIII. 47	156,296,656.53	6,033,477.92
Including: income on investment in affiliates and joint ventures			
Derecognition income of financial assets measured at amortized cost		-936,674.39	-3,927,562.45
Exchange gains (loss to be denoted by "-")			
Net exposure hedge income (loss to be denoted by "-")			
Income from change in fair value (loss to be denoted by "-")			
Credit impairment loss (loss to be denoted by "-")			
Asset impairment loss (loss to be denoted by "-")	VIII. 48	-8,797,558.21	-2,181,423.47
Income from asset disposal (loss to be denoted by "-")			
III. Operating profits (losses to be denoted by "-")		800,258,756.74	492,942,701.72
Add: non-business income	VIII. 49	6,124,745.37	10,562,248.39
Including: Government subsidies	VIII. 51		
Less: non-business expenditure	VIII. 50	5,010,873.00	2,851,792.04
IV. Total profits (total losses to be denoted by "-")		800,772,629.11	500,653,158.07
Less: income tax expense	VIII. 51	29,310,198.00	46,558,671.75
V. Net profits (net losses to be denoted by "-")		771,462,431.02	454,094,486.32
(1) Classification by attribution of ownership			
Net profits attributable to shareholders of parent company		692,571,460.87	426,408,299.40
Minority interest income or loss		78,890,970.15	27,686,186.92
(2) Classification by operational continuity			
Net profits from continuous operations		771,462,431.02	454,094,486.32
Net profits from discontinued operations			
VI. After-tax net amount of other comprehensive income			
After-tax net amount of other comprehensive income attributable to the owner of parent company			
(1) Other comprehensive income that can not be reclassified to profit and loss			
1. Change in defined benefit plan re-measured			
2. Other comprehensive income that cannot be transferred to profit and loss under equity method			
3. Changes in the fair value of other equity instrument investments			
4. Changes in fair value of the enterprise's own credit risk			
5. Others			
(2) Other comprehensive income that will be reclassified to profit and loss			
1. Other comprehensive income that can be transferred to profit and loss under equity method			
2. Changes in the fair value of other debt investments			
3. Profit and loss from change in fair value of financial assets available for sale			
4. Amount of financial assets reclassified and included in other comprehensive income			
5. Profit and loss on reclassification of held-to-maturity investments as financial assets available for sale			
6. Other debt investment credit impairment reserves			
7. The effective portion of profit and loss on cash flow hedging			
8. Foreign-currency statement translation difference			
9. Others			
After-tax net other comprehensive income attributable to minority shareholders			
VII. Total comprehensive income		771,462,431.02	454,094,486.32
Comprehensive income attributable to owner of parent		692,571,460.87	426,408,299.40
Total comprehensive income attributable to minority shareholders		78,890,970.15	27,686,186.92
VIII. Earnings per share			
Basic earnings per share			
Diluted earnings per share			

The notes to the financial statements on pages 14 to 119 are an integral part of the financial statements

The notes to the financial statements on pages 12 to 13 are an integral part of the financial statements

Company's legal representative: [Signature] Person in charge of the company's accounting organization: [Signature]

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# Consolidated Cash Flow Statement

Jan to Jun, 2021

Prepared by: Hualbei City Construction Investment Holding Group Company Limited

Unit: RMB Yuan

Item	Note	January to June, 2021	January to June, 2020
<b>I. Cash flow from operating activities:</b>		—	—
Cash received from goods sales and service provision		10,987,230,610.94	6,647,459,963.66
Received tax rebate			
Other cash received related to operating activities		3,058,757,632.16	1,462,955,071.98
<b>Subtotal cash inflow from operating activities</b>		<b>14,045,988,243.10</b>	<b>8,110,415,055.64</b>
Cash paid for goods purchase and service receiving		11,316,776,344.29	7,443,740,070.65
Cash paid to and for employees		118,552,368.03	105,517,554.64
Taxes and surtaxes paid		216,856,573.55	171,657,735.02
Paid other cash related to operating activities	-	2,368,185,293.30	1,461,848,279.76
<b>Subtotal of cash outflow from operating activities</b>		<b>14,020,370,579.17</b>	<b>9,182,763,640.07</b>
<b>Net cash flow from operating activities</b>		<b>25,617,663.93</b>	<b>-1,072,348,584.43</b>
<b>II. Cash flow from investment activities</b>		—	—
Cash received for investment recovery		765,502,079.68	171,002,408.71
Cash received from investment incomes		60,336,123.98	88,210,234.84
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets.		996,344.69	185,602.78
Received net cash from disposal of subsidiaries and other business units			
Other cash received related to investment activities	-		
<b>Subtotal of cash inflow from investment activities</b>		<b>826,834,548.35</b>	<b>259,398,246.33</b>
Cash paid for acquisition of property, plant and equipment intangible assets and other long-term assets		4,528,953,045.26	3,307,694,211.31
Cash paid for investment		1,644,554,712.16	942,007,044.33
Net increase in pledged loans			
Net cash received from subsidiaries and other business units			
Other cash paid related to investment activities	-		
<b>Subtotal cash outflow for investment activities</b>		<b>6,173,507,757.42</b>	<b>4,249,701,255.64</b>
<b>Net cash flow from investment activities</b>		<b>-5,346,673,209.07</b>	<b>-3,990,303,009.31</b>
<b>III. Cash flow from financing activities:</b>		—	—
Cash received from investment		149,920,000.00	246,319,522.39
Including: Cash received by subsidiaries from investment of minority shareholders			
Cash from borrowings		9,471,232,085.56	8,293,148,710.27
Other cash received related to financing activities	-	8,000,462,830.19	8,900,000,000.00
<b>Subtotal cash inflow from financing activities</b>		<b>17,621,604,915.75</b>	<b>17,439,468,232.66</b>
Cash repayments for debts		12,656,153,218.95	6,203,591,525.49
Cash paid for distribution of dividends and profits and payment of interests		494,904,618.09	382,587,182.27
Paid other cash related to financing activities	-		
<b>Subtotal cash outflow for financing activities</b>		<b>13,151,057,837.04</b>	<b>6,586,178,707.76</b>
<b>Net cash flow from financing activities</b>		<b>4,470,547,078.71</b>	<b>10,853,289,524.90</b>
<b>IV. Influence of exchange rate change on cash and cash equivalents</b>		<b>6,617.12</b>	<b>17,873.00</b>
<b>V. New increase in cash and cash equivalents</b>		<b>-850,501,849.31</b>	<b>5,790,655,804.16</b>
Add: Opening balance of cash and cash equivalents		9,698,048,172.10	5,722,313,751.79
<b>VI. Closing balance of cash and cash equivalents</b>		<b>8,847,546,322.79</b>	<b>11,512,969,555.95</b>

The notes to the financial statements on pages 14 to 119 are an integral part of the financial statements

The notes to the financial statements on pages 2 to 13 are an integral part of the financial statements

Company's legal representative:  Chief accountant:  Person in charge of the company's accounting organization: 

Consolidated Statement of Changes in Owners' Equity

Jan to Jun, 2021

Prepared by Hainan Hainan Investment Management Co., Ltd. Group Company Limited

January to June, 2021

Unit: RMB Yuan

	Owner's equity attributable to parent company										Minority shareholder's equity	Total owner's equity
	Paid-up capital	Reserve for treasury shares	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Subtotal				
I. Balance at the end of previous year	1,195,150,000.00		39,962,853,532.73	1,168,561,095.65	13,720,482.59	1,011,793,444.32	3,027,911,491.89	54,702,000,127.12		4,413,980,795.51	59,115,980,922.63	
II. Changes in accounting policy												
Correction of previous errors												
Others												
III. Balance at the beginning of this year	8,229,000,000.00		39,962,853,532.73	1,168,561,095.65	13,720,482.59	1,011,793,444.32	3,027,911,421.89	54,702,000,127.12		4,413,980,795.51	59,115,980,922.63	
IV. Increase or decrease in current period (decrease to be debited by "+")												
(1) Total comprehensive income			315,266,321.12		1,597,547.01		394,571,460.87	709,435,429.00		221,425,271.91	930,860,700.01	
(2) Capital invested and reduced by owner			315,266,321.12				692,571,460.87	692,571,460.87		78,890,970.15	771,462,431.02	
1. Ordinary shares invested by owners												
2. Capital invested by other equity instrument holders												
3. Amount of share-based payment charged to recognizable interest												
4. Others			315,266,321.12									
(3) Special reserve					1,597,547.01					730,150.86	2,327,797.87	
1. Current reserves					2,272,395.59					1,056,720.56	3,329,086.15	
2. Current utilization					-674,712.58					-326,569.70	-1,001,282.28	
(4) Profit distribution							-300,000,000.00	-300,000,000.00		-8,115,850.00	-308,115,850.00	
1. Interim dividend of surplus reserve												
Including: statutory surplus reserve												
Free surplus reserve												
Reserve fund												
Enterprise expansion fund												
Capital redemption												
2. Discretionary of general risk reserve												
3. Distribution to other												
4. Others												
(5) Internal carry-forward of ownership interest												
1. Capital reserve transfer to surplus												
2. Surplus reserve transferred to capital												
3. Surplus reserve for loss recovery												
4. Changes in defined benefit plans into retained earnings												
5. Other comprehensive income carried forward to retained earnings												
6. Others												
IV. Balance at the end of current period	8,229,000,000.00		40,278,120,013.85	1,168,561,095.05	15,318,129.54	1,401,793,444.32	3,420,482,862.75	55,411,435,556.12		4,635,406,066.52	60,046,841,622.64	

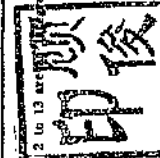
The notes to the financial statements on pages 11 to 16 are an integral part of the financial statements

The notes to the financial statements on pages 2 to 13 are an integral part of the financial statements

Company's legal representative:

Chief accountant:

Person in charge of the company's accounting organization:



Handwritten signature and date: 2021.6.30

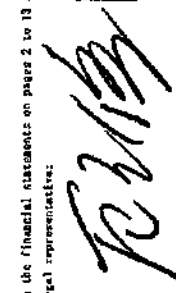

Consolidated Statement of Changes in Owners' Equity (Continued)  
Jan to Jun, 2021



Prepared by: Beijing Zhongtong Construction Investment (Group) Company Limited



Date: Jun, 2021

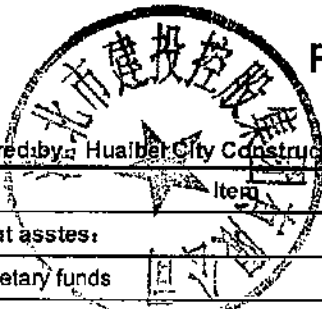
	2020 Year									
	Owner's equity attributable to parent company					Minority shareholders' equity				
	Preference shares	Ordinary shares	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Subtotal	Minority shareholders' equity	Total owners' equity
I. Balance at the end of previous year	1,198,160,000.00	1,198,160,000.00	39,462,045,296.19	1,161,337,081.33	12,503,662.02	807,087,834.88	1,891,608,096.97	52,561,749,262.26	4,289,582,217.33	56,861,324,579.59
II. Changes in accounting policy										
Correction of accounting errors										
Others										
III. Increase or decrease in current period (decrease to be denoted by "-")										
(1) Total comprehensive income										
(2) Capital increased and reduced by amount										
1. Ordinary shares invested by owners										
2. Capital invested by other equity holders										
3. Issuance of stock payment										
4. Others										
(3) Current utilization										
1. Discretionary of surplus reserve										
2. Others										
(4) Profit distribution										
1. Discretionary of surplus reserve										
2. Others										
IV. Balance at the end of current period	1,198,160,000.00	1,198,160,000.00	39,462,045,296.19	1,161,337,081.33	12,503,662.02	807,087,834.88	1,891,608,096.97	52,561,749,262.26	4,289,582,217.33	56,861,324,579.59
Others										
(5) Special reserve										
1. Current records										
2. Current utilization										
(6) Profit distribution										
1. Discretionary of surplus reserve										
2. Others										
From surplus reserve										
Reserve fund										
Participation expansion fund										
Capital redemption										
Discretionary of general risk reserve										
Distribution to owner										
Others										
Internal carry-forward of ownership interest										
Capital reserve transferred to capital										
Surplus reserve transferred to capital										
Surplus reserve for tax recovery										
Changes in defined benefit plans										
Other comprehensive income										
Other comprehensive income carried forward to retained earnings										
Others										
IV. Balance at the end of current period	1,198,160,000.00	1,198,160,000.00	39,462,045,296.19	1,161,337,081.33	12,503,662.02	807,087,834.88	1,891,608,096.97	52,561,749,262.26	4,289,582,217.33	56,861,324,579.59

The notes to the financial statements on pages 13 to 19 are integral part of the financial statements

Company's legal representative:  

Chief accountant:  

Person in charge of the company's accounting organization:  



# Financial Position Statement

30 Jun, 2021

Prepared by: Huaibei City Construction Investment Holding Group Company Limited

Unit: RMB Yuan

Item	Note	30 Jun, 2021	31 Dec, 2020
<b>Current assets:</b>		—	—
Monetary funds		4,787,888,400.61	3,552,712,786.42
Financial assets held for trading		1,459,500,000.00	1,540,000,000.00
Financial assets at fair value through profit and loss			
Derivative financial assets			
Notes receivable			
Accounts receivable	XII. 1	193,907,799.63	22,845,104.63
Accounts receivable financing			
Prepayments		153,077,089.68	153,077,089.68
Other receivables	XII. 2	32,039,995,065.71	29,913,800,144.84
Including: interest receivable			
Dividend receivable			
Inventory		370,517,732.69	370,517,732.69
Contract asset			
Assets held for selling			
Noncurrent assets due within a year			
Other current assets		1,568,719,874.19	1,568,719,874.19
<b>Total current assets</b>		<b>40,573,606,962.51</b>	<b>37,121,672,732.45</b>
<b>Noncurrent assets:</b>		—	—
Investments in debt			
Financial assets available for sale			769,762,687.28
Other investments in debt			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XII. 3	21,599,015,136.07	20,840,590,284.56
Investments in other equity instruments			
Other noncurrent financial assets		769,762,687.28	
Investment property		5,409,422,900.00	5,409,422,900.00
Fixed assets		2,215,522,479.74	2,215,724,634.12
Works in progress		10,224,126,397.56	8,913,024,459.78
Intangible assets			
Development expenditure			
Goodwill			
Long-term unamortized expenses			
Deferred income tax assets		1,945,066.91	1,945,066.91
Other noncurrent assets			
<b>Total noncurrent assets</b>		<b>40,219,794,667.56</b>	<b>38,150,470,032.67</b>
<b>Total assets</b>		<b>80,793,401,630.07</b>	<b>75,272,142,765.12</b>



# Financial Position Statement (Continued)

30 Jun, 2021

Prepared by: Hualbei City Construction Investment Holding Group Company Limited

Unit: RMB Yuan

Item	Note	30 Jun, 2021	31 Dec, 2020
<b>Current liabilities:</b>		—	—
Short-term borrowings		855,750,000.00	2,175,000,000.00
Financial assets held for liabilities			
Financial liabilities at fair value through profit and loss			
Derivative financial liabilities			
Notes payable		21,000,000.00	12,000,000.00
Accounts payable		1,513,575.87	893,575.87
Advance receipts			1,646,785.00
Contractual liabilities		339,059,487.00	
Employee compensation payable		81,987.10	81,987.10
Taxes payable		1,005,436,972.94	998,133,748.47
Other payables		2,973,559,381.84	1,224,029,974.09
Including: interest payable			
Dividend payable			
Liabilities held for sale			
Noncurrent liabilities due within a year		9,141,277,876.77	9,090,712,276.09
Other current liabilities			
<b>Total current liabilities</b>		<b>14,336,779,281.52</b>	<b>13,502,498,346.62</b>
<b>Noncurrent liabilities:</b>		—	—
Long-term borrowings		3,386,160,000.00	2,474,871,400.00
Bonds payable		20,423,768,916.76	17,801,550,457.26
Lease liability		2,983,365,344.00	2,045,627,060.42
Long-term payables			
Long-term employee compensations			
Estimated liabilities			
Deferred income		646,484,242.27	646,484,242.27
Deferred income tax liabilities		3,334,174,700.00	3,636,650,000.00
<b>Total noncurrent liabilities</b>		<b>30,773,953,203.03</b>	<b>26,404,183,159.95</b>
<b>Total liabilities</b>		<b>45,110,732,484.55</b>	<b>39,906,681,506.57</b>
<b>Owner's equity:</b>		—	—
Paid-in capital		8,229,000,000.00	8,229,000,000.00
National capital		8,229,000,000.00	8,229,000,000.00
State-owned legal person's capital			
Collective capital			
Private capital			
Foreign capital			
Less: returned investment			
Net paid in capital		8,229,000,000.00	8,229,000,000.00
Other equity instruments		1,198,160,000.00	1,198,160,000.00
Including: preferred shares			
Perpetual bonds		1,198,160,000.00	1,198,160,000.00
Capital reserve		22,128,686,406.90	21,797,018,855.41
Less: treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve		1,101,793,444.32	1,101,793,444.32
Undistributed profits		3,025,029,294.30	3,039,488,958.82
<b>Total owner's equity</b>		<b>35,682,669,145.52</b>	<b>35,365,461,258.55</b>
<b>Total liabilities and owner's equity</b>		<b>80,793,401,630.07</b>	<b>75,272,142,765.12</b>

The notes to the financial statements on pages 14 to 119 are an integral part of the financial statements

The notes to the financial statements on pages 2 to 13 are an integral part of the financial statements

Company's legal representative:  Chief accountant:  Person in charge of the company's accounting organization: 



# Income Statement

Jan to Jun, 2021

Prepared by: Huaibai City Construction Investment Holding Group Company Limited

Unit: RMB Yuan

	Note	January to June, 2021	January to June, 2020
I. Total operating income	XII. 4	277,795,615.99	478,686,964.37
Less: operating cost	XII. 4	74,661,920.02	129,148,639.29
Taxes and surtaxes		3,505,454.32	361,250.54
Selling expenses			
Administrative expenses		12,139,901.67	22,488,951.80
R&D expenses			
Financial expenses		26,559,295.10	45,123,746.71
Including: Interest expense			31,636,868.01
Interest income			33,684,248.33
Add: other income		100,022,058.51	
Investment income (loss to be denoted by "-")		25,467,600.00	2,578,999.37
Including: income on investment in affiliates			
Derecognition income of financial assets measured at amortized cost			
Net exposure hedge income (loss to be denoted by "-")			
Income from change in fair value (loss to be denoted by "-")			
Credit impairment loss (loss to be denoted by "-")			
Asset impairment loss (loss to be denoted by "-")			
Income from asset disposal (loss to be denoted by "-")			
II. Operating profits (losses to be denoted by "-")		286,418,703.39	284,143,375.40
Add: non-business income		26,688.66	292,891.74
Less: non-business expenditure		905,056.57	103,663.80
III. Total profits (total losses to be denoted by "-")		285,540,335.48	284,332,603.34
Less: income tax expense			
IV. Net profits (net losses to be denoted by "-")		285,540,335.48	284,332,603.34
1. Net profit from going concern (losses to be denoted by "-")		285,540,335.48	284,332,603.34
2. Net profit from discontinued operations (losses to be denoted by "-")			
V. After-tax net amount of other comprehensive income			
(1) Other comprehensive income that can not be reclassified to profit and loss			
1. Change in defined benefit plan re-measured			
2. Other comprehensive income that cannot be transferred to profit and loss under equity method			
3. Changes in the fair value of other equity instrument investments			
4. Changes in fair value of the enterprise's own credit risk			
5. Others			
(2) Other comprehensive income that will be reclassified to profit and loss			
1. Other comprehensive income that can be transferred to profit and loss under equity method			
2. Changes in the fair value of other debt investments			
3. Profit and loss from change in fair value of financial assets available for sale			
4. Amount of financial assets reclassified and included in other comprehensive income			
5. Profit and loss on reclassification of held-to-maturity investments as financial assets available for sale			
6. Other debt investment credit impairment reserves			
7. The effective portion of profit and loss on cash flow hedging			
8. Foreign-currency statement translation difference			
9. Others			
VI. Total comprehensive income		285,540,335.48	284,332,603.34
VII. Earnings per share			
Basic earnings per share			
Diluted earnings per share			

The notes to the financial statements on pages 14 to 119 are an integral part of the financial statements. The notes to the financial statements on pages 2 to 13 are an integral part of the financial statements. Company's legal representative: \_\_\_\_\_ the accountant: \_\_\_\_\_ Person in charge of the company's accounting organization: \_\_\_\_\_

# Cash Flow Statement

Jan to Jun, 2021

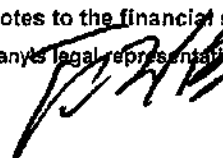
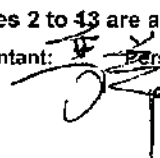
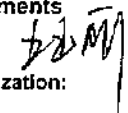
Prepared by: Hubei City Construction Investment Holding Group Company Limited

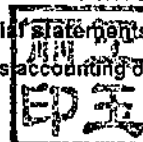
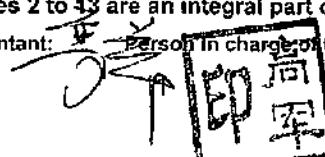
Unit: RMB Yuan

Item	Note	January to June, 2021	January to June, 2020
<b>I. Cash flow from operating activities:</b>		—	—
Cash received from goods sales and service provision		467,319,872.10	849,084,679.83
Received tax rebate			
Other cash received related to operating activities		898,084,426.42	986,943,509.81
<b>Subtotal cash inflow from operating activities</b>		<b>1,365,404,298.52</b>	<b>1,836,028,189.64</b>
Cash paid for goods purchase and service receiving		89,336,074.77	235,396,628.81
Cash paid to and for employees		9,845,949.00	9,849,768.38
Taxes and surtaxes paid		5,094,724.41	1,942,011.44
Paid other cash related to operating activities		2,129,156,252.69	2,621,398,168.67
<b>Subtotal of cash outflow from operating activities</b>		<b>2,233,433,000.87</b>	<b>2,868,586,577.30</b>
<b>Net cash flow from operating activities</b>		<b>-868,028,702.35</b>	<b>-1,032,558,387.66</b>
<b>II. Cash flow from investment activities</b>		—	—
Cash received for investment recovery		80,500,000.00	19,500,000.00
Cash received from investment incomes		25,467,600.00	2,578,999.37
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets.			
Received net cash from disposal of subsidiaries and other business units			
Other cash received related to investment activities			
<b>Subtotal of cash inflow from investment activities</b>		<b>105,967,600.00</b>	<b>22,078,999.37</b>
Cash paid for acquisition of property, plant and equipment intangible assets and other long-term assets		1,281,344,396.47	847,085,784.29
Cash paid for investment		426,757,300.00	233,803,100.00
Net cash received from subsidiaries and other business units			
Other cash paid related to investment activities			
<b>Subtotal cash outflow for investment activities</b>		<b>1,708,101,696.47</b>	<b>1,080,888,884.29</b>
<b>Net cash flow from investment activities</b>		<b>-1,602,134,096.47</b>	<b>-1,058,809,884.92</b>
<b>III. Cash flow from financing activities:</b>		—	—
Cash received from investment			
Cash from borrowings		3,221,524,700.00	2,935,000,000.00
Other cash received related to financing activities		8,000,452,830.19	8,800,000,000.00
<b>Subtotal cash inflow from financing activities</b>		<b>11,221,977,530.19</b>	<b>11,735,000,000.00</b>
Cash repayments for debts		7,620,891,886.43	4,817,777,045.88
Cash paid for distribution of dividends and profits and payment of interests		352,268,577.09	164,851,009.49
Paid other cash related to financing activities			
<b>Subtotal cash outflow for financing activities</b>		<b>7,973,160,463.52</b>	<b>4,982,628,055.37</b>
<b>Net cash flow from financing activities</b>		<b>3,248,817,066.67</b>	<b>6,752,371,944.63</b>
<b>IV. Influence of exchange rate change on cash and cash equivalents</b>		<b>22,346.34</b>	<b>93,890.72</b>
<b>V. New Increase in cash and cash equivalents</b>		<b>778,676,614.19</b>	<b>4,661,097,562.77</b>
Add: Opening balance of cash and cash equivalents		3,032,053,786.42	1,096,512,597.65
<b>VI. Closing balance of cash and cash equivalents</b>		<b>3,810,730,400.61</b>	<b>5,757,610,160.42</b>

The notes to the financial statements on pages 14 to 119 are an integral part of the financial statements

The notes to the financial statements on pages 2 to 43 are an integral part of the financial statements

Company's legal representative:  Chief accountant:  Person in charge of the company's accounting organization: 



# Changes in Owners' Equity

## Jan to Jun, 2021

Unit: RMB Yuan

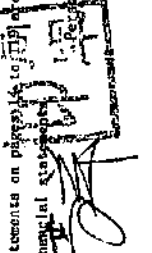
	January to June, 2021										
	aid -in capital		Other equity instruments		Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owner's equity
	Preference stocks	Perpetual bonds	Others	Others							
I. Balance at the end of previous year	8,229,000,000.00				31,797,019,855.41				1,101,793,444.32	3,039,488,958.82	35,365,461,258.55
Add: Changes in accounting policy											
Correction of previous errors											
Others											
II. Balance at the beginning of this year	8,229,000,000.00		1,198,160,000.00		31,797,019,855.41				1,101,793,444.32	3,039,488,958.82	35,365,461,258.55
III. Increase or decrease in current period (decrease to be denoted by "-")											
(1) Total comprehensive incomes											
(2) Capital Invested and reduced by owner											
1. Ordinary shares invested by owners											
2. Capital invested by other equity instrument holders											
3. Amount of share-based payment charged to ownership interest											
4. Others											
(3) Special reserve											
1. Current accruals											
2. Current utilization											
(4) Profit distribution											
1. Discretionary of surplus reserve											
Including: statutory surplus reserve											
free surplus reserve											
Reserve fund											
Enterprise expansion fund											
Capital redemption											
2. Distribution to owner											
3. Others											
(5) Internal carry-forward of ownership interest											
1. Capital reserve transferred to capital											
2. Surplus reserve transferred to capital											
3. Surplus reserve for loss recovery											
4. Changes in defined benefit plans into retained earnings											
5. Other comprehensive income carried forward to retained earnings											
6. Others											
IV. Balance at the end of current period	8,229,000,000.00		1,198,160,000.00		331,667,551.49				1,101,793,444.32	3,025,029,284.30	35,692,898,145.52

The notes to the financial statements of the company are an integral part of the financial statements

The notes to the financial statements of the company are an integral part of the financial statements



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Chief accountant: [Signature]

Company's legal representative: [Signature]

# Changes in Owners' Equity (Continued)

Jan to Jun, 2021

Unit: RMB Yuan

	2020 Year						Total owner's equity
	Balance at the end of previous year	Changes in accounting policy	Correction of previous errors	Others	Balance at the beginning of this year	Increase or decrease in current period (decrease to be denoted by "-")	
I. Balance at the end of previous year	8,229,000,000.00				8,229,000,000.00		33,661,311,248.54
Add: Changes in accounting policy							
Correction of previous errors							
Others							
II. Balance at the beginning of this year					8,229,000,000.00		33,661,311,248.54
III. Increase or decrease in current period (decrease to be denoted by "-")							
(1) Total comprehensive incomes							
(2) Capital invested and reduced by owner							
1. Ordinary shares invested by owners							
2. Capital invested by other equity instrument holders							
3. Amount of share-based payment charged to ownership interest							
4. Others							
(3) Special reserve							
1. Current accruals							
2. Current utilization							
(4) Profit distribution							
1. Discretionary of surplus reserve including: statutory surplus reserve							
free surplus reserve							
Reserve fund							
Enterprise expansion fund							
Capital redemption							
Distribution to owner							
Others							
(5) Internal carry-forward of ownership interest							
1. Capital reserve transferee to capital							
2. Surplus reserve transferred to capital							
3. Surplus reserve for loss recovery							
4. Changes in defined benefit plans into retained earnings							
5. Other comprehensive income carried forward to retained earnings							
6. Others							
IV. Balance at the end of current period	8,229,000,000.00				8,229,000,000.00	21,797,018,855.41	35,365,461,298.55

The notes to the financial statements on pages 14 to 119 are an integral part of the financial statements

The notes to the financial statements on pages 14 to 119 are an integral part of the financial statements

Company's legal representative:  Chief accountant:  in charge of the company's accounting organization: 



# Huaibei City Construction Investment Holding Group Company Limited

## Notes to Financial Statements

As of 30 June 2021

(Except as otherwise specifically indicated, all amounts are in RMB Yuan)

### I. Company Profile

#### 1. Company Profile

Huaibei City Construction Investment Holding Group Company Limited (hereinafter, "this company" or "company") was solely funded and established by the State-owned Assets Supervision and Administration Commission of Huaibei Municipal People's Government with the approval by the "Notice on Establishment of Preparatory Work Leadership Group for Huaibei Construction Investment Holding Co., Ltd" issued by the Office of Huaibei Municipal People's Government (Huaizhengbanmi [2008] No. 39) in April 2008. The company's unified social credit code is 91340600674222101E. Its registered capital is 100,000,000.00 Yuan and paid-in capital is 100,000,000.00 Yuan.

Legal representative: Gu Jun;

Registered capital: RMB 8,229 million;

Business type: limited liability company (a sole proprietorship of a legal person that is not invested or controlled by a natural person);

Industry: business service industry;

Business period: 2008-04-24 to no fixed period;

Registered address: No. 56, Binhe Road, New District, Huaibei Economic Development Zone;

The company's scope of business: participation in urban development, public service construction, transportation operation management, cultural tourism development, investment, financing, construction, operation and management of urban infrastructure, basic industries, basic agriculture, energy, transportation and municipal public utilities; engagement in operation and management of state-owned assets and capital operation within the scope of authorization, conduct of project investment management, asset income management, property supervision and management, asset reorganization and operation; participation in real estate development. (Business items subject to approval according to law may not be conducted without the approval of competent authorities).

#### 2. Corporate history

On April 24, 2008, the company obtained the Business License of Business Entity issued by Huaibei Municipal Administration of Industry and Commerce (registration No: 340600000014672). The company's registered capital is RMB 60 million Yuan, and was verified by Anhui Shicheng Certified Public Accountants, LLP, which issued a capital verification report Wanshichengkuaiyan [ 2008 ] No. 046. The company's registered address is 62, Huaihai Middle Road, Huaibei City, and its scope of business is as follows: investment, financing, construction, operation and management of urban infrastructure, basic industries, basic agriculture, energy, transportation and municipal public utilities; management and implementation of government-funded investment projects and operation of governmental assets and resources; participation in land planning, banking, consolidation and ripening businesses; management of state-owned assets and capital operation within the scope of authorization made by the government.

The shareholding structure of the company upon its incorporation is as follows:

SN	Shareholder name	Registered amount (10,000 yuan)	Registered amount (10,000 yuan)	Registered percentage (%)
1	State-owned Assets Supervision and Administration Commission of Huaibei Municipal People's Government	6,000.00	6,000.00	100.00
<b>Total</b>		<b>6,000.00</b>	<b>6,000.00</b>	<b>100.00</b>

On December 16, 2008, the company held a general meeting to adopt the following resolution: to better conduct business operation activities, 1 billion Yuan in the existing provident fund shall and is hereby transferred to the registered capital, resulting in the company's registered capital of 1060 million Yuan, with the original shareholder the State-owned Assets Supervision and Administration Commission of Huaibei Municipal People's Government to perform the duties of capital contributor.

This capital increase was examined and verified by Anhui Shicheng Certified Public Accountants, LLP, which issued a capital verification report "Wanshichengkuaiyan [ 2008 ] No.053". With the approval of Huaibei Municipal Administration of Industry and Commerce, the company's registered capital was increased to 1060 million Yuan.

After this change, the company's shareholding structure is as follows:

SN	Shareholder name	Registered amount (10,000 yuan)	Registered amount (10,000 yuan)	Registered percentage (%)
1	State-owned Assets Supervision and Administration Commission of Huaibei Municipal People's Government	106,000.00	106,000.00	100.00
<b>Total</b>		<b>106,000.00</b>	<b>106,000.00</b>	<b>100.00</b>

On November 4, 2015, according to the document issued by the SSAC of Huaibei Municipal People's Government (Huaiguozichanquan [2015] No.34), the company's shareholder the SASAC of Huaibei Municipal

People's Government increased the registered capital with monetary funds of RMB 300 million Yuan, whereupon the company's registered capital was 1360 million Yuan, which was verified by Anhui Shicheng Certified Public Accountants, LLP, which issued a capital verification report "Wanshichengkuaiyan 【2015】 No. 019".

After this change, the company's shareholding structure is as follows:

SN	Shareholder name	Registered amount (10,000 yuan)	Registered amount (10,000 yuan)	Registered percentage (%)
1	State-owned Assets Supervision and Administration Commission of Huaibei Municipal People's Government	136,000.00	136,000.00	100.00
<b>Total</b>		<b>136,000.00</b>	<b>136,000.00</b>	<b>100.00</b>

On March 24, 2017, according to the document issued by the SASAC of Huaibei Municipal People's Government (Huaiguozichanquan 【2017】 No.5), the company's shareholder the SASAC of Huaibei Municipal People's Government agreed to make additional investment of 100 million Yuan in the company, whereupon the company's registered capital was 1460 million Yuan.

According to the document issued by the SASAC of Huaibei Municipal People's Government (Huaiguozichanquan 【2017】 No.9), the company's shareholder the SASAC of Huaibei Municipal People's Government agreed to make additional investment of 369 million Yuan in the company, whereupon the company's registered capital was 1829 million Yuan.

After this change, the company's shareholding structure is as follows:

SN	Shareholder name	Registered amount (10,000 yuan)	Registered amount (10,000 yuan)	Registered percentage (%)
1	State-owned Assets Supervision and Administration Commission of Huaibei Municipal People's Government	182,900.00	182,900.00	100.00
<b>Total</b>		<b>182,900.00</b>	<b>182,900.00</b>	<b>100.00</b>

On March 24, 2019, according to the document issued by the SASAC of Huaibei Municipal People's Government (Huaiguozichanquan 【2019】 No. 6), the company transferred its undistributed profits of 3000 million Yuan to its registered capital, whereupon the company's registered capital was 4829 million Yuan.

After this change, the company's shareholding structure is as follows:

SN	Shareholder name	Registered amount (10,000 yuan)	Registered amount (10,000 yuan)	Registered percentage (%)
1	State-owned Assets Supervision and Administration Commission of Huaibei Municipal People's	482,900.00	482,900.00	100.00

SN	Shareholder name	Registered amount (10,000 yuan)	Registered amount (10,000 yuan)	Registered percentage (%)
	Government			
<b>Total</b>		<b>482,900.00</b>	<b>482,900.00</b>	<b>100.00</b>

On May 27, 2019, according to the document issued by the SASAC of Huaibei Municipal People's Government (Huaiguozichanquan 【2019】 No.19), the company transferred its undistributed profits of 3400 million Yuan to its registered capital, whereupon the company's registered capital was 8229 million Yuan.

After this change, the company's shareholding structure is as follows:

SN	Shareholder name	Registered amount (10,000 yuan)	Registered amount (10,000 yuan)	Registered percentage (%)
1	State-owned Assets Supervision and Administration Commission of Huaibei Municipal People's Government	822,900.00	822,900.00	100.00
<b>Total</b>		<b>822,900.00</b>	<b>822,900.00</b>	<b>100.00</b>

## II. Basis of preparation of financial statements

The financial statements of the company have been prepared on the assumption of going concern and based on the actual transactions and events according to the disclosure provisions of the "Enterprise Accounting Standards-Basic Standards" (Promulgated by Order No. 33 of the Ministry of Finance and Amended by Order No. 76 of the Ministry of Finance) and specific accounting standards, guidelines for application of enterprise accounting standards, interpretation of enterprise accounting standards and other related provisions issued by the Ministry of Finance on February 15, 2006 and thereafter (hereinafter collectively, "Enterprise Accounting Standards").

## III. Statement of Compliance with Accounting Standards for Business Enterprises

This financial statement complies with the requirements of the Accounting Standards for Business Enterprises, and truly and completely reflects the company's financial status as of 30June 2021, and the six months ended 30June 2021 operating results and cash flow and other relevant information.

## IV. Key accounting policies and accounting estimates of the company

### 1. Accounting period

The company's accounting period is divided into annual and interim periods. Interim accounting periods refer to reporting periods shorter than a complete fiscal year. The company's fiscal year adopts the Gregorian calendar year, that is, from January 1 to December 31 each year.

### 2. Business cycle

The normal operating cycle refers to the period from the company's purchase of assets for processing to the realization of cash or cash equivalents. The company uses 12 months as a business cycle and uses it as the standard for dividing the liquidity of assets and liabilities.

### **3. Accounting Standard Currency**

RMB is the currency in the main economic environment in which the company and its domestic subsidiaries operate. The company and domestic subsidiaries use Renminbi as the standard currency for bookkeeping. The currency used by the company in preparing these financial statements is RMB.

### **4. Accounting basis and pricing principles**

According to the relevant provisions of the Accounting Standards for Business Enterprises, the company's accounting is based on the accrual system. Except for certain financial instruments and investment real estate, the financial statements are based on historical cost. If an asset is impaired, the corresponding provision for impairment shall be made in accordance with relevant regulations.

### **5. Business combination**

Business combination refers to a transaction or event that combines two or more separate enterprises into one reporting entity. Business combination consists of business combination under common control and business combination not under common control.

#### **(1) Business combination under common control**

Business combination under common control arises when enterprises participating in business combination are ultimately controlled by one and the same party or the same multiple parties and such control is not temporary. For business combination under common control, the party that acquires control of other enterprises participating in the combination at the combination date is the combining party, while other enterprises participating in combination are the combined parties. Combination date refers to the date when the combining party actually acquires the control of the combined parties.

The assets and liabilities acquired by the combining party in business combination are all measured at book value of assets and liabilities of the combined parties at the combination date. The capital reserve (share capital premium) is adjusted by the difference between the book value of net assets acquired by the combining party and the book value of consideration paid (or the total nominal value of shares issued); retained earnings are adjusted if the capital reserve (share capital premium) is insufficient for offsetting purposes.

Various direct costs incurred by the combining party to conduct business combination are charged to the current profit and loss as and when incurred.

#### **(2) Business combination not under common control**

Business combination not under common control arises when enterprises participating in combination are

not ultimately controlled by one and the same party or the same multiple parties before and combination. For business combination not under common control, the party that acquires the control of other enterprises participating in combination at the combination date is the purchasing party, while other enterprises participating in the combination are the purchased parties. The purchase date refers to the date when the purchasing party actually acquires the control of the purchased parties.

For business combination not under common control, the combination cost comprises the fair value of assets paid out, liabilities incurred or assumed and the equity securities issued by the purchasing party to acquire the control of the purchased parties at the purchase date, with the audit, legal service, appraisal consulting and other intermediary fees and other management expenses incurred for business combination charged to the current profit and loss as and when incurred. The transaction costs of equity securities or debt securities issued by the purchasing party as the consideration for combination are charged to the initially recognized amount of the equity securities or debt securities. The contingent consideration involved is charged to the combination costs at its fair value at the purchase date, and the combination goodwill is adjusted accordingly if the contingent consideration needs to be adjusted due to new or further evidence of circumstances preexisting at the purchase date that appears within 12 months of the purchase date. The combination costs incurred at the purchase date and the identifiable net assets acquired in combination are measured at fair value at the purchase date. The difference of the combination costs larger than the share of fair value of identifiable net assets of the purchased parties acquired in the combination is recognized as goodwill. Where the combination costs are less than the share of fair value of identifiable net assets of the purchased parties acquired in the combination, the fair value of all identifiable assets and liabilities or contingent liabilities of the purchased parties acquired and the measurement of combination costs are first reviewed, whereupon the resulting difference is charged to the current profit and loss if the combination costs remain less than the share of fair value of identifiable net assets of the purchased parties acquired in the combination after review.

Where the deductible temporary difference of the purchased party acquired by the purchasing party is not recognized due to incompliance with the conditions for recognition of deferred income tax assets at the purchase date, in 12 months after the purchase date, if new or further information acquired indicates that the related circumstances at the purchase date have existed, and the economic benefits brought by the deductible temporary difference of the purchased party at the purchase date is expected to be realized, then the related deferred income tax assets are recognized, while reducing the goodwill, provided that the difference is recognized as the current profit and loss if the goodwill is insufficient for the offsetting purposes; apart from the aforesaid circumstance, it is charged to the current profit and loss where recognized as deferred income tax assets related to business combination.

For a business combination not under common control that is realized step by step through multiple transactions, judgment is made as to whether such multiple transactions constitute a "package deal" according to the judgment criteria of the "package deal" specified in the "Notice of the Ministry of Finance on Issue of

Interpretation of Enterprise Accounting Standard No. 5" C Caikuai( 2012) No. 19) and Article 51 of the "Enterprise Accounting Standard No. 33-Consolidated Financial Statements". Where they constitute a "package deal", accounting treatment is made by reference to the descriptions in the previous paragraphs of this section and this note "Long-term equity investment"; where they do not constitute a "package deal", distinction is made between individual financial statements and consolidated financial statements for related accounting treatment.

In individual financial statements, the sum of the book value of an equity investment held in the purchased party prior to the purchase date and the additional investment costs at the purchase date is treated as the initial investment cost of such investment; where the equities held in the purchased party prior to the purchase date involve other comprehensive income, the other comprehensive income related thereto is treated for accounting purpose on the same basis as the purchased party directly disposes of related assets or liabilities when disposing of such investment (i.e., except for the corresponding share of the change resulting from re-measurement of the net liabilities or net assets of the defined benefit plan by the purchased party that are accounted for under the equity method, the remaining is transferred to the current investment income).

In the consolidated financial statements, the equities held in the purchased party prior to the purchase date are re-measured at fair value of such equities at the purchase date, with the difference between the fair value and its book value charged to the current investment income; where the equities held in the purchased party prior to the purchase date involve other comprehensive income, the other comprehensive income related thereto should be treated for accounting purpose on the same basis as the purchased party directly disposes of related assets or liabilities (i.e., except for the corresponding share of the change resulting from re-measurement of the net liabilities or net assets of the defined benefit plan by the purchased party that are accounted for under the equity method, the remaining is transferred to the investment income in the period in which the purchase date occurs).

## **6. Method for preparation of consolidated financial statements**

### **(1) Principles for determination of scope of consolidation**

The scope of consolidation of consolidated financial statements is determined based on control. Control means the company has the power over the investee to enjoy variable return by participating in the related activities of the investee and has the ability to exert its power over the investee to influence the amount of its return.

Once the changes in related facts and circumstances cause the related elements involved in the aforesaid definition of control to change, the company will make reassessments.

### **(2) Method for preparation of consolidated financial statements**

The company begins to include a subsidiary in the scope of consolidation as of the date when the company acquires the actual control of the net assets and business decision making of the subsidiary; the company ceases to include the subsidiary in the scope of consolidation as of the date of loss of the actual control. For

subsidiaries disposed of, their business results and cash flow prior to the disposal date have been appropriately included in the consolidated income statement and consolidated cash flow statement; the beginning amounts in the consolidated balance sheet are not adjusted for subsidiaries disposed of in the current period. For subsidiaries added due to business combination not under common control, their business results and cash flow after the purchase date have been appropriately included in the consolidated income statement and consolidated cash flow statement, without adjusting the beginning amounts and comparatives in the consolidated financial statements. For subsidiaries added due to business combination under common control, their business results and cash flow from the beginning of the period of combination to the combination have been appropriately included in the consolidated income statement and consolidated cash flow statement, while the comparatives are adjusted in the consolidated financial statements at the same time.

When preparing the consolidated financial statements, if the accounting policy or accounting period adopted by any of its subsidiaries is inconsistent with that adopted by the company, necessary adjustments are made to the financial statements of such subsidiary according to the company's accounting policy or accounting period. For subsidiaries acquired by business combination not under the common control, adjustments are made to their financial statements based on the fair value of identifiable net assets at the purchase date.

The balances, transactions and unrealized profits of all significant current accounts within the company are offset when preparing the consolidated financial statements.

The portion of shareholder equity and current net profit and loss of subsidiaries that is not owned by the company is presented separately as minority interest and minority interest income under the items of shareholder equity and net profits in the consolidated financial statements respectively. The share of current net profit and loss of subsidiaries that is attributable to minority interest is presented as the item "minority interest income" under the item of net profits in the consolidated income statement. The portion of losses of a subsidiary shared by minority shareholders in excess of the share of minority shareholders in the beginning shareholder equity of such subsidiary is still offset against the minority interest.

Where the control over an existing subsidiary is lost due to disposal of part of equity investment or otherwise, the remaining equities are re-measured at the fair value thereof at the date of loss of control. The sum of the consideration acquired by disposal of equities and the fair value of remaining equities minus the share of the net assets continuously calculated by the existing subsidiary from the date of purchase as calculated at the original shareholding ratio is charged to the investment income during the period in which the control is lost. Other comprehensive income related to the equity investment in the existing subsidiary are treated for accounting purpose on the same basis as the purchased party directly disposes of related assets or liabilities at the time of loss of control (i.e., except for changes resulting from re-measurement of the net liabilities or net assets of the defined benefit plan by such existing subsidiary, all items are transferred to the current investment income). Thereafter, such part of remaining equities is subsequently measured according to the related provisions of the Enterprise Accounting Standard No. 2-Long-term Equity Investments" or the

Enterprise Accounting Standard No. 22-Recognition and Measurement of Financial Instruments, as detailed in "Note IV.12 "Long-term Equity Investments" or "Note IV.9 "Financial Instruments".

Where the company disposes of its equity investment in a subsidiary step by step through multiple transactions until loss of control, distinction needs to be made as to whether all transactions of disposal of equity investment in the subsidiary until loss of control constitute a package deal. If the effect of disposal on terms and conditions and economy of various transactions of equity investment in the subsidiary meets one or several of the following criteria, it generally indicates that the multiple transactions should be accounted for as a package deal: ①These transactions are entered into simultaneously or taking into account the mutual effect; ②These transactions can only achieve a complete commercial result if made together; ③The occurrence of a particular transaction depends upon occurrence of at least one other transaction; ④A particular transaction is uneconomical if looked at individually, but is economical if considered together with other transactions. Where various transactions do not constitute a package deal, each of the transaction is treated for accounting purpose according to the applicable principles described in the "Partial disposal of long-term equity investment in a subsidiary without loss of control" C as detailed in "Note IV.12.(2)④) and the "loss of control over the existing subsidiary due to disposal of part of equity investment or otherwise" (see the preceding paragraph) respectively, as the case may be. Where various transactions in which the equity investment in a subsidiary is disposed of until loss of control constitute a package deal, the various transactions are accounted for as a single transaction of disposal of subsidiary and loss of control; however, the difference between each disposal price before loss of control and the share of net assets of such subsidiary corresponding to disposal of investment is recognized as other comprehensive income in the consolidated financial statements, and transferred to the profit and loss in the period of loss of control all together at the time of loss of control.

#### **7. Classification of joint venture arrangements and accounting treatment method for joint operation**

Joint venture arrangement refers to an arrangement in which two or more participating parties share the control. The joint venture arrangements of the company consist of joint operation and joint venture according to the rights enjoyed and obligations assumed in the joint venture arrangements. Joint operation refers to a joint venture arrangement in which the company enjoys the assets related to such arrangement and assumes the liabilities related to such arrangement. Joint venture refers to the joint venture arrangement in which the company only has the right to the net assets of such arrangement.

The investments of the company in joint venture are accounted for using the equity method and treated according to the accounting policy described in the "Note IV.12 ②" Long-term equity investments accounted for under the equity method"

As a party to joint operation, the company recognizes assets separately held and liability separately assumed by the company and assets held jointly and liabilities assumed jointly by the company according to its share; recognizes the income from joint operation due to sale of products according to the company's share;

recognizes the income from joint operation sale of output according to the company's share; recognizes the expenses incurred separately by the company and recognizes the expenses incurred by joint operation according to the company's share.

When the company invests or sells assets to the joint operation (which assets do not constitute business, the same below) or purchases assets from the joint operation as a party to joint venture, before sale of such assets to any third party, the company only recognizes the portion of the profit and loss resulting from such transaction that are attributable to other parties participating in the joint operation. Where such assets incur asset impairment loss that meets the provisions of the Enterprise Accounting Standard No.8-Asset Impairment, in case of investment or sale of assets to the joint operation by the company, the company recognizes such losses in full; in case of purchase by the company of assets from the joint operation, the company recognizes such losses according to its share.

#### **8. Criteria for determination of cash and cash equivalents**

The cash and cash equivalents of the company consist of the cash on hand, the deposits readily available for payment and investments held by the company that have a short term (generally due within 3 months of the purchase date), are highly liquid and easy to convert into a known amount of cash and have minimum risk of value change.

#### **9. Foreign currency business and foreign currency report conversion**

##### **(1) Conversion method of foreign currency transactions**

When the company's foreign currency transactions are initially recognized, they will be converted into the functional currency amount at the spot exchange rate on the transaction date (usually the midpoint of the foreign exchange rate announced by the People's Bank of China, the same below), but the company's foreign currency conversion Businesses or transactions involving foreign currency exchange shall be converted into the amount of the functional currency in accordance with the actual exchange rate adopted.

##### **(2) Conversion method for foreign currency monetary items and foreign currency non-monetary items**

On the balance sheet date, monetary items in foreign currencies are converted at the spot exchange rate on the balance sheet date, except for: ①The exchange difference arising from special foreign currency borrowings related to the acquisition and construction of assets that meet the conditions for capitalization shall be The principle of capitalization of borrowing costs; ② the exchange difference of hedging instruments used for effective hedging of net investment in overseas operations (the difference is included in other comprehensive income and is not recognized as current profit and loss until the net investment is disposed); and ③ may exchange differences arising from changes in book balances other than amortized cost of foreign currency monetary items for sale are included in other comprehensive income, and are included in current profit and loss.

If the preparation of consolidated financial statements involves overseas operations, if there are foreign

currency monetary items that actually constitute a net investment in overseas operations, the exchange difference arising from exchange rate changes shall be included in other comprehensive income; when the overseas operations are disposed of, they shall be transferred to the current profit and loss.

Non-monetary items in foreign currencies measured at historical cost are still measured using the amount in the bookkeeping standard currency converted at the spot exchange rate on the transaction date. Non-monetary items in foreign currencies measured at fair value are converted at the spot exchange rate on the date when the fair value is determined. The difference between the converted bookkeeping currency amount and the original bookkeeping currency amount is treated as fair value changes (including exchange rate changes), Included in the current profit and loss or recognized as other comprehensive income.

### (3) Conversion method of foreign currency financial statements

If the preparation of consolidated financial statements involves overseas operations, if there are foreign currency monetary items that constitute a net investment in overseas operations, the exchange difference arising from exchange rate changes shall be recognized as other comprehensive income as "foreign currency statement translation difference"; disposal of overseas operations. At the time, it is included in the current profit and loss of disposal.

The foreign currency financial statements of overseas operations are converted into RMB statements according to the following method: the assets and liabilities items in the balance sheet are converted at the spot exchange rate on the balance sheet date; the owner's equity items except for the "undistributed profit" items, other Projects are converted using the spot exchange rate at the time of occurrence. The income and expense items in the income statement are converted using the spot exchange rate on the transaction date/the current average exchange rate/the current weighted average exchange rate. The undistributed profit at the beginning of the year is the undistributed profit at the end of the previous year after conversion; the undistributed profit at the end of the year is calculated and displayed according to the converted profit distribution items; the converted asset items, liabilities items and owners' equity items are counted together the difference is regarded as the conversion difference of the foreign currency statement and recognized as other comprehensive income. When disposing of an overseas operation and losing control, the conversion difference of the foreign currency statement related to the overseas operation listed under the owner's equity item in the balance sheet shall be transferred to the current profit and loss of the disposal of the overseas operation in full or according to the proportion of the disposal of the overseas operation.

Foreign currency cash flow is converted at the spot exchange rate on the date of the cash flow. The impact of exchange rate changes on cash is treated as an adjustment item and presented separately in the cash flow statement.

The amount at the beginning of the year and the actual amount of the previous year are listed in accordance with the amount converted from the financial statements of the previous year.

When disposing of all the owners' equity of the company's overseas operations or losing control of the

overseas operations due to the disposal of part of the equity investment or other reasons, the owner's equity items in the balance sheet listed below and related to the overseas operations are attributable to the conversion difference of the foreign currency statement of the owner's equity of the parent company shall be all transferred to the current profit and loss for disposal.

When the disposal of part of the equity investment or other reasons leads to a reduction in the proportion of overseas operating equity held but does not lose control of the overseas operation, the foreign currency statement translation difference related to the disposal of the overseas operation will be attributed to the minority shareholders' equity and will not be transferred to the current profit and loss. When disposing of part of the equity of an overseas operation as an associate or joint venture, the conversion difference of the foreign currency statement related to the overseas operation shall be transferred to the disposal of the current profit and loss according to the proportion of the disposal of the overseas operation.

#### **10. Financial Instruments**

A financial asset or financial liability is recognized when the company becomes a party to a financial instrument contract.

##### **(1) Classification, recognition and measurement of financial assets**

Based on the business model of managing financial assets and the contractual cash flow characteristics of financial assets, the company divides financial assets into: financial assets measured at amortized cost, financial assets measured at fair value with changes included in other comprehensive income, and financial assets measured at fair value and whose changes are included in the current profit and loss.

Financial assets are measured at fair value at the time of initial recognition. For financial assets that are measured at fair value and whose changes are included in the current profit and loss, the relevant transaction costs are directly included in the current profit and loss; for other types of financial assets, the relevant transaction costs are included in the initial recognition amount. For accounts receivable or bills receivable arising from the sale of products or the provision of labor services that do not contain or consider significant financing components, the amount of the consideration that the company is expected to be entitled to receive shall be the initial recognition amount.

##### **① Financial assets measured at amortized cost**

The company's business model for managing financial assets measured at amortized cost is to collect contractual cash flow as the goal, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangement, that is, the cash flow generated on a specific date is only It is the payment of principal and interest based on the outstanding principal amount. For such financial assets, the company uses the actual interest rate method to perform subsequent measurement based on amortized costs, and the gains or losses resulting from amortization or impairment are included in the current profits and losses.

##### **② Financial assets that are measured at fair value and whose changes are included in other comprehensive**

income

The company's business model for managing such financial assets is to both collect contractual cash flows and sell as the goal, and the contractual cash flow characteristics of such financial assets are consistent with the basic lending arrangements. The company measures such financial assets at fair value and their changes are included in other comprehensive income, but impairment losses or gains, exchange gains and losses, and interest income calculated in accordance with the actual interest rate method are included in current profits and losses.

In addition, the company designates some non-trading equity instrument investments as financial assets that are measured at fair value and whose changes are included in other comprehensive income. The company includes the relevant dividend income of such financial assets in the current profit and loss, and changes in fair value are included in other comprehensive income. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income will be transferred from other comprehensive income to retained earnings, and not included in the current profit and loss.

③ Financial assets that are measured at fair value and whose changes are included in the current profit and loss

The company classifies financial assets other than financial assets measured at amortized cost and financial assets measured at fair value with changes included in other comprehensive income as financial assets measured at fair value with changes included in current profits and losses. In addition, at the time of initial recognition, in order to eliminate or significantly reduce accounting mismatches, the company designates part of the financial assets as financial assets measured at fair value and whose changes are included in the current profits and losses. For such financial assets, the company uses fair value for subsequent measurement, and changes in fair value are included in the current profit and loss.

#### (2) Classification, recognition and measurement of financial liabilities

Financial liabilities are classified into financial liabilities and other financial liabilities that are measured at fair value and whose changes are included in the current profit and loss at the time of initial recognition. For financial liabilities that are measured at fair value and whose changes are included in the current profit and loss, the relevant transaction costs are directly included in the current profit and loss, and the related transaction costs of other financial liabilities are included in the initial recognition amount.

① Financial liabilities that are measured at fair value and whose changes are included in the current profit and loss

Financial liabilities that are measured at fair value and whose changes are included in the current profits and losses include transactional financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated as fair value at the initial recognition and whose changes are included in the current profits and losses.

Transactional financial liabilities (including derivatives that are financial liabilities) are subsequently

measured at fair value. Except for hedge accounting, changes in fair value are included in the current profit and loss.

It is designated as a financial liability measured at fair value and whose changes are included in the current profit and loss. The change in the fair value of the liability caused by the company's own credit risk changes is included in other comprehensive income, and when the liability is terminated, it is included in other comprehensive income. The accumulated changes in fair value caused by changes in its own credit risk are transferred to retained earnings. The remaining changes in fair value are included in the current profit and loss. If the impact of changes in the credit risk of such financial liabilities in the above manner will cause or enlarge the accounting mismatch in the profit and loss, the company shall have all the gains or losses of the financial liabilities (including the impact of changes in the company's own credit risk). Amount) included in the current profit and loss.

#### ② Other financial liabilities

Except for the transfer of financial assets that do not meet the conditions for termination of recognition or continue to be involved in the transferred financial assets, other financial liabilities other than financial liabilities and financial guarantee contracts are classified as financial liabilities measured at amortized cost, and subsequent measurement is performed at amortized cost. The gains or losses arising from derecognition or amortization shall be included in the current profits and losses.

#### (3) Recognition basis and measurement method of financial asset transfer

A financial asset that meets one of the following conditions shall be derecognized: ① The contractual right to receive the cash flow of the financial asset is terminated; ② The financial asset has been transferred, and almost all risks and rewards of the ownership of the financial asset have been transferred to the transferee; ③ The financial asset has been transferred. Although the company neither transfers nor retains almost all the risks and rewards of the ownership of the financial asset, it has given up control of the financial asset.

If the enterprise neither transfers nor retains almost all the risks and rewards of the ownership of financial assets, and does not give up control of the financial assets, the relevant financial assets shall be recognized according to the degree of continued involvement in the transferred financial assets, and the relevant liabilities shall be recognized accordingly. The degree of continued involvement in the transferred financial assets refers to the level of risk faced by the enterprise due to changes in the value of the financial assets.

If the overall transfer of financial assets meets the conditions for termination of recognition, the difference between the book value of the transferred financial assets and the consideration received due to the transfer and the sum of the accumulated fair value changes originally included in other comprehensive income shall be included in the current profit and loss.

If the partial transfer of financial assets meets the conditions for termination of recognition, the book value of the transferred financial assets will be amortized between the derecognized and unterminated parts according to their relative fair value, and the consideration received as a result of the transfer shall be amortized to The

difference between the sum of the accumulated fair value changes originally included in other comprehensive income and the amortized book amount of the derecognized part is included in the current profit and loss.

The company must determine whether almost all the risks and rewards of the ownership of the financial assets have been transferred for the financial assets sold by the method of recourse, or the financial assets it holds for the transfer of endorsement. If almost all the risks and rewards of the ownership of the financial asset have been transferred to the transferee, the financial asset shall be terminated; if almost all the risks and rewards of the ownership of the financial asset have been retained, the recognition of the financial asset shall not be terminated; neither has been transferred. If almost all the risks and rewards related to the ownership of financial assets are not retained, then continue to determine whether the company retains control over the assets, and conduct accounting treatments in accordance with the principles described in the preceding paragraphs.

#### (4) Derecognition of financial liabilities

If the current obligation of the financial liability (or part of it) has been discharged, the company shall terminate the recognition of the financial liability (or this part of the financial liability). The company (the borrower) and the lender sign an agreement to replace the original financial liability by assuming a new financial liability, and if the contractual terms of the new financial liability and the original financial liability are substantially different, the original financial liability shall be terminated and recognized at the same time. New financial liabilities. If the company makes a substantial modification to the contract terms of the original financial liability (or part of it), it shall terminate the recognition of the original financial liability and at the same time recognize a new financial liability in accordance with the revised terms.

When financial liabilities (or part of them) are derecognized, the company shall include the difference between its book value and the consideration paid (including non-cash assets transferred out or liabilities assumed) into the current profit and loss.

#### (5) Offsetting of financial assets and financial liabilities

When the company has the statutory right to offset the recognized amount of financial assets and financial liabilities, and the statutory rights are currently enforceable, and the company plans to settle on a net or at the same time realize the financial assets and pay off the financial liabilities, Financial assets and financial liabilities are listed in the balance sheet at the net amount after offsetting each other. In addition, financial assets and financial liabilities are listed separately in the balance sheet and are not offset against each other.

#### (6) Methods for determining the fair value of financial assets and financial liabilities

Fair value refers to the price that market participants can receive for the sale of an asset or pay for the transfer of a liability in an orderly transaction that occurs on the measurement date. If there is an active market for a financial instrument, the company uses the quoted price in the active market to determine its fair value. The quotation in the active market refers to the price that can be easily obtained from exchanges, brokers, industry associations, and pricing service agencies on a regular basis, and represents the price of market transactions that actually occur in fair transactions. If there is no active market for a financial instrument, the

company uses valuation techniques to determine its fair value. Valuation techniques include reference to the prices used in recent market transactions by parties familiar with the situation and voluntary transactions, reference to the current fair value of other financial instruments that are substantially the same, discounted cash flow method and option pricing models, etc. At the time of valuation, the company adopts valuation techniques that are applicable under the current circumstances and have sufficient data and other information to support, and choose to be consistent with the characteristics of the assets or liabilities considered by market participants in the transactions of related assets or liabilities. Input values, and use relevant observable input values as priority as possible. When the relevant observable input value cannot be obtained or is not practicable, the non-input value is used.

#### (7) Equity instruments

An equity instrument refers to a contract that can prove that the company owns the remaining equity in the company's assets after deducting all liabilities. The company's issuance (including refinancing), repurchase, sale or cancellation of equity instruments are treated as changes in equity, and transaction costs related to equity transactions are deducted from equity. The company does not recognize changes in the fair value of equity instruments.

If the company's equity instruments distribute dividends (including the "interest" generated by the instruments classified as equity instruments) during the existence period, they shall be treated as profit distribution.

### **11. Impairment of financial assets**

The financial assets for which the company needs to recognize impairment losses are financial assets measured at amortized cost, investment in debt instruments measured at fair value and whose changes are included in other comprehensive income, and lease receivables, mainly including notes receivable and receivables Accounts, other receivables, debt investments, other debt investments, long-term receivables, etc. In addition, for contract assets and some financial guarantee contracts, impairment reserves and credit impairment losses are also recognized in accordance with the accounting policies described in this section.

#### (1) Recognition method of impairment provision

Based on expected credit losses, the company makes provision for impairment of the above items in accordance with its applicable expected credit loss measurement method (general method or simplified method) and recognizes credit impairment losses.

Credit loss refers to the difference between all contractual cash flows receivable under the contract and all cash flows expected to be received by the company discounted at the original actual interest rate, that is, the present value of all cash shortages. Among them, for purchased or sourced financial assets that have been credit-impaired, the company discounts the financial assets at the credit-adjusted actual interest rate.

The general method of measuring expected credit losses means that the company assesses on each balance

sheet date whether the credit risk of financial assets has increased significantly since the initial recognition. If the credit risk has increased significantly since the initial recognition, the amount of expected credit losses during the entire duration measures the loss provision; if the credit risk has not increased significantly since the initial recognition, the company measures the loss provision at an amount equivalent to the expected credit loss in the next 12 months. The company considers all reasonable and supportable information, including forward-looking information, when assessing expected credit losses.

For financial instruments with lower credit risk on the balance sheet date, the company assumes that its credit risk has not increased significantly since initial recognition, and chooses to measure loss provision based on expected credit losses in the next 12 months/does not choose simplified treatment methods. Based on whether its credit risk has increased significantly since its initial recognition, and the amount of expected credit losses in the next 12 months or the entire duration of the period is used as the basis to measure the loss reserve.

(2) Judgment criteria for whether the credit risk has increased significantly since the initial recognition

If the default probability of a certain financial asset within the expected duration determined on the balance sheet date is significantly higher than the default probability determined during the initial recognition, it indicates that the credit risk of the financial asset has increased significantly. Except for special circumstances, the company uses the change in default risk that occurs in the next 12 months as a reasonable estimate of the change in default risk during the entire duration to determine whether the credit risk has increased significantly since the initial recognition.

(3) Combination method for evaluating expected credit risk based on combination

The company evaluates individual credit risks of financial assets with significantly different credit risks, such as: receivables from related parties; receivables that have disputes with the other party or are involved in litigation or arbitration; there are obvious signs that the debtor is likely to be unable to perform repayment obligations; accounts receivable, etc.

In addition to financial assets that assess credit risk individually, the company divides financial assets into different groups based on common risk characteristics, and assesses credit risk on a portfolio basis.

(4) Accounting treatment methods for impairment of financial assets

At the end of the period, the company calculates the expected credit loss of various financial assets. If the expected credit loss is greater than the book amount of the current impairment provision, the difference is recognized as an impairment loss; if it is less than the book amount of the current impairment provision, it will be The difference is recognized as an impairment gain.

(5) Methods for determining credit losses of various financial assets

① Notes receivable

The company measures the loss provision for the bills receivable at the amount equivalent to the expected credit loss during the entire duration. Based on the credit risk characteristics of notes receivable, divide them into different combinations:

Item	Basis for determination of combinations
Bank acceptance draft	The acceptor is a bank with less credit risk
trade acceptance draft	According to the credit risk division of the acceptor, it should be the same as the division of the "accounts receivable" combinations

②Accounts receivable and contract assets

For accounts receivable and contract assets that do not contain significant financing components, the company measures the loss provision at the amount equivalent to the expected credit loss during the entire duration.

For receivables, contract assets and lease receivables that contain significant financing components, the company always chooses to measure the loss provision at an amount equivalent to expected credit losses during the lifetime.

In addition to the accounts receivable and contract assets that are individually assessed for credit risk, based on their credit risk characteristics, they are divided into different combinations:

Item	Basis for determination of combinations
Accounts receivable with a single significant amount and a single provision for bad debts	Accounts with an amount of more than 10 million yuan(inclusive) and accounting for more than 10% of the book balance of accounts receivable are recognized as accounts receivable with a single significant amount.
Special credit portfolio	Individual identification method

The company checks the book value of the receivables on the balance sheet date, and makes provision for impairment if the following objective evidence shows that the receivables are impaired: ① the debtor has serious financial difficulties; ② the debtor violates the terms of the contract (Such as default or overdue in the payment of interest or principal); ③The debtor is likely to go bankrupt or other financial reorganization; ④ Other objective evidence showing that the receivables are impaired.

③Other receivables

Based on whether the credit risk of other receivables has increased significantly since initial recognition, the company uses an amount equivalent to expected credit losses in the next 12 months or the entire duration to measure the impairment loss. Except for other receivables whose credit risk is assessed individually, based on their credit risk characteristics, they are divided into different combinations:

Item	Basis for determination of combinations
Accounts receivable with a single significant amount and a single provision for bad debts	Accounts with an amount of more than 10 million yuan(inclusive) and accounting for more than 10% of the book balance of accounts receivable are recognized as accounts receivable with a single significant amount.
Special credit portfolio	Individual identification method

④Long-term receivables (except for receivables and lease receivables that include major financing components)

Based on whether its credit risk has increased significantly since its initial recognition, the company uses

an amount equivalent to expected credit losses in the next 12 months or the entire duration to measure long-term receivable impairment losses. Except for the long-term receivables whose credit risk is assessed individually, based on their credit risk characteristics.

## **12. Receivables financing**

As for the notes and accounts receivable that are classified as measured at fair value and whose changes are included in other comprehensive income, the part with a maturity of one year (including one year) from the date of acquisition shall be listed as receivable financing; If the initial period is more than one year, it shall be listed as other debt investment. For related accounting policies, please refer to Note IV. 10 "Financial Instruments" and Note IV. 11 "Impairment of Financial Assets".

## **13. Inventory**

### **(1) Classification of inventory**

The inventories of the company are classified into materials in transit, raw materials, revolving materials, goods in stock, products in progress, goods shipped, outsourced processed materials, development costs, development products and land to be developed, etc.

### **(2) Valuation method for inventories acquired and shipped**

The inventories of the company are valued at actual cost when acquired, which cost consists of procurement cost, processing cost and other costs. Inventories are valued on a first-in, first-out basis when shipped.

Real estate development cost is carried over to the development products at the actual cost after completion of the development project; development products shipped are accounted for using the equal sharing of salable area method

### **(3) Recognition of the net realizable value of inventories and the method of accruing falling price reserves.**

After full-scale inventory taking at the end of period, the inventory revaluation reserve is accrued or adjusted by the lower of the cost and net realizable value of inventory.

For finished products, commodities in stock, materials available for sale and other commodities in stock directly available for sale, their net realizable value is determined by the estimated selling price of such inventory minus the estimated selling expenses and related taxes in the normal course of business; for material inventory to be processed, its net realizable value is determined by the estimated selling price of the finished products produced minus the costs estimated to occur up to the time of completion, the estimated selling expense and related taxes in the normal course of business; the net realizable value of inventories held for performance of sales contract or labor contract is determined based on the contract price such that if the quantity of inventory held is more than the quantity ordered in the sales contract, the net realizable value of the excessive portion of inventory is calculated based on the general selling price.

The inventory revaluation reserve accrues according to individual inventory items at the end of the period; however, for inventories that are numerous and have low unit prices, the inventory revaluation reserve accrues by the inventory type; for inventories related to the product series produced and distributed in the same region and having the same or similar end use or purpose and difficult to measure separately from other items, the inventory depreciation reserve accrues on a consolidated basis.

Where the factors affecting the previously written-down inventory value have disappeared, the written-down amount is restored and reversed to the extent of the previously accrued amount of inventory revaluation reserve, with the reversed amount charged to the current profit and loss.

(4) Perpetual inventory system is adopted by the company.

(5) Amortization method for low-value consumables and packaging materials

Low value consumables shall be amortized by one-off amortization method when being collected; The packaging is amortized on a one-off basis at the time of being collected.

#### **14. Contract assets and contract liabilities**

##### **(1) Contract assets**

The company considers that the customer has not yet paid the contract consideration, but the company has fulfilled its performance obligations in accordance with the contract, and is not unconditionally (that is, only depending on the passage of time) right to collect payments from the customer, which is listed as contract assets in the balance sheet. Contract assets and contract liabilities under the same contract are listed in net amount, and contract assets and contract liabilities under different contracts are not offset.

For the determination method and accounting treatment method of expected credit loss of contract assets, please refer to Note IV. 11, Financial Asset Impairment.

##### **(2) Contract liabilities**

Contract liabilities refer to the company's obligation to transfer goods to customers for consideration received or receivable from customers. If the customer has paid the contract consideration or the company has obtained the unconditional right to receive payment before the company transfers the goods to the customer, the company shall, at the earlier of the time between the actual payment by the customer and the payment due Receivables are listed as contract liabilities. Contract assets and contract liabilities under the same contract are listed in net amount, and contract assets and contract liabilities under different contracts are not offset.

#### **15. Contract cost**

The incremental cost incurred by the company in order to obtain the contract is expected to be recovered, and it shall be recognized as an asset as the cost of obtaining the contract. However, if the amortization period of the asset does not exceed one year, it shall be included in the current profit and loss when it occurs.

If the cost incurred for fulfilling the contract does not fall within the scope of the Accounting Standards for

Business Enterprises No. 14-Revenue (Revised in 2017) and meets the following conditions at the same time, it shall be recognized as an asset as the contract performance cost: ①The cost is directly related to a current or expected contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), clearly borne by the customer, and other costs incurred only due to the contract; ②The cost Increase the company's future resources for fulfilling the performance obligations; ③The cost is expected to be recovered.

Assets related to contract costs are amortized on the same basis as the recognition of commodity revenue related to the asset and included in the current profit and loss.

When the company determines the impairment loss of assets related to the contract cost, it first determines the impairment loss of other assets related to the contract that are recognized in accordance with other relevant enterprise accounting standards; If the difference between the remaining consideration expected to be obtained for the commodity related to the asset and the estimated cost incurred for the transfer of the related commodity, the excess shall be provided for impairment and recognized as an asset impairment loss.

If the depreciation factors of the previous period have changed, and the aforementioned difference is higher than the book value of the asset, the original provision for asset impairment shall be reversed and included in the current profit and loss, but the book value of the asset after the reversal shall not exceed Assuming no provision for impairment is made, the book value of the asset on the date of reversal.

## **16. Long-term equity investments**

The long-term equity investments as referred to in this section refer to the long-term equity investments in which the company has control, common control or significant influence over the investee. The long-term equity investments whereby the company has no control, common control or significant influence over the investee are accounted for as financial assets that is measured at fair value and its changes are included in other comprehensive income when it is initially recognized, with respect to which the accounting policies are detailed in Note VI. 9 "Financial Instruments".

Common control refers to the control shared by the company over a particular arrangement according to applicable covenants, provided that the related activities under such arrangement may not be decided without the unanimous consent of participants sharing the control. Significant influence refers to the power of the company to participate in decision making regarding the financial and business policies of the investee, but not enough to control or jointly control the formulation of these policies with other parties.

### **(1) Determination of investment cost**

For a long-term equity investment resulting from business combination under common control, the share of the book value of ownership interest of the combined party in the consolidated financial statements of the ultimate controlling party at the date of combination is treated as the initial investment cost of the long-term equity investment. The capital reserve is adjusted by the difference between the initial investment cost of a long-term equity investment and the book value of cash paid, noncash assets transferred and debts assumed; the

retained earnings are adjusted if the capital reserve is insufficient for offsetting purposes. Where the company takes the issue of equity securities as the combination consideration, the capital reserve is adjusted at the combination date by the difference between the initial investment cost of long-term equity investment and the total nominal value of issued shares, with the share of book value of the ownership interest of the combined party in the consolidated financial statements of the ultimate controlling party as the initial investment cost of the long-term equity investment and the total nominal value of issued shares as the share capital; retained earnings are adjusted if the capital reserve is insufficient for offsetting purposes. Where equities of the combined party under common control are acquired step by step through multiple transactions, finally resulting in business combination under common control, distinction should be made as to whether it is a "package deal"; where it is a "package deal", all transactions are treated for accounting purpose as a single transaction acquiring the control. In case the transaction is not a package deal, the share of book value of the ownership interest of the combined party to be acquired in the consolidated financial statements of the ultimate controlling party is treated as the initial investment cost of the long-term equity investment at the date of combination and the capital reserve is adjusted by the difference between the initial investment cost of the long-term equity investment and the sum of the book value of the long-term equity investment leading up to the combination and the book value of consideration newly paid for further acquisition of shares at the date of consolidation; if the capital reserve is insufficient for offsetting purposes, the retained earnings are adjusted. Other comprehensive income recognized due to accounting of equity investments held before the combination date using the equity method or for financial assets available for sale is not treated for accounting purpose on a temporary basis.

For a long-term equity investment resulting from business combination not under common control, the combination cost is treated as the initial investment cost of the long-term equity investment at the purchase date, with the combination cost consisting of the sum of fair values of assets paid out, liabilities incurred or assumed and equity securities issued by the purchasing party. Where equities of the purchased party are acquired step by step through multiple transactions, finally resulting in business combination not under common control, distinction should be made as to whether it is a "package deal"; where it is a "package deal", all transactions are treated for accounting purpose as a single transaction acquiring the control. In case the transaction is not a package deal, the sum of the book value of equity investment originally held in the purchased party plus the additional investment cost is treated as the initial investment cost of the long-term equity investment accounted for using the cost method instead. Where the equities originally held are accounted for using the equity method, the related other comprehensive income is not treated for accounting purpose on a temporary basis. Where the originally held equity investment is financial assets available for sale, the difference between its fair value and book value and the accumulated changes in fair value that are originally charged to other comprehensive income are transferred to the current profit and loss.

The audit, legal service, appraisal consulting and other intermediary fees and other related management expenses incurred by the combining party or the purchasing party for business combination are charged to the

current profit and loss as and when incurred.

Equity investments other than long-term equity investments formed due to business combination are initially measured at cost, which cost is determined by the cash purchase price actually paid by the company, the fair value of equity securities issued by the company, the value set forth in the investment contract or agreement, the fair value or original book value of assets swapped out in the non-monetary asset exchange transaction or the fair value of such long-term equity investment itself, depending upon the different ways to acquire such long-term equity investment. Costs, taxes and other necessary expenditures directly related to acquisition of the long-term equity investment are also charged to the investment cost. Where the company becomes able to exert significant influence or common control over the investee due to additional investments but not enough to constitute control, the cost of the long-term equity investment is the sum of the fair value of the originally held equity investment as determined according to the Enterprise Accounting Standard No. 22-- Recognition and Measurement of Financial Instruments and the additional investment cost.

(2) Method for subsequent measurement and profit and loss recognition

A long-term equity investment in which the company has common control (except that joint operation is constituted) or significant influence over the investee is accounted for using the equity method. In addition, the company's financial statements account for long-term equity investments with which the company can exert control over the investees.

① Long-term equity investments accounted for using the cost method

When accounted for using the cost method, the long-term equity investment is valued at the initial investment cost, and the cost of long-term equity investment is adjusted by the additional or recovered investments. Except for the price actually paid at the time of acquisition of investment or cash dividends or profits included in the consideration that have already been declared but not yet distributed, the current income on investment is recognized at the cash dividends or profits declared and distributed by the investee that the company is entitled to.

② Long-term equity investments accounted for using the equity method

When accounted for using the equity method, the initial investment cost of a long-term equity investment is not adjusted if the initial investment cost of the long-term equity investment is higher than the company's share of fair value of identifiable net assets of the investee at the time of investment; if the initial investment cost of the long-term equity investment is less than the share of fair value of identifiable net assets of the investee at the time of investment, the resulting difference is charged to the current profit and loss, while adjusting the cost of the long-term equity investment.

When accounting for under the equity method, the company recognizes the investment income and other comprehensive income respectively at the share of net profits and losses and other comprehensive income realized by the investee, while the book value of long-term equity investment is adjusted at the same time; the

share is calculated at the profits or cash dividends declared and distributed by the investee, and the book value of the long-term equity investment is reduced accordingly; for changes in ownership interest of the investee other than net profits and losses, other comprehensive income and profit distribution, the book value of the long-term equity investment is adjusted and charged to the capital reserve. When recognizing the share of net profits and losses of the investee, the net profits of the investee are adjusted before recognition based on the fair value of the identifiable assets of the investee at the time of acquisition of investment; If the accounting policies and accounting period adopted by the investee are inconsistent with those adopted by the company, the financial statements of the investee are adjusted according to the company's accounting policies and accounting period, and the investment income and other comprehensive income are recognized accordingly. For the transactions between the company and its affiliates or joint ventures, where the assets invested or sold do not constitute business, the portion of unrealized profit and loss on internal transactions that is attributable to the company is calculated at the percentage that the company is entitled to and then offset, on which basis the investment income or loss is recognized. But the unrealized internal transaction losses incurred between the company and the investee which are impairment loss of the assets being transferred are not offset. Where the assets invested by the company in its joint ventures or affiliates constitute business and the investee therefore acquires long-term equity investments but not the control, the fair value of the business invested is treated as the initial investment cost of the new long-term equity investment, and the difference between the initial investment cost and the book value of the invested business is charged to the current profit and loss in full. Where the assets sold by the company to its joint ventures or affiliates constitute business, the difference between the consideration acquired and the book value of the business is charged to the current profit and loss in full. Where the assets purchased by the company from its joint ventures and affiliates constitute business, accounting treatment is made according to the Enterprise Accounting Standard No. 20—Business Combination and the transaction-related gains or losses are recognized in full.

When recognizing the net losses incurred by the investee that the company shall share, the company recognizes such net losses until the book value of long-term equity investment and other long-term equities that substantially constitute the net investment in the investee are written down to zero. In addition, if the company has the obligation to be liable for additional losses of the investee, the estimated liabilities are recognized according to the obligations expected to be borne and then charged to the current investment loss. Where the investee realizes net profits in the subsequent periods, the company resumes recognition of the revenue share after the revenue share covers the unrecognized share of losses.

### ③ Acquisition of minority interest

When preparing the consolidated financial statements, the capital reserve is adjusted by the difference between the long-term equity investment newly acquired due to purchase of minority interest and the share of net assets continuously calculated by the subsidiary from the purchase date (or combination date) as calculated at the newly-added shareholding ratio, with the retained earnings to be adjusted if the capital reserve is

sufficient for offsetting purposes

④ Disposal of long-term equity investments

In the consolidated financial statements, when the parent company partially disposes of long-term equity investments in a subsidiary without loss of control, the difference between the disposal price and the share of net assets of the subsidiary corresponding to the disposal of long-term equity investment is charged to the shareholder equity; where the parent company partially disposes of long-term equity investments in a subsidiary to such extent that the control of the subsidiary is lost, the treatment is made according to the related accounting policies described in Note 4.5 (2) "Method for Preparation of Consolidated Financial Statements".

For disposal of long-term equity investments in other circumstances, the difference between the book value of the equities disposed of and the price actually acquired is charged to the current profit and loss.

For long-term equity investments accounted for using the equity method, if the remaining equities after disposal are still accounted for using the equity method, the portion of other comprehensive income originally charged to the shareholder equity is treated for accounting purpose at the time of disposal and at the corresponding ratio on the same basis as the investee directly disposes of related assets or liabilities. The ownership interest recognized due to changes in ownership interest of the investee other than net profit and loss, other comprehensive income and profit distribution is carried over to the current profit and loss on a prorate basis.

For long-term equity investments accounted for using the cost method, if the remaining equities after disposal are still accounted for using the cost method, its other comprehensive income recognized before acquisition of the control of the investee due to accounting under the equity method or according to the financial instrument recognition and measurement standards is treated for accounting purpose on the same basis as the investee directly disposes of related assets or liabilities, and is carried over to the current profit and loss on a prorate basis; the changes in ownership interest of the investee other than net profit and loss, other comprehensive income and profit distribution in the net assets of the investee that are recognized due to accounting under the equity method are carried over to the current profit and loss on a prorate basis.

Where the company loses control over the investee due to disposal of a portion of equity investment, when preparing individual financial statements, the remaining equities after disposal are accounted for using the equity method instead if they are able to exert common control or significant influence over the investee, and such remaining equities are adjusted as if they have been accounted for using the equity method since acquisition thereof; if the remaining equities after disposal are unable to exert common control or significant influence over the investee, they are treated for accounting purpose according to the applicable provisions of the financial instrument recognition and measurement standards instead, and the difference between their fair value and book value at the date of loss of control is charged to the current profit and loss. For other comprehensive income recognized due to accounting using the equity method or the financial instrument recognition and measurement standards prior to acquisition of control over the investee by the company, it is

treated for accounting purpose at the time of loss of control over the investee on the same basis as the investee directly disposes of related assets or liabilities, while the ownership interest changes in the net assets of the investee other than net profits and losses, other comprehensive income and profit distribution that are recognized due to accounting using the equity method are carried over to the current profit and loss at the time of loss of control over the investee. Of them, where the remaining equities after disposal are accounted for using the equity method, other comprehensive income and other ownership interest are carried over on a pro rata basis; where the remaining equities after disposal are treated for accounting purpose according to the financial instrument recognition and measurement standards instead, other comprehensive income and other ownership interest are carried over in entirety.

If the company loses common control or significant influence the investee due to disposal of a portion of equity investment, the remaining equities after disposal are accounted for according to the financial instrument recognition and measurement standards instead, and the difference between their fair value and book value at the date of loss of common control or significant influence is charged to the current profit and loss. The other comprehensive income recognized on the original equity investment due to accounting using the equity method is treated for accounting purpose on the same basis as the investee directly dispose of the related assets or liabilities when the equity method ceases to be used for accounting. The ownership interest recognized due to changes in ownership interest of the investee other than net profits and losses, other comprehensive income and profit distribution is transferred to the current profit and loss in full when the equity method ceases to be used for accounting.

Where the company disposes of its equity investment in a subsidiary step by step through multiple transactions until loss of control, if the aforesaid transactions constitute a "package deal", all transactions are treated for accounting purpose as a single transaction of disposal of equity investment in subsidiary and loss of control, and the difference between each disposal price and the book value of long-term equity investment corresponding to the equities disposed off before loss of control is first recognized as other comprehensive income and then carried over to the current profit and loss on the loss of control all together when the control is lost.

#### **17. Investment property**

(1) Investment property includes leased land use right, land use right held and ready for transfer after appreciation and leased buildings. For leased development products with respect to which leasing for rent is not officially and expressly specified as the purpose of long-term holding, the company does not recognize them as investment property to be accounted for under the item "Inventory—development products intended for sale and temporarily leased"; for development products intended for leasing, their book value is transferred to the investment property for accounting.

(2) The company initially measures its investment property at cost and subsequently measures it using the

fair value model. the company subsequently measures investment property using the fair value model, with the basis for selection of accounting policies as follows:

① There are active real estate trading markets in the place where investment property is located.

② the company can obtain market price and other related information about the same or similar real estate from the real estate trading markets, thus making reasonable estimates of the fair value of investment property.

The current investment property projects of the company are mainly located in urban area of Huaibei City and mainly consist of commercial properties in well-established business districts, for which there are relatively active real estate trading markets from which the company can obtain market price and other related information about the same or similar real estate, thereby making subsequent measurement of investment property at fair value operable.

(3) Principles of determination of fair value

the company employs the following different valuation methods for different property market transactions:

① When the investment property of the company itself has transaction prices, its fair value is determined based on the concurrent transaction prices or quotations provided by the commercial property management office of the company's investment property management department.

② When the investment property of the company itself has no transaction prices, its fair value is determined by the valuation conclusions contained in the market survey reports issued by the commercial property management office of the company's investment property management department based on market surveys conducted thereby. When necessary, the company engages suitably qualified appraisal agencies to appraise the fair value of the company's investment property using the income approach and by reference to the open market prices, with the appraised amount as the fair value of the company's investment property.

③ When valuating, the company shall obtain market price and other related information about the same or similar real estate from the government real estate management department, authorities or suitably qualified real estate intermediaries in the city where its investment property is located, so as to make reasonable estimates of the fair value of its investment property.

④ For investment property without transaction prices, price correction is made by reference to transaction prices of at least three similar comparable project properties on the market and according to the related factors affecting the value of the subject property, on which basis the fair value of the subject property is ultimately determined. When valuating the comparable projects, the company shall prepare an adjustment factor standard table and determine the range of adjustment coefficients based on the types of investment property and in terms of location of business district, ease of access, commercial prosperity, house condition, equipment and decorations, transaction time, transaction mode, floor, geographic location, cultural value and surroundings, etc.

(4) Recognition at the end of period and accounting procedures for the fair value of investment real estate

① The initial recognition of the fair value of investment real estate:

For the first conversion of the company's self-built, purchased, and self-use real estate to investment

properties, the difference between the fair value less than the book value on the first conversion date is debited to the fair value change gains and losses, and the difference between the fair value greater than the book value is credited to other comprehensive income.

② Subsequent measurement of the fair value of investment real estate after the conversion date:

If the fair value model is adopted for measurement, no depreciation or amortization of investment real estate will be made. The company estimates its ending fair value on the basis of a single investment real estate. When the ending fair value of a single investment real estate changes significantly, the book value of the single investment real estate is adjusted based on the fair value of the single investment real estate on the balance sheet date. The difference between the ending fair value of the single investment real estate and the beginning fair value is calculated. Into the current profit and loss, while considering the impact of deferred income tax assets or deferred income tax liabilities.

When the use of investment real estate is changed to self-use, the investment real estate shall be converted into fixed assets or intangible assets from the date of change. When the purpose of self-use real estate is changed to earning rent or capital appreciation, the fixed assets or intangible assets shall be converted into investment real estate from the date of change. When a conversion occurs, the book value before the conversion is used as the entry value after the conversion.

When an investment real estate is disposed of or is permanently withdrawn from use and it is expected that no economic benefits can be obtained from its disposal, the recognition of the investment real estate shall be terminated. The amount of disposal income from the sale, transfer, scrapping or destruction of investment real estate after deducting its book value and relevant taxes shall be included in the current profit and loss.

## 18. Fixed assets

### (1) Conditions for recognition of fixed assets

The fixed assets of the company refer to the tangible assets held for production of goods, provision of services, leasing or operation management and with a service life of more than an accounting year. A fixed asset can be recognized only when the economic benefits related to such fixed asset are highly likely to flow to the company and its costs can be reliably measured. Fixed assets are initially measured at cost with the consideration of the impact of expected disposal costs.

### (2) Classification, valuation and depreciation method of fixed assets

Fixed assets shall be depreciated during their useful lives starting from the next month when they reach their intended usable condition. The useful life, estimated net residual value, annual depreciation rate, and depreciation methods of various fixed assets are as follows:

Category	Depreciation method	Depreciation period (year)	Residual value rate (%)	Annual depreciation rate (%)
Houses and buildings	Straight-line method	50.00	3.00	1.94

Category	Depreciation method	Depreciation period (year)	Residual value rate (%)	Annual depreciation rate (%)
Municipal facilities	Straight-line method	70.00	3.00	1.39
Machinery and equipment	Straight-line method	5.00-20.00	5.00	19.00-4.75
Transport equipmen	Straight-line method	5.00	5.00	19.00
Office devices	Straight-line method	5.00	0-3.00	19.40
Other equipment	Straight-line method	3.00-5.00	5.00	31.67-19.00

The estimated net salvage value refers to the amount received by the company from the disposal of the fixed asset after deducting the estimated disposal expenses, assuming that the asset is in the expected state at the end of its expected useful life.

(3) Impairment test method and impairment preparation accrual method for fixed assets

Impairment test method and impairment preparation accrual method for fixed asset shall be mentioned in Note IV. 19 "Impairment of non-current and non-financial assets".

(4) Recognition and valuation of the fixed assets under financing lease

Finance lease is a lease that substantially transfers all risks and rewards related to the ownership of assets, and its ownership may or may not be transferred eventually. The depreciation of leased assets shall be calculated by the same policy as that of self-owned fixed assets. If the ownership of the leased assets can be reasonably determined at the expiration of the lease term, depreciation shall be calculated within the service life of the leased assets; if the ownership of the leased assets cannot be reasonably determined at the expiration of the lease term, depreciation shall be calculated within the shorter period of the lease term and the service life of the leased assets.

(5) Other's specifications

Subsequent expenditures related to fixed assets, if the economic benefits related to the fixed assets are likely to flow in and their costs can be reliably measured, they shall be included in the cost of fixed assets and the book value of the replaced part shall be terminated. Besides, other subsequent expenditure shall be accounted into the current profit and loss when occurring.

When a fixed asset is in a state of disposal or cannot generate economic benefits through its use or disposal, the recognition of the fixed asset shall be terminated. The balance for the disposal income of sales, alienation, scrapping or derogation, should be accounted into the current profit and loss after deducting its book value and interrelated taxes and dues.

the company should double-check at any rate the life length, estimated net residual value and depreciation method of fixed asset at the end of the fiscal year. If changes occurred, it shall be treated as change in accounting estimate.

#### **19. Works in progress**

the company's works in progress are accounted for by category of approved project. The costs are determined according to the actual project expenditures, including but not limited to various necessary project expenditures incurred during the construction period, the borrowing costs to be capitalized before the project reaches the intended state of usability and other related expenses.

For works in progress, all expenditures incurred before the construction of such asset reaches the intended state of usability are treated as the recorded value of the fixed asset. Where the fixed assets under construction have reached the intended state of usability but the final accounting of completion has not yet been completed, such fixed assets are transferred to the fixed assets at the estimated value as of the date of reaching the intended state of usability based on the project budget, cost or actual project cost and are depreciated according to the company's fixed asset depreciation policy. After completion of the final accounting of completion, the original estimated value is adjusted by the actual costs, but without adjusting the originally accrued depreciation amount.

#### **20. Borrowing costs**

Borrowing costs include loan interest, amortization of premium or discount, auxiliary expenses and exchange difference resulting from foreign-currency borrowings. The borrowing costs incurred that are directly attributable to the acquisition or production of assets that meet the conditions for capitalization begin being capitalized when the capital expenditure has been incurred, the borrowing costs have been incurred and the acquisition or production activities required for the assets to reach the intended state of availability or be ready for sale have commenced; when the assets acquired or produced that meet the conditions for capitalization reach the intended usable or marketable state, the borrowing costs cease to be capitalized. The remaining borrowing costs are recognized as expenses when incurred.

The interest expense actually incurred by special borrowings in the current period minus the interest income acquired from depositing of the unused borrowed funds in the bank or the amount of investment income acquired on temporary investment is capitalized; The capitalized amount of general borrowings is determined based on the capital expenditure weighted average of the portion of accumulated asset expenditure in excess of the special borrowing multiplied by the capitalization rate of the general borrowings used. The capitalization rate is calculated based on the weighted average interest rate of general borrowings.

During the capitalization period, the exchange difference on foreign-currency special borrowings is capitalized in full; the exchange difference on foreign-currency general borrowings is charged to the current profit and loss.

Assets that meet the conditions for capitalization refer to fixed assets, investment property, inventories and other assets that can reach the intended usable or marketable state only after a considerably long period of acquisition or production activities

Where an asset that meets the conditions for capitalization is abnormally interrupted in the process of acquisition or production and the period of interruption continues for more than 3 months, the capitalization of borrowing costs is suspended until after the asset acquisition or production activities recommence.

## **21. Intangible assets**

the company's intangible assets include but not limited to land use right, mining right and others and are initially measured at cost. the company analyzes and judges the service life of an intangible asset when acquiring it. Where the service life is limited, an intangible asset is amortized over the estimated service life as of the time when the intangible asset becomes available, using the amortization method that can reflect the way of expected realization of economic benefits related to such asset; where the way of expected realization cannot be reliably determined, the intangible asset is amortized using the straight-line method; intangible assets with uncertain service lives are not amortized.

### **(1) Recognition and valuation of intangible assets**

The term "intangible asset" refers to the identifiable non-monetary assets without physical shape, possessed or controlled by enterprises.

The intangible assets are initially measured by its cost. Expenses related to intangible assets, if the economic benefits related to intangible assets are likely to flow into the enterprise and the cost of intangible assets can be measured reliably, shall be recorded as cost of intangible assets. The expenses other than this shall be booked in the profit or loss when they occur.

Land use rights that are purchased by the company are accounted for as intangible assets. Buildings, such as plants that are developed and constructed by the company, and relevant land use rights and buildings, are accounted for as intangible assets and fixed assets, respectively. Payments for the land and buildings purchased are allocated between the land use rights and the buildings; if they cannot be reasonably allocated all the land use rights and buildings are accounted for as fixed assets.

### **(2) Amortization of intangible assets**

When an intangible asset with a definite useful life is available for use, its original cost less net residual value and any accumulated impairment losses is amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized.

For an intangible asset with a definite useful life, the company reviews the useful life and amortization method at the end of the period and makes adjustment when necessary. An additional review is also carried out for useful life of the intangible assets with indefinite useful life. If there is evidence showing the foreseeable limit period of economic benefits generated to the enterprise by the intangible assets, then estimate its useful life and amortize according to the policy of intangible assets with definite useful life.

### **(3) The expenditure of research and development**

The internal research and development expenditure are divided into research expenditure and development

expenditure. Among them, research refers to the original and planned investigation for acquiring and understanding new scientific or technical knowledge, such as the activities for the acquisition of knowledge, the application research, evaluation and final selection of research results or other knowledge; the study of substitutes for materials, equipment, products, processes, systems or services substitutes; new or improved materials, equipment, products, processes, systems, or preparation, design, evaluation, and final selection of possible alternatives to services, etc. Development refers to the commercial production or use, apply findings or other knowledge to a plan or design, in order to produce something new or substantive improved materials, devices, products, etc., such as production or use before the prototype and model of the design, construction and test, have no commercial production economies of scale of the trial production facilities design, construction and operation, etc. Development is the application of research results or other knowledge to a plan or design to produce a new or substantially improved material, device, product, etc., prior to commercial production or use. For example, the design, construction and testing of prototypes and models before production or use, the design, construction and operation of trial production facilities without commercial production economies of scale, etc.

The research expenditures shall be recorded into the profits and losses of the current period when they are incurred.

Expenditures in the development stage that simultaneously meet the following conditions shall be recognized as intangible assets. Expenditures in the development stage that fail to meet the following conditions shall be recorded into the current profit and loss:

- ① It is technically feasible to complete the intangible asset for use or sale;
- ② Intention to complete the intangible asset and use or sell it;
- ③ The way intangible assets generate economic benefits, including the ability to prove that the products produced by the intangible assets exist in the market or the intangible assets themselves exist in the market, and the intangible assets will be used internally, which can prove their usefulness;
- ④ Availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- ⑤ Ability to measure reliably the expenditure that is attributable to the intangible asset during its development.

The expenses which cannot be distinguished between research and development stage, shall be recorded into the profit or loss for the current period.

#### (4) Impairment testing methods and recognition of impairment provision of intangible assets

Impairment and provisions of intangible assets are disclosed on Note IV. 19 "Impairment of non-current and non-financial assets".

## 22. Long-term unamortized expenses

The long-term unamortized expenses incurred by the company are valued at actual cost and are amortized averagely over the estimated period of benefit. For items of long-term unamortized expenses that cannot benefit the subsequent accounting periods, their amortized value is charged to the current profit and loss in full.

### **23. Impairment of non-current and non-financial assets**

Non-financial assets with non-current nature include fixed assets, construction in progress, intangible assets with definite useful lives, investment properties measured by cost method and long-term equity investment on subsidiaries, joint operations. the company assesses whether there are any indicators of impairment for all non-financial assets at the balance sheet date, and impairment test is carried out and recoverable value is estimated if such an indicator exists. Goodwill and intangible assets with indefinite useful lives, as well as intangible assets not ready for use, are tested for impairment annually regardless of indicators of impairment.

Impairment of loss is calculated, and provisions taken by the difference if the recoverable value of the assets is lower than the book value. The recoverable value is the higher of estimated present value of the future expected cash flows from the asset and net fair value of the asset less disposed cost. The fair value of asset is determined by the sales agreement price within an arm's length transaction. In case there is no sales agreement, but there is active market of assets, the fair value can be determined by the selling price. If there is neither sales agreement nor active market, the fair value of the asset can be estimated based on the best information obtained. Disposal expenses include expenses related to the legislation, taxes, transportation and the direct expense for the asset to be ready for sale. When calculating the present value of expected future cash flows from an asset, the management shall estimate the expected future cash flows arising from the continued use and final disposal of the asset and choose a suitable discount rate to calculate the present value of those cash flows. Provision for asset impairment is calculated and determined on the individual basis. If the recoverable of individual asset is hard to estimate, the recoverable amount can be determined by the asset group where subject asset belongs. Asset group is the smallest set of assets that can have cash flow in independently.

For goodwill shown separately in the financial statements, the carrying value of the goodwill is allocated to the asset groups or combinations of asset groups that are expected to benefit from the synergies of the business combination when the impairment test is conducted. If the test results show that the recoverable amount of the asset group or the combination of the asset group containing the apportioned goodwill is lower than its carrying value, the corresponding impairment loss shall be recognized. The amount of impairment loss is first deducted from the book value apportioned to the goodwill of the asset group or the combination of asset groups, and then deducted proportionally from the book value of all assets other than goodwill in the asset group or the combination of asset groups.

Once the loss from above asset impairment is recognized, the recoverable part cannot be reserved in the subsequent periods.

#### **24. Employee compensations**

the company's employee compensation mainly comprises short-term employee compensation, post-employment benefits, termination benefits. Wherein:

Short-term compensation mainly comprises salary, bonus, allowance and subsidy, employee benefits, medical insurance costs, maternity insurance costs, industrial injury insurance costs, housing fund, trade union outlays, employee education expenditure and non-monetary benefits. the company recognizes short-term employee compensation actually incurred as liabilities during the accounting period in which the employees provide services to the company and charges it to the current profit and loss or related asset cost. Of them, the non-monetary benefits are measured at fair value.

Post-employment benefits mainly include basic pension insurance, unemployment insurance, and annuity. The post-employment benefit scheme includes a defined contribution scheme and a defined benefit scheme. If a defined contribution scheme is adopted, the corresponding deposit amount shall be included in the relevant asset cost or current profit and loss when incurred. If the employment relationship with any employee is terminated before the expiration of the employment contract or a suggestion concerning compensation is provided to encourage the employees to voluntarily accept the job displacement, the payroll liabilities resulting from termination benefits are recognized and charged to the current profit and loss, when the company can not unilaterally revoke the termination benefits provided due to the employment relationship termination plan or the separation suggestion and the company recognizes the costs related to the reorganization involving payment of termination benefits, whichever occurs earlier. But if the termination benefits are expected not to be paid in full 12 months of the end of the annual reporting period, such termination benefits are treated as other long-term employment compensation.

The employee internal retirement plan is treated according to the same principle as the aforesaid termination benefits. the company charges the salary of internally retired employees to be paid and social insurance costs paid during the period from the date when employees cease to provide services to the date of normal retirement to the current profit and loss (termination benefits) when the conditions for recognition of estimated liabilities are met.

Other long-term employee benefits provided by the company to its employees are treated for accounting purposes according to the defined contribution plan if they comply with the defined contribution plan. Otherwise, such benefits are treated for accounting purposes according to the defined benefit plan.

#### **25. Bonds Payable**

The non-convertible corporate bonds issued by the company are treated as liabilities according to the

amount actually received (deducting the relevant transaction costs); the difference between the amount actually received from the issuance of the bond and the total face value of the bond is treated as a premium or discount on the bond. During the existence period, it is amortized at the actual interest rate when the interest is withdrawn, and treated according to the principle of handling borrowing costs.

For the convertible corporate bonds issued by the company, the liabilities and equity shall be treated separately at the time of initial recognition. Firstly, the fair value of the liability component is recognized and taken as the initial recognized amount. Then, the initial recognized amount of the equity component is determined according to the amount after deducting the initial recognized amount of the liability component from the overall issue price of the convertible corporate bonds (deducting the relevant transaction costs).

## **26. Estimated Liabilities**

Only if the obligation pertinent to a contingency shall be recognized as an estimated debt when the following conditions are satisfied simultaneously:

1) That obligation is a current obligation of the company. 2) It is likely to cause any economic benefit to flow out of the company because of performance of the obligation. 3) The amount of the obligation can be measured in a reliable way.

the company shall measure the estimated debts in accordance with the best estimate of the necessary expenses for the performance of the current obligation, considering the risks, uncertainties and time value of money related to contingencies on the balance sheet date.

If all or part of the expenditure required to settle the estimated liabilities is expected to be compensated by a third party, the compensation amount shall be separately recognized as an asset when it is basically certain that it can be received, and the recognized compensation amount shall not exceed the book value of the estimated liability.

## **27. Preferenceshares, perpetual bonds and other financial instruments**

(1) The distinction between perpetual bonds and preferred stocks

Financial instruments such as perpetual bonds and preferred stocks issued by the company that meet the following conditions at the same time are regarded as equity instruments:

① The financial instrument does not include contractual obligations to deliver cash or other financial assets to other parties, or exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions;

② If the financial instrument needs to be settled with or available to the enterprise's own equity instruments in the future, if the financial instrument is a non-derivative instrument, it does not include the contractual obligation to deliver a variable amount of its own equity instrument for settlement; The company can only settle the financial instrument by exchanging a fixed amount of its own equity instruments for a fixed

amount of cash or other financial assets.

Except for financial instruments that can be classified as equity instruments under the above conditions, other financial instruments issued by the company should be classified as financial liabilities.

If the financial instrument issued by the company is a compound financial instrument, it is recognized as a liability based on the fair value of the liability component, and the amount actually received after deducting the fair value of the liability component is recognized as "other equity instruments". Transaction costs incurred in the issuance of composite financial instruments are amortized between the liability component and the equity component according to their respective proportions to the total issuance price.

#### (2) Accounting treatment methods for perpetual bonds and preferred stocks

Perpetual bonds, preferred stocks and other financial instruments classified as financial liabilities, their related interest, dividends (or dividends), gains or losses, and gains or losses arising from redemption or refinancing, except for loans that meet the conditions for capitalization Except for the expenses (see Note IV. 17 "Borrowing costs"), they are all included in the current profit and loss.

When perpetual bonds and preferred stocks are classified as equity instruments, when they are issued (including refinancing), repurchased, sold or cancelled, the company treats them as changes in equity, and related transaction costs are also deducted from equity. The company's distribution to equity instrument holders is treated as a profit distribution.

The company does not recognize changes in the fair value of equity instruments.

## 28. Revenue

When the contract between the company and the customer meets the following conditions at the same time, revenue is recognized when the customer obtains control of the relevant product: the parties to the contract have approved the contract and promised to perform their respective obligations; the contract clarifies that the parties to the contract are The rights and obligations related to labor; the contract has clear payment terms related to the transferred goods; the contract has commercial substance, that is, the performance of the contract will change the risk, time distribution or amount of the company's future cash flow; the company's transfer to customers The price for which the commodity is entitled is likely to be recovered.

On the starting date of the contract, the company identifies each individual performance obligation in the contract, and allocates the transaction price to each individual performance obligation in accordance with the relative proportion of the stand-alone selling price of the goods promised by each individual performance obligation. When determining the transaction price, the influence of factors such as variable consideration, major financing components in the contract, non-cash consideration, and consideration payable to customers are considered.

For each individual performance obligation in the contract, if one of the following conditions is met, the company will recognize the transaction price allocated to the individual performance obligation as revenue

during the relevant performance period according to the performance progress: Obtain and consume the economic benefits brought by the company's performance; customers can control the products under construction during the company's performance; the products produced during the company's performance have irreplaceable uses, and the company has The right to collect payment for the part of the contract that has been completed so far. The performance progress is determined by the input method or the output method according to the nature of the transferred goods. When the performance progress cannot be reasonably determined, the company's costs incurred are expected to be compensated, and the revenue is recognized based on the amount of costs incurred until the performance progress can be determined. Reasonably determined so far.

If one of the above conditions is not met, the company will allocate to the transaction price of the individual performance obligation to recognize revenue at the time when the customer obtains control of the relevant product. When judging whether the customer has obtained control of the product, the company considers the following signs: the company has the current right to receive payment for the product, that is, the customer has the current payment obligation for the product; the company has transferred the legal ownership of the product to the customer, that is, The customer already has the legal ownership of the product; the company has transferred the product to the customer in kind, that is, the customer has physically taken possession of the product; the company has transferred the major risks and rewards of the ownership of the product to the customer, that is, the customer has obtained the ownership of the product The main risks and rewards of the above; the customer has accepted the product; other signs that the customer has obtained control of the product.

The specific methods of the company's revenue recognition are as follows:

① Commodity sales contract

The company's business of selling goods usually only includes the performance obligation of transferring the goods. When the goods have been sent out and the customer's receipt is received, the control of the goods is transferred, and the company recognizes the realization of income at that point in time.

② Provide service contract

The service contract between the company and the customer includes the performance obligation for operation and maintenance. Because the company performs the contract at the same time, the customer obtains and consumes the economic benefits brought by the company's performance or the service provided by the company during the performance of the contract is irreplaceable. The company has the right to accumulate part of the performance income that has been completed so far during the entire contract period. The company regards it as a performance obligation performed within a certain period of time, and it is equally shared and recognized during the period of service provision.

③ Construction contract

The construction contract between the company and the customer contains the performance obligation of

XX Construction. Since the customer can control the products under construction during the performance of the company, the company regards it as the performance obligation performed within a certain period of time, and the revenue is recognized according to the performance progress. , Except where the progress of the performance of the contract cannot be reasonably determined. The company determines the progress of the performance of the service in accordance with the input method or the output method. The performance progress is determined by the proportion of the completed contract cost actually incurred for the performance of the contract to the estimated total cost of the contract or the proportion of the completed contract work to the estimated total work of the contract or the measurement progress of the completed contract work. On the balance sheet date, the company re-estimates the progress of completed or completed labor so that it can reflect changes in performance.

#### ④ Real estate sales contract

The income of the company's real estate development business is recognized when the control of the property is transferred to the customer. Based on the terms of the sales contract and the legal provisions applicable to the contract, the control of the property can be transferred within a certain period of time or at a certain point in time. Only when the goods produced by the company during the performance of the contract have irreplaceable uses, and the company has the right to collect payment for the cumulative performance part that has been completed during the entire contract period, the performance obligation has been completed during the contract period. The progress is recognized as revenue within a period of time, and the progress of the completed performance obligations is determined in accordance with the proportion of the contract costs actually incurred to complete the performance obligations to the estimated total cost of the contract. Otherwise, the income is recognized when the customer obtains the physical ownership or the legal ownership of the completed property and the company has obtained the current right of collection and is likely to recover the consideration. When recognizing the contract transaction price, if the financing component is significant, the company will adjust the contractual commitment consideration based on the financing component of the contract.

## 29. Government subsidies

Government subsidies refer to the monetary and non-monetary assets obtained by the company from the government free of charge, excluding the capital invested by the government as an investor and enjoying the corresponding owner's rights and interests. Government subsidies are divided into government subsidies related to assets and government subsidies related to income. The company defines the government subsidies obtained for purchase and construction or other forms of long-term assets as government subsidies related to assets; the remaining government subsidies are defined as government subsidies related to income. If the government document does not clearly specify the subsidy object, the subsidy will be divided into income-related government subsidy and asset-related government subsidy in the following way: The project's budget divides

the relative proportions of the amount of expenditures that form assets and the amount of expenditures that are included in expenses. The proportion of divisions needs to be reviewed on each balance sheet date and changed if necessary; (2) Government documents the purpose is only for general expression, and if no specific item is specified, it is regarded as a government subsidy related to income. If a government subsidy is a monetary asset, it shall be measured at 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 reliably, it shall be measured at its nominal amount. Government subsidies measured at their nominal amounts are directly included in the current profits and losses.

The company usually recognizes and measures government subsidies based on the actually received amount when they are actually received. However, at the end of the period, there is conclusive evidence showing that it can meet the relevant conditions stipulated in the financial support policy. It is expected that the financial support funds will be received, and the amount will be measured according to the amount receivable. The government subsidies measured in accordance with the amount receivable shall meet the following conditions at the same time: (1) The amount of the subsidy receivable has been recognized by a document issued by the competent government department, or it can be reasonably calculated according to the relevant provisions of the officially released financial capital management measures, and It is estimated that there is no major uncertainty in the amount; (2) It is based on the financial support projects and their financial fund management methods officially issued by the local financial department and proactively disclosed in accordance with the "Regulations on Disclosure of Government Information", and the management methods It should be inclusive (any enterprise that meets the prescribed conditions can apply), rather than specifically formulated for specific enterprises; (3) The relevant grant approval document has clearly promised the payment period, and the payment of the funds is available The corresponding financial budget is used as a guarantee, so it can be reasonably guaranteed that it can be received within the prescribed time limit; (4) Other relevant conditions (if any) that should be met based on the company and the specific circumstances of the subsidy.

Government subsidies related to assets are recognized as deferred income and included in the current profits and losses in stages within the useful life of the relevant assets in a reasonable and systematic way. Government subsidies related to income that are used to compensate related costs or losses in subsequent periods are recognized as deferred income, and are included in the current profit and loss during the period when the related costs or losses are recognized; used to compensate related costs and expenses that have already occurred or losses, directly included in the current profit and loss.

At the same time, the government subsidies related to assets and income-related parts are included, and different parts are accounted for separately; if it is difficult to distinguish, the whole is classified as income-related government subsidies.

Government subsidies related to the company's daily activities are included in other income or offset related costs according to the nature of the economic business; government subsidies not related to daily activities are included in non-operating income and expenditure.

When the recognized government subsidy needs to be returned, if there is a relevant deferred income balance, the book balance of the relevant deferred income shall be offset, and the excess part shall be included in the current profit and loss; in other cases, it shall be directly included in the current profit and loss.

### **30. Deferred income tax assets and deferred income tax liabilities**

#### **(1) Current income tax**

On the balance sheet date, the current income tax liabilities (or assets) formed in the current and previous periods are measured at the amount of income tax that is expected to be paid (or returned) calculated in accordance with the provisions of the tax law. The taxable income on which the current income tax expenses are calculated is calculated after corresponding adjustments to the current year's pre-tax accounting profits in accordance with the provisions of the relevant tariff laws.

#### **(2) Deferred income tax assets and deferred income tax liabilities**

The difference between the book value of certain assets and liabilities and the tax base, and the difference between the book value and the tax base of items that are not recognized as assets and liabilities but whose tax base can be determined in accordance with the tax law. For temporary differences, the balance sheet debt method is used to recognize deferred income tax assets and deferred income tax liabilities.

Related to the initial recognition of goodwill, and the taxable temporary differences, the related deferred income tax liabilities will not be recognized. In addition, for taxable temporary differences related to investments in subsidiaries, associates and joint ventures, if the company can control the time for the reversal of the temporary differences, and the temporary differences may not be reversed in the foreseeable future, the related deferred income tax liabilities will not be recognized. Except for the above exceptions, the company recognizes all other deferred income tax liabilities arising from taxable temporary differences.

Deductible temporary differences related to the initial recognition of assets or liabilities arising from transactions that are neither a business combination nor that do not affect accounting profits and taxable income (or deductible losses) are not recognized. Deferred tax assets. In addition, for deductible temporary differences related to investments in subsidiaries, associates and joint ventures, if the temporary differences are not likely to be reversed in the foreseeable future, or are not likely to be deductible in the future. The taxable income of temporary differences shall not be recognized as related deferred income tax assets. Except for the above exceptions, the company is likely to obtain the taxable income that can be used to deduct the deductible temporary differences as the limit, and recognize other deferred income tax assets that can be deducted from the deductible temporary differences.

For the deductible losses and tax deductions that can be carried forward for subsequent years, the deferred

income tax assets are recognized to the limit of the future taxable income that is likely to be used to deduct the deductible losses and tax deductions. .

On the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rate during the period when the relevant assets are expected to be recovered or the relevant liabilities are expected to be recovered in accordance with the provisions of the tax law.

On the balance sheet date, review the book value of deferred income tax assets. If it is probable that sufficient taxable income cannot be obtained in the future to offset the benefits of deferred income tax assets, the book value of deferred income tax assets shall be written down. . When it is possible to obtain sufficient taxable income, the reduced amount shall be reversed.

### (3) Income tax expenses

Income tax expenses include current income tax and deferred income tax.

Except that the current income tax and deferred income tax related to transactions and events recognized as other comprehensive income or directly included in shareholders' equity are included in other comprehensive income or shareholders' equity, and the book value of goodwill adjusted by deferred income tax arising from business combinations, the rest Current income tax and deferred income tax expenses or income are included in the current profit and loss.

### (4) Offset of income tax

When it has the statutory right to net settlement and intends to net settlement or obtain assets and pay off liabilities at the same time, the company's current income tax assets and current income tax liabilities are presented at the net amount after offsetting.

When it has the statutory right to settle current income tax assets and current income tax liabilities on a net basis, and the deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax administration department on the same taxpayer or related to different taxpayers, However, in the period during which important deferred income tax assets and liabilities are reversed in the future, when the taxpayer involved intends to settle the current income tax assets and liabilities on a net basis or obtain assets and settle liabilities at the same time, the company's deferred income tax Assets and deferred income tax liabilities are presented at the net amount after offsetting.

## 31. Lease

A finance lease is a lease that transfers in substance all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. A finance lease is a lease other than an operation lease.

Leasing business that meets one or more of the following criteria is usually a finance lease: ①At the expiration of the lease term, the ownership of the leased asset is transferred to the lessee. ②The lessee has the option to purchase the leased asset. The purchase price is expected to be much lower than the fair value of the leased asset when the option is exercised. Therefore, it can be reasonably determined that the lessee will

exercise this option at the start of the lease. ③Even if the ownership of the asset is not transferred, the lease term occupies most of the useful life of the leased asset. ④The present value of the minimum lease payment of the lessee on the lease start date is almost equivalent to the fair value of the leased asset on the lease start date; the current value of the lessor's minimum lease payment on the lease start date is almost equivalent to the fair value of the leased asset on the lease start date value. ⑤The leased assets are of special nature, and unless major renovations are made, only the lessee can use them.

(1)the company as Lessee under operating Lease

Lease payments under an operating lease are recognized by a lessee on a straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss for the current period. Initial direct expenses are booked into current profit and loss. The contingent rents shall be recorded in the profit or loss of the period in which they arise.

(2)the company as lessor under operating Lease

Lease income from operating leases shall be recognized by the lessor in profit or loss on a straight-line basis over the lease term. Initial direct cost of significance in amount shall be capitalized when incurred, are recorded into the current profit and loss in installments throughout the lease term on the same basis as the recognized rental income. Other smaller initial direct expenses shall be recorded into current profit and loss when incurred. Contingent rents are credited to profit or loss in the period in which they arise.

(3)the company as Lessee under financing Lease

For an asset that is held under a finance lease, at the lease commencement, the leased asset is recorded at the lower of its fair value at the lease commencement and the present value of the minimum lease payments, and the minimum lease payment is recorded as the carrying amount of the long-term payables; the difference between the recorded amount of the leased asset and the recorded amount of the payable is accounted for as unrecognized finance charge. Initial direct costs incurred by the lessee during the process of negotiating and securing the lease agreement shall be added to the amount recognized for the leased asset. The net amount of minimum lease payment deducted by the unrecognized finance shall be separated into long-term liabilities and long-term liability within one year for presentation.

Unrecognized finance charge shall be computed by the effective interest method during the lease term. Contingent rent shall be booked into profit or loss when actually incurred.

(4)the company as Lessor of a financing lease

For an asset that is leased out under a finance lease, the aggregate of the minimum lease receipts at the inception of the lease and the initial direct costs is recorded as a finance lease receivable, and unguaranteed residual value is recorded at the same time; the difference between the aggregate of the minimum lease receipt, initial direct costs, and unguaranteed residual value, and the aggregate of their present values, is recognized as unearned finance income. Finance lease receivable less unearned finance income shall be included into long-term liabilities and long-term liability within one year for presentation, respectively.

Unearned finance income shall be computed by the effective interest method during the lease term. Contingent rent shall be credited into profit or loss in which actually incurred.

### 32. Held for Sale

the company classify an asset or disposal group as held for sale if it is carrying amount will be recovered principally through a sale transaction (including non-monetary asset exchange with commercial substance, same as below) rather than through continuing use. Specific standards are as follows, which should be satisfied at the same time: the asset or disposal group is immediately sellable at its current condition according to the practice; the company has completed official decision to dispose the asset and has acquired firm purchasing commitments; and the sales will be completed within one year. The disposal group refers to a group of assets that are sold as a whole or disposed of in a transaction, and the liabilities directly related to those assets transferred in the transaction at the same time. If the asset group combination of the disposal group or assets group share the goodwill obtained in the business combination according to CAS 8 - Asset Impairment and the disposal group shall include the goodwill allocated to the disposal group.

Non-current assets held for sale and disposal group, which the company's initial measurement or measurement on the date of the balance sheet divided into, if the book value is higher than the fair value deducting the sale cost, it's book value will be written down to the fair value deducting the sale cost, in addition the reduced amount is recognized as impairment loss included in the current profits and losses, while accruing the provision for impairment of assets held for sale. For the disposal group, recognized asset impairment losses, will reduce the book value of the goodwill of a disposal group first, then reduce the book value of the non-current assets proportionally applying to CAS 42 - Non-Current Assets Held for Sale, the Disposal group, and Discontinued Operations (hereinafter referred to as the "held for sale rule"). With the fair value deducting the sale cost of the disposal assets held for sale increasing on the date of the balance sheet, the deducted amount should be recovered accordingly within the relevant scope. The recovering amount is included in the profits and losses of the current period, and the book value of non-current assets in the disposal group is increased proportionally according to the proportion of the book value of the non-current assets, except goodwill, which measured under the held for sale rule. The deducted book value of goodwill and the impairment losses of non-current assets that are under the held for sale rule shall not be reversed before they are classified as holding assets for sale.

Non-current assets held for sale or non-current assets in the disposal group are not subject to depreciation or amortization. The interest of liabilities and other expenses in the disposal group held for sale will continue to be recognized.

When the non-current assets or disposal groups no longer meet the conditions of assets held for sale categories, the company will no longer divide that into assets held for sale categories or will remove that from the disposal of non-current assets held for sale, and measured by the lower amount: (1) The book value before

being classified as held for sale category, and adjusted of the depreciation, amortization or impairment according to the assumption not being classified as held for sale. (2) Recoverable amount.

## V. Explanation of Changes in Accounting Policies, Accounting Estimates and Correction of Errors

### 1. Changes in accounting policy:

#### ① Accounting policy changes caused by the implementation of the new revenue standards

The Ministry of Finance issued the "Accounting Standards for Business Enterprises No. 14-Revenue (2017 Revision)" (Caikuai [2017] No. 22)(hereinafter referred to as the "New Revenue Standards") on July 5, 2017. The Group began to implement the aforementioned new revenue standards on January 1, 2020.

The new revenue standard establishes a new revenue recognition model for regulating revenue generated from contracts with customers. In order to implement the new revenue standards, the Group reassessed the recognition and measurement, accounting and presentation of major contract revenue. The amount of cumulative impact of the first implementation is adjusted. The amount of retained earnings and other related items in the financial statements at the beginning of the first implementation period (ie January 1, 2020) will not be adjusted for comparable period information.

The main changes and impacts of the implementation of the new revenue standards do not involve the reclassification and number adjustment of accounting items.

② On March 31, 2017, the Ministry of Finance respectively issued "Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments (2017 Revision)" (Caikuai [2017] No. 7) and "Accounting Standards for Business Enterprises No. 23-Financial Asset Transfer (2017 Revision)" (Caikuai [2017] No. 8), "Accounting Standards for Business Enterprises No. 24—Hedging Accounting (2017 Revision)" (Caikuai [2017] No. 9), on May 2, 2017 The "Accounting Standards for Business Enterprises No. 37—Reporting of Financial Instruments (Revised in 2017)" (Caikuai [2017] No. 14) was issued (the above standards are collectively referred to as the "New Financial Instruments Standards"). Require domestic listed companies to implement the new financial instrument standards from January 1, 2019. Non-listed companies that implement the Accounting Standards for Business Enterprises shall be implemented from January 1, 2021. The company implemented the above-mentioned new financial instrument standards on January 1, 2021, and adjusted the relevant content of accounting policies. If the recognition and measurement of financial instruments before January 1, 2021 are inconsistent with the requirements of the new financial instrument standards, the company will retrospectively adjust the classification and measurement (including impairment) of financial instruments in accordance with the new financial instrument standards. The difference between the original book value of the financial instrument and the new book value on the effective date of the new financial instrument standard (ie. January 1, 2021) is included in the retained earnings or other comprehensive income on January 1, 2021. At the same time, the company has not adjusted the comparative financial statement data.

③Other accounting policy changes: none

**2. Changes in accounting estimates: none**

**VI. Taxes**

**1. Tax preferences and approvals**

In accordance with the provisions of the Ministry of Finance and the State Administration of Taxation Caishui [2011] No. 70 "Notice on Issues Concerning the Treatment of Enterprise Income Taxes on Special-purpose Fiscal Funds", the enterprise shall be exempted from enterprise income tax during the reporting period from the people's governments at or above the county level. The fiscal funds obtained by the financial department and other departments that should be included in the total income, if they meet the prescribed conditions at the same time, can be regarded as non-taxable income.

**VII. Business Combination and Consolidated Financial Statements**

**1. Subsidiaries**

As of December 31, 2020, there are a total of 129 subsidiaries at all levels within the scope of consolidation, an increase of 1 from the beginning of the year, specifically HuaibeiJiantouLutong Trading Co., Ltd., and Huaibei Transportation Investment The company added a subsidiary, Huaibei Construction Investment Oil Sales Co., Ltd.; Huaibei Phoenix Mountain Industrial Group Co., Ltd. reduced its subsidiary, HuaibeiQianrui Construction Engineering Co., Ltd.

SN	Name	Company level	Place of business	Registering place	Direct shareholding ratio (%)	Indirect shareholding ratio (%)	Industry	Way of acquisition
1	Huaibei Public Utilities Asset Operation Co., Ltd	Tier 1	Huaibei	Huaibei	95.76		Water production and supply	Incorporation
2	HuaibeiFangzhengZhigu Technology Park Management Co., Ltd	Tier 2	Huaibei	Huaibei		95.76	Service	Incorporation
3	Huaibei Affordable Housing Operation Co., Ltd	Tier 1	Huaibei	Huaibei		95.76	Real estate	Incorporation
4	HuaibeiJiantong Environmental Protection Technology Co., Ltd	Tier 2	Huaibei	Huaibei		48.84	Technology promotion and application service	Incorporation
5	Huaibei Public Transit Co., Ltd	Tier 2	Huaibei	Huaibei		95.76	Road transport	Allocation

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements the three months ended 30 June 2021

SN	Name	Company level	Place of business	Registering place	Direct shareholding ratio (%)	Indirect shareholding ratio (%)	Industry	Way of acquisition
6	HuaibeiBozhong Culture &Media Co., Ltd	Tier 3	Huaibei	Huaibei		95.76	Business service	Incorporation
7	HuaibeiXinshangyuan Food Co., Ltd	Tier 3	Huaibei	Huaibei		95.76	Food manufacturing	Incorporation
8	Huaibei Water Supply Co., Ltd	Tier 2	Huaibei	Huaibei		95.76	Water production and supply	Purchase
9	SuixiRunsheng Water Supply Co. Ltd	Tier 3	Huaibei	Huaibei		95.76	Water production and supply	Purchase
10	HuaibeiRunsheng Municipal Engineering Co., Ltd	Tier 3	Huaibei	Huaibei		95.76	Water production and supply	Allocation
11	HuaibeiRunze Property Management Co., Ltd	Tier 3	Huaibei	Huaibei		95.76	Real estate	Purchase
12	HuaibeiRunsheng Metrology and Test Co., Ltd	Tier 3	Huaibei	Huaibei		95.76	Specialized technical service	Incorporation
13	HuaibeiRunsheng Water Quality Test Co., Ltd	Tier 3	Huaibei	Huaibei		95.76	Specialized technical service	Incorporation
14	Huaibei Construction Investment Co., Ltd	Tier 1	Huaibei	Huaibei	71.43		Business service	Allocation
15	HuaibeiJiantou Real Estate Development Co., Ltd	Tier 2	Huaibei	Huaibei		71.43	Real estate	Incorporation
16	HuaibeiJiantouLvjin Real Estate Co., Ltd	Tier 3	Huaibei	Huaibei		71.43	Real estate	Incorporation
17	HuaibeiJiantouFangding Real Estate Co., Ltd	Tier 3	Huaibei	Huaibei		71.43	Real estate	Incorporation
18	HuaibeiJiantouLvhe Real Estate Co., Ltd	Tier 3	Huaibei	Huaibei		71.43	Real estate	Incorporation
19	HuaibeiHaotai Business Management Co., Ltd	Tier 3	Huaibei	Huaibei		71.43	Business service	Incorporation
20	HuaibeiHanlin Real Estate Co., Ltd	Tier 3	Huaibei	Huaibei		71.43	Real estate	Incorporation
21	Huaibei Construction Investment Lvheng Real Estate Co. Ltd	Tier 3	Huaibei	Huaibei		71.43	Real estate	Incorporation
22	Huaibei Construction Investment Lvxin Real Estate Co. Ltd	Tier 3	Huaibei	Huaibei		71.43	Real estate	Incorporation

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements the three months ended 30 June 2021

SN	Name	Company level	Place of business	Registering place	Direct shareholding ratio (%)	Indirect shareholding ratio (%)	Industry	Way of acquisition
23	HuaibeiLvhong Real Estate Co. Ltd	Tier 3	Huaibei	Huaibei		71.43	Real estate	Incorporation
24	HuaibeiLvtao Real Estate Co. Ltd	Tier 3	Huaibei	Huaibei		71.43	Real estate	Incorporation
25	HuaibeiLvji Real Estate Co. Ltd	Tier 3	Huaibei	Huaibei		71.43	Real estate	Incorporation
26	HuaibeiLvjin Real Estate Co. Ltd	Tier 3	Huaibei	Huaibei		71.43	Real estate	Incorporation
27	HuaibeiLvsheng Real Estate Co. Ltd	Tier 3	Huaibei	Huaibei		71.43	Real estate	Incorporation
28	Anhui Jiantou Ecological Landscape Engineering Co., Ltd	Tier 2	Huaibei	Huaibei		42.86	Public facility management	Incorporation
29	Anhui Jiantou Green Farm Co., Ltd	Tier 3	Huaibei	Huaibei		42.86	Forestry	Incorporation
30	HuaibeiLongfor Industrial New Town Construction & Development Co., Ltd	Tier 2	Huaibei	Huaibei		42.86	Business service	Incorporation
31	Anhui Jiangnan Cables Co., Ltd	Tier 3	Huaibei	Huaibei		30.00	Electromechanical and equipment manufacturing	Incorporation
32	Anhui Taipu Automation & Electrical Co., Ltd	Tier 4	Huaibei	Huaibei		30.00	Specialized equipment manufacturing	Purchase
33	Huaibei Rural Revitalization Investment & Development Co., Ltd	Tier 2	Huaibei	Huaibei		36.43	Business service	Incorporation
34	Huaibei Beautiful Countryside Investment & Development Co., Ltd	Tier 2	Huaibei	Huaibei		71.43	Business service	Incorporation
35	HuaibeiHuaihai Construction Engineering Co., Ltd	Tier 2	Huaibei	Huaibei		35.72	House construction	Purchase
36	Huaibei Central Lake Zone Construction Investment & Development Co., Ltd (Note)	Tier 1	Huaibei	Huaibei	100.00		Business service	Allocation

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements the three months ended 30 June 2021

SN	Name	Company level	Place of business	Registering place	Direct shareholding ratio (%)	Indirect shareholding ratio (%)	Industry	Way of acquisition
37	Huaibei South Lake Park Operation Management Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Business service	Allocation
38	Anhui Bailian Business Education Technology Co., Ltd	Tier 2	Huaibei	Huaibei		70.00	Other technology promotion service	Incorporation
39	Huaibei Radio & TV Newspaper Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Consulting and survey	Allocation
40	Anhui South Lake Culture & Media Co., Ltd	Tier 2	Huaibei	Huaibei		51.02	Business service	Incorporation
41	Huaibei South Lake Hotel Operation Management Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Business service	Allocation
42	Huaibei Shuoxi Lake Protective Development and Construction Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Business service	Incorporation
43	Huaibei City Parking Management Co., Ltd	Tier 3	Huaibei	Huaibei		100.00	Business service	Incorporation
44	Huaibei Security Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Service sector	Incorporation
45	Huaibei Jiantou Property Service Co., Ltd	Tier 4	Huaibei	Huaibei		100.00	Real estate	Incorporation
46	Huaibei Tonghao Property Service Co., Ltd	Tier 3	Huaibei	Huaibei		100.00	Real estate	Allocation
47	Huaibei Liheng Construction Engineering Co., Ltd	Tier 3	Huaibei	Huaibei		100.00	House construction	Allocation
48	Huaibei Yinian Health and Pension Industry Co., Ltd	Tier 2	Huaibei	Huaibei		51.00	Business service	Incorporation
49	Huaibei Communication Investment Co., Ltd	Tier 1	Huaibei	Huaibei	100.00		Business service	Incorporation
50	Huaibei Tongming Mining Co., Ltd	Tier 2	Huaibei	Huaibei		67.00	Coal mining and preparation	Incorporation
51	Huaibei Lvjin Industry Investment Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	House construction	Incorporation

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements the three months ended 30 June 2021

SN	Name	Company level	Place of business	Registering place	Direct shareholding ratio (%)	Indirect shareholding ratio (%)	Industry	Way of acquisition
52	Huaibei Liantong Municipal Engineering Co., Ltd	Tier 3	Huaibei	Huaibei		55.00	Building decoration and other construction	Incorporation
53	Huaibei Jinan Driving School Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Business service	Incorporation
54	Huaibei Jiaotou Petrochemical Oil Sales Co., Ltd	Tier 2	Huaibei	Huaibei		56.00	Retail	Incorporation
55	Huaibei Jindun Motor Vehicle Test Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Road transport	Incorporation
56	Huaibei Jinying Motor Vehicle Emission Test Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Specialized technical service	Incorporation
57	Huaibei Rongtong Industries Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Business service	Incorporation
58	Huaibei City Organs Vehicle Service Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Leasing	Incorporation
59	Zhongtai Huaihai High Technology Co., Ltd	Tier 2	Huaibei	Huaibei		35.29	Research and experimental development	Incorporation
60	Anhui Haibei Motor Transport Co., Ltd	Tier 2	Huaibei	Huaibei		98.21	Retail	Allocation
61	Huaibei Xunjie Communication Investment Co. Ltd	Tier 3	Huaibei	Huaibei		50.09	Road transport	Allocation
62	Huaibei Yuntong Tourist Transportation Co., Ltd	Tier 3	Huaibei	Huaibei		98.21	Road transport	Allocation
63	Huaibei Ruitong Ganghang Transport Co., Ltd	Tier 3	Huaibei	Huaibei		98.21	Water transport	Allocation
64	Huaibei Haolutong General Transport Services Co., Ltd	Tier 3	Huaibei	Huaibei		98.21	Road transport	Allocation
65	Huaibei Ruihong Network Technology Co. Ltd	Tier 3	Huaibei	Huaibei		98.21	Business service	Incorporation
66	Huaibei Construction Investment Oil Products Sales Co., Ltd.	Tier 2	Huaibei	Huaibei		100.00	Business service	Incorporation
67	Huaibei Financial Holding Group Co., Ltd	Tier 1	Huaibei	Huaibei	100.00		Business service	Allocation

SN	Name	Company level	Place of business	Registering place	Direct shareholding ratio (%)	Indirect shareholding ratio (%)	Industry	Way of acquisition
68	HuaibeiJuye Fund Management Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Capital market service	Incorporation
69	Dongsheng(Shanghai) Financial Leasing Co. Ltd	Tier 2	Shanghai	Shanghai		100.00	Business service	Incorporation
70	HuaibeiJiantou Small Loans Co., Ltd	Tier 2	Huaibei	Huaibei		60.00	Monetary financial services	Incorporation
71	Shenzhen QianhaiZhongmaotong Simply Chain Management Co., Ltd	Tier 2	Shenzhen	Shenzhen		55.00	Business service	Incorporation
72	HuaibeiJiantou SME Financial Services Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Other financial sector	Incorporation
73	HuaibeiTongchuang Pawn Co., Ltd	Tier 2	Huaibei	Huaibei		70.00	Monetary financial services	Incorporation
74	HuaibeiGuohouJiantou Asset Management Co., Ltd	Tier 2	Huaibei	Huaibei		51.00	Business service	Incorporation
75	HuaibeiJiantou Trading Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Retail	Incorporation
76	HuaibeiJiantouLutong Trading Co., Ltd.	Tier 3	Huaibei	Huaibei		51.00	Retail	Incorporation
77	HuaibeiJiantou Commercial Big Data Information Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Software and IT service	Incorporation
78	Huaibei Construction Investment Donghua Information Technology Co., Ltd	Tier 2	Huaibei	Huaibei		51.00	Software and information technology services	Incorporation
79	Huaibei Industrial Support Fund Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Business service	Allocation
80	Huaibei Science and Technology Achievement Transformation Investment Fund Partnership (Limited Partnership)	Tier 2	Huaibei	Huaibei		69.00	Capital market services	Incorporation
81	HuaibeiTongchuang Financing Guarantee Group Co., Ltd	Tier 1	Huaibei	Huaibei	45.25	26.69	Business service	Incorporation

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements the three months ended 30 June 2021

SN	Name	Company level	Place of business	Registering place	Direct shareholding ratio (%)	Indirect shareholding ratio (%)	Industry	Way of acquisition
82	Huaibei Industrial Investment & Operation Co., Ltd	Tier 1	Huaibei	Huaibei	52.45		Business service	Incorporation
83	Huaibei Jiantou Dongming Petrochemical Oil Sales Co., Ltd	Tier 2	Huaibei	Huaibei		26.75	Retail	Incorporation
84	Symax Elevators (Huaibei) Co., Ltd	Tier 2	Huaibei	Huaibei		36.72	General equipment manufacturing	Incorporation
85	Huaibei Gongtuo Jianye Technology Co., Ltd	Tier 2	Huaibei	Huaibei		52.45	Business service	Incorporation
86	Huaibei Gongtuo SME Industrial Park Co., Ltd	Tier 3	Huaibei	Huaibei		26.77	Business service	Incorporation
87	Anhui Linhuan Industrial Park Circular Economy Development Co., Ltd	Tier 1	Huaibei	Huaibei	100.00		Public facility management	Incorporation
88	Huaibei Jiantou Pipe Gallery Operation Co., Ltd	Tier 2	Huaibei	Huaibei		52.50	Business service	Incorporation
89	Huaibei Dongyu Construction Investment Group Co., Ltd	Tier 1	Huaibei	Huaibei	100.00		Business service	Allocation
90	Huaibei Dongxing Construction Investment Group Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	House construction	Allocation
91	Anhui Shengdian Financing Guarantee Co., Ltd	Tier 3	Huaibei	Huaibei		64.46	Other financial sector	Allocation
92	Huaibei Yuhua Kezhen Business Operation Management Co., Ltd	Tier 3	Huaibei	Huaibei		100.00	Business service	Allocation
93	Huaibei Rongchang Cables Co., Ltd	Tier 3	Huaibei	Huaibei		51.00	Wholesale	Allocation
94	Huaibei Shengtong Asset Management Co., Ltd	Tier 2	Huaibei	Huaibei		70.00	Business service	Allocation
95	Anhui Huaichen Coal Dressing Materials Co., Ltd	Tier 3	Huaibei	Huaibei		70.00	Chemical materials and chemical product manufacturing	Allocation

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements the three months ended 30 June 2021

SN	Name	Company level	Place of business	Registering place	Direct shareholding ratio (%)	Indirect shareholding ratio (%)	Industry	Way of acquisition
96	Huaibei Hanyun Nanshan Tourism Development Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Business service	Allocation
97	Huaibei Tongli Industries Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Building decoration and other construction	Allocation
98	Huaibei Tongji Vehicle Services Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Leasing	Allocation
99	Huaibei Shengtian Financial Management Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Business service	Allocation
100	Huaibei Tongyu Parking Management Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Road transport	Allocation
101	Huaibei Senhai Trading Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Retail	Allocation
102	Huaibei Drainage Co., Ltd	Tier 1	Huaibei	Huaibei	100.00		Specialized technical service	Allocation
103	Huaibei Phoenix Mountain Industries Group Co., Ltd	Tier 1	Huaibei	Huaibei	100.00		Business service	Allocation
104	Huaibei Phoenix Mountain State-owned Asset Operation Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Business service	Allocation
105	Huaibei Phoenix Mountain Engineering Construction Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	House construction	Allocation
106	Huaibei Phoenix Mountain Property Management Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Real estate	Allocation
107	Taishang Financial Leasing (Shanghai) Co., Ltd	Tier 2	Huaibei	Huaibei		51.00	Leasing	Allocation
108	Huaibei Phoenix Mountain Landscaping Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Public facility management	Allocation
109	Huaibei Feifeng Trading Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Retail	Allocation
110	Huaibei Kaiyuan Construction Investment Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Capital market service	Allocation
111	Huaibei Xiangfeng Trading Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Wholesale	Allocation

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements the three months ended 30 June 2021

SN	Name	Company level	Place of business	Registering place	Direct shareholding ratio (%)	Indirect shareholding ratio (%)	Industry	Way of acquisition
112	Huaibei Phoenix Culture Development Co., Ltd	Tier 2	Huaibei	Huaibei		51.00	Business service	Allocation
113	Huaibei Xincheng Financing Guarantee Co., Ltd	Tier 2	Huaibei	Huaibei		75.51	Monetary financial services	Allocation
114	Huaibei Guangshi Cultural & Creative Development Co., Ltd	Tier 2	Huaibei	Huaibei		85.00	Culture and art	Allocation
115	Huaibei Shengda Holding Group Co., Ltd	Tier 1	Huaibei	Huaibei	100.00		Wholesale	Allocation
116	Huaibei Shengda Construction Investment Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Other financial sector	Allocation
117	Huaibei Shengda Real Estate Development Co., Ltd	Tier 3	Huaibei	Huaibei		100.00	Real estate	Allocation
118	Huaibei Shengda Human Resources Co., Ltd	Tier 3	Huaibei	Huaibei		100.00	Business service	Allocation
119	Huaibei Shengda Financing Guarantee Co., Ltd	Tier 3	Huaibei	Huaibei		88.86	Business service	Allocation
120	Huaibei Dafangxiang Trade Co., Ltd	Tier 3	Huaibei	Huaibei		100.00	Business service	Allocation
121	Huaibei Anjie Huier Power Sale Co., Ltd	Tier 3	Huaibei	Huaibei		100.00	Retail	Allocation
122	Huaibei Shenghong Financial Management Consulting Co., Ltd	Tier 3	Huaibei	Huaibei		100.00	Business service	Allocation
123	Huaibei Huayi Cultural & Creative Construction Development Co., Ltd	Tier 3	Huaibei	Huaibei		100.00	House construction	Allocation
124	Huaibei Shengda Construction Engineering Co., Ltd	Tier 3	Huaibei	Huaibei		100.00	House construction	Allocation
125	Anhui Guanshen Construction Engineering Co., Ltd	Tier 3	Huaibei	Huaibei		100.00	House construction	Allocation
126	Huaibei Shengda Intellectual Property Operation Co., Ltd	Tier 3	Huaibei	Huaibei		100.00	Business service	Allocation
127	Huaibei Lishan District Affiliated Organs Vehicle Service Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Leasing	Allocation
128	Huaibei Shengpeng Industries Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Business service	Allocation

SN	Name	Company level	Place of business	Registering place	Direct shareholding ratio (%)	Indirect shareholding ratio (%)	Industry	Way of acquisition
129	Huaibei Shenghang Technology Development Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Business service	Incorporation

2. Entity newly included in the combination and those that are no longer included in the combination in this period

(1) New incorporated entities this period

SN	Entity Name	Nature of control
1	Huaibei Construction Investment Oil Products Sales Co., Ltd.	Established
2	Huaibei Jiantou Lutong Trading Co., Ltd.	Established

(2) Subjects not included in the merger for the current period

① Original subsidiary that is no longer included in the merger this period

Subsidiary name	Registering place	Industry	Shareholding ratio	Percent age of voting power	Reasons for not being a subsidiary this period
Huaibei Qianrui Construction Engineering Co., Ltd.	Huaibei	Housing construction industry	100.00	100.00	Tranferred out

3. Information about important non-wholly-owned subsidiaries

(1) Minority shareholders

SN	Subsidiary name	Shareholding ratio of minority shareholders (%)	Profits and losses attributable to minority shareholders in The first half of 2021r	Dividends paid to minority shareholders in 2021	Accumulated minority shareholders' equity at the end of Jun 2021
1	Huaibei Construction Investment Co., Ltd	28.57	34,610,551.83		2,316,999,508.22

1. Main taxes and tax rates

Tax category	Tax base	Tax rate(%)
VAT	The output VAT is calculated based on the revenue from sale of goods and taxable services calculated according to tax laws, and the difference after deduction of the input VAT currently deductible is the payable VAT.	3%.6%.9%.13%
	A simplified method calculated according to the sales and collection rate	3%.5%
Consumption taxes	Taxable sales	5%

Tax category	Tax base	Tax rate(%)
Urban maintenance and construction taxes	VAT and consumption tax actually paid	7%
Corporate income tax	Taxable income amount	25%

### VIII. Explanation of Important Items in Consolidated Financial Statements

The following note items are in RMB unless otherwise specified; "Beginning period" refers to January 1, 2021, "End of period" refers to June 30, 2021, and "Previous period" refers to The first half of 2020. "Current period" refers to The first half of 2021.

#### 1. Monetary funds

Item	6/30/2021	12/31/2020
Cash in hand	65,225.87	40,188.86
Bank deposits	8,847,481,096.92	8,629,923,461.81
Other monetary capital	2,750,381,664.68	2,806,142,277.81
<b>Total</b>	<b>11,597,927,987.47</b>	<b>11,436,105,928.48</b>
Wherein: total amount deposited abroad		

Wherein, the details of restricted monetary funds are as follows:

Item	6/30/2021	12/31/2020
Bank acceptance deposits	116,643,707.99	289,028,017.29
Guaranteed deposits paid, refundable deposit	296,361,485.67	359,529,739.09
Time deposits and structured deposits		1,064,500,000.00
Risk mitigation fund	2,337,376,471.02	25,000,000.00
<b>Total</b>	<b>2,750,381,664.68</b>	<b>1,738,057,756.38</b>

#### 2. Financial assets at fair value through profit and loss

Item	6/30/2021	12/31/2020
Trading financial assets	2,587,205,573.10	1,946,094,707.17
<b>Total</b>	<b>2,587,205,573.10</b>	<b>1,946,094,707.17</b>

#### 3. Notes receivable

(1) Classification of notes receivable

Category	6/30/2021	12/31/2020
Bank acceptance	18,286,356.44	14,148,000.00
Trade acceptance		500,000.00
<b>Total</b>	<b>18,286,356.44</b>	<b>14,648,000.00</b>

#### 4. Accounts receivable

(1) Classification of accounts receivable by risk

Category	6/30/2021				Book value
	Book balance		Provision for bad debts		
	Sum	Percentage (%)	Sum	Percentage of accrual (%)	
Accounts receivable with insignificant single amount whose bad debts are provided individually					
Accounts receivable whose bad debts are provided in terms of credit risk characteristic combination	8,768,074,392.23	100.00	8,947,311.60	0.10	8,759,127,080.63
Accounts receivable with insignificant single amount whose bad debts are provided individually					
<b>Total</b>	<b>8,768,074,392.23</b>	<b>100.00</b>	<b>8,947,311.60</b>	<b>0.10</b>	<b>8,759,127,080.63</b>

(Continued)

Category	12/31/2020				Book value
	Book balance		Provision for bad debts		
	Sum	Percentage (%)	Sum	Percentage of accrual (%)	
Accounts receivable with insignificant single amount whose bad debts are provided individually					
Accounts receivable whose bad debts are provided in terms of credit risk characteristic combination	7,614,969,308.60	100.00	8,947,311.60	0.12	7,606,021,997.00
Accounts receivable with insignificant single amount whose bad debts are provided individually					
<b>Total</b>	<b>7,614,969,308.60</b>	<b>100.00</b>	<b>8,947,311.60</b>	<b>0.12</b>	<b>7,606,021,997.00</b>

(2) Bad debt provision

Balance at the beginning of year	Increase in Jan to Jun, 2021	Decrease in Jan to Jun, 2021		6/30/2021
		Reversed	Write-off	
8,947,311.60				8,947,311.60

(3) Details of accounts receivable for which bad debt provision accrued as of 30 June, 2021:

Creditor	Debtor name (or nature of amount)	Book balance	Amount accrued	Account age	Basis or reasons for accrual
Huaibei Construction Investment Holding Group Co., Ltd	Liudong Coalmine	8,100,334.52	6,480,267.62	Above 3	Already in the legal proceeding
Huaibei Construction Investment Holding Group Co., Ltd	Chenzhuang Iron Mine	1,300,000.00	1,300,000.00	Above 3	Already in the legal proceeding
Huaibei Public Utilities Asset Operation Co., Ltd	Housing loan department of ICBC (housing maintenance fund)	308,654.90	308,654.90	Above 3	Divested assets, unrecoverable due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Local tax office of ICBC (deposits)	4,539.41	4,539.41	Above 3	Divested assets, unrecoverable due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Gas expense of Second Institute Printing and Dyeing Group	362,500.00	362,500.00	Above 3	Divested assets, unrecoverable due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Gas expense of Second Institute Zhongbo Ceramics	175,827.90	175,827.90	Above 3	Divested assets, unrecoverable due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Zhongbo Ceramics	40,000.00	40,000.00	Above 3	Divested assets, unrecoverable due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Municipal Glass Plant	197,106.90	197,106.90	Above 3	Divested assets, unrecoverable

					due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Liuqiao First Mine	34,906.21	34,906.21	Above 3	Divested assets, unrecoverable due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Huaguang Lamp Factory	24,215.00	24,215.00	Above 3	Divested assets, unrecoverable due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Zhangbei Neighborhood Committee	8,030.34	8,030.34	Above 3	Divested assets, unrecoverable due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Public Transit Corporation	3,796.32	3,796.32	Above 3	Divested assets, unrecoverable due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Chen Yuzhi (deposit for family planning with the construction commission)	2,700.00	2,700.00	Above 3	Divested assets, unrecoverable due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Deposit	500.00	500.00	Above 3	Divested assets, unrecoverable due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Local taxation inspection bureau	200.00	200.00	Above 3	Divested assets, unrecoverable due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Dong Xiaomin	151.00	151.00	Above 3	Divested assets, unrecoverable

					due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Dashenggong	46.00	46.00	Above 3	Divested assets, unrecoverable due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Sandikou Grain Depot	3,870.00	3,870.00	Above 3	Divested assets, unrecoverable due to historical reasons.
<b>Total</b>		<b>10,567,378.50</b>	<b>8,947,311.60</b>		

(4) Top 5 accounts receivable in terms of ending balance pooled by debtors

Entity name	Book balance	Proportion of total accounts receivable (%)	Account age
Huaibei Municipal Bureau of Housing and Urban-Rural Development	6,222,882,198.08	70.97	1-2 year
Duji District Bureau of Finance of Huaibei Municipal People's Government	1,545,846,460.20	17.63	1-2 year
Shandong International Trade Group Center	81,798,618.09	0.93	1-2 year
HuaibeiHengji Property Group Co., Ltd.	55,075,098.00	0.63	1-2 year
Huaibei Mining (Group) Engineering Construction Co., Ltd	30,085,432.26	0.34	1-2 year
<b>Total</b>	<b>7,935,687,806.63</b>	<b>90.50</b>	

5. Prepayments

(1) Aging analysis and percentage

Account age	6/30/2021			12/31/2020		Provision for bad debts
	Book balance		Provision for bad debts	Book balance		
	Amount	Percentage		Amount	Percentage	
Within 1 year	2,678,451,880.34	82.45		2,582,562,247.42	81.91	
1-2 years (including 2 years)	224,374,587.57	6.91		224,374,587.57	7.12	
2 to 3 years (including 3 years)	18,341,974.28	0.56		18,341,974.28	0.58	
Above 3	327,432,987.45	10.08		327,432,987.45	10.39	

<b>Total</b>	<b>3,248,601,429.64</b>	<b>100.00</b>	<b>3,152,711,796.72</b>	<b>100.00</b>
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(2) Top five prepaid accounts of the Jan to Jun, 2021-end balance aggregated by the owing party

Entity name	Relationship with the company	Book balance	Percentage of total prepayments %	Reasons for non-settlement
China Coal Mine Construction Group Corporation Huaibei Ansha Real Estate Development Co., Ltd	Non-affiliate	885,950,000.00	27.27	Project not completed
Huaibei Jinming Real Estate Development Co. Ltd	Non-affiliate	464,100,000.00	14.29	Project not completed
Anhui Jinggong Huidao Real Estate Co., Ltd	Non-affiliate	423,155,078.26	13.03	Project not completed
Huaibei Longcheng Real Estate Co., Ltd	Non-affiliate	243,400,000.00	7.49	Project not completed
Anhui Construction Engineering Real Estate Huaibei Co., Ltd	Non-affiliate	220,487,190.92	6.79	Project not completed
<b>Total</b>		<b>2,237,092,269.18</b>	<b>68.87</b>	

#### 6. Other receivables

Item	6/30/2021	12/31/2020
Interests receivable	27,850,965.89	26,564,190.25
Dividends receivable		
Other receivables	12,136,962,727.60	11,747,276,360.23
<b>Total</b>	<b>12,164,813,693.49</b>	<b>11,773,840,550.48</b>

(1) Other receivables

① Classification of other receivables by risk:

Category	6/30/2021				Book value
	Book balance		Provision for bad debts		
	Sum	Percent age	Amount	Percent age	
Other receivables that are individually significant in amount and for which bad debt provision accrues separately					

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements the three months ended 30 June 2021

Category	6/30/2021				Book value
	Book balance		Provision for bad debts		
	Sum	Percent age	Amount	Percent age	
Other receivables whose bad debts are provided according to the combination of credit risk characteristics	12,192,585,066.19	100.00	55,622,338.59	0.46	12,136,962,727.60
Other receivables that are individually insignificant in amount but for which bad debt provision accrues separately					
<b>Total</b>	<b>12,192,585,066.19</b>	<b>100.00</b>	<b>55,622,338.59</b>	<b>0.46</b>	<b>12,136,962,727.60</b>

(Continued)

Category	12/31/2020				Book value
	Book balance		Provision for bad debts		
	Sum	Percentage	Sum	Percentage	
Other receivables that are individually significant in amount and for which bad debt provision accrues separately					

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements the three months ended 30 June 2021

Category	12/31/2020				Book value
	Book balance		Provision for bad debts		
	Sum	Percentage	Sum	Percentage	
Other receivables whose bad debts are provided according to the combination of credit risk characteristics	11,802,898,698.82	100.00	55,622,338.59	0.47	11,747,276,360.23
Other receivables that are individually insignificant in amount but for which bad debt provision accrues separately					
<b>Total</b>	<b>11,802,898,698.82</b>	<b>100.00</b>	<b>55,622,338.59</b>	<b>0.47</b>	<b>11,747,276,360.23</b>

(2) Provision for bad debts

12/31/2020	Increase in Jan to Jun, 2021	Decrease in Jan to Jun, 2021		6/30/2021
		Reversed	Write-off	
55,622,338.59				55,622,338.59

Note: details of important other receivables for which bad debt provision accrued at the end of 2020:

Creditor	Debtor name	Book balance	Amount accrued	Account age	Basis or reasons for accrual
Huaibei Construction Investment Co., Ltd	Suixi County Construction Investment Co., Ltd	145,946,859.95	2,562,310.28	Above 3	Partially unrecoverable due to historical reasons
Huaibei Financial Holding Group Co., Ltd	Changyuan Coking	6,000,000.00	6,000,000.00	Above 3	Expected not to be recovered due to historical reasons.
Huaibei Financial Holding Group Co., Ltd	Yifeng Textile	850,000.00	170,962.00	Above 3	Expected not to be recovered

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements the three months ended 30 June 2021

					due to historical reasons.
Huaibei Financial Holding Group Co., Ltd	Feiya Group	13,000,000.00	13,000,000.00	Above 3	Expected not to be recovered due to historical reasons.
Huaibei Financial Holding Group Co., Ltd	Hengtai Investment	1,050,000.00	1,050,000.00	Above 3	Expected not to be recovered due to historical reasons.
Huaibei Financial Holding Group Co., Ltd	First Textile Factory	8,500,000.00	8,500,000.00	Above 3	Expected not to be recovered due to historical reasons.
Huaibei Financial Holding Group Co., Ltd	Brewery	4,500,000.00	4,500,000.00	Above 3	Expected not to be recovered due to historical reasons.
Huaibei Financial Holding Group Co., Ltd	Glass Plant	400,000.00	400,000.00	Above 3	Expected not to be recovered due to historical reasons.
Huaibei Financial Holding Group Co., Ltd	Thermal Power Plant	5,050,000.00	5,050,000.00	Above 3	Expected not to be recovered due to historical reasons.
Huaibei Financial Holding Group Co., Ltd	Second Plastic Plant	2,000,000.00	2,000,000.00	Above 3	Expected not to be recovered due to historical reasons.
Huaibei Financial Holding Group Co., Ltd	Rubber factory	700,000.00	700,000.00	Above 3	Expected not to be recovered due to historical reasons.
<b>Total</b>		<b>187,996,859.95</b>	<b>43,933,272.28</b>		

② Top five entities in terms of ending balance of other receivables:

Entity name	Whether a related party or not	Nature of amount	6/30/2021	Proportion of Total Balance of Other Receivables at Year-end (%)
Huaibei Municipal Bureau of Housing and Urban-Rural Development	No	Recurrent accounts	2,612,075,050.00	21.42
Duji District Bureau of Finance of Huaibei Municipal People's Government	No	Recurrent accounts	1,390,925,014.12	11.41
Xiangshan District Bureau of Finance of Huaibei Municipal People's Government	No	Recurrent accounts	916,668,578.17	7.52
Anhui modern urban construction investment Co., Ltd	No	Recurrent accounts	521,749,614.38	4.28
Huaibei Finance Bureau	No	Recurrent accounts	456,955,008.19	3.75
<b>Total</b>		-	<b>5,898,373,264.86</b>	<b>48.38</b>

## 7. Inventory

### (1) Inventory classification

Item	6/30/2021		
	Book balance	Provision for falling price	Book value
Raw materials	28,471,270.93		28,471,270.93
Goods in stock (finished goods)	3,312,933,568.93		3,312,933,568.93
Development cost	17,434,899,169.79		17,434,899,169.79
<b>Total</b>	<b>20,776,304,009.65</b>		<b>20,776,304,009.65</b>

(Continued)

Item	12/31/2020		
	Book balance	Provision for falling price	Book value
Raw materials	27,336,351.58		27,336,351.58
Goods in stock (finished goods)	3,359,201,300.26		3,359,201,300.26
Development cost	15,409,186,209.65		15,409,186,209.65
<b>Total</b>	<b>18,795,723,861.49</b>		<b>18,795,723,861.49</b>

## 8. Noncurrent assets due within a year

Item	6/30/2021	12/31/2020
Long-term receivables due within a year (Note VIII.11)	972,931,718.68	823,518,661.01
Other noncurrent assets due within a year (Note VIII.20)	172,469,611.24	179,578,099.22
<b>Total</b>	<b>1,145,401,329.92</b>	<b>1,003,096,760.23</b>

9. Other current assets		
Item	6/30/2021	12/31/2020
Taxes to be deducted and taxes prepaid	335,869,875.93	251,954,892.74
Construction projects managed on behalf of client	7,957,549,894.32	7,814,538,142.92
Entrusted loans and issued loans	815,633,523.69	993,903,315.40
Others	310,241,150.00	313,170,582.59
<b>Total</b>	<b>9,419,294,443.94</b>	<b>9,373,566,933.65</b>

(1) The entrusted loans and issued loans account for the entrusted loans issued by the company to numerous small and micro-sized enterprises and part of general enterprises in Huaibei.

(2) Other items account for the amounts appropriated by the company to Huaibei Anjian Investment Co., Ltd for implementation of "Huaibei Zhonghu Mine Geological Environment Management PPP project".

#### 10. Financial assets available for sale

(1) Details of financial assets available for sale

Item	6/30/2021			12/31/2020		
	Book balance	Impairment Provision	Book value	Book balance	Impairment Provision	Book value
Debt instruments available for sale						
Equity instruments available for selling				2,217,563,384.75		2,217,563,384.75
Wherein: measured at fair value						
measured at cost				2,217,563,384.75		2,217,563,384.75
Other						
<b>Total</b>				<b>2,217,563,384.75</b>		<b>2,217,563,384.75</b>

(2) Financial assets available for sale that were measured at cost at the end of 2020

Investee	Book balance				Current cash dividends
	12/31/2020	Current increase	Current decrease	6/30/2021	
Guoyuan Agricultural Insurance Co., Ltd.	20,600,000.00		20,600,000.00		
Huaibei Huiyin Urbanization Fund No. 1 (Limited Partnership)	239,162,687.28		239,162,687.28		
Huaibei Huiyin Infrastructure Project Management Center (Limited Partnership)	550,000,000.00		550,000,000.00		
Xinxiang Tianli Lithium Energy Co., Ltd.					
Shanghai Electric	36,000,000.00		36,000,000.00		

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements the three months ended 30 June 2021

(Huabei) Water Development Co., Ltd.					
Huaibei Shui'an Water Environment Construction Investment Co., Ltd.	8,965,000.00		8,965,000.00		
China Coal Yuanda Huabei Construction Industrialization Co., Ltd.	20,000,000.00		20,000,000.00		
Zhong'an Ding Hui Ding Increased Private Equity Investment Fund	56,166,666.66		56,166,666.66		
Suixi County Jinmao Financing Guarantee Co., Ltd.	19,000,000.00		19,000,000.00		
Anhui Huachen Coal Preparation Materials Co., Ltd.	9,902,096.61		9,902,096.61		
Huaibei Xinglong Financial Guarantee Co., Ltd.	10,000,000.00		10,000,000.00		
Huaibei Xinlong SME Credit Guarantee Co., Ltd.					
Anhui Shanhe Mining Equipment Co., Ltd.	15,300,000.00		15,300,000.00		
Huaibei Youshi New Environmental Protection Building Material Co., Ltd.	12,224,149.94		12,224,149.94		
Huaibei Lieshan Ceramic Raw Material Supply Co., Ltd.	200,000.00		200,000.00		
Huaibei City Lieshan Huiyin Urbanization Fund No. 1 (Limited Partnership)					
Anhui Chenyu Auto Parts Co., Ltd.					
Huaibei Yigao E-commerce Industrial Park Co., Ltd.	300,000.00		300,000.00		
Huaibei Moran Technology Co., Ltd.	5,000,000.00		5,000,000.00		
Anhui Fangmeng Food	1,000,000.00		1,000,000.00		

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements the three months ended 30 June 2021

Co., Ltd.				
Anhui Xiqiang Dairy Group Co., Ltd.	-		-	
Phoenix Mountain Industry Guiding Investment Fund (Limited Partnership), Xiangshan District, Huaibei City	37,000,000.00		37,000,000.00	
Huaibei Xiangshan Huiyin Urbanization Fund No. 1 (Limited Partnership)	93,423,152.76		93,423,152.76	
Huaibei Chifang Car Rental Co., Ltd.	181,800.00		181,800.00	
Anhui Changjie Transportation Development Co., Ltd.	-		-	
Huaibei Smart City Investment Operation Co., Ltd.	-		-	
Huaibei Puyin Urban Development Fund (Limited Partnership)	398,000,000.00		398,000,000.00	
Anhui Deheng Investment Co., Ltd.	12,500,000.00		12,500,000.00	
Anhui Credit Information Co., Ltd.	10,000,000.00		10,000,000.00	
Anhui Province Equity Service Group Wanbei Financing Center	3,000,000.00		3,000,000.00	
Huaibei Kexun Information Technology Co., Ltd.	500,000.00		500,000.00	
Huishang Bank	68,696,975.00		68,696,975.00	
Anhui Qijia Daily Chemical	53,556.94		53,556.94	
Tengyun Assets-Tianshan No. 5 Land Group	49,983,333.34		49,983,333.34	
	40,000,000.00		40,000,000.00	
Zhengxin No. 1 Wenzhou Highway	5,086,492.40		5,086,492.40	
Anhui Coal Investment Fund	140,000,000.00		140,000,000.00	
Huaibei International Financial Real Estate Co., Ltd. Financing Plan	33,000,000.00		33,000,000.00	

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements the three months ended 30 June 2021

Anhui Zhuotai Chemical Technology Co., Ltd.	6,000,000.00		6,000,000.00		
Zhongke (Huaibei) Industrial Technology Research Institute Company	300,000.00		300,000.00		
Chizhou Huiyuan SME Development Fund	65,000,000.00		65,000,000.00		
Anhui Changhuai New Material Co., Ltd.	6,000,000.00		6,000,000.00		
Huaibei Rural Commercial Bank Co., Ltd.	27,260,000.00		27,260,000.00		
Anhui Suixi Rural Commercial Bank Co., Ltd.	47,505,473.82		47,505,473.82		
Huaibei Jianyuan Green Gold Carbon Valley Venture Capital Fund Partnership (Limited Partnership)	160,000,000.00		160,000,000.00		
Huaibei Tairun Emerging Industry Venture Capital Fund (Limited Partnership)	9,750,000.00		9,750,000.00		
Other	502,000.00		502,000.00		
<b>Total</b>	<b>2,217,563,384.75</b>		<b>2,217,563,384.75</b>		

11. Long-term receivables

(1) Details of Long-term receivables

Item	6/30/2021			12/31/2020			Year-end discount rate range
	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value	
Payment under financing lease	750,837,098.59		750,837,098.59	816,991,874.33		816,991,874.33	4.00-8.00
Others	15,349,186.35		15,349,186.35	15,349,186.35		15,349,186.35	
<b>Total</b>	<b>766,186,284.94</b>		<b>766,186,284.94</b>	<b>832,341,060.68</b>		<b>832,341,060.68</b>	

## 12. Long-term equity investments

### (1) Classification of Long-term equity investments

Item	12/31/2020	Increase in Jan to Jun, 2021	Decrease in Jan to Jun, 2021	6/30/2021
Investment in subsidiaries				
Investment in joint ventures				
Investment in associated enterprises	3,271,809,724.80	116,745,206.94	36,943,834.80	3,351,611,096.94
<b>Subtotal</b>	<b>3,271,809,724.80</b>	<b>116,745,206.94</b>	<b>36,943,834.80</b>	<b>3,351,611,096.94</b>
Minus: provision for impairment of long-term equity investments				
<b>Total</b>	<b>3,271,809,724.80</b>	<b>116,745,206.94</b>	<b>36,943,834.80</b>	<b>3,351,611,096.94</b>

### (2) Details of Long-term equity investments

Investee	12/31/2020	Increase or decrease in Jan to Jun, 2021				
		Additional investments	Reduced investments	Investment income or loss recognized under the equity method	Adjustment to other comprehensive income	Other equity changes
<b>1. Affiliates</b>						
Huaibei Lianchuan Real Estate Development Co., Ltd	4,132,586.61					
CCMC Huaibei Investment & Development Co., Ltd	28,236,700.41					
Huaibei Anjian Investment Co., Ltd	130,679,047.26					
Anhui Hongxin Asset Management Co., Ltd	16,098,240.70					
Hui Li Financial	920,394.43					

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements the three months ended 30 June 2021

Information Service (Shanghai) Co., Ltd						
Huaibei Anjian Communication Construction Co., Ltd	38,523,960.37					
Huaibei China Resources Gas Co., Ltd	103,392,610.14					
Huaibei Datang Central Heating Co., Ltd	4,019,509.17					
Huaibei Hejie Business Operation Management Co., Ltd	666,123.91					
Wenergy Huaibei Energy Sales Co., Ltd	34,604,292.31					
Huaibei Ganghang Investment Co., Ltd	19,921,099.51					
Hefei Zhongan Jinkun Investment Partnership (LP)	690,572,788.07	96,897,206.94				
Anhui Equity Service Group Co., Ltd	136,128,857.64					
Anhui Aoolong Network Co., Ltd	4,601,505.20					
Huaibei Anyuan Investment Fund Co., Ltd	48,278,002.26		36,943,834.80			
Anhui Tianlu Aviation Technology Co., Ltd	3,000,000.00					
Alumics Materi	260,000,000.00					

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements the three months ended 30 June 2021

als Institute Co., Ltd							
Huaibei Silicon-based Industry Investment Fund (LP)	150,000,000.00						
Anhui ZhongyeHuaih ai Prefabricated Building Co., Ltd	14,525,503.58						
HuaibeiShuren Engineering Construction Co., Ltd	20,133,335.41						
Anhui High- tech Investment New Materials Industry Fund Partnership (LP)	444,976,591.58						
HuaibeiXingju Construction Investment Co., Ltd	21,759,166.32						
Suixi Water Supply Co., Ltd	2,000,000.00						
HuaibeiJiangna n Real Estate Co., Ltd	120,539,534.49						
HuaibeiiFlyban k Financial Big Data Application Co., Ltd	304,107.83						
Huaibei Galaxy Big Data Industry Development Co., Ltd	1,200,000.00						

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements the three months ended 30 June 2021

Huaibei Growth SME Fund Co., Ltd	604,113,879.92					
Huaibei Venture Capital Investment Fund (LP)	30,180,248.96					
Huaibei Jiuyou Industry Investment Fund Partnership (LP)	261,607,124.80					
Huaibei Xingchuan Construction Investment Co., Ltd	12,603,052.94					
Huaibei Yuhou Asset Management Co., Ltd	7,579,169.59					
Anhui Yongjun Biotechnology Co., Ltd	9,000,000.00					
Huaibei Phoenix Mountain Baozhi Life Trading Co., Ltd	230,953.17					
Huaibei Smart City Investment and Operation Co., Ltd	70,490.89					
Huaibei Suez Environmental Services Co. Ltd	19,638,527.53	19,848,000.00				
Anhui Aihui Health and Pension Industry Development Co., Ltd	2,400,000.00					
Huaibei Phoenix	13,720,000.00					

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements the three months ended 30 June 2021

x Mountain Yiju Business Management Co., Ltd					
Anhui Perception Future Electronic Technology Co., Ltd	1,800,000.00				
Anhui Penghuai Industrial Co., Ltd	9,652,319.80				
<b>Total</b>	<b>3,271,809,724.80</b>	<b>116,745,206.94</b>	<b>36,943,834.80</b>		

(Continued)

Investee	Increase or decrease in Jan to Jun, 2021			6/30/2021	Ending balance of impairment provision at the end of Jun 2021
	Cash dividends or profits distributed	Impairment provision accrued	Other		
<b>1. Affiliates</b>					
Huaibei Lianchuang Real Estate Development Co., Ltd				4,132,586.61	
CCMC Huaibei Investment & Development Co., Ltd				28,236,700.41	
Huaibei Anjian Investment Co., Ltd				130,679,047.26	
Anhui Hongxin Asset Management Co., Ltd				16,098,240.70	
Hui Li Financial Information Service (Shanghai) Co., Ltd				920,394.43	
Huaibei Anjian Communication Construction Co., Ltd				38,523,960.37	
Huaibei China Resources Gas Co., Ltd				103,392,610.14	
Huaibei Datang Central Heating Co., Ltd				4,019,509.17	
Huaibei Hejie Business Operation Management Co., Ltd				666,123.91	
Wenergy Huaibei Energy Sales Co., Ltd				34,604,292.31	
Huaibei Ganghang				19,921,099.51	

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements the three months ended 30 June 2021

Investment Co., Ltd					
Hefei ZhonganJinkun Investment Partnership (LP)				787,469,995.01	
Anhui Equity Service Group Co., Ltd				136,128,857.64	
Anhui Aoolong Network Co., Ltd				4,601,505.20	
HuaibeiAnyuan Investment Fund Co., Ltd				11,334,167.46	
Anhui Tianlu Aviation Technology Co., Ltd				3,000,000.00	
Alumics Materials Institute Co., Ltd				260,000,000.00	
Huaibei Silicon-based Industry Investment Fund (LP)				150,000,000.00	
Anhui ZhongyeHuaihai Prefabricated Building Co., Ltd				14,525,503.58	
HuaibeiShuren Engineering Construction Co., Ltd				20,133,335.41	
Anhui High-tech Investment New Materials Industry Fund Partnership (LP)				444,976,591.58	
HuaibeiXingju Construction Investment Co., Ltd				21,759,166.32	
Suixi Water Supply Co., Ltd				2,000,000.00	
HuaibeiJiangnan Real Estate Co., Ltd				120,539,534.49	
HuaibeiiFlybank Financial Big Data Application Co., Ltd				304,107.83	
Huaibei Galaxy Big Data Industry Development Co., Ltd				1,200,000.00	
Huaibei Growth SME Fund Co., Ltd				604,113,879.92	
Huaibei Venture Capital Investment Fund (LP)				30,180,248.96	
Huaibei Jiuyou Industry Investment Fund Partnership (LP1)				261,607,124.80	
HuaibeiXingchuang Construction Investment Co., Ltd				12,603,052.94	
HuaibeiYuhou Asset				7,579,169.59	

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements the three months ended 30 June 2021

Management Co., Ltd					
Anhui Yongjun Biotechnology Co., Ltd				9,000,000.00	
Huaibei Phoenix Mountain Baoshi Trading Co., Ltd				230,953.17	
Huaibei Smart City Investment and Operation Co., Ltd				70,490.89	
Huaibei Suez Environmental Services Co. Ltd				39,486,527.53	
Anhui Aihui Health and Pension Industry Development Co., Ltd				2,400,000.00	
Huaibei Phoenix Mountain Yiju Business Management Co., Ltd				13,720,000.00	
Anhui Perception Future Electronic Technology Co., Ltd				1,800,000.00	
Anhui Penghuai Industrial Co., Ltd				9,652,319.80	
<b>Total</b>				<b>3,351,611,096.94</b>	

**13. Other non-current financial assets**

(1) Details of Other non-current financial assets

Item	6/30/2021	12/31/2020
Equity instrument investment	2,473,075,118.08	
<b>Total</b>	<b>2,473,075,118.08</b>	

(2) Other non-current financial assets measured at cost at the end of the period

Investee	Book balance				Current cash dividends
	12/31/2020	Current increase	Current decrease	6/30/2021	
Guoyuan Agricultural Insurance Co., Ltd.		20,600,000.00		20,600,000.00	
Huaibei Huiyin Urbanization Fund No. 1 (Limited Partnership)		239,162,687.28		239,162,687.28	
Huaibei Huiyin Infrastructure Project Management Center (Limited Partnership)		550,000,000.00		550,000,000.00	
Shanghai (Huaibei) Electric Water		36,000,000.00		36,000,000.00	

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements the three months ended 30 June 2021

Investee	Book balance			6/30/2021	Current cash dividends
	12/31/2020	Current increase	Current decrease		
Development Co., Ltd.					
Huaibei Shui'an Water Environment Construction Investment Co., Ltd.		8,965,000.00		8,965,000.00	
China Yuanda Huaibei Coal Construction Industrialization Co., Ltd.		20,000,000.00		20,000,000.00	
Zhong'an Ding Hui Ding Increased Private Equity Investment Fund		33,833,333.33		33,833,333.33	
Suixi County Jinmao Financing Guarantee Co., Ltd.		19,000,000.00		19,000,000.00	
Anhui Huachen Coal Preparation Materials Co., Ltd.		9,902,096.61		9,902,096.61	
Huaibei Xinglong Financial Guarantee Co., Ltd.		10,000,000.00		10,000,000.00	
Anhui Shanhe Mining Equipment Co., Ltd.		15,300,000.00		15,300,000.00	
Huaibei Youshi New Environmental Protection Building Material Co., Ltd.		12,224,149.94		12,224,149.94	
Huaibei Lieshan Ceramic Raw Material Supply Co., Ltd.		200,000.00		200,000.00	
Huaibei Yigao E-commerce Industrial Park Co., Ltd.		300,000.00		300,000.00	
Huaibei Moran Technology Co., Ltd.		5,000,000.00		5,000,000.00	
Anhui Fangmeng Food Co., Ltd.		1,000,000.00		1,000,000.00	
Phoenix Mountain Guiding Investment Fund (Limited Partnership), Xiangshan District, Huaibei City		37,000,000.00		37,000,000.00	
Huaibei Xiangshan Huiyin Urbanization Fund No. 1 (Limited Partnership)		93,423,152.76		93,423,152.76	

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements the three months ended 30 June 2021

Investee	Book balance			Current cash dividends
	12/31/2020	Current increase	Current decrease	
HuaibeiChifang Car Rental Co., Ltd.		181,800.00		181,800.00
HuaibeiPuyin Urban Development Fund (Limited Partnership)		398,000,000.00		398,000,000.00
Anhui Deheng Investment Co., Ltd.		12,500,000.00		12,500,000.00
Anhui Credit Information Co., Ltd.		10,000,000.00		10,000,000.00
Anhui Province Equity Service Group Wanbei Financing Center		3,000,000.00		3,000,000.00
HuaibeiKexun Information Technology Co., Ltd.		500,000.00		500,000.00
Huishang Bank		68,696,975.00		68,696,975.00
Anhui Qijia Daily Chemical		53,556.94		53,556.94
Tengyun Assets-Tianshan No. 5		49,983,333.34		49,983,333.34
Land Group		40,000,000.00		40,000,000.00
Zhengxin No. 1 Wenzhou Highway		5,086,492.40		5,086,492.40
Anhui Coal Investment Fund		140,000,000.00		140,000,000.00
Huaibei International Financial Real Estate Co., Ltd. Financing Plan		19,178,400.00		19,178,400.00
Anhui Zhuotai Chemical Technology Co., Ltd.		6,000,000.00		6,000,000.00
Zhongke(Huaibei) Industrial Technology Research Institute Company		300,000.00		300,000.00
ChizhouHuiyuan SME Development Fund		30,000,000.00		30,000,000.00
Anhui Changhuai New Material Co., Ltd.		6,000,000.00		6,000,000.00
Huaibei Rural Commercial Bank Co., Ltd.		27,260,000.00		27,260,000.00
Anhui Suixi Rural Commercial Bank Co., Ltd.		47,505,473.82		47,505,473.82
HuaibeiJianyuan Green		370,000,000.00		370,000,000.00

Investee	Book balance				Current cash dividends
	12/31/2020	Current increase	Current decrease	6/30/2021	
Gold Carbon Valley Venture Capital Fund Partnership (Limited Partnership)					
Huaibei Tairun Emerging Industry Venture Capital Fund (Limited Partnership)		9,750,000.00		9,750,000.00	
Anhui Jintong new energy vehicle phase II fund partnership		100,000,000.00		100,000,000.00	
Wuxi Hejing Intelligent Technology Co., Ltd		16,666,666.66		16,666,666.66	
other		502,000.00		502,000.00	
<b>total</b>		<b>2,473,075,118.08</b>		<b>2,473,075,118.08</b>	

#### 14. Investment property

(1) Measures investment property by fair value

Item	Houses and buildings	Land use right	Total
<b>I. 12/31/2020</b>	<b>6,667,355,500.00</b>	<b>9,380,895,000.00</b>	<b>16,048,250,500.00</b>
<b>II. Current change</b>	<b>42,656,096.96</b>		<b>42,656,096.96</b>
Add: purchased	42,656,096.96		42,656,096.96
Transferred from fixed assets			
Changes in fair value			
Less: disposal			
Other transfer-out			
Wherein: costs			
Changes in fair value			
other			
<b>III. 6/30/2021</b>	<b>6,710,011,596.96</b>	<b>9,380,895,000.00</b>	<b>16,090,906,596.96</b>

#### 15. Fixed Assets

Item	6/30/2021	12/31/2019
Fixed assets	8,724,476,922.25	8,756,476,014.27
Liquidation of fixed assets		
<b>Total</b>	<b>8,724,476,922.25</b>	<b>8,756,476,014.27</b>

(1) Details of fixed assets

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements the three months ended 30 June 2021

Item	12/31/2020	Increase in Jan to Jun, 2021	Decrease in Jan to Jun, 2021	6/30/2021
<b>I. Original book value</b>	<b>9,735,064,894.49</b>	<b>65,757,090.81</b>	<b>51,548,513.42</b>	<b>9,749,273,471.88</b>
Wherein: building	3,967,605,009.14	55,378,381.88	45,720,671.99	3,977,262,719.03
Machinery and equipment	704,956,000.47	4,681,085.63		709,637,086.10
Municipal facilities	4,578,031,337.90	21,834.86		4,578,053,172.76
Transport equipment	412,913,356.78	2,522,492.78	5,570,045.25	409,865,804.31
Office devices and other equipment	71,559,190.20	3,153,295.66	257,796.18	74,454,689.68
<b>II. Accumulated depreciation</b>	<b>978,588,880.22</b>	<b>66,352,588.62</b>	<b>20,144,919.21</b>	<b>1,024,796,549.63</b>
Wherein: building	354,388,377.85	41,570,968.13	15,198,245.70	380,761,100.28
Machinery and equipment	142,110,664.92	10,789,964.76		152,900,629.68
Municipal facilities	209,050,547.72	574,094.60		209,624,642.32
Transport equipment	230,268,563.11	10,802,111.36	4,786,525.60	236,284,148.87
Office devices and other equipment	42,770,726.62	2,615,449.77	160,147.91	45,226,028.48
<b>III. Total net book value</b>	<b>8,756,476,014.27</b>			<b>8,724,476,922.25</b>
Wherein: building	3,613,216,631.29			3,596,501,618.75
Machinery and equipment	562,845,335.55			556,736,456.42
Municipal facilities	4,368,980,790.18			4,368,428,530.44
Transport equipment	182,644,793.67			173,581,655.44
Office devices and other equipment	28,788,463.58			29,228,661.20
<b>VI. Total impairment provisions</b>				
<b>V. Total book value</b>	<b>8,756,476,014.27</b>			<b>8,724,476,922.25</b>
Wherein: building	3,613,216,631.29			3,596,501,618.75
Machinery and equipment	562,845,335.55			556,736,456.42
Municipal facilities	4,368,980,790.18			4,368,428,530.44
Transport equipment	182,644,793.67			173,581,655.44
Office devices and other equipment	28,788,463.58			29,228,661.20

**16. Works in progress**

Item	6/30/2021			12/31/2020		
	Book balance	Impair	Book value	Book	Impair	Book value

		ment Provisi on		balance	ment Provisi on	
Works in progress	17,009,430,304.34		17,009,430,304.34	15,283,954,715.42		15,283,954,715.42
Engineering materials	19,815,169.92		19,815,169.92	14,919,069.35		14,919,069.35
<b>Total</b>	<b>17,029,245,474.26</b>		<b>17,029,245,474.26</b>	<b>15,298,873,784.77</b>		<b>15,298,873,784.77</b>

(2) Details of projects under construction

Details of projects	6/30/2021	12/31/2020
East Lake Park Construction Project	48,453,672.45	48,167,823.39
East Lake Construction and Treatment Project	22,828,300.00	22,828,300.00
Lujin Lake Construction and Treatment Project	128,687,269.99	107,810,278.20
Duji Flower Sea Project	5,217,786.25	5,185,723.61
Children's Park Project	5,414,118.68	5,414,118.68
Huashan Park Project	204,164,615.56	179,539,560.07
Liangshan Governance Project	155,807,964.11	148,184,505.58
South Bank Commercial Street Project	1,106,729.82	1,106,729.82
Nanhu Scenic Area Demolition Control Project	269,640,434.76	268,516,212.83
Spatio-temporal big data and cloud platform project	13,140,000.00	13,140,000.00
Shuoxi Lake Construction and Treatment Project	353,662,236.15	259,509,892.60
Zhonghu Construction and Treatment Project	270,935,024.87	225,395,215.38
Huaibei City Water Supply Pipeline Network Reconstruction Project	159,200,278.68	155,467,595.29
Huaibei Economic Development Zone Standardized Plant Phase III Project	62,139,150.00	62,139,150.00
Pioneer Park, Huaibei Economic and Technological Development Zone	14,038,152.31	12,043,457.31
Huaibei City Construction Committee	194,590,999.00	194,590,999.00
Xiangshan Scenic Area Resettlement Housing	21,300,000.00	21,300,000.00
East Campus of Huaibei No. 1 Middle School	8,229,871.00	8,229,871.00
Civilization Creation Project	153,817,057.60	153,817,057.60
Gushan Road, Xiehe Road and Wutong Avenue Project in the Economic Development Zone of the City	1,726,268.94	1,726,268.94
Xinhu Road Resettlement Housing Outdoor Project	14,804,295.28	14,804,295.28
Liyuan East Road Project	1,503,062.33	1,503,062.33
Longfa Road Project	19,371,541.33	19,371,541.33

Details of projects	6/30/2021	12/31/2020
Character clip line project	967,661,023.63	967,661,023.63
Anmin Road Project	99,207,615.51	99,207,615.51
Seven Road Projects in the Eastern New City	782,651,554.16	782,651,554.16
City roads and municipal roads	2,875,558,644.46	2,874,992,606.72
Huaibei City Management Comprehensive Law Enforcement Bureau	16,283,715.73	16,283,715.73
G235 connection line	13,687,027.49	13,687,027.49
Thermal Power Company	1,848,667.47	
Inspur Information Engineering	2,901,987.46	
Affordable housing project	91,759.66	91,759.66
Infrastructure and other projects	6,052,453,531.13	5,549,632,865.12
People's Hospital New District Project	619,998,121.43	569,259,422.31
S202 and S202 Huaibei Section Reconstruction Project	52,870,100.00	52,870,100.00
Linhuan Industrial Park Demolition and Land Acquisition Project	577,105,866.10	577,105,866.10
Madian Happy Home Project	160,873,880.40	151,117,901.76
Linhuan Industrial Park Base Road Network Project	42,359,979.41	42,359,979.41
Coal chemical industry base safety and environmental protection monitoring project	10,551,640.19	10,551,640.19
Base protection forest and incubator node greening project	14,062,313.13	10,860,478.27
Comprehensive Service Center of Coal Chemical Synthetic Material Base	15,297,007.91	15,297,007.91
Phase II Project of Comprehensive Pipe Gallery of Coal Chemical Synthetic Material Base	40,694,183.27	37,312,633.50
Coal Chemical Industry Base Methanol Phase II Torch Project	597,160.00	597,160.00
Coal chemical base coke and vinyl acetate project	4,300,000.00	4,300,000.00
Fine Chemical Park Project of Coal Chemical Industry Base	33,857,554.37	33,857,554.37
Menggou Landscape Treatment Project of Coal Chemical Industry Base	9,148,578.46	6,924,212.26
Huaibei City Planning Museum and Archives	174,705,013.01	169,379,661.74
Longhu Sewage Treatment Plant Phase II	50,624,837.89	47,840,381.00
Xulou Water Plant	63,014,738.39	63,014,738.39
Middle Lake Expressway	104,871,627.82	104,871,627.82
Phoenix Park	3,257,120.70	3,257,120.70
Militia weapons warehouse complex and surrounding walls	1,019,476.29	1,019,476.29
Veteran Service Center	1,261,920.51	1,261,920.51

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements the three months ended 30 June 2021

Details of projects	6/30/2021	12/31/2020
Convention and Exhibition Center Huaibei City	20,034,951.46	20,034,951.46
Yingbin Avenue Rainwater and Sewage Reconstruction Project	3,690,364.00	3,690,364.00
Linshuan Industrial Park Base North Road Project	75,883,631.95	2,332,751.22
Huaibei High-tech Zone New District Neighborhood Center Project EPC Project General Contracting Project	92,139,663.73	91,350,150.65
Datang Power Plant Project	689,495,443.18	689,062,060.50
Hazardous Chemicals Logistics Park Project	1,494,928.16	1,494,928.16
Nursing Center	76,917,666.66	
Coal chemical synthetic material base exhibition center project	37,246,603.01	7,991,224.65
Human settlement environment improvement project in coal chemical industry base	8,124,564.62	3,989,732.59
Coking Phase II	2,548,720.00	2,548,720.00
Linshuan Industrial Park Road Reconstruction and Expansion Project	5,993,279.44	133,174.57
Huaibei Public Transport and Passenger Transport Comprehensive Hub Station Construction Project	36,233,840.73	36,035,727.52
Huai Natural Resources Planning [2020] No. 1 State-owned Construction Land Use Right	12,900,000.00	12,900,000.00
Trading gas station construction	75,182,318.86	75,182,318.86
Mehao Hotel	511,960.10	15,839,678.67
Laosui River Treatment Project	7,550,097.94	1,974,730.23
River dredging project	2,024,436.19	2,024,436.19
Urban Sewage Interception Project	17,481,102.77	8,014,895.88
East Lake Scenic Area	23,310,281.82	23,310,281.82
Treatment of subsidence area	11,890,756.18	11,719,964.10
East Lake Treatment Section A	39,291,700.90	39,291,700.90
Comprehensive renovation of health school	16,247,965.45	
Duji Economic Development Zone Innovation Industrial Park Phase I Project	8,201,647.80	
Duji Development Zone Pioneer Park Phase II Duanyuan Town Standardized Factory Building Project	97,032,378.58	97,974,214.66
Pomegranate Museum Project	51,051,531.57	
Tiandiren Plastic Huaihai West Road 27	48,393,355.20	
Historic abandoned industrial and mining land project	200,110,047.26	
Kechuang Building Project	138,799,611.69	
Yuanshan District Phase II	250,251,822.79	

Details of projects	6/30/2021	12/31/2020
Integrated Service Center Project	19,080,924.42	
Nanhu scenic spot project	1,636,182.03	
Industrial incubation accelerator project in New Area of Shanghai Development Zone	1,945,504.13	
Green gold school	6,883,268.29	
Archaeological excavation of Han Tombs	623,990.57	
Reconstruction of urban villages such as Fenghuang village in Tanshan, Lieshan District	6,630,287.77	
<b>Total</b>	<b>17,009,430,304.34</b>	<b>15,283,954,715.42</b>

## 17. Intangible assets

### (1) Classification of intangible assets

Item	12/31/2020	Increase in Jan to Jun, 2021	Decrease in Jan to Jun, 2021	6/30/2021
<b>I. Original book value</b>	<b>12,271,625,130.73</b>	<b>760,875,133.78</b>	<b>68,309,644.02</b>	<b>12,964,190,620.49</b>
Wherein: Land use right	1,032,043,425.30	75,124,191.12	68,309,644.02	1,038,857,972.40
Mining right	201,000,000.00	683,869,000.00		884,869,000.00
other	11,038,581,705.43	1,881,942.66		11,040,463,648.09
<b>II. Accumulated depreciation</b>	<b>161,774,445.02</b>	<b>16,175,832.01</b>	<b>1,952,043.74</b>	<b>175,998,233.29</b>
Wherein: Land use right	43,195,283.75	3,069,856.10	1,952,043.74	44,313,096.11
Mining right	118,032,872.05	12,756,441.56		130,789,313.61
other	546,289.22	349,534.35		895,823.57
<b>III. Total Impairment provision</b>				-
Wherein: Land use right				-
The mining right				-
other				-
<b>VI. Total book value</b>	<b>12,109,850,685.71</b>			<b>12,788,192,387.20</b>
Wherein: Land use right	988,848,141.55			994,544,876.29
Mining right	82,967,127.95			754,079,686.39
other	11,038,035,416.21			11,039,567,824.52

**18. Long-term unamortized expenses**

Item	12/31/2020	Increase in Jan to Jun, 2021	Current amount amortized	Other decrease	6/30/2021	Other reasons for decrease
Rental fee	2,818,746.77		195,824.40		2,622,922.37	
Forest vegetation restoration fee	7,257,631.35				7,257,631.35	
Asset acquisition fee	13,571,910.41				13,571,910.41	
Maintenance fees	4,653,331.65		66,355.98		4,586,975.67	
Financing costs	6,440,744.82	22,023,263.70	4,415,325.28		24,048,683.24	
Replacement fee for returning farmland to forest	207,695.08				207,695.08	
material fee	137,063,705.59	31,731,126.26	97,181,114.85		71,613,717.00	
<b>Total</b>	<b>172,013,765.67</b>	<b>53,754,389.96</b>	<b>101,858,620.51</b>		<b>123,909,535.12</b>	

**19. Deferred income tax assets and deferred income tax liabilities**

(1) Deferred income tax assets not offset

Item	6/30/2021		12/31/2020	
	Taxable temporary difference	Deferred income tax assets	Taxable temporary difference	Deferred income tax assets
Provision for asset impairment	133,541,274.58	33,385,318.65	133,541,274.61	33,385,318.65
Trading financial assets	10,750,087.00	2,687,521.75	8,632,892.08	2,158,223.02
<b>Total</b>	<b>144,291,361.58</b>	<b>36,072,840.40</b>	<b>142,174,166.69</b>	<b>35,543,541.67</b>

(2) Deferred income tax liabilities not offset

Item	6/30/2021		12/31/2020	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements the three months ended 30 June 2021

Item	6/30/2021		12/31/2020	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Investment property	7,607,292,006.17	1,901,823,001.54	7,607,292,006.17	1,901,823,001.54
Trading financial assets	508,178,040.96	127,044,510.24	507,060,032.35	126,765,008.09
<b>Total</b>	<b>8,115,470,047.13</b>	<b>2,028,867,511.78</b>	<b>8,114,352,038.52</b>	<b>2,028,588,009.63</b>

**20. Other noncurrent assets**

Item	6/30/2021	12/31/2020
Shantytown renovation sub-loan	13,688,589,613.68	12,214,114,673.60
other	1,183,211,610.45	1,183,211,610.45
<b>Total</b>	<b>14,871,801,224.13</b>	<b>13,397,326,284.05</b>

**21. Short-term borrowings**

(1) Category of short-term borrowings

Item	6/30/2021	12/31/2020
Credit loans	309,000,000.00	609,000,000.00
Secured loans	1,969,120,000.00	2,301,810,374.59
Pledged loans	1,040,000,000.00	1,040,000,000.00
Mortgage loan	122,930,000.00	122,930,000.00
<b>Total</b>	<b>3,441,050,000.00</b>	<b>4,073,740,374.59</b>

**22. Notes payable**

Category	6/30/2021	12/31/2020
Trade acceptance		
Bank acceptance	172,993,054.37	382,395,490.13
<b>Total</b>	<b>172,993,054.37</b>	<b>382,395,490.13</b>

**23. Accounts payable**

(1) Aging of accounts payable

Item	6/30/2021	12/31/2020
Purchase and project amounts payable	825,665,402.62	487,814,851.69
<b>Total</b>	<b>825,665,402.62</b>	<b>487,814,851.69</b>

(2) Important accounts payable aged over one year: None

**24. Advance receipts**

(1) Aging of advance receipts

Account age	6/30/2021	12/31/2020
Within 1 year		941,599,450.22
More than 1 year		568,732,764.00
<b>Total</b>		<b>1,510,332,214.22</b>

(2) The equity investments accounted for in "Accounts received in advance" on December 31, 2020 are listed in the "Contract Liabilities" account on January 1, 2021, mainly due to the company's implementation of the new revenue standard on January 1, 2021, See Note VIII. 25.

**25. Contract liabilities**

(1) List of contract liabilities

Account age	6/30/2021	12/31/2020
Within 1 year	1,891,282,351.36	
More than 1 year	568,732,764.00	
<b>Total</b>	<b>2,460,015,115.36</b>	

(2) Important contract liability units

Company Name	6/30/2021	Reasons for outstanding or carry-over
Pre-sale purchase price for Lvjin Garden District	931,899,974.60	The community has not been completed and has not yet been handed over
Pre-sale purchase price of Jinding Family	184,244,847.48	The community has not been completed and has not yet been handed over
Pre-sale purchase price of Green Gold New City	239,166,271.40	The community has not been completed and has not yet been handed over
<b>Total</b>	<b>1,355,311,093.48</b>	

(3) Description of contract liabilities

The contract liabilities at the end of the year do not include contract liabilities for shareholder units holding more than 5% (including 5%) of the voting rights of the company.

The beginning balance is the "Accounts received in advance" account. The account received in advance was listed in the account of "Contract Liabilities" on January 1, 2021. It was mainly due to the implementation of the new revenue standard on January 1, 2021.

**26. Employee compensation payable**

(1) Details of Employee compensation payable

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements the three months ended 30 June 2021

Item	12/31/2020	Increase in Jan to Jun, 2021	Decrease in Jan to Jun, 2021	6/30/2021
I. Short-term compensations	27,326,511.11	104,142,116.48	105,802,049.59	25,666,578.00
II. Post-employment benefits-defined contribution plan	1,234,147.94	15,793,008.65	14,167,406.07	2,859,750.52
<b>Total</b>	<b>28,560,659.05</b>	<b>119,935,125.13</b>	<b>119,969,455.66</b>	<b>28,526,328.52</b>

(2) Presentation of short-term compensation

Item	12/31/2020	Increase in Jan to Jun, 2021	Decrease in Jan to Jun, 2021	6/30/2021
1. Salary, bonus, allowance and subsidy	22,981,722.28	84,777,278.19	86,388,743.20	21,370,257.27
2. Employee benefits	161,893.61	3,097,390.30	3,097,390.30	161,893.61
3. Social insurance costs	525,978.96	7,136,078.27	7,128,023.52	534,033.71
Wherein: medical insurance costs	492,314.41	6,944,250.98	6,937,481.36	499,084.03
Industrial injury insurance costs	11,158.70	191,827.29	190,542.16	12,443.83
Maternity insurance costs	22,505.85	-	-	22,505.85
4. Housing fund	1,945,673.95	6,688,767.40	6,696,596.40	1,937,844.95
5. Trade union outlays and employee education expense	1,711,242.31	2,442,602.32	2,491,296.17	1,662,548.46
<b>Total</b>	<b>27,326,511.11</b>	<b>104,142,116.48</b>	<b>105,802,049.59</b>	<b>25,666,578.00</b>

(3) Presentation of defined contribution plan

Item	12/31/2020	Increase in Jan to Jun, 2021	Decrease in Jan to Jun, 2021	6/30/2021
1. Basic endowment insurance	787,850.91	15,302,324.84	13,251,032.77	2,839,142.98
2. Unemployment insurance costs	62,961.86	362,231.05	420,602.25	4,590.66
3. Corporate annuity contributions	383,335.17	128,452.76	495,771.05	16,016.88
<b>Total</b>	<b>1,234,147.94</b>	<b>15,793,008.65</b>	<b>14,167,406.07</b>	<b>2,859,750.52</b>

27. Taxes payable

Item	6/30/2021	12/31/2020
VAT	256,789,107.28	232,799,669.41
Turnover tax	5,575,877.51	5,575,877.51
Urban maintenance and	23,097,065.46	23,322,343.30

Item	6/30/2021	12/31/2020
construction taxes		
Educational surcharge	10,513,001.58	9,736,277.99
Local educational surcharge	6,973,480.24	6,592,167.76
Real estate taxes	65,679,903.66	66,634,332.47
Land use taxes	1,986,960.23	3,233,387.81
Water conservancy construction fund	1,620,574.59	1,419,448.24
Corporate income tax	1,695,865,371.83	1,803,198,764.32
Resource taxes	9,921,628.53	1,041,197.31
Other	1,302,338.55	1,149,612.30
<b>Total</b>	<b>2,079,325,309.46</b>	<b>2,154,703,078.42</b>

**28. Other payables**

Item	6/30/2021	12/31/2020
Interests payable	75,420,659.72	75,467,879.31
Dividends payable	5,271,533.56	22,331,470.22
Other payables	4,917,953,611.90	4,434,329,549.49
<b>Total</b>	<b>4,998,645,805.18</b>	<b>4,532,128,899.02</b>

(1) Other payables

① Top five entities in terms of ending balance of other payables:

Entity name	6/30/2021	Percentage of total ending balance of other payables (%)	Nature of amount
Lieshan District Finance Bureau, People's Government of Huaibei City	382,403,604.35	7.78	Current payment
Huaibei Tianhui Construction Investment Co., Ltd.	353,248,972.97	7.18	Current payment
Huaibei Yinheng Trade Development Co., Ltd.	281,001,200.00	5.71	Current payment
Lieshan District Finance Bureau, People's Government of Huaibei City	274,540,743.24	5.58	Current payment
Anhui Huaihai Industrial Development Group Co., Ltd	255,482,928.15	5.19	Current payment
<b>Total</b>	<b>1,546,677,448.71</b>	<b>31.44</b>	<b>Current payment</b>

**29. Noncurrent liabilities due within a year**

Item	6/30/2021	12/31/2020
Long-term borrowings due within a year	1,543,770,696.95	2,856,721,795.30
Bonds payable due within a year	8,597,109,995.69	7,813,620,000.00
Long-term payables due within a year	1,156,859,615.53	2,064,683,004.60
<b>Total</b>	<b>11,297,740,308.17</b>	<b>12,735,024,799.90</b>

### 30. Other current liabilities

Item	6/30/2021	12/31/2020
Provision for guarantee indemnity	178,043,280.39	167,578,786.88
Provision for unexpired liabilities	16,739,820.02	10,972,388.03
<b>Total</b>	<b>194,783,100.41</b>	<b>178,551,174.91</b>

### 31. Long-term borrowings

Category of borrowings	6/30/2021	12/31/2020
Credit loans	6,803,913,343.80	3,443,779,100.00
Mortgage loan	246,718,133.66	246,718,133.66
Secured loans	7,454,867,724.13	7,254,867,724.13
Pledged loans	11,507,495,894.70	11,507,495,894.70
<b>Total</b>	<b>26,012,995,096.29</b>	<b>22,452,860,852.49</b>

### 32. Bonds payable

#### (1) Bonds payable

Item	6/30/2021	12/31/2020
16 Huaibei Construction Investment PPN001	350,000,000.00	350,000,000.00
16 Huaibei Construction Investment PPN002	868,000,000.00	868,000,000.00
17 Anhui Huaibei Construction Investment ZR001	994,000,000.00	994,000,000.00
17 Anhui Huaibei Construction Investment ZR002	994,000,000.00	994,000,000.00
18 Huaibei Construction Investment MTN001		1,000,000,000.00
18 Anhui Huaibei Construction Investment ZR001	994,000,000.00	994,000,000.00
18 Huaibei Construction Investment MTN003	500,000,000.00	500,000,000.00
Foreign debt	2,050,938,898.98	2,050,938,898.98
Second phase of offshore debt	1,006,036,900.34	1,006,036,900.34
18 Huaibei Construction Investment PPN001		400,000,000.00
19 Huaijian 01	999,300,000.00	999,300,000.00

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements the three months ended 30 June 2021

Item	6/30/2021	12/31/2020
19 Huaijian 02	999,300,000.00	999,300,000.00
Huaibei Construction Investment 2019 Direct Financial Management		380,000,000.00
2019 Huaibei Construction Investment PPN001	998,000,000.00	998,000,000.00
20 Huaibei Construction Investment MTN001	997,230,000.00	997,230,000.00
20 Huaibei Construction Investment PPN001	999,716,981.13	999,716,981.13
20 Huaijian D1 (non-public corporate bonds)		2,000,000,000.00
20 Huaibei Construction Investment CP001		500,000,000.00
20 Huaibei Pipeline Gallery Debt	797,865,229.10	797,865,229.10
20 Huaijian 01	2,089,058,632.07	2,096,258,632.07
20 Huaijian 02	897,729,664.70	897,729,664.70
20 Huaibei Construction Investment PPN002	499,854,245.29	499,854,245.29
2020PPN004	999,811,320.75	999,811,320.75
2020PPN003	499,854,245.29	499,854,245.29
20 Huaibei Construction Investment MTN002	997,161,132.07	997,161,132.07
20 Huaijian 03	499,056,603.77	499,056,603.77
20 Huaijian 04	499,056,603.77	499,056,603.77
2020 Small and Micro Enterprise Bond 01	498,169,811.32	498,000,000.00
20 Anhui Huaibei Commercial and Trade ZR001		100,000,000.00
Anhui Province Equity Custody Trading Center Bond	50,000,000.00	50,000,000.00
21 Huaibei Construction Investment CP001 (short-term)	499,500,000.00	
21 Huaibei Construction Investment MTN001 (medium-term notes)	1,000,000,000.00	
21 Huaibei Construction Investment SCP001 (ultra-short-term)	199,964,375.00	
21 Huaijian 01 (Non-public corporate bonds)	995,283,018.87	
21 Huaibei Construction Investment MTN002 (medium term notes)	1,000,000,000.00	
21 Huaibei Construction Investment PPN001 (Directed Debt Financing Tool)	99,910,000.00	
21 Huaibei Construction Investment SCP002 (ultra-short-term)	999,881,250.00	
Phase I financial direct financing in 2021 (21 Huaibei construction investment 01)	198,800,000.00	
21 Huaibei construction investment ppn002 (directional debt financing instrument)	999,400,000.00	

Item	6/30/2021	12/31/2020
21 huaitou 01 (public corporate bonds)	2,000,000,000.00	
Less: Bonds payable due within one year [Note VIII. 29]	8,597,109,995.69	7,813,620,000.00
<b>Total</b>	<b>20,473,768,916.76</b>	<b>17,651,550,457.26</b>

### 33. Long-term payables

Item	6/30/2021	12/31/2020
Long-term payables	7,197,746,286.93	4,510,015,886.97
Special payables	826,825,504.87	747,692,626.58
<b>Total</b>	<b>8,024,571,791.80</b>	<b>5,257,708,513.55</b>

#### (1) Special accounts payable:

Item	6/30/2021	Increase in Jan to Jun, 2021	Decrease in Jan to Jun, 2021	12/31/2020
Municipal roads	119,344,814.77		71,754,283.07	47,590,531.70
Shed reform funds	125,817,811.81	290,000,000.00	139,112,838.64	276,704,973.17
Huaihe River Basin Water Pollution Control Project	11,860,000.00			11,860,000.00
Demonstration Park Supporting Facilities Project	190,670,000.00			190,670,000.00
Special construction project of People's Hospital	300,000,000.00			300,000,000.00
<b>Total</b>	<b>747,692,626.58</b>	<b>290,000,000.00</b>	<b>210,867,121.71</b>	<b>826,825,504.87</b>

### 34. Deferred income

Item	12/31/2020	Increase in Jan to Jun, 2021	Decrease in Jan to Jun, 2021	6/30/2021
Government grants	5,000,000.00			5,000,000.00
<b>Total</b>	<b>5,000,000.00</b>			<b>5,000,000.00</b>

#### Government grants:

Item	12/31/2020	Current increase	Charged to non-business revenue	Charged to other income	Charged against costs and expenses	Other changes	6/30/2021	Asset/income-related
Relocation compensation for Huaibe Economic	5,000,000.00						5,000,000.00	

<b>Total</b>	<b>5,000,000.00</b>						<b>5,000,000.00</b>	
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According to the document issued by Haibei Economic Development Area Management Committee regarding compensation for relocation of the company due to requisition of part of land of the company, the company charged the compensation for relocation of properties received this year to the deferred income and amortized it as the relocation progresses.

### 35. Other noncurrent liabilities

Item	6/30/2021	12/31/2020
SPD City Development Fund	400,000,000.00	1,360,000,000.00
Huishang Bank Infrastructure Project Management Center	3,109,150,000.00	3,109,150,000.00
Shaanxi International Trust Co., Ltd debt investment	200,000,000.00	200,000,000.00
Bank of Communication China Trust Funds	290,000,000.00	293,793,662.90
Trust fund of Industrial Bank	198,524,700.00	
<b>Total</b>	<b>4,197,674,700.00</b>	<b>4,962,943,662.90</b>

### 36. Paid-in Capital

Investor	12/31/2020		Increase in Jan to Jun, 2021	Decrease in Jan to Jun, 2021	6/30/2021	
	Investment Amount	Percentage			Investment Amount	Percentage
The State-owned Assets Supervision and Administration Commission of Huaibei Municipal People's Government	8,229,000,000.00	100.00			8,229,000,000.00	100.00
<b>Total</b>	<b>8,229,000,000.00</b>	<b>100.00</b>			<b>8,229,000,000.00</b>	<b>100.00</b>

### 37. Other equity instruments

(1) Basic details of other financial instruments such as preference shares and perpetual bonds issued and outstanding at the end of the year

In 2017, the company issued perpetual mid-term notes with special terms attached with a nominal value of 400,000,000.00 Yuan to Interbank Association and received 398,560,000.00 Yuan after deduction of the underwriting fee. the company presented them as other equity instruments according to the provisions of the terms that there is no specific maturity date, right to delayed payment of interest and future controllable right of redemption.

In 2018, the company issued perpetual mid-term notes with special terms attached with a nominal value of 800,000,000.00 Yuan to Interbank Association and received 799,600,000.00 Yuan after deduction of the underwriting fee. the company presented them as other equity instruments according to the provisions of the terms that there is no specific maturity date, right to delayed payment of interest and future controllable right of redemption.

(2) Changes in financial instruments such as preference shares and perpetual bonds issued and outstanding at the end of the year

Outstanding financial instruments	12/31/2020		Current increase		Current decrease		6/30/2021	
	Number	Book value	Number	Book value	Number	Book value	Number	Book value
Perpetual bonds		1,198,160,000.00						1,198,160,000.00
<b>Total</b>		<b>1,198,160,000.00</b>						<b>1,198,160,000.00</b>

### 38. Capital reserve

Item	12/31/2020	Increase in Jan to Jun, 2021	Decrease in Jan to Jun, 2021	6/30/2021
1. Capital (or share capital) premium	9,462,246,637.43			9,462,246,637.43
2. Other capital reserve	30,500,607,055.30	315,266,321.12		30,815,873,376.42
<b>Total</b>	<b>39,962,853,692.73</b>	<b>315,266,321.12</b>		<b>40,278,120,013.85</b>
Wherein: State owned exclusive capital reserve				

### 39. Other comprehensive income

Item	12/31/2020	Amount incurred in the current period

		Amount incurred in this year before income tax	Less: Amount that was included in other comprehensive income in the previous period and transferred to profit or loss in the current	Minus: income tax expense
1. Other comprehensive income that will be reclassified into profit and loss in the future				
Wherein : the share of other comprehensive income of the investee that will subsequently be reclassified to profit and loss under the equity method	1,168,561,085.65			
<b>Total</b>	<b>1,168,561,085.65</b>			

(Continued)

Item	Amount incurred in the current period		6/30/2021
	Attributable to parent company after tax	Attributable to minority shareholders after tax	
2. Other comprehensive income that will be reclassified into profit and loss in the future			
Wherein : the share of other comprehensive income of the investee that will subsequently be reclassified to profit and loss under the equity method			
<b>Total</b>			

Remarks: the company converted part of fixed assets (houses and buildings) into investment property measured at fair value for accounting, with the value-added portion at the conversion date charged to other comprehensive income.

#### 40. Special reserve

Item	6/30/2021	12/31/2020
Work safety fee	5,479,720.11	3,882,073.10
General risk reserve	9,838,409.43	9,838,409.43
<b>Total</b>	<b>15,318,129.54</b>	<b>13,720,482.53</b>

**41. Surplus reserve**

Item	12/31/2020	Increase in Jan to Jun, 2021	Decrease in Jan to Jun, 2021	6/30/2021	Reason and basis of change
Statutory surplus reserve	1,101,793,444.32			1,101,793,444.32	
<b>Total</b>	<b>1,101,793,444.32</b>			<b>1,101,793,444.32</b>	

**42. Undistributed profits**

Item	Current period	Current period
Balance at the beginning of 2020	3,027,911,421.89	1,691,608,096.97
Increase in Jan to Jun, 2021	692,571,460.87	1,720,367,413.60
Wherein: Transferred net profit	692,571,460.87	1,720,367,413.60
Other Adjustment Factors		
Decrease in Jan to Jun, 2021	300,000,000.00	384,064,088.68
Wherein: Surplus reserve accrued		294,705,609.36
General risk reserve accrued		
Cash dividends distributed	300,000,000.00	89,358,479.32
Transfer to paid-in capital		
Other decreases		
6/30/2021	3,420,482,882.76	3,027,911,421.89

**43. Operating income and operating costs**

(1) Operating income and costs presented as follows

Item	Jan to Jun, 2021		Jan to Jun, 2020	
	Revenue	costs	Revenue	costs
Main business	8,013,674,918.31	7,424,657,343.02	5,545,489,338.48	4,960,572,765.01
Other business	29,160,641.55	3,545,670.69	93,439,073.30	6,359,051.77
<b>Total</b>	<b>8,042,835,559.86</b>	<b>7,428,203,013.71</b>	<b>5,638,928,411.78</b>	<b>4,966,931,816.78</b>

(2) Main business revenue and costs (by product) presented as follows:

Item Name	Jan to Jun, 2020	
	Revenue	costs
Government purchase segment	1,037,174,604.72	836,964,050.00
Product sales segment	5,916,289,970.92	5,700,220,453.66
Leasing segment	62,332,145.45	5,406,528.48
Guarantee fee segment	8,741,319.82	-
Water drainage and supply segment	213,533,599.25	172,480,437.43
Project construction	610,871,482.30	580,970,453.34

Item Name	Jan to Jun, 2020	
	Revenue	costs
segment		
other	164,731,795.85	128,615,420.11
<b>Total</b>	<b>8,013,674,918.31</b>	<b>7,424,657,343.02</b>

#### 44. Taxes and surtaxes

Item	Amount incurred in Jan to Jun, 2021	Amount incurred in Jan to Jun, 2020
Urban maintenance and construction tax	4,579,931.86	1,328,228.77
Education surcharge	1,264,226.84	640,016.88
Local education surcharge	837,480.54	411,057.39
property tax	2,481,985.05	3,069,248.58
land holding tax	8,893,628.49	5,535,357.42
Travel tax	30,035.40	239,431.49
Stamp duty	2,051,202.26	2,032,826.34
Resource tax	15,718,237.89	12,417,646.05
Water conservancy construction fund	927,453.09	402,347.92
Land appreciation tax		2,002,600.94
Other	9,640.20	3,548.25
<b>Total</b>	<b>36,793,821.62</b>	<b>28,082,310.03</b>

#### 45. Financial expenses

Item	Amount incurred in Jan to Jun, 2021	Amount incurred in Jan to Jun, 2020
Interest expense	173,075,696.65	104,942,929.21
Less: interest income	47,330,837.11	48,655,190.61
Exchange losses	62,407.12	74,657.18
Less: foreign exchange gains	69,024.24	93,890.72
Commission, handling fee expenditure	42,794,722.82	49,531,570.07
<b>Total</b>	<b>168,532,965.24</b>	<b>105,800,075.13</b>

#### 46. Other incomes

Item	Amount incurred in Jan to Jun, 2021	Amount incurred in Jan to Jun, 2020
Government grants	413,380,395.24	105,023,535.03

Item	Amount incurred in Jan to Jun, 2021	Amount incurred in Jan to Jun, 2020
<b>Total</b>	<b>413,380,395.24</b>	<b>105,023,535.03</b>

#### 47. Investment income

Source of investment income	Amount incurred in Jan to Jun, 2021	Amount incurred in Jan to Jun, 2020
Long-term equity investment income calculated by the equity method	107,109,834.90	7,942,292.00
Financial assets that are measured at fair value and whose changes are included in the current profit and loss		
Investment income from the disposal of long-term equity investments	28,393,166.26	
Investment income during the holding period of financial assets that are measured at fair value and whose changes are included in the current profit and loss	20,629,854.80	1,095,321.37
Investment income from available-for-sale financial assets, etc.		331,625.28
Investment income from disposal of available-for-sale financial assets	-936,674.39	-3,927,562.45
Income from wealth management products	1,100,474.96	591,801.72
<b>Total</b>	<b>156,296,656.53</b>	<b>6,033,477.92</b>

#### 48. Asset impairment loss

Item	Amount incurred in Jan to Jun, 2021	Amount incurred in Jan to Jun, 2020
Loan losses and reserves	-8,797,558.21	- 2,181,423.47
other		
<b>Total</b>	<b>-8,797,558.21</b>	<b>- 2,181,423.47</b>

#### 49. Non-business income

##### (1) Classification of Non-business income

Item	Amount incurred in Jan to Jun, 2021	Amount incurred in Jan to Jun, 2020	Amount charged to current nonrecurring
government subsidy	349,933.51	6,271,265.69	349,933.51
Contract liquidated damages income	1,556,055.65	68,084.94	1,556,055.65
Confiscated income	117,732.41	325,815.58	117,732.41

other	4,101,023.80	3,897,082.18	4,101,023.80
<b>Total</b>	<b>6,124,745.37</b>	<b>10,562,248.39</b>	<b>6,124,745.37</b>

#### 50. Non-business expenditures

Item	Amount incurred in Jan to Jun, 2021	Amount incurred in Jan to Jun, 2020	Amount charged to current nonrecurring
Non-current asset retirement losses			
External donation expenditure	60,109.32	103,663.80	60,109.32
other	5,550,763.68	2,748,128.24	5,550,763.68
<b>Total</b>	<b>5,610,873.00</b>	<b>2,851,792.04</b>	<b>5,610,873.00</b>

#### 51. Income tax expense

##### (1) List of income tax expense

Item	Amount incurred in Jan to Jun, 2021	Amount incurred in Jan to Jun, 2020
Current income tax	29,556,090.41	47,540,794.87
Deferred income tax	-245,892.32	-982,123.12
<b>Total</b>	<b>29,310,198.09</b>	<b>46,558,671.75</b>

#### 52. Consolidated cash flow statement

##### (1) Information that adjusts net income to cash flow from operations by the indirect method

Supplementary information	Amount incurred in Jan to Jun, 2021	Amount incurred in Jan to Jun, 2020
1. Net profit into cash flow from operating activities:		
Net profits	771,462,431.02	454,094,486.32
Add: Provision for asset impairment	8,797,558.21	2,181,423.47
Impairment losses on credit assets		
Depreciation of property, plant and equipment, depletion of oil and gas assets, and depreciation of productive biological assets	66,352,588.62	59,429,841.10
Amortization of intangible assets	16,175,832.01	21,031,410.53
Amortization of long-term deferred expenses	101,858,620.51	6,953,975.55
Losses from disposal of fixed assets, intangible assets and other long-term assets (income to be denoted by		
Loss for scrap of property, plant and equipment (income presented with "-")	-185,201.62	692.43
Loss for changes in fair value (income presented with "-")	936,674.39	3,927,562.45
Financial expenses (income presented with "-")	173,075,696.65	104,942,929.21
Investment losses (income presented with "-")	-157,233,330.92	-9,961,040.37
Decrease in deferred income tax assets (increase presented with "-")	-529,298.73	-1,552,525.99

Supplementary information	Amount incurred in Jan to Jun, 2021	Amount incurred in Jan to Jun, 2020
Increase in deferred income tax liabilities (decrease presented with "-")	279,502.15	570,402.87
Decrease of inventory (increase presented with "-")	-1,980,580,148.16	-1,649,557,487.02
Decrease of operational receivables (increase presented with "-")	-4,427,751,780.18	-3,455,847,209.63
Increase of operational payables (decrease presented with "-")	5,452,958,519.98	3,390,345,232.99
other		
Net cash flow from operating activities	25,617,663.93	-1,073,440,306.09
<b>2. Significant investment and financial activities without involving cash receipt and expenditure:</b>		
Debts into capital		
Convertible corporate bonds due in 1 year		
Property, plant and equipment under financing lease		
<b>3. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	8,847,546,322.79	11,512,969,555.95
Minus: beginning balance of cash	9,698,048,172.10	5,723,405,473.45
Add: closing balance of cash equivalents		
Minus: beginning balance of cash equivalents		
Net increase of cash and cash equivalents	-850,501,849.31	5,789,564,082.50

(2) Composition of cash and cash equivalents

Item	6/30/2021	12/31/2020
I. Cash	8,847,546,322.79	11,512,969,555.95
Wherein: cash in hand	65,225.87	241,611.33
Deposit available for payment at any time	8,847,481,096.92	11,512,727,944.62
Other monetary funds available for payment		
Money deposited with PBoC for payment		
Interbank deposit		
Interbank money		
II. Cash equivalents		
Wherein: bond investment matures within three months		
III. Closing balance of cash and cash equivalents	8,847,546,322.79	11,512,969,555.95
Wherein: cash and cash equivalents of parent company or subsidiaries inside the group subject to restrictions on use		

**IX. Commitments and contingences**

As of the date when the financial statements were approved for issuance, the company had no important undisclosed commitments that should be disclosed.

**X. Events after the balance sheet date**

As of December 31, 2020, the company has no matters after the balance sheet date that need to be disclosed.

**XI. Related Parties and Related-party Transactions**

**1. Details of the parent of the company**

Shareholder name	Registration place	Nature of business	Shareholding ratio in the company(%)	Percentage of voting power in the company(%)
The State-owned Assets Supervision and Administration Commission of Huaibei Municipal People's Government	Anhui huaibei	Management of state-owned property	100.00	100.00

**2. Subsidiaries**

Detailed in Note VII Business Combination and Consolidated Financial Statements.1 "Subsidiaries"

**3. Affiliates and Joint Ventures**

Detailed in Note VIII. 12. Long-term equity investments.

**XII. Note for Important Item in Parent Company's Financial Statements**

**1. Account receivable**

(1) Classification of account receivable:

Category	6/30/2021				Book value
	Book balance		Provision for bad debts		
	Sum	Percentage	Sum	Percentage	
Accounts receivable with significant single amount whose bad debts are provided individually					
Other receivables whose bad debts are provided according to the combination of credit risk characteristics	201,688,067.25	100.00	7,780,267.62	3.86	193,907,799.63
Accounts receivable with insignificant single amount whose bad					

Category	6/30/2021				
	Book balance		Provision for bad debts		Book value
	Sum	Percentage	Sum	Percentage	
debts are provided individually					
<b>Total</b>	<b>201,688,067.25</b>	<b>100.00</b>	<b>7,780,267.62</b>	<b>3.86</b>	<b>193,907,799.63</b>

(Continued)

Category	12/31/2020				
	Book balance		Provision for bad debts		Book value
	Sum	Percentage	Sum	Percentage	
Accounts receivable with significant single amount whose bad debts are provided individually					
Other receivables whose bad debts are provided according to the combination of credit risk characteristics	30,625,372.25	100.00	7,780,267.62	25.40	22,845,104.63
Accounts receivable with significant single amount whose bad debts are provided individually					
<b>Total</b>	<b>30,625,372.25</b>	<b>100.00</b>	<b>7,780,267.62</b>	<b>25.40</b>	<b>22,845,104.63</b>

(2) Provision for bad debts

Item	12/31/2020	Current increase	Current decrease		6/30/2021
			Reversed	Write-off	
Provision for bad debts of accounts receivable	7,780,267.62				7,780,267.62

(3) Receivables that are individually significant in amount and for which bad debt provision accrues and the end of year

Creditor	Debtor name	Book balance	Provision for bad debts	Account age	Percentage of accrual	Reasons for accrual
----------	-------------	--------------	-------------------------	-------------	-----------------------	---------------------

Huaibei Construction Investment Holding Group Co., Ltd	Liudong Coalmine	8,100,334.52	6,480,267.62	4-5 years	80.00	Already in the legal proceedings
Huaibei Construction Investment Holding Group Co., Ltd	Chenzhuang Iron Mine	1,300,000.00	1,300,000.00	4-5 years	100.00	Already in the legal proceedings
<b>Total</b>		<b>9,400,334.52</b>	<b>7,780,267.62</b>			

## 2. Other receivable

Item	6/30/2021	12/31/2020
Interests receivable		
Dividends receivable		
Other receivables	32,039,995,065.71	29,913,800,144.84
<b>Total</b>	<b>32,039,995,065.71</b>	<b>29,913,800,144.84</b>

(1) Other receivables

### ① Classification of other receivables:

Category	6/30/2021				Book value
	Book balance		Provision for bad debts		
	Sum	Percentage	Sum	Percentage	
Other receivables that are individually significant in amount and for which					
Other receivables whose bad debts are provided according to the	32,039,995,065.71	100.00			32,039,995,065.71
Other receivables that are individually insignificant in amount but for which					
<b>Total</b>	<b>32,039,995,065.71</b>	<b>100.00</b>			<b>32,039,995,065.71</b>

(Continued)

Category	12/31/2020				Book value
	Book balance		Provision for bad debts		
	Sum	Percentage	Sum	Percentage	
Other receivables that are individually significant in amount and for which					

Category	12/31/2020				Book value
	Book balance		Provision for bad debts		
	Sum	Percentage	Sum	Percentage	
Other receivables whose bad debts are provided according to the	29,913,800,144.84	100.00	-		29,913,800,144.84
Other receivables that are individually insignificant in amount but for which					
<b>Total</b>	<b>29,913,800,144.84</b>	<b>100.00</b>			<b>29,913,800,144.84</b>

② There was no provision, withdrawal or reversal of bad debt provision in the current period.

### 3. Long-term equity investments

#### (1) Classification of long-term equity investments

Item	12/31/2020	Increase in Jan to Jun, 2021	Decrease in Jan to Jun, 2021	6/30/2021
Investment in subsidiaries	20,677,541,950.30	758,424,851.49		21,435,966,801.79
Investments in affiliates and joint ventures	163,048,334.28			163,048,334.28
<b>Total</b>	<b>20,840,590,284.58</b>	<b>758,424,851.49</b>		<b>21,599,015,136.07</b>

#### (2) Details of long-term equity investments

Investee	12/31/2020	Current increase	Current decrease	6/30/2021	Current impairment provision
Huaibei City Public Utilities Asset Operation Co., Ltd.	2,139,145,878.21			2,139,145,878.21	
Huaibei Drainage Co., Ltd.	19,068,258.34			19,068,258.34	
Huaibei Construction Investment Co., Ltd.	3,621,516,380.25			3,621,516,380.25	
Huaibei Financial Holding Group Co., Ltd.	2,075,631,121.91			2,075,631,121.91	
Huaibei Tongchuang Financing Guarantee Co., Ltd.	201,580,000.00	254,530,000.00		456,110,000.00	
Huaibei Transportation	1,457,244,592.41			1,457,244,592.41	

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements the three months ended 30 June 2021

Investee	12/31/2020	Current increase	Current decrease	6/30/2021	Current impairment provision
n Investment Co., Ltd.					
Huaibei Central Lake Belt Construction Investment Development Co., Ltd.	791,901,509.22			791,901,509.22	
Anhui Linhuan Industrial Park Circular Economy Development Co., Ltd.	671,431,668.56	155,000,000.00		826,431,668.56	
Huaibei Industrial Investment Operation Co., Ltd.	51,166,707.21			51,166,707.21	
HuaibeiDongyu Construction Investment Group Co., Ltd.	5,086,312,721.18			5,086,312,721.18	
Huaibei Phoenix Mountain Industrial Group Co., Ltd.	2,242,759,474.38			2,242,759,474.38	
HuaibeiShengda Holding Group Co., Ltd.	2,310,783,638.63			2,310,783,638.63	
Huaibei Green Gold Industry Investment Co., Ltd.	9,000,000.00	348,894,851.49		357,894,851.49	
<b>Total</b>	<b>20,677,541,950.30</b>	<b>758,424,851.49</b>		<b>21,435,966,801.79</b>	

(3) Investments in affiliated companies

Investee	12/31/2020	Increase or Decrease in Jan to Jun, 2021				
		Additional investments	Reduced investments	Investment income or loss recognized under the equity method	Adjustment to other comprehensive income	Other equity changes
I. Affiliates						

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements the three months ended 30 June 2021

Huaibei Lianchuan Real Estate Development Co., Ltd	4,132,586.61					
CCMC Huaibei Investment & Development Co., Ltd	28,236,700.41					
Huaibei Anjian Investment Co., Ltd	130,679,047.26					
<b>Total</b>	<b>163,048,334.28</b>					

(Continued)

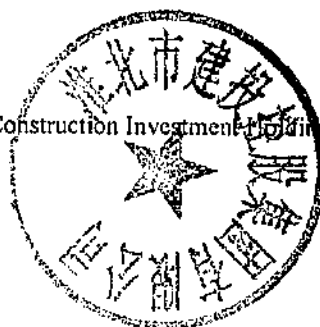
Investee	Increase or Decrease in Jan to Jun, 2021			Ending 6/30/2021	Ending balance of impairment provision at the end of Jun 2021
	Cash dividends or profits distributed	Impairment provision accrued	other		
1. Affiliates					
Huaibei Lianchuan Real Estate Development Co., Ltd				4,132,586.61	
CCMC Huaibei Investment & Development Co., Ltd				28,236,700.41	
Huaibei Anjian Investment Co., Ltd				130,679,047.26	
<b>Total</b>				<b>163,048,334.28</b>	

**4. Operating income and operating costs**

Item	Amount incurred in Jan to Jun, 2021		Amount incurred in Jan to Jun, 2020	
	Revenue	costs	Revenue	costs
Main business	177,427,529.25	74,513,850.00	317,230,188.68	129,038,000.00
Other business	100,368,086.74	148,070.02	161,456,775.69	110,639.29
<b>Total</b>	<b>277,795,615.99</b>	<b>74,661,920.02</b>	<b>478,686,964.37</b>	<b>129,148,639.29</b>

(there is no text following)

Company name: Huaibei City Construction Investment Holding Group Company Limited



**Huaibei City Construction Investment Holding Group  
Company Limited  
Audit Report  
2019 - 2020**

**Table of contents**

	Page
1. Audit Report	1-3
2. Consolidated Financial Position Statement	4-5
3. Consolidated income statement	6
4. Consolidated cash flow statement	7
5. Consolidated statement of changes in owner's equity	8-9
6. Balance Sheet	10-11
7. Income statement	12
8. Cash flow statement	13
9. Statement of Changes in Owners' Equity	14-15
10. Notes to Financial Statements	16-131

Client : Huaibei City Construction Investment Holding Group

Company Limited

Practitioner : Reanda Certified Public Accountants LLP (Special  
general partnership)

TEL: (010) 85886680

FAX: (010) 85886690

Official Website: <http://www.Reanda.com>

# Audit Report

Reanda Audit [2021] No.2045

**All shareholders of Huaibei City Construction Investment Holding Group Company Limited:**

## **I. Opinion**

We have audited the financial statements of Huaibei City Construction Investment Holding Group Company Limited (hereinafter referred to as "HCCIHG" or "the Company"), which comprise the consolidated balance sheet and the balance sheet of parent company as of 31 December 2019 and 2020, the consolidated income statement and the income statement of parent company, the consolidated statement of cash flow and the cash flow statement of parent company, the consolidated statement of changes in owners' equity and the statement of changes in owners' equity of parent company for the years ended 31 December 2019 and 2020 and notes to such financial statements.

In our opinion, the enclosed financial statements have been prepared in accordance with the ASBE (Accounting Standards for Business Enterprises) in every material aspect and present fairly the consolidated financial position and the financial position of parent company as of 31 December 2019 and 2020, the consolidated operating results, the operating results of parent company, the consolidated cash flows, and the cash flows of parent company for the years ended 31 December 2019 and 2020.

## **II. Basis of opinion**

We conducted the audit work in accordance with the auditing standards for certified public accountants in China. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. According to the Code of Ethics for Chinese Certified Public Accountants. We are independent of the company in accordance with the code of ethics for Chinese CPA and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **III. Other information**

The Company's management ("management") is responsible for other information. Other information includes information covered in company's 2019 and 2020 annual report, but excludes financial statements and our auditor's report.

Our audit opinion on the financial statements does not cover other information, nor do we express any form of assurance conclusion for other information.

In conjunction with our audit of the financial statements, our responsibility is to read other information and in the process consider whether other information contains any material inconsistency with the financial statements or our understanding in the audit process or seems

to contain any material misrepresentations.

Based on the work we conducted, if we are certain that other information contains any material misrepresentations, we should report such fact. In this regard, we have no matter to report.

#### **IV. Responsibilities of the management and those charged with governance for the financial statements.**

The Company's management is responsible for preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve fair presentation, and for designing, implementing, and maintaining internal control that is necessary to ensure the financial statements are free of material misstatements, whether due to frauds or error.

In preparing the financial statements, management of the Company is responsible for assessing the Company's ability to continue as a going concern, disclosing matters related to going concern (if applicable) and applying the going concern assumptions, unless the management either intends to liquidate the Company or to cease operations or has no other realistic alternative but to do so.

Those charged with governance are responsible for supervising the Company's financial reporting process.

#### **V. Auditor's responsibility for audit of financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high-level assurance but is not a guarantee that an audit conducted in accordance with the audit standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material, if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the audit standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatements of financial statements, whether due to fraud or error; design and perform audit procedure to responsive to these risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, omissions, misrepresentations, or the override of internal control.

(2) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management of the Company.

(4) Conclude on the appropriateness of using the going concern assumption by the management of the Company, and conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or if such disclosures are inadequate, to not express clean opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

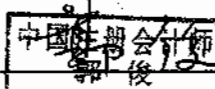
(6) Obtain sufficient and appropriate audit evidence with respect to the financial information about HCCIHG entities or their business activities in order to express audit opinion on financial statements. We are responsible for directing, supervising and implementing the Group's audit and assume full responsibility for the audit opinion.

We have communicated with those charged with governance about the scope of planned audit, schedule, and significant audit findings, among others, including the internal control defects identified by us in the audit that call for attention.



China·Beijing

Chinese CPA:   
(Project Partner):

Chinese CPA:   
110001540513

27 April 2021

# Consolidated Financial Position Statement

Prepared by: Hualbei City Construction Investment Holding Group Company Limited

Unit: RMB Yuan

Item	Note	12/31/2020	12/31/2019
<b>Current assets:</b>		—	—
Monetary funds	VII.1	11,436,105,928.48	7,290,811,898.60
Financial assets held for trading			
Financial assets at fair value through profit and loss	VII.2	1,946,094,707.17	110,998,327.27
Derivative financial assets			
Notes receivable	VII.3	14,648,000.00	22,400,000.00
Accounts receivable	VII.4	7,606,021,997.00	7,658,487,498.84
Accounts receivable financing			
Prepayments	VII.5	3,152,711,796.72	2,343,242,074.23
Other receivables	VII.6	11,773,840,550.48	12,975,238,382.47
Including: interest receivable		26,584,190.25	6,135,510.93
Dividend receivable			
Inventory	VII.7	18,795,723,861.49	13,850,922,787.20
Contract asset			
Assets held for selling			
Noncurrent assets due within a year	VII.8	1,003,096,760.23	611,711,955.99
Other current assets	VII.9	9,373,566,933.65	10,020,334,228.75
<b>Total current assets</b>		<b>65,101,810,535.22</b>	<b>54,884,147,153.35</b>
<b>Noncurrent assets:</b>		—	—
Investments in debt			
Financial assets available for sale	VII.10	2,217,563,384.75	2,104,882,618.53
Other investments in debt			
Held-to-maturity investments			
Long-term receivables	VII.11	832,341,060.68	706,966,938.31
Long-term equity investments	VII.12	3,271,809,724.80	2,238,302,278.66
Investments in other equity instruments			
Other noncurrent financial assets			
Investment property	VII.13	16,048,250,500.00	16,218,585,800.00
Fixed assets	VII.14	8,766,476,014.27	5,446,567,729.51
Works in progress	VII.15	15,296,873,784.77	15,421,836,150.70
Right to use assets			
Intangible assets	VII.16	12,109,850,685.71	12,086,133,949.49
Development expenditure			
Goodwill		316,024,678.80	316,024,678.80
Long-term unamortized expenses	VII.17	172,013,765.67	137,710,270.21
Deferred income tax assets	VII.18	35,543,541.67	20,731,871.15
Other noncurrent assets	VII.19	13,397,326,284.05	11,677,516,366.03
<b>Total noncurrent assets</b>		<b>72,456,073,425.17</b>	<b>66,375,258,649.39</b>
<b>Total assets</b>		<b>137,557,883,960.39</b>	<b>121,259,405,802.74</b>

# Consolidated Financial Position Statement(Continued)

Prepared by: Huabei City Construction Investment Holding Group Company Limited

Unit: RMB Yuan

Item	Note	12/31/2020	12/31/2019
<b>Current liabilities</b>		—	—
Short-term borrowings	VII.20	4,073,740,374.59	4,176,586,149.92
Financial assets held for liabilities			
Financial liabilities at fair value through profit and loss			
Derivative financial liabilities			
Notes payable	VII.21	382,395,490.13	631,597,528.45
Accounts payable	VII.22	487,814,851.89	572,478,791.80
Advance receipts	VII.23	1,510,332,214.22	781,943,958.01
Contractual liabilities			
Employee compensation payable	VII.24	28,560,859.05	19,871,715.47
Taxes payable	VII.25	2,154,703,078.42	1,881,290,966.57
Other payables	VII.26	4,532,128,899.02	5,322,974,266.37
Including: interest payable		75,467,879.31	72,223,778.61
Dividend payable		22,331,470.22	43,812,181.58
Noncurrent liabilities due within a year	VII.27	12,735,024,799.90	8,532,078,334.88
Other current liabilities	VII.28	178,551,174.91	149,812,806.53
<b>Total current liabilities</b>		<b>26,083,251,541.93</b>	<b>22,068,432,317.80</b>
<b>Noncurrent liabilities:</b>		—	—
Long-term borrowings	VII.29	22,452,860,852.48	20,911,400,048.05
Bonds payable	VII.30	17,651,550,457.28	12,525,516,598.65
Lease liability			
Long-term payables	VII.31	5,257,708,513.55	2,550,755,884.95
Long-term employee compensations			
Estimated liabilities			
Deferred income	VII.32	5,000,000.00	10,226,600.00
Deferred income tax liabilities	VII.18	2,028,588,009.63	1,949,249,773.70
Other noncurrent liabilities	VII.33	4,982,943,862.90	4,382,500,000.00
<b>Total noncurrent liabilities</b>		<b>52,358,651,495.83</b>	<b>42,329,648,905.35</b>
<b>Total liabilities</b>		<b>78,441,903,037.76</b>	<b>64,398,081,223.15</b>
<b>Owner's equity:</b>		—	—
Paid-in capital	VII.34	8,229,000,000.00	8,229,000,000.00
National capital		8,229,000,000.00	8,229,000,000.00
State-owned legal person's capital			
Collective capital			
Private capital			
Foreign capital			
Less: returned investment			
Net paid in capital		8,229,000,000.00	8,229,000,000.00
Other equity instruments	VII.35	1,198,160,000.00	1,198,160,000.00
Including: preferred shares			
Perpetual bonds		1,198,160,000.00	1,198,160,000.00
Capital reserve	VII.36	39,962,853,692.73	39,462,045,398.18
Less: treasury shares			
Other comprehensive income	VII.37	1,188,561,085.65	1,161,337,081.33
Special reserve	VII.38	13,720,482.53	12,503,952.82
Surplus reserve	VII.39	1,101,793,444.32	807,087,834.96
General risk allowance			
Undistributed profits	VII.40	3,027,911,421.88	1,691,608,096.97
<b>Total ownership interest attributable to parent company</b>		<b>54,702,000,127.12</b>	<b>52,561,742,362.28</b>
Minority shareholder's equity		4,413,980,795.51	4,299,582,217.33
<b>Total owner's equity</b>		<b>59,115,980,922.63</b>	<b>56,861,324,579.59</b>
<b>Total liabilities and owner's equity</b>		<b>137,557,883,960.39</b>	<b>121,259,405,802.74</b>

The notes to the financial statements on pages 16 to 131 are an integral part of the financial statements

The financial statements on pages 14 to 15 are signed by:

Company's legal representative:

Chief accountant:

Person in charge of the company:

Accounting organization:

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# Consolidated Income Statement

Prepared by: Suzhou City Construction Investment Holding Group Company Limited

Unit: RMB Yuan

	Note	2020 Year	2019 Year
I. Total operating income		12,789,771,344.53	12,012,035,565.62
Including: Operating income	VII.41	12,789,771,344.53	12,012,035,565.62
Interest income			
Dividends earned			
Handling charges and commission income			
II. Total operating costs		12,023,636,708.57	11,135,166,633.51
Including: Operating costs	VII.41	11,452,883,486.12	10,299,590,071.13
Taxes and surcharges	VII.42	61,131,439.97	58,053,966.29
Selling expenses	VII.43	39,716,041.22	52,184,808.14
Administrative expenses	VII.44	241,533,992.26	242,631,845.81
R&D expenses			
Financial expenses	VII.45	228,372,747.30	462,735,910.14
Including: Interest expense		168,183,802.93	440,173,337.66
Interest income		107,514,816.60	79,585,726.44
Gain or loss on foreign exchange transactions (net gain to be denoted by "-")		2,677,581.87	-47,400,602.51
Add: other income	VII.46	524,738,327.83	652,408,546.80
Investment income (loss to be denoted by "-")	VII.47	501,824,867.48	170,132,707.70
Including: income on investment in affiliates and joint ventures		374,014,363.88	143,160,738.10
Derecognition income of financial assets measured at amortized cost			
Exchange gains (loss to be denoted by "-")			
Net exposure hedge income (loss to be denoted by "-")			
Income from change in fair value (loss to be denoted by "-")	VII.48	267,491,129.31	312,600,344.63
Credit impairment loss (loss to be denoted by "-")			
Asset impairment loss (loss to be denoted by "-")	VII.49	-36,805,501.94	-11,340,927.60
Income from asset disposal (loss to be denoted by "-")	VII.50	150,524.36	932,843.17
III. Operating profits (losses to be denoted by "-")		2,043,633,962.49	2,001,500,478.81
Add: non-business income	VII.51	37,252,324.32	21,572,106.45
Less: non-business expenditure	VII.52	5,738,370.52	6,475,701.98
IV. Total profits (total losses to be denoted by "-")		2,075,147,936.29	2,016,596,881.28
Less: income tax expense	VII.53	278,214,120.27	362,214,057.27
V. Net profits (net losses to be denoted by "-")		1,796,933,816.02	1,654,382,824.01
(1) Classification by attribution of ownership		1,796,933,816.02	1,654,382,824.01
Net profits attributable to shareholders of parent company		1,720,367,413.60	1,459,665,044.54
Minority interest income or loss		76,566,402.42	194,717,779.47
(2) Classification by operational continuity		1,796,933,816.02	1,654,382,824.01
Net profits from continuous operations		1,796,933,816.02	1,654,382,824.01
Net profits from discontinued operations			
VI. After-tax net amount of other comprehensive income		13,992,316.98	23,595,204.28
After-tax net amount of other comprehensive income attributable to the owner of parent company		7,224,004.32	21,995,449.43
(1) Other comprehensive income that can not be reclassified to profit and loss			
1. Change in defined benefit plan re-measured			
2. Other comprehensive income that cannot be transferred to profit and loss under equity method			
3. Changes in the fair value of other equity instrument investments			
4. Changes in fair value of the enterprise's own credit risk			
5. Others			
(2) Other comprehensive income that will be reclassified to profit and loss		7,224,004.32	21,995,449.43
1. Other comprehensive income that can be transferred to profit and loss under equity method		7,224,004.32	21,995,449.43
2. Changes in the fair value of other debt investments			
3. Profit and loss from change in fair value of financial assets available for sale			
4. Amount of financial assets reclassified and included in other comprehensive income			
5. Profit and loss on reclassification of held-to-maturity investments as financial assets available for sale			
6. Other debt investment credit impairment reserves			
7. The effective portion of profit and loss on cash flow hedging			
8. Foreign-currency statement translation difference			
9. Others			
After-tax net other comprehensive income attributable to minority shareholders		6,668,311.66	1,599,754.85
VII. Total comprehensive income		1,810,826,132.00	1,677,978,028.29
Comprehensive income attributable to owner of parent		1,727,591,417.92	1,481,990,493.97
Total comprehensive income attributable to minority shareholders		85,234,714.08	195,987,534.32
VIII. Earnings per share			
Basic earnings per share			
Diluted earnings per share			

The notes to the financial statements on pages 16 to 131 are an integral part of the financial statements

The financial statements on pages 4 to 15 are signed by:

Chief accountant: Person in charge of the company's accounting department:

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# Consolidated Cash Flow Statement

Prepared by: Huaihai City Construction Investment Holding Group Company Limited

Unit: RMB Yuan

Item	Note	2020 Year	2019 Year
<b>I. Cash flow from operating activities:</b>		—	—
Cash received from goods sales and service provision		10,552,777,536.41	8,962,486,080.54
Received tax rebate		88,497,019.81	485,880.13
Other cash received related to operating activities	VII.54	8,126,731,956.43	9,067,965,296.97
<b>Subtotal cash inflow from operating activities</b>		<b>18,768,006,512.65</b>	<b>18,030,937,257.64</b>
Cash paid for goods purchase and service receiving		10,214,959,819.40	11,174,932,483.78
Cash paid to and for employees		210,431,939.55	237,629,750.81
Taxes and surtaxes paid		249,167,906.20	204,433,917.82
Paid other cash related to operating activities	VII.54	7,982,127,249.73	8,369,756,777.00
<b>Subtotal of cash outflow from operating activities</b>		<b>18,656,686,914.88</b>	<b>19,986,752,929.41</b>
<b>Net cash flow from operating activities</b>		<b>111,319,597.77</b>	<b>-1,955,815,671.77</b>
<b>II. Cash flow from investment activities</b>		—	—
Cash received for investment recovery		2,380,654,492.82	2,229,581,682.41
Cash received from investment incomes		63,769,596.86	67,669,274.56
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets.		7,261,334.52	
Received net cash from disposal of subsidiaries and other business units			
Other cash received related to investment activities	VII.54		597,022,672.93
<b>Subtotal of cash inflow from investment activities</b>		<b>2,451,685,424.20</b>	<b>2,884,173,629.90</b>
Cash paid for acquisition of property, plant and equipment intangible assets and other long-term assets		5,867,303,596.64	1,738,737,975.37
Cash paid for investment		4,233,906,335.48	2,849,180,284.63
Net increase in pledged loans			
Net cash received from subsidiaries and other business units			
Other cash paid related to investment activities	VII.54		13,003,073.14
<b>Subtotal cash outflow for investment activities</b>		<b>10,101,208,932.12</b>	<b>4,600,921,333.14</b>
<b>Net cash flow from investment activities</b>		<b>-7,649,523,507.92</b>	<b>-1,716,747,703.24</b>
<b>III. Cash flow from financing activities:</b>		—	—
Cash received from investment		854,076,900.00	350,235,000.00
Including: Cash received by subsidiaries from investment of minority shareholders		99,971,700.00	172,235,000.00
Cash from borrowings		23,025,391,960.24	18,789,225,000.00
Other cash received related to financing activities	VII.54	6,272,705,250.59	1,132,929,000.00
<b>Subtotal cash inflow from financing activities</b>		<b>30,152,174,110.83</b>	<b>20,272,389,000.00</b>
Cash repayments for debts		12,476,950,675.42	11,391,025,591.06
Cash paid for distribution of dividends and profits and payment of interests		2,906,876,938.92	2,521,842,481.35
Paid other cash related to financing activities	VII.54	3,251,770,520.35	2,753,575,689.71
<b>Subtotal cash outflow for financing activities</b>		<b>18,635,598,134.69</b>	<b>16,666,443,762.12</b>
<b>Net cash flow from financing activities</b>		<b>11,516,575,976.14</b>	<b>3,605,945,237.88</b>
<b>IV. Influence of exchange rate change on cash and cash equivalents</b>		<b>-2,637,845.68</b>	<b>12,487,560.31</b>
<b>V. New increase in cash and cash equivalents</b>		<b>3,975,734,420.31</b>	<b>-54,150,576.82</b>
Add: Opening balance of cash and cash equivalents		5,722,313,751.79	5,776,464,328.61
<b>VI. Closing balance of cash and cash equivalents</b>		<b>9,698,048,172.10</b>	<b>5,722,313,751.79</b>

The notes to the financial statements on pages 16 to 131 are an integral part of the financial statements

The financial statements on pages 4 to 15 are signed by:

Company legal representative:

Chief accountant:

Person in charge of the company's accounting:

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## Consolidated Statement of Changes in Owners' Equity

Prepared by: Huabei City Construction Investment Holding Group Company Limited

Unit: RMB Yuan

Item	2020 Year											Minority shareholder's equity	Total owner's equity	
	Owner's equity attributable to parent company													
	Paid-in capital	Other equity instruments			Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Subtotal			
	Preference stocks	Perpetual bonds	Others											
I. Balance at the end of previous year	8,228,000,000.00		1,198,190,000.00		39,462,045,396.18			1,161,337,061.33	12,503,952.82	807,087,834.96	1,091,608,096.97	52,561,742,362.26	4,299,582,217.33	56,861,324,579.59
Add: Changes in accounting policy														
Correction of previous errors														
Others														
II. Balance at the beginning of this year	8,228,000,000.00		1,198,160,000.00		39,462,045,396.18			1,161,337,061.33	12,503,952.82	807,087,834.96	1,091,608,096.97	52,561,742,362.26	4,299,582,217.33	56,861,324,579.59
III. Increase or decrease in current period (decrease to be denoted by "-")					500,808,296.55			7,224,004.32	1,218,529.71	294,705,809.36	1,336,303,324.92	2,140,257,764.86	114,398,578.18	2,254,656,343.04
(1) Total comprehensive incomes								7,224,004.32				1,720,367,413.00	1,727,581,417.92	1,612,826,132.00
(2) Capital invested and reduced by owner					500,808,296.55							500,808,296.55	100,951,700.00	601,759,996.55
1. Ordinary shares invested by owners					289,625,200.00							289,625,200.00	100,951,700.00	390,576,900.00
2. Capital invested by other equity instrument holders														
3. Amount of share-based payment charged to ownership interest														
4. Others					211,183,096.55							211,183,096.55		211,183,096.55
(3) Special reserve									1,218,529.71			1,216,529.71	734,458.86	1,950,988.57
1. Current accruals									3,979,787.05			5,079,787.05	2,714,313.12	8,694,100.17
2. Current utilization									-4,763,257.34			-4,763,257.34	-1,979,854.26	-6,743,111.60
(4) Profit distribution										294,705,809.36	-384,084,098.88	-89,358,478.32	-72,522,294.78	-181,880,774.68
1. Discretionary of surplus reserve										294,705,809.36	-294,705,809.36			
Including: statutory surplus reserve										294,705,809.36	-294,705,809.36			
free surplus reserve														
Reserve fund														
Enterprise expansion fund														
Capital redemption														
2. Discretionary of general risk reserve														
3. Distribution to owner													-89,358,478.32	-161,880,774.68
4. Others														
(5) Internal carry-forward of ownership interest														
1. Capital reserve transferred to capital														
2. Surplus reserve transferred to capital														
3. Surplus reserve for loss recovery														
4. Changes in defined benefit plans into retained earnings														
5. Other comprehensive income carried forward to retained earnings														
6. Others														
IV. Balance at the end of current period	8,228,000,000.00		1,198,160,000.00		39,962,853,692.73			1,168,561,065.65	13,720,482.53	1,101,793,444.32	3,027,911,421.89	54,702,000,127.12	4,413,980,795.51	59,115,980,922.63

The financial statements on pages 4 to 13 are signed by the Company's legal representative:


The notes to the financial statements on pages 16 to 18 are an integral part of the financial statements

Chief accountant:


Person in charge of the company:


Consolidated Statement of Changes in Owners' Equity (Continued)

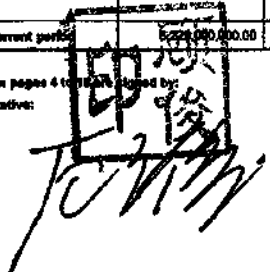
Prepared by: Huabei City Construction Investment Holding Group Company Limited

Unit: RMB Yuan

Item	2019 Year												
	Owner's equity attributable to parent company										Minority shareholder's equity	Total owner's equity	
	Paid-in capital	Preferred shares	Other equity instruments		Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits			Subtotal
		Perpetual bonds	Others										
I. Balance at the end of previous year	1,628,000,000.00		1,198,160,000.00		19,290,889,367.08		1,138,341,631.00	8,952,828.88	443,875,206.80	7,102,031,511.89	31,013,330,568.65	3,620,518,430.82	34,633,848,997.27
Add: Changes in accounting policy													
Correction of previous errors													
Others													
II. Balance at the beginning of this year	1,628,000,000.00		1,198,160,000.00		19,290,889,367.08		1,138,341,631.00	8,952,828.88	443,875,206.80	7,102,031,511.89	31,013,330,568.65	3,620,518,430.82	34,633,848,997.27
III. Increase or decrease in current period (decrease to be denoted by "-")	6,400,000,000.00				20,171,178,008.10		21,995,449.43	2,551,123.94	363,112,828.88	-5,410,423,414.92	21,548,411,795.61	478,082,788.71	22,027,474,882.32
(1) Total comprehensive incomes							21,995,449.43			1,459,895,044.54	1,481,890,493.97	195,987,634.32	1,677,878,028.29
(2) Capital invested and reduced by owner	6,400,000,000.00				20,171,178,008.10						26,571,178,008.10	325,890,850.00	26,897,068,858.10
1. Ordinary shares invested by owners	6,400,000,000.00										6,400,000,000.00	325,890,850.00	6,725,890,850.00
2. Capital invested by other equity instrument holders													
3. Amount of share-based payment charged to ownership interest													
4. Others					20,171,178,008.10						20,171,178,008.10		20,171,178,008.10
(3) Special reserve								2,551,123.94			2,551,123.94	1,072,350.41	3,623,474.35
1. Current accounts								5,451,881.30			5,451,881.30	2,343,177.50	7,795,058.80
2. Current utilization								-2,900,757.36			-2,900,757.36	-1,268,827.09	-4,170,584.45
(4) Profit distribution									363,112,828.88	-4,870,418,458.46	-4,507,305,631.40	-43,888,748.02	-4,551,194,379.42
1. Discretionary of surplus reserve									363,112,828.88	-363,112,828.88			
Including: statutory surplus reserve									363,112,828.88	-363,112,828.88			
free surplus reserve													
Reserve fund													
Enterprise expansion fund													
Capital redemption													
2. Discretionary of general risk reserve													
3. Distribution to owner										-4,507,305,631.40	-4,507,305,631.40	-43,888,748.02	-4,551,194,379.42
4. Others													
(5) Internal equity-forward of ownership interest													
1. Capital reserve transfers to capital													
2. Surplus reserve transferred to capital													
3. Surplus reserve for loss recovery													
4. Changes in defined benefit plans into defined contribution													
5. Other comprehensive income carried forward to retained earnings													
6. Others													
IV. Balance at the end of current period	8,028,000,000.00		1,198,160,000.00		39,462,067,375.18		1,160,337,080.43	12,503,952.82	807,088,035.68	1,691,608,096.97	52,561,742,362.26	4,299,582,217.33	56,861,324,579.59

The notes to the financial statements on pages 14 to 131 are an integral part of the financial statements.

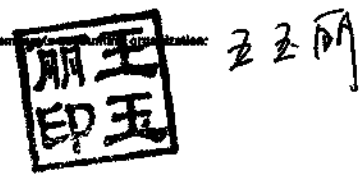
The financial statements on pages 4 to 131 are signed by:  
Company's legal representative:



Chief accountant:



Person in charge of the company's financial organization:



# Financial Position Statement

Prepared by: Hualbei City Construction Investment Holding Group Company Limited

Unit: RMB Yuan

Item	Note	12/31/2020	12/31/2019
<b>Current assets:</b>		—	—
Monetary funds		3,552,712,786.42	1,681,680,100.04
Financial assets held for trading			
Financial assets at fair value through profit and loss		1,540,000,000.00	
Derivative financial assets			
Notes receivable			
Accounts receivable	XI.1	22,845,104.63	455,218,553.53
Accounts receivable financing			
Prepayments		153,077,089.68	153,077,089.68
Other receivables	XI.2	29,913,800,144.84	25,490,515,623.54
Including: interest receivable			
Dividend receivable			
Inventory		370,517,732.69	370,517,732.69
Contract asset			
Assets held for selling			
Noncurrent assets due within a year			
Other current assets		1,568,719,874.19	2,474,051,507.71
<b>Total current assets</b>		<b>37,121,672,732.45</b>	<b>30,625,060,607.19</b>
<b>Noncurrent assets:</b>		—	—
Investments in debt			
Financial assets available for sale		769,762,687.28	789,262,687.28
Other investments in debt			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	XI.3	20,840,590,284.58	20,418,507,785.58
Investments in other equity instruments			
Other noncurrent financial assets			
Investment property		5,409,422,900.00	6,432,993,400.00
Fixed assets		2,215,724,634.12	972,999,157.42
Works in progress		8,913,024,459.78	7,765,029,696.40
Intangible assets			
Development expenditure			
Goodwill			
Long-term unamortized expenses			
Deferred income tax assets		1,945,066.91	1,945,066.91
Other noncurrent assets			
<b>Total noncurrent assets</b>		<b>38,150,470,032.67</b>	<b>36,380,737,793.59</b>
<b>Total assets</b>		<b>75,272,142,765.12</b>	<b>67,005,798,400.78</b>

# Financial Position Statement (Continued)

Prepared by: Huabei City Construction Investment Holding Group Company Limited

Unit: RMB Yuan

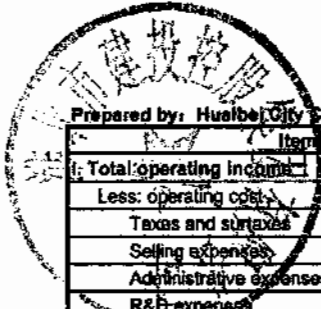
Item	Note	12/31/2020	12/31/2019
<b>Current liabilities</b>		—	—
Short-term borrowings		2,175,000,000.00	2,848,500,000.00
Financial assets held for liabilities			
Financial liabilities at fair value through profit and loss			
Derivative financial liabilities			
Notes payable		12,000,000.00	57,990,000.00
Accounts payable		893,575.87	92,440,514.88
Advance receipts		1,646,785.00	9,334,750.00
Contractual liabilities			
Employee compensation payable		81,987.10	87,595.00
Taxes payable		998,133,748.47	944,651,863.75
Other payables		1,224,029,974.09	3,308,058,161.44
Including: interest payable			
Dividend payable			
Liabilities held for sale			
Noncurrent liabilities due Within a year		9,090,712,276.09	6,618,161,633.33
Other current liabilities			
<b>Total current liabilities</b>		<b>13,502,498,346.62</b>	<b>13,880,224,518.40</b>
<b>Noncurrent liabilities:</b>		—	—
Long-term borrowings		2,474,871,400.00	2,333,603,366.67
Bonds payable		17,601,550,457.26	12,525,516,598.65
Lease liability		2,045,627,060.42	1,380,492,322.16
Long-term payables			
Long-term employee compensations			
Estimated liabilities			
Deferred income		648,484,242.27	615,650,346.36
Deferred income tax liabilities		3,635,650,000.00	2,619,000,000.00
<b>Total noncurrent liabilities</b>		<b>26,404,183,159.95</b>	<b>19,474,262,833.84</b>
<b>Total liabilities</b>		<b>39,906,681,506.57</b>	<b>33,354,487,152.24</b>
<b>Owner's equity:</b>		—	—
Paid-in capital		8,229,000,000.00	8,229,000,000.00
National capital		8,229,000,000.00	8,229,000,000.00
State-owned legal person's capital			
Collective capital			
Private capital			
Foreign capital			
Less: returned investment			
Net paid in capital		8,229,000,000.00	8,229,000,000.00
Other equity instruments		1,198,160,000.00	1,198,160,000.00
Including: preferred shares			
Perpetual bonds		1,198,160,000.00	1,198,160,000.00
Capital reserve		21,797,018,855.41	22,943,924,939.04
Less: treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve		1,101,793,444.32	807,087,834.96
Undistributed profits		3,039,488,958.82	473,138,474.54
<b>Total owner's equity</b>		<b>35,365,461,258.55</b>	<b>33,651,311,248.54</b>
<b>Total liabilities and owner's equity</b>		<b>75,272,142,765.12</b>	<b>67,005,798,400.78</b>

The notes to the financial statements on pages 16 to 131 are an integral part of the financial statements

The financial statements on pages 4 to 15 are signed by:

Company's legal representative:  Chief accountant: 

Person in charge of the company's financial reporting:  Financial manager: 



## Income Statement

Prepared by: Hualong Construction Investment Holding Group Company Limited		Unit: RMB Yuan	
Item	Note	2020 Year	2019 Year
I. Total operating income	XI.4	808,558,688.56	690,813,207.75
Less: operating cost	XI.4	49,544,894.82	5,265,118.95
Taxes and surtaxes		2,417,593.17	3,731,663.63
Selling expenses			
Administrative expenses		35,767,664.23	42,976,956.63
R&D expenses			
Financial expenses		139,600,158.59	296,703,073.81
Including: Interest expense		50,043,553.10	234,427,843.91
Interest income		67,904,227.84	32,972,062.25
Gain or loss on foreign exchange transactions (net gain to be denoted by "-")			
Others			
Add: other income		418,239,832.37	545,138,692.00
Investment income (loss to be denoted by "-")	XI.5	1,897,311,225.35	2,762,822,599.18
Including: income on investment in affiliates and joint ventures		13,716,274.97	16,512,599.18
Derecognition income of financial assets measured at amortized cost			
Net exposure hedge income (loss to be denoted by "-")			
Income from change in fair value (loss to be denoted by "-")		123,335,583.63	93,269,157.59
Credit impairment loss (loss to be denoted by "-")			
Asset impairment loss (loss to be denoted by "-")			
Income from asset disposal (loss to be denoted by "-")			
II. Operating profits (losses to be denoted by "-")		3,018,112,199.10	3,743,366,841.60
Add: non-business income		318,379.91	62,617.15
Including: Government subsidies			
Less: non-business expenditure		103,663.80	4,556,394.58
III. Total profits (total losses to be denoted by "-")		3,018,328,915.21	3,738,871,264.07
Less: income tax expense		71,270,821.57	107,744,983.45
IV. Net profits (net losses to be denoted by "-")		2,947,058,093.64	3,631,126,280.62
1. Net profit from going concern (losses to be denoted by "-")			
2. Net profit from discontinued operations (losses to be denoted by "-")			
V. After-tax net amount of other comprehensive income			
(1) Other comprehensive income that can not be reclassified to profit and loss			
1. Change in defined benefit plan re-measured			
2. Other comprehensive income that cannot be transferred to profit and loss under equity method			
3. Changes in the fair value of other equity instrument investments			
4. Changes in fair value of the enterprise's own credit risk			
5. Others			
(2) Other comprehensive income that will be reclassified to profit and loss			
1. Other comprehensive income that can be transferred to profit and loss under equity method			
2. Changes in the fair value of other debt investments			
3. Profit and loss from change in fair value of financial assets available for sale			
4. Amount of financial assets reclassified and included in other comprehensive income			
5. Profit and loss on reclassification of held-to-maturity investments as financial assets available for			
6. Other debt investment credit impairment			
7. The effective portion of profit and loss on cash flow hedging			
8. Foreign-currency statement translation difference			
9. Others			
VI. Total comprehensive income		2,947,058,093.64	3,631,126,280.62
VII. Earnings per share			
Basic earnings per share			
Diluted earnings per share			

The notes to the financial statements on pages 10 to 13 are an integral part of the financial statements.

The financial statements on pages 4 to 15 are signed by: Company's legal representative: Chief accountant: Person in charge of the company's accounting: \_\_\_\_\_

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# Cash Flow Statement

Prepared by: Huaibei City Construction Investment Holding Group Company Limited

Unit: RMB Yuan

Item	Note	2020 Year	2019 Year
<b>I. Cash flow from operating activities:</b>			
Cash received from goods sales and service provision		2,069,623,381.61	1,532,763,499.72
Received tax rebate		21,516,929.33	1,548.11
Other cash received related to operating activities		11,924,832,675.00	14,676,622,724.84
<b>Subtotal cash inflow from operating activities</b>		<b>14,015,972,985.94</b>	<b>16,209,387,772.67</b>
Cash paid for goods purchase and service receiving		205,134,672.21	18,542,532.45
Cash paid to and for employees		26,424,199.50	19,696,223.55
Taxes and surtaxes paid		3,558,730.05	22,864,916.19
Paid other cash related to operating activities		15,644,987,912.95	19,369,990,569.55
<b>Subtotal of cash outflow from operating activities</b>		<b>15,880,105,514.71</b>	<b>19,431,094,241.74</b>
<b>Net cash flow from operating activities</b>		<b>-1,864,132,528.77</b>	<b>-3,221,706,469.07</b>
<b>II. Cash flow from investment activities</b>			
Cash received for investment recovery		739,500,000.00	720,000,000.00
Cash received from investment incomes		103,026,064.24	310,000.00
Net cash recovered from disposal of fixed assets, intangible assets and other long-term assets.			
Received net cash from disposal of subsidiaries and other business units			
Other cash received related to investment activities			
<b>Subtotal of cash inflow from investment activities</b>		<b>842,526,064.24</b>	<b>720,310,000.00</b>
Cash paid for acquisition of property, plant and equipment intangible assets and other long-term assets		2,218,618,408.77	708,896,260.48
Cash paid for investment		1,628,503,100.00	981,796,900.00
Net cash received from subsidiaries and other business			
Other cash paid related to investment activities			
<b>Subtotal cash outflow for investment activities</b>		<b>3,847,121,508.77</b>	<b>1,690,693,160.48</b>
<b>Net cash flow from investment activities</b>		<b>-3,004,595,444.53</b>	<b>-970,383,160.48</b>
<b>III. Cash flow from financing activities:</b>			
Cash received from investment			
Cash from borrowings		15,423,246,391.88	14,495,765,000.00
Other cash received related to financing activities		2,984,000,000.00	210,000,000.00
<b>Subtotal cash inflow from financing activities</b>		<b>18,407,246,391.88</b>	<b>14,705,765,000.00</b>
Cash repayments for debts		8,858,725,000.00	9,141,195,000.00
Cash paid for distribution of dividends and profits and payment of interests		1,830,787,486.50	1,640,052,260.18
Paid other cash related to financing activities		910,991,585.65	1,217,233,145.29
<b>Subtotal cash outflow for financing activities</b>		<b>11,600,504,072.15</b>	<b>11,998,480,405.47</b>
<b>Net cash flow from financing activities</b>		<b>6,806,742,319.73</b>	<b>2,707,284,594.53</b>
<b>IV. Influence of exchange rate change on cash and cash equivalents</b>			
		-2,473,157.66	29,934,081.41
<b>V. New increase in cash and cash equivalents</b>			
		1,935,541,188.77	-1,454,870,953.61
Add: Opening balance of cash and cash equivalents		1,096,512,597.65	2,551,383,551.26
<b>VI. Closing balance of cash and cash equivalents</b>			
		<b>3,032,053,786.42</b>	<b>1,096,512,597.65</b>

The notes to the financial statements on pages 16 to 131 are an integral part of the financial statements

The financial statements on pages 4 to 15 are signed by:

Company's legal representative:  Chief accountant:  Person in charge of the company's accounting organization: 



## Changes in Owners' Equity

Prepared by: Huabei City Construction Investment Holding Group Company Limited

Unit: RMB Yuan

Item	2020 Year					Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owner's equity
	Paid-in capital	Other equity instruments			Reference stocks							
		Perpetual bonds	Others									
I. Balance at the end of previous year	8,229,000,000.00	1,198,160,000.00				22,943,924,939.04				807,087,834.96	473,138,474.54	33,651,311,248.54
Add: Changes in accounting policy												
Correction of previous errors												
Others												
II. Balance at the beginning of this year	8,229,000,000.00	1,198,160,000.00				22,943,924,939.04				807,087,834.96	473,138,474.54	33,651,311,248.54
III. Increase or decrease in current period (decrease to be denoted by "-")						-1,146,906,083.63				294,705,609.36	2,566,360,484.26	1,714,150,010.01
(1) Total comprehensive incomes											2,947,056,093.64	2,947,056,093.64
(2) Capital invested and reduced by owner						-1,146,906,083.63						-1,146,906,083.63
1. Ordinary shares invested by owners												
2. Capital invested by other equity instrument holders												
3. Amount of share-based payment charged to ownership interest												
4. Others						-1,146,906,083.63						-1,146,906,083.63
(3) Special reserve												
1. Current accruals												
2. Current utilization												
(4) Profit distribution										294,705,609.36	-380,705,609.36	-86,000,000.00
1. Discretionary of surplus reserve										294,705,609.36	-294,705,609.36	
including: statutory surplus reserve										294,705,609.36	294,705,609.36	
free surplus reserve												
Reserve fund												
Enterprise expansion fund												
Capital redemption												
2. Distribution to owner											-86,000,000.00	-86,000,000.00
3. Others												
(5) Internal carry-forward of ownership interest												
1. Capital reserve transferred to capital												
2. Surplus reserve transferred to capital												
3. Surplus reserve for loss recovery												
4. Changes in defined benefit plans into retained earnings												
5. Other comprehensive income carried forward to retained earnings												
6. Others												
IV. Balance at the end of current period	8,229,000,000.00	1,198,160,000.00				21,797,018,855.41				1,101,793,444.32	3,039,488,958.82	35,385,461,258.55

The notes to the financial statements on pages 16 to 131 are an integral part of the financial statements

The financial statements on pages 12 to 15 are signed by:  
Company's legal representative:

Chief accountant:

Person in charge of the company's accounting:

## Changes in Owners' Equity (Continued)

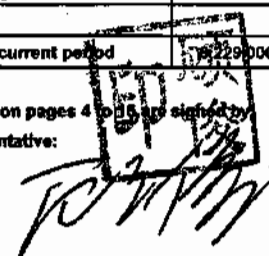
Prepared by: Huaibei City Construction Investment Holding Group Company Limited

Unit: RMB Yuan

Item	2019 Year									
	Paid-in capital	Other equity instruments	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owner's equity	
	Preferred stocks	Perpetual bonds	Others							
I. Balance at the end of previous year	1,829,000,000.00		1,198,160,000.00		15,774,562,721.56			443,975,206.90	3,705,124,821.98	22,950,822,750.44
Add: Changes in accounting policy										
Correction of previous errors										
Others										
II. Balance at the beginning of this year	1,829,000,000.00		1,198,160,000.00		15,774,562,721.56			443,975,206.90	3,705,124,821.98	22,950,822,750.44
III. Increase or decrease in current period (decrease to be denoted by "-")	6,400,000,000.00				7,169,382,217.48			363,112,628.06	-3,231,986,347.44	10,700,488,498.10
(1) Total comprehensive incomes									3,631,126,280.62	3,631,126,280.62
(2) Capital invested and reduced by owner	6,400,000,000.00				7,169,382,217.48					13,569,382,217.48
1. Ordinary shares invested by owners	6,400,000,000.00									6,400,000,000.00
2. Capital invested by other equity instrument holders										
3. Amount of share-based payment charged to ownership interest										
4. Others					7,169,382,217.48					7,169,382,217.48
(3) Special reserve										
1. Current accruals										
2. Current utilization										
(4) Profit distribution								363,112,628.06	-6,863,112,628.06	-6,500,000,000.00
1. Discretionary of surplus reserve								363,112,628.06	-363,112,628.06	
Including: statutory surplus reserve								363,112,628.06	-363,112,628.06	
free surplus reserve										
Reserve fund										
Enterprise expansion fund										
Capital redemption										
2. Distribution to owner									-6,500,000,000.00	-6,500,000,000.00
3. Others										
(5) Internal carry-forward of ownership interest										
1. Capital reserve transferred to capital										
2. Surplus reserve transferred to capital										
3. Surplus reserves for loss recovery										
4. Changes in defined benefit plans into retained earnings										
5. Other comprehensive income carried forward to retained earnings										
6. Others										
IV. Balance at the end of current period	8,229,000,000.00		1,198,160,000.00		22,943,924,939.04			807,087,834.96	473,138,474.54	33,651,311,248.54

The notes to the financial statements on pages 16 to 131 are an integral part of the financial statements

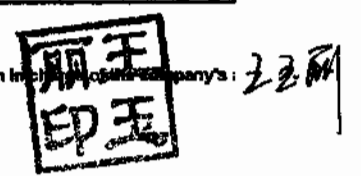
The financial statements on pages 4 to 25 are signed by  
Company's legal representative:



Chief accountant:



Person in charge of the company's:



## **Huaibei City Construction Investment Holding Group Company Limited**

### **Notes to Financial Statements**

**From January 1, 2019 to 31 December 2020**

(Except as otherwise specifically indicated, all amounts are in RMB Yuan)

#### **I. Company Profile**

##### **1. Company Profile**

Huaibei City Construction Investment Holding Group Company Limited (hereinafter, "this company" or "company") was solely funded and established by the State-owned Assets Supervision and Administration Commission of Huaibei Municipal People's Government with the approval by the "Notice on Establishment of Preparatory Work Leadership Group for Huaibei Construction Investment Holding Co., Ltd" issued by the Office of Huaibei Municipal People's Government (Huaizhengbanmi [2008] No. 39) in April 2008. The company's unified social credit code is 91340600674222101E. Its registered capital is 100,000,000.00 Yuan and paid-in capital is 100,000,000.00 Yuan.

Legal representative: Gu Jun;

Registered capital: RMB 8,229 million;

Business type: limited liability company (a sole proprietorship of a legal person that is not invested or controlled by a natural person);

Industry: business service industry;

Business period: 2008-04-24 to no fixed period;

Registered address: No. 56, Binhe Road, New District, Huaibei Economic Development Zone;

The company's scope of business: participation in urban development, public service construction, transportation operation management, cultural tourism development, investment, financing, construction, operation and management of urban infrastructure, basic industries, basic agriculture, energy, transportation and municipal public utilities; engagement in operation and management of state-owned assets and capital operation within the scope of authorization, conduct of project investment management, asset income management, property supervision and management, asset reorganization and operation; participation in real estate development. (Business items subject to approval according to law may not be conducted without the approval of competent authorities).

##### **2. Corporate history**

On April 24, 2008, the company obtained the Business License of Business Entity issued by Huaibei Municipal Administration of Industry and Commerce (registration No: 340600000014672). The company's registered capital is RMB 60 million Yuan, and was verified by Anhui Shicheng Certified Public Accountants, LLP, which issued a capital verification report Wanshichengkuaiyan [2008] No. 046. The company's registered address is 62, Huaihai Middle Road, Huaibei City, and its scope of business is as follows: investment, financing, construction, operation and management of urban infrastructure, basic industries, basic agriculture, energy, transportation and municipal public utilities; management and implementation of government-funded investment projects and operation of governmental assets and resources; participation in land planning, banking, consolidation and ripening businesses; management of state-owned assets and capital operation within the scope of authorization made by the government.

The shareholding structure of the company upon its incorporation is as follows:

SN	Shareholder name	Registered amount (10,000 yuan)	Registered amount (10,000 yuan)	Registered percentage (%)
1	State-owned Assets Supervision and Administration Commission of Huaibei Municipal People's Government	6,000.00	6,000.00	100.00
<b>Total</b>		<b>6,000.00</b>	<b>6,000.00</b>	<b>100.00</b>

On December 16, 2008, the company held a general meeting to adopt the following resolution: to better conduct business operation activities, 1 billion Yuan in the existing provident fund shall and is hereby transferred to the registered capital, resulting in the company's registered capital of 1060 million Yuan, with the original shareholder the State-owned Assets Supervision and Administration Commission of Huaibei Municipal People's Government to perform the duties of capital contributor.

This capital increase was examined and verified by Anhui Shicheng Certified Public Accountants, LLP, which issued a capital verification report "Wanshichengkuaiyan [2008] No.053". With the approval of Huaibei Municipal Administration of Industry and Commerce, the company's registered capital was increased to 1060 million Yuan.

After this change, the company's shareholding structure is as follows:

SN	Shareholder name	Registered amount (10,000 yuan)	Registered amount (10,000 yuan)	Registered percentage (%)
1	State-owned Assets Supervision and Administration Commission of Huaibei Municipal People's Government	106,000.00	106,000.00	100.00
<b>Total</b>		<b>106,000.00</b>	<b>106,000.00</b>	<b>100.00</b>

On November 4, 2015, according to the document issued by the SSAC of Huaibei Municipal People's Government (Huaiguozichanquan [2015] No.34), the company's shareholder the SASAC of Huaibei Municipal People's Government increased the registered capital with monetary funds of RMB

300 million Yuan, whereupon the company's registered capital was 1360 million Yuan, which was verified by Anhui Shicheng Certified Public Accountants, LLP, which issued a capital verification report "Wanshichengkuaiyan 【2015】 No. 019".

After this change, the company's shareholding structure is as follows:

SN	Shareholder name	Registered amount (10,000 yuan)	Registered amount (10,000 yuan)	Registered percentage (%)
1	State-owned Assets Supervision and Administration Commission of Huaibei Municipal People's Government	136,000.00	136,000.00	100.00
<b>Total</b>		<b>136,000.00</b>	<b>136,000.00</b>	<b>100.00</b>

On March 24, 2017, according to the document issued by the SASAC of Huaibei Municipal People's Government (Huaiguozichanquan 【2017】 No.5), the company's shareholder the SASAC of Huaibei Municipal People's Government agreed to make additional investment of 100 million Yuan in the company, whereupon the company's registered capital was 1460 million Yuan.

According to the document issued by the SASAC of Huaibei Municipal People's Government (Huaiguozichanquan 【2017】 No.9), the company's shareholder the SASAC of Huaibei Municipal People's Government agreed to make additional investment of 369 million Yuan in the company, whereupon the company's registered capital was 1829 million Yuan.

After this change, the company's shareholding structure is as follows:

SN	Shareholder name	Registered amount (10,000 yuan)	Registered amount (10,000 yuan)	Registered percentage (%)
1	State-owned Assets Supervision and Administration Commission of Huaibei Municipal People's Government	182,900.00	182,900.00	100.00
<b>Total</b>		<b>182,900.00</b>	<b>182,900.00</b>	<b>100.00</b>

On March 24, 2019, according to the document issued by the SASAC of Huaibei Municipal People's Government (Huaiguozichanquan 【2019】 No. 6), the company transferred its undistributed profits of 3000 million Yuan to its registered capital, whereupon the company's registered capital was 4829 million Yuan.

After this change, the company's shareholding structure is as follows:

SN	Shareholder name	Registered amount (10,000 yuan)	Registered amount (10,000 yuan)	Registered percentage (%)
1	State-owned Assets Supervision and Administration Commission of Huaibei Municipal People's Government	482,900.00	482,900.00	100.00
<b>Total</b>		<b>482,900.00</b>	<b>482,900.00</b>	<b>100.00</b>

On May 27, 2019, according to the document issued by the SASAC of Huaibei Municipal People's Government (Huaiguozichanquan 【2019】 No.19), the company transferred its

undistributed profits of 3400 million Yuan to its registered capital, whereupon the company's registered capital was 8229 million Yuan.

After this change, the company's shareholding structure is as follows:

SN	Shareholder name	Registered amount (10,000 yuan)	Registered amount (10,000 yuan)	Registered percentage (%)
1	State-owned Assets Supervision and Administration Commission of Huaibei Municipal People's Government	822,900.00	822,900.00	100.00
<b>Total</b>		<b>822,900.00</b>	<b>822,900.00</b>	<b>100.00</b>

## II. Basis of preparation of financial statements

The financial statements of the company have been prepared on the assumption of going concern and based on the actual transactions and events according to the disclosure provisions of the "Enterprise Accounting Standards-Basic Standards" (Promulgated by Order No. 33 of the Ministry of Finance and Amended by Order No. 76 of the Ministry of Finance) and specific accounting standards, guidelines for application of enterprise accounting standards, interpretation of enterprise accounting standards and other related provisions issued by the Ministry of Finance on February 15, 2006 and thereafter (hereinafter collectively, "Enterprise Accounting Standards").

## III. Statement of Compliance with Accounting Standards for Business Enterprises

This financial statement complies with the requirements of the Accounting Standards for Business Enterprises, and truly and completely reflects the company's financial status as of 31 December 2019 and 2020, the 2019 and 2020 operating results and cash flow and other relevant information.

## IV. Key accounting policies and accounting estimates of the company

### 1. Accounting period

The company's accounting period is divided into annual and interim periods. Interim accounting periods refer to reporting periods shorter than a complete fiscal year. The company's fiscal year adopts the Gregorian calendar year, that is, from January 1 to December 31 each year.

### 2. Accounting Standard Currency

RMB is the currency in the main economic environment in which the company and its domestic subsidiaries operate. The company and domestic subsidiaries use Renminbi as the standard currency for bookkeeping. The currency used by the company in preparing these financial statements is RMB.

### **3. Accounting basis and pricing principles**

According to the relevant provisions of the Accounting Standards for Business Enterprises, the company's accounting is based on the accrual system. Except for certain financial instruments and investment real estate, the financial statements are based on historical cost. If an asset is impaired, the corresponding provision for impairment shall be made in accordance with relevant regulations.

### **4. Business combination**

Business combination refers to a transaction or event that combines two or more separate enterprises into one reporting entity. Business combination consists of business combination under common control and business combination not under common control.

#### **(1) Business combination under common control**

Business combination under common control arises when enterprises participating in business combination are ultimately controlled by one and the same party or the same multiple parties and such control is not temporary. For business combination under common control, the party that acquires control of other enterprises participating in the combination at the combination date is the combining party, while other enterprises participating in combination are the combined parties. Combination date refers to the date when the combining party actually acquires the control of the combined parties.

The assets and liabilities acquired by the combining party in business combination are all measured at book value of assets and liabilities of the combined parties at the combination date. The capital reserve (share capital premium) is adjusted by the difference between the book value of net assets acquired by the combining party and the book value of consideration paid (or the total nominal value of shares issued); retained earnings are adjusted if the capital reserve (share capital premium) is insufficient for offsetting purposes.

Various direct costs incurred by the combining party to conduct business combination are charged to the current profit and loss as and when incurred.

#### **(2) Business combination not under common control**

Business combination not under common control arises when enterprises participating in combination are not ultimately controlled by one and the same party or the same multiple parties before and combination. For business combination not under common control, the party that acquires the control of other enterprises participating in combination at the combination date is the purchasing party, while other enterprises participating in the combination are the purchased parties. The purchase date refers to the date when the purchasing party actually acquires the control of the purchased parties.

For business combination not under common control, the combination cost comprises the fair value of assets paid out, liabilities incurred or assumed and the equity securities issued by the purchasing party to acquire the control of the purchased parties at the purchase date, with the audit, legal service, appraisal consulting and other intermediary fees and other management expenses incurred for business combination charged to the current profit and loss as and when incurred. The transaction costs of equity securities or debt securities issued by the purchasing party as the consideration for combination are charged to the initially recognized amount of the equity securities or debt securities. The contingent consideration involved is charged to the combination costs at its fair value at the purchase date, and the combination goodwill is adjusted accordingly if the contingent consideration needs to be adjusted due to new or further evidence of circumstances preexisting at the purchase date that appears within 12 months of the purchase date. The combination costs incurred at the purchase date and the identifiable net assets acquired in combination are measured at fair value at the purchase date. The difference of the combination costs larger than the share of fair value of identifiable net assets of the purchased parties acquired in the combination is recognized as goodwill. Where the combination costs are less than the share of fair value of identifiable net assets of the purchased parties acquired in the combination, the fair value of all identifiable assets and liabilities or contingent liabilities of the purchased parties acquired and the measurement of combination costs are first reviewed, whereupon the resulting difference is charged to the current profit and loss if the combination costs remain less than the share of fair value of identifiable net assets of the purchased parties acquired in the combination after review.

Where the deductible temporary difference of the purchased party acquired by the purchasing party is not recognized due to incompliance with the conditions for recognition of deferred income tax assets at the purchase date, in 12 months after the purchase date, if new or further information acquired indicates that the related circumstances at the purchase date have existed, and the economic benefits brought by the deductible temporary difference of the purchased party at the purchase date is expected to be realized, then the related deferred income tax assets are recognized, while reducing the goodwill, provided that the difference is recognized as the current profit and loss if the goodwill is insufficient for the offsetting purposes; apart from the aforesaid circumstance, it is charged to the current profit and loss where recognized as deferred income tax assets related to business combination.

For a business combination not under common control that is realized step by step through multiple transactions, judgment is made as to whether such multiple transactions constitute a "package deal" according to the judgment criteria of the "package deal" specified in the "Notice of the Ministry of Finance on Issue of Interpretation of Enterprise Accounting Standard No. 5" C Caikui (2012) No. 19) and Article 51 of the "Enterprise Accounting Standard No. 33-Consolidated Financial

Statements". Where they constitute a "package deal", accounting treatment is made by reference to the descriptions in the previous paragraphs of this section and this note "Long-term equity investment"; where they do not constitute a "package deal", distinction is made between individual financial statements and consolidated financial statements for related accounting treatment.

In individual financial statements, the sum of the book value of an equity investment held in the purchased party prior to the purchase date and the additional investment costs at the purchase date is treated as the initial investment cost of such investment; where the equities held in the purchased party prior to the purchase date involve other comprehensive income, the other comprehensive income related thereto is treated for accounting purpose on the same basis as the purchased party directly disposes of related assets or liabilities when disposing of such investment (i.e., except for the corresponding share of the change resulting from re-measurement of the net liabilities or net assets of the defined benefit plan by the purchased party that are accounted for under the equity method, the remaining is transferred to the current investment income).

In the consolidated financial statements, the equities held in the purchased party prior to the purchase date are re-measured at fair value of such equities at the purchase date, with the difference between the fair value and its book value charged to the current investment income; where the equities held in the purchased party prior to the purchase date involve other comprehensive income, the other comprehensive income related thereto should be treated for accounting purpose on the same basis as the purchased party directly disposes of related assets or liabilities (i.e., except for the corresponding share of the change resulting from re-measurement of the net liabilities or net assets of the defined benefit plan by the purchased party that are accounted for under the equity method, the remaining is transferred to the investment income in the period in which the purchase date occurs).

## **5. Method for preparation of consolidated financial statements**

### **(1) Principles for determination of scope of consolidation**

The scope of consolidation of consolidated financial statements is determined based on control. Control means the company has the power over the investee to enjoy variable return by participating in the related activities of the investee and has the ability to exert its power over the investee to influence the amount of its return.

Once the changes in related facts and circumstances cause the related elements involved in the aforesaid definition of control to change, the company will make reassessments.

### **(2) Method for preparation of consolidated financial statements**

The company begins to include a subsidiary in the scope of consolidation as of the date when the company acquires the actual control of the net assets and business decision making of the

subsidiary; the company ceases to include the subsidiary in the scope of consolidation as of the date of loss of the actual control. For subsidiaries disposed of, their business results and cash flow prior to the disposal date have been appropriately included in the consolidated income statement and consolidated cash flow statement; the beginning amounts in the consolidated balance sheet are not adjusted for subsidiaries disposed of in the current period. For subsidiaries added due to business combination not under common control, their business results and cash flow after the purchase date have been appropriately included in the consolidated income statement and consolidated cash flow statement, without adjusting the beginning amounts and comparatives in the consolidated financial statements. For subsidiaries added due to business combination under common control, their business results and cash flow from the beginning of the period of combination to the combination have been appropriately included in the consolidated income statement and consolidated cash flow statement, while the comparatives are adjusted in the consolidated financial statements at the same time.

When preparing the consolidated financial statements, if the accounting policy or accounting period adopted by any of its subsidiaries is inconsistent with that adopted by the company, necessary adjustments are made to the financial statements of such subsidiary according to the company's accounting policy or accounting period. For subsidiaries acquired by business combination not under the common control, adjustments are made to their financial statements based on the fair value of identifiable net assets at the purchase date.

The balances, transactions and unrealized profits of all significant current accounts within the company are offset when preparing the consolidated financial statements.

The portion of shareholder equity and current net profit and loss of subsidiaries that is not owned by the company is presented separately as minority interest and minority interest income under the items of shareholder equity and net profits in the consolidated financial statements respectively. The share of current net profit and loss of subsidiaries that is attributable to minority interest is presented as the item "minority interest income" under the item of net profits in the consolidated income statement. The portion of losses of a subsidiary shared by minority shareholders in excess of the share of minority shareholders in the beginning shareholder equity of such subsidiary is still offset against the minority interest.

Where the control over an existing subsidiary is lost due to disposal of part of equity investment or otherwise, the remaining equities are re-measured at the fair value thereof at the date of loss of control. The sum of the consideration acquired by disposal of equities and the fair value of remaining equities minus the share of the net assets continuously calculated by the existing subsidiary from the date of purchase as calculated at the original shareholding ratio is charged to the investment income during the period in which the control is lost. Other comprehensive income related to the

equity investment in the existing subsidiary are treated for accounting purpose on the same basis as the purchased party directly disposes of related assets or liabilities at the time of loss of control (i.e., except for changes resulting from re-measurement of the net liabilities or net assets of the defined benefit plan by such existing subsidiary, all items are transferred to the current investment income). Thereafter, such part of remaining equities is subsequently measured according to the related provisions of the Enterprise Accounting Standard No. 2-Long-term Equity Investments" or the Enterprise Accounting Standard No. 22-Recognition and Measurement of Financial Instruments, as detailed in "Note IV. 12 "Long-term Equity Investments" or "Note IV.9 "Financial Instruments".

Where the company disposes of its equity investment in a subsidiary step by step through multiple transactions until loss of control, distinction needs to be made as to whether all transactions of disposal of equity investment in the subsidiary until loss of control constitute a package deal. If the effect of disposal on terms and conditions and economy of various transactions of equity investment in the subsidiary meets one or several of the following criteria, it generally indicates that the multiple transactions should be accounted for as a package deal: ①These transactions are entered into simultaneously or taking into account the mutual effect; ②These transactions can only achieve a complete commercial result if made together; ③The occurrence of a particular transaction depends upon occurrence of at least one other transaction; ④A particular transaction is uneconomical if looked at individually, but is economical if considered together with other transactions. Where various transactions do not constitute a package deal, each of the transaction is treated for accounting purpose according to the applicable principles described in the "Partial disposal of long-term equity investment in a subsidiary without loss of control" C as detailed in "Note IV.12.(2)④) and the "loss of control over the existing subsidiary due to disposal of part of equity investment or otherwise" (see the preceding paragraph) respectively, as the case may be. Where various transactions in which the equity investment in a subsidiary is disposed of until loss of control constitute a package deal, the various transactions are accounted for as a single transaction of disposal of subsidiary and loss of control; however, the difference between each disposal price before loss of control and the share of net assets of such subsidiary corresponding to disposal of investment is recognized as other comprehensive income in the consolidated financial statements, and transferred to the profit and loss in the period of loss of control all together at the time of loss of control.

#### **6. Classification of joint venture arrangements and accounting treatment method for joint operation**

Joint venture arrangement refers to an arrangement in which two or more participating parties share the control. The joint venture arrangements of the company consist of joint operation and joint venture according to the rights enjoyed and obligations assumed in the joint venture arrangements. Joint operation refers to a joint venture arrangement in which the company enjoys the assets related

to such arrangement and assumes the liabilities related to such arrangement. Joint venture refers to the joint venture arrangement in which the company only has the right to the net assets of such arrangement.

The investments of the company in joint venture are accounted for using the equity method and treated according to the accounting policy described in the "Note IV. 12 ②" Long-term equity investments accounted for under the equity method"

As a party to joint operation, the company recognizes assets separately held and liability separately assumed by the company and assets held jointly and liabilities assumed jointly by the company according to its share; recognizes the income from joint operation due to sale of products according to the company's share; recognizes the income from joint operation sale of output according to the company's share; recognizes the expenses incurred separately by the company and recognizes the expenses incurred by joint operation according to the company's share.

When the company invests or sells assets to the joint operation (which assets do not constitute business, the same below) or purchases assets from the joint operation as a party to joint venture, before sale of such assets to any third party, the company only recognizes the portion of the profit and loss resulting from such transaction that are attributable to other parties participating in the joint operation. Where such assets incur asset impairment loss that meets the provisions of the Enterprise Accounting Standard No.8-Asset Impairment, in case of investment or sale of assets to the joint operation by the company, the company recognizes such losses in full; in case of purchase by the company of assets from the joint operation, the company recognizes such losses according to its share.

#### **7. Criteria for determination of cash and cash equivalents**

The cash and cash equivalents of the company consist of the cash on hand, the deposits readily available for payment and investments held by the company that have a short term (generally due within 3 months of the purchase date), are highly liquid and easy to convert into a known amount of cash and have minimum risk of value change.

#### **8. Foreign currency business and foreign currency report conversion**

##### **(1) Conversion method of foreign currency transactions**

When the company's foreign currency transactions are initially recognized, they will be converted into the functional currency amount at the spot exchange rate on the transaction date (usually the midpoint of the foreign exchange rate announced by the People's Bank of China, the same below), but the company's foreign currency conversion Businesses or transactions involving foreign currency exchange shall be converted into the amount of the functional currency in accordance with the actual

exchange rate adopted.

(2) Conversion method for foreign currency monetary items and foreign currency non-monetary items

On the balance sheet date, monetary items in foreign currencies are converted at the spot exchange rate on the balance sheet date, except for: ① The exchange difference arising from special foreign currency borrowings related to the acquisition and construction of assets that meet the conditions for capitalization shall be The principle of capitalization of borrowing costs; ② the exchange difference of hedging instruments used for effective hedging of net investment in overseas operations (the difference is included in other comprehensive income and is not recognized as current profit and loss until the net investment is disposed); and ③ may exchange differences arising from changes in book balances other than amortized cost of foreign currency monetary items for sale are included in other comprehensive income, and are included in current profit and loss.

If the preparation of consolidated financial statements involves overseas operations, if there are foreign currency monetary items that actually constitute a net investment in overseas operations, the exchange difference arising from exchange rate changes shall be included in other comprehensive income; when the overseas operations are disposed of, they shall be transferred to the current profit and loss.

Non-monetary items in foreign currencies measured at historical cost are still measured using the amount in the bookkeeping standard currency converted at the spot exchange rate on the transaction date. Non-monetary items in foreign currencies measured at fair value are converted at the spot exchange rate on the date when the fair value is determined. The difference between the converted bookkeeping currency amount and the original bookkeeping currency amount is treated as fair value changes (including exchange rate changes), Included in the current profit and loss or recognized as other comprehensive income.

(3) Conversion method of foreign currency financial statements

If the preparation of consolidated financial statements involves overseas operations, if there are foreign currency monetary items that constitute a net investment in overseas operations, the exchange difference arising from exchange rate changes shall be recognized as other comprehensive income as "foreign currency statement translation difference"; disposal of overseas operations. At the time, it is included in the current profit and loss of disposal.

The foreign currency financial statements of overseas operations are converted into RMB statements according to the following method: the assets and liabilities items in the balance sheet are converted at the spot exchange rate on the balance sheet date; the owner's equity items except for the "undistributed profit" items, other Projects are converted using the spot exchange rate at the time of occurrence. The income and expense items in the income statement are converted using the spot

exchange rate on the transaction date/the current average exchange rate/the current weighted average exchange rate. The undistributed profit at the beginning of the year is the undistributed profit at the end of the previous year after conversion; the undistributed profit at the end of the year is calculated and displayed according to the converted profit distribution items; the converted asset items, liabilities items and owners' equity items are counted together the difference is regarded as the conversion difference of the foreign currency statement and recognized as other comprehensive income. When disposing of an overseas operation and losing control, the conversion difference of the foreign currency statement related to the overseas operation listed under the owner's equity item in the balance sheet shall be transferred to the current profit and loss of the disposal of the overseas operation in full or according to the proportion of the disposal of the overseas operation.

Foreign currency cash flow is converted at the spot exchange rate on the date of the cash flow. The impact of exchange rate changes on cash is treated as an adjustment item and presented separately in the cash flow statement.

The amount at the beginning of the year and the actual amount of the previous year are listed in accordance with the amount converted from the financial statements of the previous year.

When disposing of all the owners' equity of the company's overseas operations or losing control of the overseas operations due to the disposal of part of the equity investment or other reasons, the owner's equity items in the balance sheet listed below and related to the overseas operations are attributable to the conversion difference of the foreign currency statement of the owner's equity of the parent company shall be all transferred to the current profit and loss for disposal.

When the disposal of part of the equity investment or other reasons leads to a reduction in the proportion of overseas operating equity held but does not lose control of the overseas operation, the foreign currency statement translation difference related to the disposal of the overseas operation will be attributed to the minority shareholders' equity and will not be transferred to the current profit and loss. When disposing of part of the equity of an overseas operation as an associate or joint venture, the conversion difference of the foreign currency statement related to the overseas operation shall be transferred to the disposal of the current profit and loss according to the proportion of the disposal of the overseas operation.

## **9. Financial Instruments**

A financial asset or financial liability is recognized when the company becomes a party to a financial instrument contract. Financial assets and financial liabilities are measured at fair value at the time of initial recognition. For financial assets and financial liabilities that are measured at fair value and whose changes are included in the current profit and loss, the related transaction costs are directly included in the profit and loss; for other types of financial assets and financial liabilities, the

related transaction costs are included in the initial recognition amount.

**(1) Methods for determining the fair value of financial assets and financial liabilities**

Fair value refers to the price that market participants can receive for the sale of an asset or pay for the transfer of a liability in an orderly transaction that occurs on the measurement date. If there is an active market for a financial instrument, the company uses the quoted price in the active market to determine its fair value. The quotation in the active market refers to the price that can be easily obtained from exchanges, brokers, industry associations, and pricing service agencies on a regular basis, and represents the actual market transaction prices that occur in fair transactions. If there is no active market for a financial instrument, the company uses valuation techniques to determine its fair value. Valuation techniques include reference to the prices used in recent market transactions by parties familiar with the situation and voluntary transactions, reference to the current fair value of other financial instruments that are substantially the same, discounted cash flow method and option pricing models, etc.

**(2) Classification, recognition and measurement of financial assets**

Financial assets are bought and sold in a conventional manner, and accounting confirmation and de-recognition are carried out according to the transaction date. At the time of initial recognition, financial assets are divided into financial assets measured at fair value and whose changes are included in current profits and losses, held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

**① Financial assets at fair value through profits and losses**

Financial assets at fair value through profits and losses includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profits and losses. The company's financial assets measured at fair value and whose changes are included in the current profit and loss are all financial assets held for trading.

A financial asset is classified as held for trading if it meets one of the following conditions: A. The purpose of obtaining the financial asset is mainly for sale or repurchase in the near term; B. It is part of a portfolio of identifiable financial instruments under centralized management, and there is objective evidence that the company has recently adopted short-term profit-making methods to manage the portfolio; C. It is a derivative instrument, but the derivative instrument that is designated and is an effective hedging instrument is a derivative instrument of a financial guarantee contract and is not in an active market. Except for the derivative instruments that are linked to equity instrument investments that do not have a quotation and whose fair value cannot be reliably measured and that must be settled through the delivery of the equity instrument.

Transactional financial assets are subsequently measured at fair value, and gains or losses from changes in fair value and dividends and interest income related to the financial assets are included in

the current profits and losses.

②Held-to-maturity investments

Held-to-maturity investments refers to the non-derivative financial assets with a fixed maturity date, a fixed or definable payments that the company has a clear intention and ability to hold to maturity.

After initial recognition, the company measures hand-to-maturity investment at amortized cost using the effective interest rate. Gain or loss arising from derecognition, impairment or amortization is recorded into the current profit and loss.

The effective interest method is the method of calculating the amortized cost and the interest income or expenditure according to the effective interest rate of a financial asset or financial liability (including a group of financial assets or financial liabilities). The effective interest rate refers to the interest rate used to discount the future cash flow of a financial asset or financial liability during the expected duration or the shorter period into the current carrying net value of the financial asset or financial liability.

When calculating the effective interest rate, the company estimates future cash flows considering all contract terms of financial asset or financial liability but will not considering the future credit losses. the company also consider payment or collection between parties to the contract of a financial asset or financial liability, fees belonged to the integral part of effective interest rate, transaction fees and discount or premium and so on.

③Loans and receivables

Loans and receivables are the non-derivative financial assets with fixed or determinable payments that have no quoted price in the active market. the company's loans and receivables include notes receivable, accounts receivable, interest receivable, dividends receivable and other receivables.

After initial recognition, the company measures loans and receivables at amortized cost using the effective interest rate. Gain or loss occurred when the loans and receivables are derecognized, impaired or amortized is recorded into the current profit and loss.

④Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale on initial recognition, and those other than financial assets measured at fair value into current profits and losses, loans and receivables, and held-to-maturity investments.

The ending balance for an available-for-sale liability instrument is measured at amortized cost. The amortized cost is the amount at which the available-for-sale liability instrument is measured at initial recognition after making the following adjustments: 1. Minus the principal repayments; 2. Plus or minus the cumulative amortization using the effective interest method of any difference between that

initial amount and the maturity amount; 3. Minus any reduction for impairment. Then ending balance for an available-for-sale equity instruments is measured at its acquisition cost.

After initial recognition, available-for-sale financial assets are measured at fair value. Gain or loss arising from change in the fair value will be recorded as other comprehensive income, except for that impairment losses and exchange gains and losses resulted from foreign-currency monetary financial assets and amortized cost will be recorded into current profits and losses. When the financial asset is derecognized, the cumulative gain or loss previously recorded as other comprehensive income will be removed and recognized in profit or loss.

However, equity instrument investment without quotation in the active market and its fair value cannot be reliably measured, as well as the derivative assets linked to equity instrument and must be settled by delivery of such equity instrument, are measured at cost.

The interest obtained during the holding period of the available-for-sale financial asset and the cash dividends declared to be paid by the invested entity are included in the investment income.

### (3) Impairment of financial assets

Except for financial assets at fair value through profits and losses, the company assesses the carrying amount of financial assets on each balance sheet date. If there is objective evidence that financial assets are impaired, the company will determine the amount of any impairment loss.

For a financial asset that is individually significant, the company assesses the asset individually for impairment. For a financial asset that is not individually significant, the company assesses the asset individually for impairment or include the asset in a group of financial assets with similar credit risk characteristics and assesses them for impairment. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset (whether the financial asset is individually significant or not individually significant), it will include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Assets for which an impairment loss is individually recognized will not be included in a collective assessment of impairment.

#### ① Impairment of held-to-maturity investments, loans and receivables

If financial assets carried at cost or amortized cost, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows, and the amount of writedown is recognized as an impairment loss in profit and loss. Subsequent to the recognition of an impairment loss on a financial asset, if there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss will be reversed and recognized in profit or loss. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is

reversed.

② Impairment of available-for-sale financial assets

When a decline in the fair value of an investment in an equity instrument below is regarded as significant or prolonged, it indicates that the available-for-sale debt instrument is impaired

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognized directly in other comprehensive income is removed from other comprehensive income and recognized in profit or loss. The amount of the cumulative loss that is removed from other comprehensive income is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

If, after the recognition of an impairment loss, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss will be reversed. Impairment losses recognized for an investment in an equity instrument classified as available for sale are reversed through other comprehensive income, and impairment losses recognized on an available-for-sale debt instrument are reversed through profit or loss.

Investment in equity instrument without a quoted price in an active market and whose fair value cannot be reliably measured, or impairment losses on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument will not be reversed.

(4) Recognition and measurement of transfer of financial assets

A financial asset is derecognized when one of the following conditions is met: ① the contractual rights to receive the cash flows of the financial asset is terminated; ② the financial asset is transferred, and all the risks and rewards of ownership of a financial asset is transferred to the transferee substantially; ③ the financial assets is transferred, and the company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but the company has not retained control of the financial asset.

If the company neither transfers nor retains almost all the risks and rewards of ownership of financial assets, and does not renounce control of the financial assets, the relevant financial assets are recognized according to the extent of continued involvement in the transferred financial assets, and the relevant liabilities are recognized accordingly. The degree of continued involvement in the transferred financial assets refers to the level of risk that the enterprise faces due to changes in the value of the financial assets.

If the overall transferred financial asset qualifies for derecognizing, the difference between the book value of the transferred financial asset and the consideration received as a result of the transfer and the sum of the accumulated amount of changes in the fair value originally recorded in other

comprehensive income shall be recorded in the current profit and loss.

If a part of the transferred financial asset qualifies for derecognizing, the carrying amount of the transferred financial asset in its entirety is allocated between the part that continues to be recognized and the part that is derecognized, based on the corresponding fair values of those parts. The difference between the following two amounts is included in profit or loss for the current period: ①the allocated carrying amount mentioned before; ②the sum of the consideration received for the transfer and any cumulative gain or loss allocated to derecognition that had been recognized in other comprehensive income.

When a financial asset is sold with recourse or endorsed, the company determines whether substantially all the risks and rewards of the financial asset are transferred. If the company transfers substantially all the risks and rewards of ownership of a financial asset to the transferee, the company derecognizes the financial asset. If the company retains substantially all the risks and rewards of ownership of a financial asset, the company will not derecognize the financial asset. If the company neither transfers nor retains substantially all the risks and rewards of ownership of the financial assets, the company determines whether it has retained control of the transferred asset and then account for the transaction as above.

#### (5) Classification and measurement of financial liability

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. the company recognizes initially a financial liability at its fair value. In the case of a financial liability at fair value through profit or loss, transaction costs are charged to the profit or loss for the current period. For other financial liabilities, transaction costs are included in their initial recognition amounts

##### ① Financial liabilities at fair value through profit or loss

The criteria to classify financial liabilities held for trading and financial liabilities designated, on initial recognition, as at fair value through profit or loss are in consistent with the criteria to classify financial assets held for trading and financial assets designated, on initial recognition, as at fair value through profit or loss.

After initial recognition, the financial liabilities at fair value through profit or loss are measured at fair value, and a gains or loss arising from a change in the fair value and the dividend or interest expenses related to the financial liabilities are recognized in profit or loss.

##### ② Other financial liabilities

After initial recognition, a derivative financial liability that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured will be measured at cost. the company measures other financial liability at amortized cost using the effective interest method, and a gain or loss is recognized in profit

or loss when the financial liability is derecognized or impaired, and through the amortization process.

③ Financial guarantee contracts

Financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss are initially recognized at fair value and subsequently measured at the higher of the following two amounts: 1. the amount determined in accordance with "Accounting Standard for Business Enterprises No.13—Contingencies"; 2. the amount initially recognized less cumulative amortization recognized in accordance with the principles set out in "Accounting Standard for Business Enterprises No. 14—Revenue."

(6) De-recognition of financial liabilities

the company de-recognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged /cancelled. An agreement between the company(an existing borrower) and an existing lender to replace the original financial liability with a new financial liability including substantially different terms will be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the company derecognizes a financial liability or a part of it,the company will recognize the difference between the carrying amount of the financial liability (or part of the financial liability)derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss for the period.

(7) Derivatives and embedded derivatives

Derivative instruments and related contracts are initially measured at fair value at the signing date, and are subsequently measured at fair value. Changes in the fair value of derivatives are included in the current profit and loss.

For hybrid financial instrument with embedded derivatives,,if it is not designated as a financial asset or financial liability measured at fair value through profit or loss, the embedded derivative does not have a close relationship with the main contract in terms of economic characteristics and risks, and has the same conditions as the embedded derivative, individual instruments that meet the definition of a derivative, embedded derivatives are spun off from hybrid tools, treated as a separate derivative financial instrument. If it is not possible to separately measure embedded derivatives at the time of acquisition or at the subsequent balance sheet date, the hybrid instrument is designated as a financial asset or financial liability at fair value through profit or loss.

(8) Offset of financial assets and financial liabilities

When the company has a legal right to set off the recognized amounts and the legal right is currently enforceable, and the company intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability will be offset, and the net amount presented in the balance sheet. Otherwise, financial assets and

financial liabilities are presented separately in the balance sheet and will not be offset.

(9) Equity instrument

An equity instrument is a contract that evidences a residual interest in the assets of the company after deducting all its liabilities. Issuance (including refinancing), repurchase, sales or cancellation of the equity instrument are accounted for as a change to equity by the issuer. Changes in the fair value of an equity instrument are not recognized by the issuer. Transaction costs of an equity transaction are accounted for as a deduction from equity.

Distributions to holders of an equity instrument (except stock dividend distributed) are accounted for as a deduction from owners' equity. Changes in the fair value of an equity instrument are not recognized by the company.

**10. Account Receivables**

Account Receivables include accounts receivable and other receivables.

(1) Criteria and measurement of bad debt provision

The company checks the book value of the receivables on the balance sheet date, and makes provision for impairment if the following objective evidence shows that the receivables are impaired:

①the debtor has serious financial difficulties; ②the debtor violates the terms of the contract (Such as default or overdue in the payment of interest or principal); ③the debtor is likely to go bankrupt or other financial reorganization; ④Other objective evidence showing that the receivables are impaired.

(2) The method of accruing bad debt provision

①Recognition standard and accrual method of bad debt provision for receivables with both individually significant amount and individual accrual of bad debt provision

Item	Basis for determination of combinations
Accrual method for individually significant amounts and individual accrual of bad debt provision	Amounts that are individually more than RMB 10 million (inclusive) and account for more than 10% of the book balance of accounts receivable

For an account receivable that is individually significant amount, the company assesses the receivable individually for impairment. If there is no objective evidence of impairment, the receivable will be included in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Account receivable for which an impairment loss has been recognized in individual assessment will not be included in a collective assessment of impairment.

When there is objective evidence that the company will be unable to recover all amounts according to the original terms of receivables, the company conducts impairment test separately and make provision for bad debt based on the difference of the present value of their expected future cash flow lower than their book value.

②The basis for the determination of accounts receivable with provision for bad debts according to the credit risk portfolio and the method of provision for that bad debts

The determination basis of different combinations:

Item	Basis for determination of combinations
Special credit combination	Specific identification method

For receivables that are individually insignificant in amount, they are divided together with receivables that have not been impaired after separate tests into several combinations according to the credit risk characteristics, and the ratio of bad debt provision accrued for each combination in the current period is determined based on the actual loss rate of receivables combinations in the previous years that are the same or similar to them and have the similar credit risk characteristics, in conjunction with the current situation, thereby calculating the bad debt provision to be accrued in the current period.

The company conducts a separate impairment test for receivables whose individual amounts are not significant but have the following characteristics. If there is objective evidence showing that they have been impaired, based on the difference between the present value of its future cash flow and its book value, recognize the impairment loss and make provision for bad debts. Features of non-significant receivables that are separately tested for impairment, such as: receivables that have disputes with the other party or are involved in litigation or arbitration; receivables that have obvious signs that the debtor is likely to be unable to fulfill the repayment obligation Wait.

### (3) Reversal of bad debt provision

If there is objective evidence that the value of the receivable has been restored, and it is objectively related to events that occurred after the loss was confirmed, the previously confirmed impairment loss shall be reversed and included in the current profit and loss. However, the carrying amount after the reversal does not exceed the amortized cost of the account receivable on the reversal date under the assumption that no impairment provision is made.

If the company transfers accounts receivable to financial institutions without recourse, the difference between the transaction amount and the book value of the receivable accounts receivable and relevant taxes shall be included in the current profit and loss.

## 11. Inventory

### (1) Classification of inventory

The inventories of the company are classified into materials in transit, raw materials, revolving materials, goods in stock, products in progress, goods shipped, outsourced processed materials, development costs, development products and land to be developed, etc.

### (2) Valuation method for inventories acquired and shipped

The inventories of the company are valued at actual cost when acquired, which cost consists of procurement cost, processing cost and other costs. Inventories are valued on a first-in, first-out basis when shipped.

Real estate development cost is carried over to the development products at the actual cost after completion of the development project; development products shipped are accounted for using the equal sharing of salable area method

(3) Recognition of the net realizable value of inventories and the method of accruing falling price reserves.

After full-scale inventory taking at the end of period, the inventory revaluation reserve is accrued or adjusted by the lower of the cost and net realizable value of inventory.

For finished products, commodities in stock, materials available for sale and other commodities in stock directly available for sale, their net realizable value is determined by the estimated selling price of such inventory minus the estimated selling expenses and related taxes in the normal course of business; for material inventory to be processed, its net realizable value is determined by the estimated selling price of the finished products produced minus the costs estimated to occur up to the time of completion, the estimated selling expense and related taxes in the normal course of business; the net realizable value of inventories held for performance of sales contract or labor contract is determined based on the contract price such that if the quantity of inventory held is more than the quantity ordered in the sales contract, the net realizable value of the excessive portion of inventory is calculated based on the general selling price.

The inventory revaluation reserve accrues according to individual inventory items at the end of the period; however, for inventories that are numerous and have low unit prices, the inventory revaluation reserve accrues by the inventory type; for inventories related to the product series produced and distributed in the same region and having the same or similar end use or purpose and difficult to measure separately from other items, the inventory depreciation reserve accrues on a consolidated basis.

Where the factors affecting the previously written-down inventory value have disappeared, the written-down amount is restored and reversed to the extent of the previously accrued amount of inventory revaluation reserve, with the reversed amount charged to the current profit and loss.

(4) Perpetual inventory system is adopted by the company.

(5) Amortization method for low-value consumables and packaging materials

Low value consumables shall be amortized by one-off amortization method when being collected; The packaging is amortized on a one-off basis at the time of being collected.

## 12. Long-term equity investments

The long-term equity investments as referred to in this section refer to the long-term equity investments in which the company has control, common control or significant influence over the investee. The long-term equity investments whereby the company has no control, common control or significant influence over the investee are accounted for as financial assets that is measured at fair value and its changes are included in other comprehensive income when it is initially recognized, with respect to which the accounting policies are detailed in Note VI. 9 "Financial Instruments".

Common control refers to the control shared by the company over a particular arrangement according to applicable covenants, provided that the related activities under such arrangement may not be decided without the unanimous consent of participants sharing the control. Significant influence refers to the power of the company to participate in decision making regarding the financial and business policies of the investee, but not enough to control or jointly control the formulation of these policies with other parties.

(1) Determination of investment cost

For a long-term equity investment resulting from business combination under common control, the share of the book value of ownership interest of the combined party in the consolidated financial statements of the ultimate controlling party at the date of combination is treated as the initial investment cost of the long-term equity investment. The capital reserve is adjusted by the difference between the initial investment cost of a long-term equity investment and the book value of cash paid, noncash assets transferred and debts assumed; the retained earnings are adjusted if the capital reserve is insufficient for offsetting purposes. Where the company takes the issue of equity securities as the combination consideration, the capital reserve is adjusted at the combination date by the difference between the initial investment cost of long-term equity investment and the total nominal value of issued shares, with the share of book value of the ownership interest of the combined party in the consolidated financial statements of the ultimate controlling party as the initial investment cost of the long-term equity investment and the total nominal value of issued shares as the share capital; retained earnings are adjusted if the capital reserve is insufficient for offsetting purposes. Where equities of the combined party under common control are acquired step by step through multiple transactions, finally resulting in business combination under common control, distinction should be made as to whether it is a "package deal"; where it is a "package deal", all transactions are treated for accounting purpose as a single transaction acquiring the control. In case the transaction is not a package deal, the share of book value of the ownership interest of the combined party to be acquired in the consolidated financial statements of the ultimate controlling party is treated as the initial investment cost of the long-term equity investment at the date of combination and the capital reserve is adjusted by the difference between the initial investment cost of the long-term equity investment and the sum of the book value of the long-term equity investment leading up to the combination and

the book value of consideration newly paid for further acquisition of shares at the date of consolidation; if the capital reserve is insufficient for offsetting purposes, the retained earnings are adjusted. Other comprehensive income recognized due to accounting of equity investments held before the combination date using the equity method or for financial assets available for sale is not treated for accounting purpose on a temporary basis.

For a long-term equity investment resulting from business combination not under common control, the combination cost is treated as the initial investment cost of the long-term equity investment at the purchase date, with the combination cost consisting of the sum of fair values of assets paid out, liabilities incurred or assumed and equity securities issued by the purchasing party. Where equities of the purchased party are acquired step by step through multiple transactions, finally resulting in business combination not under common control, distinction should be made as to whether it is a "package deal"; where it is a "package deal", all transactions are treated for accounting purpose as a single transaction acquiring the control. In case the transaction is not a package deal, the sum of the book value of equity investment originally held in the purchased party plus the additional investment cost is treated as the initial investment cost of the long-term equity investment accounted for using the cost method instead. Where the equities originally held are accounted for using the equity method, the related other comprehensive income is not treated for accounting purpose on a temporary basis. Where the originally held equity investment is financial assets available for sale, the difference between its fair value and book value and the accumulated changes in fair value that are originally charged to other comprehensive income are transferred to the current profit and loss.

The audit, legal service, appraisal consulting and other intermediary fees and other related management expenses incurred by the combining party or the purchasing party for business combination are charged to the current profit and loss as and when incurred.

Equity investments other than long-term equity investments formed due to business combination are initially measured at cost, which cost is determined by the cash purchase price actually paid by the company, the fair value of equity securities issued by the company, the value set forth in the investment contract or agreement, the fair value or original book value of assets swapped out in the non-monetary asset exchange transaction or the fair value of such long-term equity investment itself, depending upon the different ways to acquire such long-term equity investment. Costs, taxes and other necessary expenditures directly related to acquisition of the long-term equity investment are also charged to the investment cost. Where the company becomes able to exert significant influence or common control over the investee due to additional investments but not enough to constitute control, the cost of the long-term equity investment is the sum of the fair value of the originally held equity investment as determined according to the Enterprise Accounting Standard No. 22--

**Recognition and Measurement of Financial Instruments and the additional investment cost.**

**(2) Method for subsequent measurement and profit and loss recognition**

A long-term equity investment in which the company has common control (except that joint operation is constituted) or significant influence over the investee is accounted for using the equity method. In addition, the company's financial statements account for long-term equity investments with which the company can exert control over the investees.

**① Long-term equity investments accounted for using the cost method**

When accounted for using the cost method, the long-term equity investment is valued at the initial investment cost, and the cost of long-term equity investment is adjusted by the additional or recovered investments. Except for the price actually paid at the time of acquisition of investment or cash dividends or profits included in the consideration that have already been declared but not yet distributed, the current income on investment is recognized at the cash dividends or profits declared and distributed by the investee that the company is entitled to.

**② Long-term equity investments accounted for using the equity method**

When accounted for using the equity method, the initial investment cost of a long-term equity investment is not adjusted if the initial investment cost of the long-term equity investment is higher than the company's share of fair value of identifiable net assets of the investee at the time of investment; if the initial investment cost of the long-term equity investment is less than the share of fair value of identifiable net assets of the investee at the time of investment, the resulting difference is charged to the current profit and loss, while adjusting the cost of the long-term equity investment.

When accounting for under the equity method, the company recognizes the investment income and other comprehensive income respectively at the share of net profits and losses and other comprehensive income realized by the investee, while the book value of long-term equity investment is adjusted at the same time; the share is calculated at the profits or cash dividends declared and distributed by the investee, and the book value of the long-term equity investment is reduced accordingly; for changes in ownership interest of the investee other than net profits and losses, other comprehensive income and profit distribution, the book value of the long-term equity investment is adjusted and charged to the capital reserve. When recognizing the share of net profits and losses of the investee, the net profits of the investee are adjusted before recognition based on the fair value of the identifiable assets of the investee at the time of acquisition of investment; If the accounting policies and accounting period adopted by the investee are inconsistent with those adopted by the company, the financial statements of the investee are adjusted according to the company's accounting policies and accounting period, and the investment income and other comprehensive income are recognized accordingly. For the transactions between the company and its affiliates or

joint ventures, where the assets invested or sold do not constitute business, the portion of unrealized profit and loss on internal transactions that is attributable to the company is calculated at the percentage that the company is entitled to and then offset, on which basis the investment income or loss is recognized. But the unrealized internal transaction losses incurred between the company and the investee which are impairment loss of the assets being transferred are not offset. Where the assets invested by the company in its joint ventures or affiliates constitute business and the investee therefore acquires long-term equity investments but not the control, the fair value of the business invested is treated as the initial investment cost of the new long-term equity investment, and the difference between the initial investment cost and the book value of the invested business is charged to the current profit and loss in full. Where the assets sold by the company to its joint ventures or affiliates constitute business, the difference between the consideration acquired and the book value of the business is charged to the current profit and loss in full. Where the assets purchased by the company from its joint ventures and affiliates constitute business, accounting treatment is made according to the Enterprise Accounting Standard No. 20—Business Combination and the transaction-related gains or losses are recognized in full.

When recognizing the net losses incurred by the investee that the company shall share, the company recognizes such net losses until the book value of long-term equity investment and other long-term equities that substantially constitute the net investment in the investee are written down to zero. In addition, if the company has the obligation to be liable for additional losses of the investee, the estimated liabilities are recognized according to the obligations expected to be borne and then charged to the current investment loss. Where the investee realizes net profits in the subsequent periods, the company resumes recognition of the revenue share after the revenue share covers the unrecognized share of losses.

③ Acquisition of minority interest

When preparing the consolidated financial statements, the capital reserve is adjusted by the difference between the long-term equity investment newly acquired due to purchase of minority interest and the share of net assets continuously calculated by the subsidiary from the purchase date (or combination date) as calculated at the newly-added shareholding ratio, with the retained earnings to be adjusted if the capital reserve is sufficient for offsetting purposes

④ Disposal of long-term equity investments

In the consolidated financial statements, when the parent company partially disposes of long-term equity investments in a subsidiary without loss of control, the difference between the disposal price and the share of net assets of the subsidiary corresponding to the disposal of long-term equity investment is charged to the shareholder equity; where the parent company partially disposes of long-term equity investments in a subsidiary to such extent that the control of the subsidiary is lost,

the treatment is made according to the related accounting policies described in Note 4.5 (2) "Method for Preparation of Consolidated Financial Statements".

For disposal of long-term equity investments in other circumstances, the difference between the book value of the equities disposed of and the price actually acquired is charged to the current profit and loss.

For long-term equity investments accounted for using the equity method, if the remaining equities after disposal are still accounted for using the equity method, the portion of other comprehensive income originally charged to the shareholder equity is treated for accounting purpose at the time of disposal and at the corresponding ratio on the same basis as the investee directly disposes of related assets or liabilities. The ownership interest recognized due to changes in ownership interest of the investee other than net profit and loss, other comprehensive income and profit distribution is carried over to the current profit and loss on a prorate basis.

For long-term equity investments accounted for using the cost method, if the remaining equities after disposal are still accounted for using the cost method, its other comprehensive income recognized before acquisition of the control of the investee due to accounting under the equity method or according to the financial instrument recognition and measurement standards is treated for accounting purpose on the same basis as the investee directly disposes of related assets or liabilities, and is carried over to the current profit and loss on a prorate basis; the changes in ownership interest of the investee other than net profit and loss, other comprehensive income and profit distribution in the net assets of the investee that are recognized due to accounting under the equity method are carried over to the current profit and loss on a prorate basis.

Where the company loses control over the investee due to disposal of a portion of equity investment, when preparing individual financial statements, the remaining equities after disposal are accounted for using the equity method instead if they are able to exert common control or significant influence over the investee, and such remaining equities are adjusted as if they have been accounted for using the equity method since acquisition thereof; if the remaining equities after disposal are unable to exert common control or significant influence over the investee, they are treated for accounting purpose according to the applicable provisions of the financial instrument recognition and measurement standards instead, and the difference between their fair value and book value at the date of loss of control is charged to the current profit and loss. For other comprehensive income recognized due to accounting using the equity method or the financial instrument recognition and measurement standards prior to acquisition of control over the investee by the company, it is treated for accounting purpose at the time of loss of control over the investee on the same basis as the investee directly disposes of related assets or liabilities, while the ownership interest changes in the net assets of the investee other than net profits and losses, other comprehensive income and profit

distribution that are recognized due to accounting using the equity method are carried over to the current profit and loss at the time of loss of control over the investee. Of them, where the remaining equities after disposal are accounted for using the equity method, other comprehensive income and other ownership interest are carried over on a pro rata basis; where the remaining equities after disposal are treated for accounting purpose according to the financial instrument recognition and measurement standards instead, other comprehensive income and other ownership interest are carried over in entirety.

If the company loses common control or significant influence the investee due to disposal of a portion of equity investment, the remaining equities after disposal are accounted for according to the financial instrument recognition and measurement standards instead, and the difference between their fair value and book value at the date of loss of common control or significant influence is charged to the current profit and loss. The other comprehensive income recognized on the original equity investment due to accounting using the equity method is treated for accounting purpose on the same basis as the investee directly dispose of the related assets or liabilities when the equity method ceases to be used for accounting. The ownership interest recognized due to changes in ownership interest of the investee other than net profits and losses, other comprehensive income and profit distribution is transferred to the current profit and loss in full when the equity method ceases to be used for accounting.

Where the company disposes of its equity investment in a subsidiary step by step through multiple transactions until loss of control, if the aforesaid transactions constitute a "package deal", all transactions are treated for accounting purpose as a single transaction of disposal of equity investment in subsidiary and loss of control, and the difference between each disposal price and the book value of long-term equity investment corresponding to the equities disposed off before loss of control is first recognized as other comprehensive income and then carried over to the current profit and loss on the loss of control all together when the control is lost.

### **13. Investment property**

(1) Investment property includes leased land use right, land use right held and ready for transfer after appreciation and leased buildings. For leased development products with respect to which leasing for rent is not officially and expressly specified as the purpose of long-term holding, the company does not recognize them as investment property to be accounted for under the item "Inventory—development products intended for sale and temporarily leased"; for development products intended for leasing, their book value is transferred to the investment property for accounting.

(2) The company initially measures its investment property at cost and subsequently measures it

using the fair value model. the company subsequently measures investment property using the fair value model, with the basis for selection of accounting policies as follows:

- ① There are active real estate trading markets in the place where investment property is located.
- ② the company can obtain market price and other related information about the same or similar real estate from the real estate trading markets, thus making reasonable estimates of the fair value of investment property.

The current investment property projects of the company are mainly located in urban area of Huaibei City and mainly consist of commercial properties in well-established business districts, for which there are relatively active real estate trading markets from which the company can obtain market price and other related information about the same or similar real estate, thereby making subsequent measurement of investment property at fair value operable.

(3) Principles of determination of fair value

the company employs the following different valuation methods for different property market transactions:

① When the investment property of the company itself has transaction prices, its fair value is determined based on the concurrent transaction prices or quotations provided by the commercial property management office of the company's investment property management department.

② When the investment property of the company itself has no transaction prices, its fair value is determined by the valuation conclusions contained in the market survey reports issued by the commercial property management office of the company's investment property management department based on market surveys conducted thereby. When necessary, the company engages suitably qualified appraisal agencies to appraise the fair value of the company's investment property using the income approach and by reference to the open market prices, with the appraised amount as the fair value of the company's investment property.

③ When valuating, the company shall obtain market price and other related information about the same or similar real estate from the government real estate management department, authorities or suitably qualified real estate intermediaries in the city where its investment property is located, so as to make reasonable estimates of the fair value of its investment property.

④ For investment property without transaction prices, price correction is made by reference to transaction prices of at least three similar comparable project properties on the market and according to the related factors affecting the value of the subject property, on which basis the fair value of the subject property is ultimately determined. When valuating the comparable projects, the company shall prepare an adjustment factor standard table and determine the range of adjustment coefficients based on the types of investment property and in terms of location of business district, ease of access, commercial prosperity, house condition, equipment and decorations, transaction time,

transaction mode, floor, geographic location, cultural value and surroundings, etc.

(4) The key assumptions and key uncertain factors employed by the company when estimating the fair value of investment property

① It is assumed that the investment property will be traded on open markets and will continue to be used for the current purpose:

② There will be no significant changes to the national macroeconomic policies, the socioeconomic environment, tax policy, credit rates and exchange rate in the local area in the future:

③ There are no other force majeure and unforeseeable factors that might materially adversely affect the business operation of the company.

(5) Procedure for ending recognition and accounting treatment of fair value of investment property

① Initial recognition of fair value of investment property:

Where the real estate built, purchased or used by the company is converted into investment property for the first time, the difference of the fair value lower than the book value at the date of initial conversion is debited to the profit and loss on change in fair value, and the difference of the fair value larger than the book value is credited to other comprehensive income.

② Subsequent measurement of fair value of investment property after the conversion date:

Where the investment property is measured using the fair value model, the investment property is not depreciated or amortized. The company estimates the ending fair value of investment property on an individual basis. When the ending fair value of an individual investment property changes significantly, its book value is adjusted based on the fair value of the individual investment property at the balance sheet date, and the difference between the ending fair value and beginning fair value of individual investment property is charged to the current profit, taking into account the effect of deferred income tax assets or deferred income tax liabilities.

When the purpose of an investment property changes to self use, such investment property is converted into fixed assets or intangible assets as of the date of change. When the purpose of self-used real estate changes to earning rent or capital appreciation, the fixed assets or intangible assets are converted into investment property as of the date of change. At the time of conversion, the book value before the conversion is treated as the recorded value after the conversion.

When an investment property is disposed of or permanently exits from use and is expected not to derive economic benefits from its disposal, such investment property is derecognized. The disposal income from sale, transfer, scrapping or destruction of an investment property net of its book value and related taxes is charged to the current profit and loss.

#### 14. Fixed assets

(1) Conditions for recognition of fixed assets

The fixed assets of the company refer to the tangible assets held for production of goods, provision of services, leasing or operation management and with a service life of more than an accounting year. A fixed asset can be recognized only when the economic benefits related to such fixed asset are highly likely to flow to the company and its costs can be reliably measured. Fixed assets are initially measured at cost with the consideration of the impact of expected disposal costs.

(2) Classification, valuation and depreciation method of fixed assets

Fixed assets shall be depreciated during their useful lives starting from the next month when they reach their intended usable condition. The useful life, estimated net residual value, annual depreciation rate, and depreciation methods of various fixed assets are as follows:

Category	Depreciation method	Depreciation period (year)	Residual value rate (%)	Annual depreciation rate (%)
Houses and buildings	Straight-line method	50.00	3.00	1.94
Municipal facilities	Straight-line method	70.00	3.00	1.39
Machinery and equipment	Straight-line method	5.00-20.00	5.00	19.00-4.75
Transport equipmen	Straight-line method	5.00	5.00	19.00
Office devices	Straight-line method	5.00	0-3.00	19.40
Other equipment	Straight-line method	3.00-5.00	5.00	31.67-19.00

The estimated net salvage value refers to the amount received by the company from the disposal of the fixed asset after deducting the estimated disposal expenses, assuming that the asset is in the expected state at the end of its expected useful life.

(3) Impairment test method and impairment preparation accrual method for fixed assets

Impairment test method and impairment preparation accrual method for fixed asset shall be mentioned in Note IV. 19 "Impairment of non-current and non-financial assets".

(4) Recognition and valuation of the fixed assets under financing lease

Finance lease is a lease that substantially transfers all risks and rewards related to the ownership of assets, and its ownership may or may not be transferred eventually. The depreciation of leased assets shall be calculated by the same policy as that of self-owned fixed assets. If the ownership of the leased assets can be reasonably determined at the expiration of the lease term, depreciation shall be calculated within the service life of the leased assets; if the ownership of the leased assets cannot be reasonably determined at the expiration of the lease term, depreciation shall be calculated within the shorter period of the lease term and the service life of the leased assets.

**(5) Other's specifications**

Subsequent expenditures related to fixed assets, if the economic benefits related to the fixed assets are likely to flow in and their costs can be reliably measured, they shall be included in the cost of fixed assets and the book value of the replaced part shall be terminated. Besides, other subsequent expenditure shall be accounted into the current profit and loss when occurring.

When a fixed asset is in a state of disposal or cannot generate economic benefits through its use or disposal, the recognition of the fixed asset shall be terminated. The balance for the disposal income of sales, alienation, scrapping or derogation, should be accounted into the current profit and loss after deducting its book value and interrelated taxes and dues.

the company should double-check at any rate the life length, estimated net residual value and depreciation method of fixed asset at the end of the fiscal year. If changes occurred, it shall be treated as change in accounting estimate.

**15. Works in progress**

the company's works in progress are accounted for by category of approved project. The costs are determined according to the actual project expenditures, including but not limited to various necessary project expenditures incurred during the construction period, the borrowing costs to be capitalized before the project reaches the intended state of usability and other related expenses.

For works in progress, all expenditures incurred before the construction of such asset reaches the intended state of usability are treated as the recorded value of the fixed asset. Where the fixed assets under construction have reached the intended state of usability but the final accounting of completion has not yet been completed, such fixed assets are transferred to the fixed assets at the estimated value as of the date of reaching the intended state of usability based on the project budget, cost or actual project cost and are depreciated according to the company's fixed asset depreciation policy. After completion of the final accounting of completion, the original estimated value is adjusted by the actual costs, but without adjusting the originally accrued depreciation amount.

**16. Borrowing costs**

Borrowing costs include loan interest, amortization of premium or discount, auxiliary expenses and exchange difference resulting from foreign-currency borrowings. The borrowing costs incurred that are directly attributable to the acquisition or production of assets that meet the conditions for capitalization begin being capitalized when the capital expenditure has been incurred, the borrowing costs have been incurred and the acquisition or production activities required for the assets to reach the intended state of availability or be ready for sale have commenced; when the assets acquired or produced that meet the conditions for capitalization reach the intended usable or marketable state, the borrowing costs cease to be capitalized. The remaining borrowing costs re recognized as

expenses when incurred.

The interest expense actually incurred by special borrowings in the current period minus the interest income acquired from depositing of the unused borrowed funds in the bank or the amount of investment income acquired on temporary investment is capitalized; The capitalized amount of general borrowings is determined based on the capital expenditure weighted average of the portion of accumulated asset expenditure in excess of the special borrowing multiplied by the capitalization rate of the general borrowings used. The capitalization rate is calculated based on the weighted average interest rate of general borrowings.

During the capitalization period, the exchange difference on foreign-currency special borrowings is capitalized in full; the exchange difference on foreign-currency general borrowings is charged to the current profit and loss.

Assets that meet the conditions for capitalization refer to fixed assets, investment property, inventories and other assets that can reach the intended usable or marketable state only after a considerably long period of acquisition or production activities

Where an asset that meets the conditions for capitalization is abnormally interrupted in the process of acquisition or production and the period of interruption continues for more than 3 months, the capitalization of borrowing costs is suspended until after the asset acquisition or production activities recommence.

#### **17. Intangible assets**

the company's intangible assets include but not limited to land use right, mining right and others and are initially measured at cost. the company analyzes and judges the service life of an intangible asset when acquiring it. Where the service life is limited, an intangible asset is amortized over the estimated service life as of the time when the intangible asset becomes available, using the amortization method that can reflect the way of expected realization of economic benefits related to such asset; where the way of expected realization cannot be reliably determined, the intangible asset is amortized using the straight-line method; intangible assets with uncertain service lives are not amortized.

##### **(1) Recognition and valuation of intangible assets**

The term "intangible asset" refers to the identifiable non-monetary assets without physical shape, possessed or controlled by enterprises.

The intangible assets are initially measured by its cost. Expenses related to intangible assets, if the economic benefits related to intangible assets are likely to flow into the enterprise and the cost of intangible assets can be measured reliably, shall be recorded as cost of intangible assets. The expenses other than this shall be booked in the profit or loss when they occur.

Land use rights that are purchased by the company are accounted for as intangible assets. Buildings, such as plants that are developed and constructed by the company, and relevant land use rights and buildings, are accounted for as intangible assets and fixed assets, respectively. Payments for the land and buildings purchased are allocated between the land use rights and the buildings; if they cannot be reasonably allocated all the land use rights and buildings are accounted for as fixed assets.

#### (2) Amortization of intangible assets

When an intangible asset with a definite useful life is available for use, its original cost less net residual value and any accumulated impairment losses is amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized.

For an intangible asset with a definite useful life, the company reviews the useful life and amortization method at the end of the period and makes adjustment when necessary. An additional review is also carried out for useful life of the intangible assets with indefinite useful life. If there is evidence showing the foreseeable limit period of economic benefits generated to the enterprise by the intangible assets, then estimate its useful life and amortize according to the policy of intangible assets with definite useful life.

#### (3) The expenditure of research and development

The internal research and development expenditure are divided into research expenditure and development expenditure. Among them, research refers to the original and planned investigation for acquiring and understanding new scientific or technical knowledge, such as the activities for the acquisition of knowledge, the application research, evaluation and final selection of research results or other knowledge; the study of substitutes for materials, equipment, products, processes, systems or services substitutes; new or improved materials, equipment, products, processes, systems, or preparation, design, evaluation, and final selection of possible alternatives to services, etc. Development refers to the commercial production or use, apply findings or other knowledge to a plan or design, in order to produce something new or substantive improved materials, devices, products, etc., such as production or use before the prototype and model of the design, construction and test, have no commercial production economies of scale of the trial production facilities design, construction and operation, etc. Development is the application of research results or other knowledge to a plan or design to produce a new or substantially improved material, device, product, etc., prior to commercial production or use. For example, the design, construction and testing of prototypes and models before production or use, the design, construction and operation of trial production facilities without commercial production economies of scale, etc.

The research expenditures shall be recorded into the profits and losses of the current period when they are incurred.

Expenditures in the development stage that simultaneously meet the following conditions shall be recognized as intangible assets. Expenditures in the development stage that fail to meet the following conditions shall be recorded into the current profit and loss:

- ① It is technically feasible to complete the intangible asset for use or sale;
- ② Intention to complete the intangible asset and use or sell it;
- ③ The way intangible assets generate economic benefits, including the ability to prove that the products produced by the intangible assets exist in the market or the intangible assets themselves exist in the market, and the intangible assets will be used internally, which can prove their usefulness;
- ④ Availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- ⑤ Ability to measure reliably the expenditure that is attributable to the intangible asset during its development.

The expenses which cannot be distinguished between research and development stage, shall be recorded into the profit or loss for the current period.

(4) Impairment testing methods and recognition of impairment provision of intangible assets

Impairment and provisions of intangible assets are disclosed on Note IV. 19 "Impairment of non-current and non-financial assets".

**18. Long-term unamortized expenses**

The long-term unamortized expenses incurred by the company are valued at actual cost and are amortized averagely over the estimated period of benefit. For items of long-term unamortized expenses that cannot benefit the subsequent accounting periods, their amortized value is charged to the current profit and loss in full.

**19. Impairment of non-current and non-financial assets**

Non-financial assets with non-current nature include fixed assets, construction in progress, intangible assets with definite useful lives, investment properties measured by cost method and long-term equity investment on subsidiaries, joint operations. the company assesses whether there are any indicators of impairment for all non-financial assets at the balance sheet date, and impairment test is carried out and recoverable value is estimated if such an indicator exists. Goodwill and intangible assets with indefinite useful lives, as well as intangible assets not ready for use, are tested for impairment annually regardless of indicators of impairment.

Impairment of loss is calculated, and provisions taken by the difference if the recoverable value of the assets is lower than the book value. The recoverable value is the higher of estimated present

value of the future expected cash flows from the asset and net fair value of the asset less disposed cost. The fair value of asset is determined by the sales agreement price within an arm's length transaction. In case there is no sales agreement, but there is active market of assets, the fair value can be determined by the selling price. If there is neither sales agreement nor active market, the fair value of the asset can be estimated based on the best information obtained. Disposal expenses include expenses related to the legislation, taxes, transportation and the direct expense for the asset to be ready for sale. When calculating the present value of expected future cash flows from an asset, the management shall estimate the expected future cash flows arising from the continued use and final disposal of the asset and choose a suitable discount rate to calculate the present value of those cash flows. Provision for asset impairment is calculated and determined on the individual basis. If the recoverable of individual asset is hard to estimate, the recoverable amount can be determined by the asset group where subject asset belongs. Asset group is the smallest set of assets that can have cash flow in independently.

For goodwill shown separately in the financial statements, the carrying value of the goodwill is allocated to the asset groups or combinations of asset groups that are expected to benefit from the synergies of the business combination when the impairment test is conducted. If the test results show that the recoverable amount of the asset group or the combination of the asset group containing the apportioned goodwill is lower than its carrying value, the corresponding impairment loss shall be recognized. The amount of impairment loss is first deducted from the book value apportioned to the goodwill of the asset group or the combination of asset groups, and then deducted proportionally from the book value of all assets other than goodwill in the asset group or the combination of asset groups.

Once the loss from above asset impairment is recognized, the recoverable part cannot be reserved in the subsequent periods.

## **20. Employee compensations**

the company's employee compensation mainly comprises short-term employee compensation, post-employment benefits, termination benefits. Wherein:

Short-term compensation mainly comprises salary, bonus, allowance and subsidy, employee benefits, medical insurance costs, maternity insurance costs, industrial injury insurance costs, housing fund, trade union outlays, employee education expenditure and non-monetary benefits. the company recognizes short-term employee compensation actually incurred as liabilities during the accounting period in which the employees provide services to the company and charges it to the current profit and loss or related asset cost. Of them, the non-monetary benefits are measured at fair value.

Post-employment benefits mainly include basic pension insurance, unemployment insurance, and annuity. The post-employment benefit scheme includes a defined contribution scheme and a defined benefit scheme. If a defined contribution scheme is adopted, the corresponding deposit amount shall be included in the relevant asset cost or current profit and loss when incurred. If the employment relationship with any employee is terminated before the expiration of the employment contract or a suggestion concerning compensation is provided to encourage the employees to voluntarily accept the job displacement, the payroll liabilities resulting from termination benefits are recognized and charged to the current profit and loss, when the company can not unilaterally revoke the termination benefits provided due to the employment relationship termination plan or the separation suggestion and the company recognizes the costs related to the reorganization involving payment of termination benefits, whichever occurs earlier. But if the termination benefits are expected not to be paid in full 12 months of the end of the annual reporting period, such termination benefits are treated as other long-term employment compensation.

The employee internal retirement plan is treated according to the same principle as the aforesaid termination benefits. the company charges the salary of internally retired employees to be paid and social insurance costs paid during the period from the date when employees cease to provide services to the date of normal retirement to the current profit and loss (termination benefits) when the conditions for recognition of estimated liabilities are met.

Other long-term employee benefits provided by the company to its employees are treated for accounting purposes according to the defined contribution plan if they comply with the defined contribution plan. Otherwise, such benefits are treated for accounting purposes according to the defined benefit plan.

## **21. Bonds Payable**

The non-convertible corporate bonds issued by the company are treated as liabilities according to the amount actually received (deducting the relevant transaction costs); the difference between the amount actually received from the issuance of the bond and the total face value of the bond is treated as a premium or discount on the bond. During the existence period, it is amortized at the actual interest rate when the interest is withdrawn, and treated according to the principle of handling borrowing costs.

For the convertible corporate bonds issued by the company, the liabilities and equity shall be treated separately at the time of initial recognition. Firstly, the fair value of the liability component is recognized and taken as the initial recognized amount. Then, the initial recognized amount of the equity component is determined according to the amount after deducting the initial recognized amount of the liability component from the overall issue price of the convertible corporate bonds

(deducting the relevant transaction costs).

## **22. Estimated Liabilities**

Only if the obligation pertinent to a contingency shall be recognized as an estimated debt when the following conditions are satisfied simultaneously:

1) That obligation is a current obligation of the company. 2) It is likely to cause any economic benefit to flow out of the company because of performance of the obligation. 3) The amount of the obligation can be measured in a reliable way.

the company shall measure the estimated debts in accordance with the best estimate of the necessary expenses for the performance of the current obligation, considering the risks, uncertainties and time value of money related to contingencies on the balance sheet date.

If all or part of the expenditure required to settle the estimated liabilities is expected to be compensated by a third party, the compensation amount shall be separately recognized as an asset when it is basically certain that it can be received, and the recognized compensation amount shall not exceed the book value of the estimated liability.

## **23. Preferenceshares, perpetual bonds and other financial instruments**

(1) The distinction between perpetual bonds and preferred stocks

Financial instruments such as perpetual bonds and preferred stocks issued by the company that meet the following conditions at the same time are regarded as equity instruments:

①The financial instrument does not include contractual obligations to deliver cash or other financial assets to other parties, or exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions;

②If the financial instrument needs to be settled with or available to the enterprise's own equity instruments in the future, if the financial instrument is a non-derivative instrument, it does not include the contractual obligation to deliver a variable amount of its own equity instrument for settlement; The company can only settle the financial instrument by exchanging a fixed amount of its own equity instruments for a fixed amount of cash or other financial assets.

Except for financial instruments that can be classified as equity instruments under the above conditions, other financial instruments issued by the company should be classified as financial liabilities.

If the financial instrument issued by the company is a compound financial instrument, it is recognized as a liability based on the fair value of the liability component, and the amount actually received after deducting the fair value of the liability component is recognized as "other equity instruments". Transaction costs incurred in the issuance of composite financial instruments are

amortized between the liability component and the equity component according to their respective proportions to the total issuance price.

**(2) Accounting treatment methods for perpetual bonds and preferred stocks**

Perpetual bonds, preferred stocks and other financial instruments classified as financial liabilities, their related interest, dividends (or dividends), gains or losses, and gains or losses arising from redemption or refinancing, except for loans that meet the conditions for capitalization Except for the expenses (see Note IV. 17 "Borrowing costs"), they are all included in the current profit and loss.

When perpetual bonds and preferred stocks are classified as equity instruments, when they are issued (including refinancing), repurchased, sold or cancelled, the company treats them as changes in equity, and related transaction costs are also deducted from equity. The company's distribution to equity instrument holders is treated as a profit distribution.

The company does not recognize changes in the fair value of equity instruments.

## **24. Revenue**

**(1) Revenue from the sale of goods**

The revenue of the goods for sale shall be recognized when the following requirements are met simultaneously: the transfer of main risks and rewards on ownership of the goods to the buyers, the continual management rights related to ownership no longer retained by the company and the effective control of the sold goods no longer implemented, the reliable measurement of the revenue amount, the possible inflow of the relevant economic benefits, and the reliable measurement of the relevant costs incurred or to be incurred.

**(2) Revenue from the service provision**

If the provided services transaction results can be reliably estimated at the balance sheet date, the company shall recognize the relevant service incomes according to the completion percentage method. The completion schedule of transaction services shall be determined by the proportion of work completed/ services provided to the total amount of services to be provided.

The outcome of a transaction involving the rendering of services can be estimated reliably when all of the following conditions are satisfied: 1. the reliable measurement of the revenue amount; 2. the possible inflow of the relevant economic benefits; 3. the reliable recognition of the completion schedule of transaction; 4. and the reliable measurement of the relevant costs incurred or to be incurred in the transaction.

If the outcome of the service transaction cannot be reliably estimated, the service income that has been incurred and is expected to be compensated shall be used to recognize the service income provided, and the service cost incurred shall be regarded as the current expense. If the cost incurred is not expected to be compensated, no income will be recognized.

**(3) Royalty Revenue**

According to the contract or agreement, the revenue is recognized on an accrual basis.

**(4) Interest Income**

Calculated and determined according to the time and actual interest rate of the company's currency funds used by others

**(5) Specific recognition method for revenue**

The sources of revenue of the company are sale of goods, provision of services, assignment of the right to use assets and construction contract.

**Sale of goods:** the company recognizes the realization of sales revenue from goods when the company has transferred the substantial risk and reward on the ownership of the goods to the purchaser, the company no longer exerts continued management right or actual control over such goods, related revenue has been received or the vouchers of receipt have been received and the costs related to sale of such goods can be reliably measured.

**Provision of services:** The revenue from provision of services is recognized at the end of period using the percentage of completion method when the results of service provision transaction can be reliably estimated. If the results of service provision transaction cannot be reliably estimated and the service costs incurred are expected to be compensated, the revenue from service provision shall be recognized at the amount of service costs incurred and the service costs shall be carried over at the same amount. If the service costs incurred are expected not to be compensated, no revenue is recognized.

**Assignment of the right to use assets:** the company recognizes the revenue from assignment of the right to use assets when the economic benefits related to assignment of the right to use assets can flow to the company and the amount of revenue can be reliably measured; the amount of interest income is determined by calculating based on the time and effective interest rate at which others use the monetary funds of the company; the amount of royalty revenue is determined by calculating based on the billable time and billing method set forth in the related contract or agreement.

**25. Construction contract**

If the results of construction contract can be reliably estimated, at the balance sheet date, the contract revenue and expense are recognized using the percentage of completion method. The progress of the completion of the contract is determined according to the proportion of the accumulated actual contract costs to the estimated total cost of the contract.

Outcome of a construction contract can be estimated reliably are satisfied: ① The total contract revenue can be reliably measured; ② The economic benefits related to the contract are likely to flow into the enterprise; ③ Actual contract costs incurred can be clearly identified and measured reliably; ④ Contract completion and costs to complete the contract can be reliably determined.

If the result of the construction contract on the balance sheet date cannot be reliable estimates, but the contract costs can be recouped, contract revenue will get recognized, according to the actual recoverable contract costs, and contract costs are recognized as contract expenses in the current period in which they are incurred; If the contract costs are impossible to recover, the contract costs are immediately identified as the contract costs in occurs, and do not confirm the contract revenue. Where uncertainties which make it unable to reliably estimate the outcome of the construction contract no longer exist, the revenue and costs associated with the construction contract shall be determined according to the percentage of completion method.

If the estimated total cost of the contract exceeds the total contract revenue, the estimated loss shall be recognized as an expense in the current period.

The cumulative costs incurred and the gross profit (loss) of the contract under construction and the recognized gross profit (settlement) and the settlement price are listed in the balance sheet as the net amount after offsetting. The sum of the accumulated costs incurred and the gross profit (loss) of the contract under construction exceeding the settled price is shown as inventory; The portion of the settled price of the contract under construction that exceeds the sum of the accumulated costs incurred and the accumulated confirmed gross profit (loss) is presented as advance receipts.

## **26. Government grants**

Government subsidies refer to the monetary or non-momentary assets received by the company from government without compensation, excluding capital invested by government as an investor and in which the government has the corresponding ownership interest. Government subsidy consists of asset-related government subsidy and income-related government subsidy. Government subsidies that are monetary assets are measured at the amount received or receivable. Government subsidies that are non-monetary assets are measured at the fair value; where the fair value cannot be reliably obtained, government subsidies are measured at the nominal amount Government subsidies measured at the nominal amount are directly charged to the current profit and loss.

the company can recognize a government subsidy only when the company can meet the conditions attached to the government subsidy and can receive the government subsidy

Government subsidy consists of asset-related government subsidy and income-related government subsidy. Asset-related government subsidies refer to the government subsidies acquired by the company and used for acquisition or otherwise formation of long-term assets. The income-related government subsidies refer to those government subsidies other than the asset-related government subsidies.

Asset-related government subsidies are recognized as deferred income using the gross method and charged to profit and loss in installments in a reasonable and systematic manner over the service life of the related asset. Where related assets are sold, transferred, scrapped or destroyed prior to the

end of service life, the undistributed balance of the related deferred income is transferred to the current profit and loss on the asset disposal; where a recognized government subsidy is required to be returned, it is charged against the book balance of related deferred income, with the excess portion charged to the current profit and loss.

Income-related government subsidies are directly charged to the current profit and loss using the gross method when used to compensate for the related costs and expenses or losses already incurred by the company; they are recognized as deferred income when used to compensate for the related costs and expenses or losses in subsequent periods and are charged to the current profit and loss during the period of recognition of related costs and expenses or losses.

For a government subsidy that contains both asset-related part and income-related part, accounting treatment is made for different parts respectively; if it is difficult to make distinction, it is classified in entirety as the income-related government subsidy.

the company charges to other income the government subsidies related to the daily activities of the company according to the substance of economic transaction. the company charges to non-business revenue and expenditure the government subsidies unrelated to daily activities of the company.

#### **27. Deferred income tax assets and deferred income tax liabilities**

Based on the difference between the book value and tax base of certain items of assets and liabilities and the temporary difference resulting from difference between the book value and tax base of an item which has not been recognized as an asset and liability but whose tax base can be determined according to the applicable tax laws, the deferred income tax assets and deferred income tax liabilities are recognized using balance sheet debt method.

For taxable temporary difference related to initial recognition of goodwill and related to the initial recognition of assets or liabilities arising in a transaction that is neither business combination nor affects the accounting profits and taxable income amount (or deductible losses) when incurred, the related deferred income liabilities are not recognized. In addition, for taxable temporary difference related to the investments of the company in its subsidiaries, affiliates and joint ventures, if the company can control the time to reverse the temporary difference and such temporary difference is highly likely not to be reversed in foreseeable future, the related deferred income liabilities are not recognized either. Except for the aforesaid exceptions, the company recognizes deferred income tax liabilities resulting from all taxable temporary differences.

For deductible temporary difference related to initial recognition of assets or liabilities arising in a transaction that is neither business combination nor affects the accounting profits and taxable income amount (or deductible losses) when incurred, the related deferred income assets are not recognized

In addition, for deductible temporary difference related to the investments of the company in its subsidiaries, affiliates and joint ventures, if the deductible temporary difference is not highly likely to be reversed in the foreseeable future or it is not highly likely to obtain the taxable income available to deduct the deductible temporary difference in the future, the related deferred income assets are not recognized. Except for the aforesaid exceptions, the company recognizes deferred income tax assets resulting from all deductible temporary differences to the extent that it is highly likely to obtain the taxable income available to deduct the deductible temporary difference.

For the deductible losses and tax credits that can be carried over into the subsequent years, the company recognizes the corresponding deferred income tax assets to the extent that it is highly likely to obtain the future taxable income available to deduct the deductible losses and tax credits.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rate during the period of expected recovery of related assets or repayment of related liabilities according to the tax laws.

At the balance sheet date, the company reviews the book value of deferred income tax assets. If it is highly likely not to obtain taxable income sufficient to deduct the benefits of deferred income tax assets in the future, the book value of deferred income tax assets is written down. The amount written down is reversed when sufficient taxable income is highly likely to be obtained.

## **28. Lease**

A finance lease is a lease that transfers in substance all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. A finance lease is a lease other than an operation lease.

Leasing business that meets one or more of the following criteria is usually a finance lease: ① At the expiration of the lease term, the ownership of the leased asset is transferred to the lessee. ② The lessee has the option to purchase the leased asset. The purchase price is expected to be much lower than the fair value of the leased asset when the option is exercised. Therefore, it can be reasonably determined that the lessee will exercise this option at the start of the lease. ③ Even if the ownership of the asset is not transferred, the lease term occupies most of the useful life of the leased asset. ④ The present value of the minimum lease payment of the lessee on the lease start date is almost equivalent to the fair value of the leased asset on the lease start date; the current value of the lessor's minimum lease payment on the lease start date is almost equivalent to the fair value of the leased asset on the lease start date value. ⑤ The leased assets are of special nature, and unless major renovations are made, only the lessee can use them.

### **(1) the company as Lessee under operating Lease**

Lease payments under an operating lease are recognized by a lessee on a straight-line basis

over the lease term, and either included in the cost of the related asset or charged to profit or loss for the current period. Initial direct expenses are booked into current profit and loss. The contingent rents shall be recorded in the profit or loss of the period in which they arise.

(2) the company as lessor under operating Lease

Lease income from operating leases shall be recognized by the lessor in profit or loss on a straight-line basis over the lease term. Initial direct cost of significance in amount shall be capitalized when incurred, are recorded into the current profit and loss in installments throughout the lease term on the same basis as the recognized rental income. Other smaller initial direct expenses shall be recorded into current profit and loss when incurred. Contingent rents are credited to profit or loss in the period in which they arise.

(3) the company as Lessee under financing Lease

For an asset that is held under a finance lease, at the lease commencement, the leased asset is recorded at the lower of its fair value at the lease commencement and the present value of the minimum lease payments, and the minimum lease payment is recorded as the carrying amount of the long-term payables; the difference between the recorded amount of the leased asset and the recorded amount of the payable is accounted for as unrecognized finance charge. Initial direct costs incurred by the lessee during the process of negotiating and securing the lease agreement shall be added to the amount recognized for the leased asset. The net amount of minimum lease payment deducted by the unrecognized finance shall be separated into long-term liabilities and long-term liability within one year for presentation.

Unrecognized finance charge shall be computed by the effective interest method during the lease term. Contingent rent shall be booked into profit or loss when actually incurred.

(4) the company as Lessor of a financing lease

For an asset that is leased out under a finance lease, the aggregate of the minimum lease receipts at the inception of the lease and the initial direct costs is recorded as a finance lease receivable, and unguaranteed residual value is recorded at the same time; the difference between the aggregate of the minimum lease receipt, initial direct costs, and unguaranteed residual value, and the aggregate of their present values, is recognized as unearned finance income. Finance lease receivable less unearned finance income shall be included into long-term liabilities and long-term liability within one year for presentation, respectively.

Unearned finance income shall be computed by the effective interest method during the lease term. Contingent rent shall be credited into profit or loss in which actually incurred.

## **29. Held for Sale**

the company classify an asset or disposal group as held for sale if it is carrying amount will be

recovered principally through a sale transaction (including non-monetary asset exchange with commercial substance, same as below) rather than through continuing use. Specific standards are as follows, which should be satisfied at the same time: the asset or disposal group is immediately sellable at its current condition according to the practice; the company has completed official decision to dispose the asset and has acquired firm purchasing commitments; and the sales will be completed within one year. The disposal group refers to a group of assets that are sold as a whole or disposed of in a transaction, and the liabilities directly related to those assets transferred in the transaction at the same time. If the asset group combination of the disposal group or assets group share the goodwill obtained in the business combination according to CAS 8 - Asset Impairment and the disposal group shall include the goodwill allocated to the disposal group.

Non-current assets held for sale and disposal group, which the company's initial measurement or measurement on the date of the balance sheet divided into, if the book value is higher than the fair value deducting the sale cost, it's book value will be written down to the fair value deducting the sale cost, in addition the reduced amount is recognized as impairment loss included in the current profits and losses, while accruing the provision for impairment of assets held for sale. For the disposal group, confirmed asset impairment losses, will reduce the book value of the goodwill of a disposal group first, then reduce the book value of the non-current assets proportionally applying to CAS 42 - Non-Current Assets Held for Sale, the Disposal group, and Discontinued Operations (hereinafter referred to as the "held for sale rule"). With the fair value deducting the sale cost of the disposal assets held for sale increasing on the date of the balance sheet, the deducted amount should be recovered accordingly within the relevant scope. The recovering amount is included in the profits and losses of the current period, and the book value of non-current assets in the disposal group is increased proportionally according to the proportion of the book value of the non-current assets, except goodwill, which measured under the held for sale rule. The deducted book value of goodwill and the impairment losses of non-current assets that are under the held for sale rule shall not be reversed before they are classified as holding assets for sale.

Non-current assets held for sale or non-current assets in the disposal group are not subject to depreciation or amortization. The interest of liabilities and other expenses in the disposal group held for sale will continue to be confirmed.

When the non-current assets or disposal groups no longer meet the conditions of assets held for sale categories, the company will no longer divide that into assets held for sale categories or will remove that from the disposal of non-current assets held for sale, and measured by the lower amount: (1) The book value before being classified as held for sale category, and adjusted of the depreciation, amortization or impairment according to the assumption not being classified as held for sale. (2) Recoverable amount.

**V. Explanation of Changes in Accounting Policies, Accounting Estimates and Correction of Errors**

1. Changes in accounting policy: none
2. Changes in accounting estimates: none

**VI. Taxes**

**1. Main taxes and tax rates**

Tax category	Tax base	Tax rate(%)
VAT	The output VAT is calculated based on the revenue from sale of goods and taxable services calculated according to tax laws, and the difference after deduction of the input VAT currently deductible is the payable VAT.	3%.6%.9%.13%
	A simplified method calculated according to the sales and collection rate	3%.5%
Consumption taxes	Taxable sales	5%
Urban maintenance and construction taxes	VAT and consumption tax actually paid	7%
Corporate income tax	Taxable income amount	25%

**2. Tax preferences and approvals**

According to the provisions of the Notice on Issues of Treatment of Enterprise Income Tax for Earmarked Fiscal Funds (Caishui [ 2011 ] No. 70) issued by the Ministry of Finance and the State Administration of Taxation regarding exemption of enterprise income tax, the fiscal funds to be charged to total revenue that are received by the company from the fiscal and other departments of people's governments at the county level or above during the reporting period may be treated as tax-exempted revenue whenever all the prescribed conditions are met at the same time.

**VII. Business Combination and Consolidated Financial Statements**

**1. Subsidiaries**

As of December 31, 2020, there is a total of 128 subsidiaries at all levels within the scope of consolidation, which include 12 tier-1 subsidiaries, 68 tier-2 subsidiaries, 46 tier-3 subsidiaries and 2 tier-4 subsidiaries. And there is an increase of 6 subsidiaries compared with the beginning of the year, among them, there are 11 new subsidiaries and 5 fewer subsidiaries.

SN	Name	Company level	Place of businesses	Registering place	Direct shareholding ratio (%)	Indirect shareholding ratio (%)	Industry	Way of acquisition
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Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

SN	Name	Company level	Place of businesses	Registering place	Direct shareholding ratio (%)	Indirect shareholding ratio (%)	Industry	Way of acquisition
1	Huaibei Public Utilities Asset Operation Co., Ltd	Tier 1	Huaibei	Huaibei	95.76		Water production and supply	Incorporation
2	Huaibei Fangzheng Zhigu Technology Park Management Co., Ltd	Tier 2	Huaibei	Huaibei		95.76	Service	Incorporation
3	Huaibei Affordable Housing Operation Co., Ltd	Tier 1	Huaibei	Huaibei		95.76	Real estate	Incorporation
4	Huaibei Jiantong Environmental Protection Technology Co., Ltd	Tier 2	Huaibei	Huaibei		48.84	Technology promotion and application service	Incorporation
5	Huaibei Public Transit Co., Ltd	Tier 2	Huaibei	Huaibei		95.76	Road transport	Allocation
6	Huaibei Bozhong Culture & Media Co., Ltd	Tier 3	Huaibei	Huaibei		95.76	Business service	Incorporation
7	Huaibei Xinshangyuan Food Co., Ltd	Tier 3	Huaibei	Huaibei		95.76	Food manufacturing	Incorporation
8	Huaibei Water Supply Co., Ltd	Tier 2	Huaibei	Huaibei		95.76	Water production and supply	Purchase
9	Suixi Runsheng Water Supply Co. Ltd	Tier 3	Huaibei	Huaibei		95.76	Water production and supply	Purchase
10	Huaibei Runsheng Municipal Engineering Co., Ltd	Tier 3	Huaibei	Huaibei		95.76	Water production and supply	Allocation
11	Huaibei Runze Property Management Co., Ltd	Tier 3	Huaibei	Huaibei		95.76	Real estate	Purchase
12	Huaibei Runsheng Metrology and Test Co., Ltd	Tier 3	Huaibei	Huaibei		95.76	Specialized technical service	Incorporation
13	Huaibei Runsheng Water Quality Test Co., Ltd	Tier 3	Huaibei	Huaibei		95.76	Specialized technical service	Incorporation
14	Huaibei Construction Investment Co., Ltd	Tier 1	Huaibei	Huaibei	71.43		Business service	Allocation
15	Huaibei Jiantou Real Estate Development Co., Ltd	Tier 2	Huaibei	Huaibei		71.43	Real estate	Incorporation
16	Huaibei Jiantou Lvjin Real Estate Co., Ltd	Tier 3	Huaibei	Huaibei		71.43	Real estate	Incorporation
17	Huaibei Jiantou Fangding Real Estate Co., Ltd	Tier 3	Huaibei	Huaibei		71.43	Real estate	Incorporation
18	Huaibei Jiantou Lvhe Real Estate Co., Ltd	Tier 3	Huaibei	Huaibei		71.43	Real estate	Incorporation
19	Huaibei Haotai Business Management Co., Ltd	Tier 3	Huaibei	Huaibei		71.43	Business service	Incorporation
20	Huaibei Hanlin Real Estate Co., Ltd	Tier 3	Huaibei	Huaibei		71.43	Real estate	Incorporation
21	Huaibei Construction Investment Lvheng Real Estate Co. Ltd	Tier 3	Huaibei	Huaibei		71.43	Real estate	Incorporation

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

SN	Name	Company level	Place of businesses	Registering place	Direct shareholding ratio (%)	Indirect shareholding ratio (%)	Industry	Way of acquisition
22	Huaibei Construction Investment Lvxin Real Estate Co. Ltd	Tier 3	Huaibei	Huaibei		71.43	Real estate	Incorporation
23	Huaibei Lvhong Real Estate Co. Ltd	Tier 3	Huaibei	Huaibei		71.43	Real estate	Incorporation
24	Huaibei Lvtao Real Estate Co. Ltd	Tier 3	Huaibei	Huaibei		71.43	Real estate	Incorporation
25	Huaibei Lvjia Real Estate Co. Ltd	Tier 3	Huaibei	Huaibei		71.43	Real estate	Incorporation
26	Huaibei Lvjin Real Estate Co. Ltd	Tier 3	Huaibei	Huaibei		71.43	Real estate	Incorporation
27	Huaibei Lvsheng Real Estate Co. Ltd	Tier 3	Huaibei	Huaibei		71.43	Real estate	Incorporation
28	Anhui Jiantou Ecological Landscape Engineering Co., Ltd	Tier 2	Huaibei	Huaibei		42.86	Public facility management	Incorporation
29	Anhui Jiantou Green Farm Co., Ltd	Tier 3	Huaibei	Huaibei		42.86	Forestry	Incorporation
30	Huaibei Longfor Industrial New Town Construction & Development Co., Ltd	Tier 2	Huaibei	Huaibei		42.86	Business service	Incorporation
31	Anhui Jiangnan Cables Co., Ltd	Tier 3	Huaibei	Huaibei		30.00	Electromechanical and equipment manufacturing	Incorporation
32	Anhui Taipu Automation & Electrical Co., Ltd	Tier 4	Huaibei	Huaibei		30.00	Specialized equipment manufacturing	Purchase
33	Huaibei Rural Revitalization Investment & Development Co., Ltd	Tier 2	Huaibei	Huaibei		36.43	Business service	Incorporation
34	Huaibei Beautiful Countryside Investment & Development Co., Ltd	Tier 2	Huaibei	Huaibei		71.43	Business service	Incorporation
35	Huaibei Huaihai Construction Engineering Co., Ltd	Tier 2	Huaibei	Huaibei		35.72	House construction	Purchase
36	Huaibei Central Lake Zone Construction Investment & Development Co., Ltd (Note)	Tier 1	Huaibei	Huaibei	100.00		Business service	Allocation
37	Huaibei South Lake Park Operation Management Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Business service	Allocation
38	Anhui Bailian Business Education Technology Co., Ltd	Tier 2	Huaibei	Huaibei		70.00	Other technology promotion service	Incorporation
39	Huaibei Radio & TV Newspaper Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Consulting and survey	Allocation
40	Anhui South Lake Culture & Media Co., Ltd	Tier 2	Huaibei	Huaibei		51.02	Business service	Incorporation
41	Huaibei South Lake Hotel Operation Management Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Business service	Allocation

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

SN	Name	Company level	Place of businesses	Registering place	Direct shareholding ratio (%)	Indirect shareholding ratio (%)	Industry	Way of acquisition
42	Huaibei Shuoxi Lake Protective Development and Construction Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Business service	Incorporation
43	Huaibei City Parking Management Co., Ltd	Tier 3	Huaibei	Huaibei		100.00	Business service	Incorporation
44	Huaibei Security Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Service sector	Incorporation
45	Huaibei Jiantou Property Service Co., Ltd	Tier 4	Huaibei	Huaibei		100.00	Real estate	Incorporation
46	Huaibei Tonghao Property Service Co., Ltd	Tier 3	Huaibei	Huaibei		100.00	Real estate	Allocation
47	Huaibei Liheng Construction Engineering Co., Ltd	Tier 3	Huaibei	Huaibei		100.00	House construction	Allocation
48	Huaibei Yinian Health and Pension Industry Co., Ltd	Tier 2	Huaibei	Huaibei		51.00	Business service	Incorporation
49	Huaibei Communication Investment Co., Ltd	Tier 1	Huaibei	Huaibei	100.00		Business service	Incorporation
50	Huaibei Tongming Mining Co., Ltd	Tier 2	Huaibei	Huaibei		67.00	Coal mining and preparation	Incorporation
51	Huaibei Lvjin Industry Investment Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	House construction	Incorporation
52	Huaibei Liantong Municipal Engineering Co., Ltd	Tier 3	Huaibei	Huaibei		55.00	Building decoration and other construction	Incorporation
53	Huaibei Jinan Driving School Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Business service	Incorporation
54	Huaibei Jiaotou Petrochemical Oil Sales Co., Ltd	Tier 2	Huaibei	Huaibei		56.00	Retail	Incorporation
55	Huaibei Jindun Motor Vehicle Test Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Road transport	Incorporation
56	Huaibei Jinying Motor Vehicle Emission Test Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Specialized technical service	Incorporation
57	Huaibei Rongtong Industries Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Business service	Incorporation
58	Huaibei City Organs Vehicle Service Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Leasing	Incorporation
59	Zhongtai Huaihai High Technology Co., Ltd	Tier 2	Huaibei	Huaibei		35.29	Research and experimental development	Incorporation
60	Anhui Haibei Motor Transport Co., Ltd	Tier 2	Huaibei	Huaibei		98.21	Retail	Allocation
61	Huaibei Xunjie Communication Investment Co. Ltd	Tier 3	Huaibei	Huaibei		50.09	Road transport	Allocation
62	Huaibei Yuntong Tourist Transportation Co., Ltd	Tier 3	Huaibei	Huaibei		98.21	Road transport	Allocation
63	Huaibei Ruitong Ganghang Transport Co., Ltd	Tier 3	Huaibei	Huaibei		98.21	Water transport	Allocation
64	Huaibei Haolutong General Transport Services Co., Ltd	Tier 3	Huaibei	Huaibei		98.21	Road transport	Allocation
65	Huaibei Ruihong Network Technology Co. Ltd	Tier 3	Huaibei	Huaibei		98.21	Business service	Incorporation

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

SN	Name	Company level	Place of business	Registering place	Direct shareholding ratio (%)	Indirect shareholding ratio (%)	Industry	Way of acquisition
66	Huaibei Financial Holding Group Co., Ltd	Tier 1	Huaibei	Huaibei	100.00		Business service	Allocation
67	Huaibei Juye Fund Management Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Capital market service	Incorporation
68	Dongsheng (Shanghai) Financial Leasing Co. Ltd	Tier 2	Shanghai	Shanghai		100.00	Business service	Incorporation
69	Huaibei Jiantou Small Loans Co., Ltd	Tier 2	Huaibei	Huaibei		60.00	Monetary financial services	Incorporation
70	Shenzhen Qianhai Zhongmaotong Simply Chain Management Co., Ltd	Tier 2	Shenzhen	Shenzhen		55.00	Business service	Incorporation
71	Huaibei Jiantou SME Financial Services Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Other financial sector	Incorporation
72	Huaibei Tongchuang Pawn Co., Ltd	Tier 2	Huaibei	Huaibei		70.00	Monetary financial services	Incorporation
73	Huaibei Guohou Jiantou Asset Management Co., Ltd	Tier 2	Huaibei	Huaibei		51.00	Business service	Incorporation
74	Huaibei Jiantou Trading Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Retail	Incorporation
75	Huaibei Jiantou Commercial Big Data Information Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Software and IT service	Incorporation
76	Huaibei Construction Investment Donghua Information Technology Co., Ltd	Tier 2	Huaibei	Huaibei		51.00	Software and information technology services	Incorporation
77	Huaibei Industrial Support Fund Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Business service	Allocation
78	Huaibei Science and Technology Achievement Transformation Investment Fund Partnership (Limited Partnership)	Tier 2	Huaibei	Huaibei		69.00	Capital market services	Incorporation
79	Huaibei Tongchuang Financing Guarantee Group Co., Ltd	Tier 1	Huaibei	Huaibei	45.25	26.69	Business service	Incorporation
80	Huaibei Industrial Investment & Operation Co., Ltd	Tier 1	Huaibei	Huaibei	52.45		Business service	Incorporation
81	Huaibei Jiantou Dongming Petrochemical Oil Sales Co., Ltd	Tier 2	Huaibei	Huaibei		26.75	Retail	Incorporation
82	Symax Elevators (Huaibei) Co., Ltd	Tier 2	Huaibei	Huaibei		36.72	General equipment manufacturing	Incorporation
83	Huaibei Gongtou Jianye Technology Co., Ltd	Tier 2	Huaibei	Huaibei		52.45	Business service	Incorporation
84	Huaibei Gongtou SME Industrial Park Co., Ltd	Tier 3	Huaibei	Huaibei		26.77	Business service	Incorporation
85	Anhui Linhuan Industrial Park Circular Economy Development Co., Ltd	Tier 1	Huaibei	Huaibei	100.00		Public facility management	Incorporation
86	Huaibei Jiantou Pipe Gallery Operation Co., Ltd	Tier 2	Huaibei	Huaibei		52.50	Business service	Incorporation

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

SN	Name	Company level	Place of businesses	Registering place	Direct shareholding ratio (%)	Indirect shareholding ratio (%)	Industry	Way of acquisition
87	Huaibei Dongyu Construction Investment Group Co., Ltd	Tier 1	Huaibei	Huaibei	100.00		Business service	Allocation
88	Huaibei Dongxing Construction Investment Group Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	House construction	Allocation
89	Anhui Shengdian Financing Guarantee Co., Ltd	Tier 3	Huaibei	Huaibei		64.46	Other financial sector	Allocation
90	Huaibei Yuhua Kezhen Business Operation Management Co., Ltd	Tier 3	Huaibei	Huaibei		100.00	Business service	Allocation
91	Huaibei Rongchang Cables Co., Ltd	Tier 3	Huaibei	Huaibei		51.00	Wholesale	Allocation
92	Huaibei Shengtong Asset Management Co., Ltd	Tier 2	Huaibei	Huaibei		70.00	Business service	Allocation
93	Anhui Huaichen Coal Dressing Materials Co., Ltd	Tier 3	Huaibei	Huaibei		70.00	Chemical materials and chemical product manufacturing	Allocation
94	Huaibei Hanyun Nanshan Tourism Development Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Business service	Allocation
95	Huaibei Tongli Industries Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Building decoration and other construction	Allocation
96	Huaibei Tongji Vehicle Services Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Leasing	Allocation
97	Huaibei Shengtian Financial Management Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Business service	Allocation
98	Huaibei Tongyu Parking Management Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Road transport	Allocation
99	Huaibei Senhai Trading Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Retail	Allocation
100	Huaibei Drainage Co., Ltd	Tier 1	Huaibei	Huaibei	100.00		Specialized technical service	Allocation
101	Huaibei Phoenix Mountain Industries Group Co., Ltd	Tier 1	Huaibei	Huaibei	100.00		Business service	Allocation
102	Huaibei Phoenix Mountain State-owned Asset Operation Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Business service	Allocation
103	Huaibei Phoenix Mountain Engineering Construction Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	House construction	Allocation
104	Huaibei Phoenix Mountain Property Management Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Real estate	Allocation
105	Taishang Financial Leasing (Shanghai) Co., Ltd	Tier 2	Huaibei	Huaibei		51.00	Leasing	Allocation
106	Huaibei Phoenix Mountain Landscaping Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Public facility management	Allocation
107	Huaibei Feifeng Trading Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Retail	Allocation
108	Huaibei Kaiyuan Construction Investment Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Capital market service	Allocation

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

SN	Name	Company level	Place of businesses	Registering place	Direct shareholding ratio (%)	Indirect shareholding ratio (%)	Industry	Way of acquisition
109	Huaibei Xiangfeng Trading Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Wholesale	Allocation
110	Huaibei Phoenix Culture Development Co., Ltd	Tier 2	Huaibei	Huaibei		51.00	Business service	Allocation
111	Huaibei Xincheng Financing Guarantee Co., Ltd	Tier 2	Huaibei	Huaibei		75.51	Monetary financial services	Allocation
112	Huaibei Qianrui Construction Engineering Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	House construction	Allocation
113	Huaibei Guangshi Cultural & Creative Development Co., Ltd	Tier 2	Huaibei	Huaibei		85.00	Culture and art	Allocation
114	Huaibei Shengda Holding Group Co., Ltd	Tier 1	Huaibei	Huaibei	100.00		Wholesale	Allocation
115	Huaibei Shengda Construction Investment Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Other financial sector	Allocation
116	Huaibei Shengda Real Estate Development Co., Ltd	Tier 3	Huaibei	Huaibei		100.00	Real estate	Allocation
117	Huaibei Shengda Human Resources Co., Ltd	Tier 3	Huaibei	Huaibei		100.00	Business service	Allocation
118	Huaibei Shengda Financing Guarantee Co., Ltd	Tier 3	Huaibei	Huaibei		88.86	Business service	Allocation
119	Huaibei Dafangxiang Trade Co., Ltd	Tier 3	Huaibei	Huaibei		100.00	Business service	Allocation
120	Huaibei Anjie Huier Power Sale Co., Ltd	Tier 3	Huaibei	Huaibei		100.00	Retail	Allocation
121	Huaibei Shenghong Financial Management Consulting Co., Ltd	Tier 3	Huaibei	Huaibei		100.00	Business service	Allocation
122	Huaibei Huayi Cultural & Creative Construction Development Co., Ltd	Tier 3	Huaibei	Huaibei		100.00	House construction	Allocation
123	Huaibei Shengda Construction Engineering Co., Ltd	Tier 3	Huaibei	Huaibei		100.00	House construction	Allocation
124	Anhui Guanshen Construction Engineering Co., Ltd	Tier 3	Huaibei	Huaibei		100.00	House construction	Allocation
125	Huaibei Shengda Intellectual Property Operation Co., Ltd	Tier 3	Huaibei	Huaibei		100.00	Business service	Allocation
126	Huaibei Lieshan District Affiliated Organs Vehicle Service Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Leasing	Allocation
127	Huaibei Shengpeng Industries Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Business service	Allocation
128	Huaibei Shenghang Technology Development Co., Ltd	Tier 2	Huaibei	Huaibei		100.00	Business service	Incorporation

**2. Entity newly included in the combination and those that are no longer included in the combination in this period**

(1) New incorporated entities this period

SN	Entity Name	Nature of control
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1	Huaibei Construction Investment Lvheng Real Estate Co. Ltd	Established
2	Huaibei Construction Investment Lvxin Real Estate Co. Ltd	Established
3	Huaibei Lvhong Real Estate Co. Ltd	Established
4	Huaibei Lvtai Real Estate Co. Ltd	Established
5	Huaibei Lvjia Real Estate Co. Ltd	Established
6	Huaibei Lvjin Real Estate Co. Ltd	Established
7	Huaibei Lvsheng Real Estate Co. Ltd	Established
8	Huaibei Ruihong Network Technology Co. Ltd	Established
9	Huaibei Construction Investment Donghua Information Technology Co., Ltd	Established
10	Huaibei Science and Technology Achievement Transformation Investment Fund Partnership (Limited Partnership)	Established
11	Huaibei Shenghang Technology Development Co., Ltd	Established

(2) Subjects not included in the merger for the current period

① Original subsidiary that is no longer included in the merger this period

Subsidiary name	Registering place	Industry	Share holding ratio	Percentage of voting power	Reasons for not being a subsidiary this period
Huaibei Huaihai Jiangong Environment-friendly Building Materials Co., Ltd	Huaibei	Nonmetal mineral product	35.72	35.72	Transferred out
Huaibei Huaishui Environmental Protection Engineering Co., Ltd	Huaibei	Civil engineering construction	65.00	65.00	Cancellation
Huangshan Jiantong Investment Partnership (LP)	Huangshan	Finance	99.80	99.80	Cancellation
Huaibei Jinhui Industries Co., Ltd	Huaibei	Business service	51.00	51.00	Transferred out
Huaibei Longhua Construction Investment Co., Ltd	Huaibei	Other financial sector	100.00	100.00	Cancellation

### 3. Information about important non-wholly-owned subsidiaries

(1) Minority shareholders

SN	Subsidiary name	Shareholding ratio of minority shareholders (%)	Profits and losses attributable to minority shareholders in 2020	Dividends paid to minority shareholders in 2020	Accumulated minority shareholders' equity at the end of 2020
1	Huaibei Construction Investment Co., Ltd	28.57	4,326,541.86		2,282,388,956.39

(2) Key financial information

Item	Amount in 2020		Amount in 2019	
	Huaibei Investment Co.,	Construction	Huaibei Investment Co.,	Construction
Current assets		26,571,080,303.45		23,340,411,163.33

Item	Amount in 2020		Amount in 2019	
	Huaibei Investment Co.,	Construction	Huaibei Investment Co.,	Construction
Non-current assets		12,865,034,461.85		10,438,778,820.90
Total assets		39,436,114,765.30		33,779,189,984.23
Current liabilities		24,508,551,463.99		17,798,218,729.72
Non-current liabilities		7,670,590,207.79		8,032,574,892.97
Total liabilities		32,179,141,671.78		25,830,793,622.69
Business incomes		1,438,112,645.34		1,585,055,728.54
Net profits		282,606,449.34		325,623,124.54
Comprehensive income		289,830,453.66		325,623,124.54
Cash flow from operating activities		-283,085,085.16		749,793,491.21

### VIII. Explanation of Important Items in Consolidated Financial Statements

The following items is in RMB unless otherwise specified.

#### 1. Monetary funds

Item	12/31/2020	12/31/2019
Cash in hand	40,188.86	28,154.24
Bank deposits	8,629,923,461.81	5,722,285,597.55
Other monetary capital	2,806,142,277.81	1,568,498,146.81
<b>Total</b>	<b>11,436,105,928.48</b>	<b>7,290,811,898.60</b>
Wherein: total amount deposited abroad		

Wherein, the details of restricted monetary funds are as follows:

Item	12/31/2020	12/31/2019
Bank acceptance deposits	289,028,017.29	168,454,300.00
Guaranteed deposits paid, refundable deposit	359,529,739.09	234,725,944.42
Risk mitigation fund	1,064,500,000.00	1,088,140,400.00
Time deposits and structured deposits	25,000,000.00	77,177,502.39
<b>Total</b>	<b>1,738,057,756.38</b>	<b>1,568,498,146.81</b>

#### 2. Financial assets at fair value through profit and loss

Item	12/31/2020	12/31/2019
Trading financial assets	1,946,094,707.17	110,998,327.27
<b>Total</b>	<b>1,946,094,707.17</b>	<b>110,998,327.27</b>

#### 3. Notes receivable

(1) Classification of notes receivable

Category	12/31/2020	12/31/2019
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Bank acceptance	14,148,000.00	21,100,000.00
Trade acceptance	500,000.00	1,300,000.00
<b>Total</b>	<b>14,648,000.00</b>	<b>22,400,000.00</b>

#### 4. Accounts receivable

##### (1) Classification of accounts receivable by risk

Category	12/31/2020				Book value
	Book balance		Provision for bad debts		
	Sum	Percentage (%)	Sum	Percentage of accrual (%)	
Accounts receivable with insignificant single amount whose bad debts are provided individually					
Accounts receivable whose bad debts are provided in terms of credit risk characteristic combination	7,614,969,308.60	100.00	8,947,311.60	0.12	7,606,021,997.00
Accounts receivable with insignificant single amount whose bad debts are provided individually					
<b>Total</b>	<b>7,614,969,308.60</b>	<b>100.00</b>	<b>8,947,311.60</b>	<b>0.12</b>	<b>7,606,021,997.00</b>

(Continued)

Category	12/31/2019				Book value
	Book balance		Provision for bad debts		
	Sum	Percentage (%)	Sum	Percentage of accrual (%)	
Accounts receivable with insignificant single amount whose bad debts are provided individually					
Accounts receivable whose bad debts are provided in terms of credit risk characteristic combination	7,667,434,810.44	100.00	8,947,311.60	0.12	7,658,487,498.84
Accounts receivable with insignificant single amount whose bad debts are provided individually					
<b>Total</b>	<b>7,667,434,810.44</b>	<b>100.00</b>	<b>8,947,311.60</b>	<b>0.12</b>	<b>7,658,487,498.84</b>

##### (2) Bad debt provision

Balance at the beginning of year	Increase in 2020	Decrease in 2020		12/31/2020
		Reversed	Write-off	
8,947,311.60				8,947,311.60

##### (3) Details of accounts receivable for which bad debt provision accrued as of December 31, 2020:

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Creditor	Debtor name (or nature of amount)	Book balance	Amount accrued	Account age	Basis or reasons for accrual
Huaibei Construction Investment Holding Group Co., Ltd	Liudong Coalmine	8,100,334.52	6,480,267.62	Above 3	Already in the legal proceeding
Huaibei Construction Investment Holding Group Co., Ltd	Chenzhuang Iron Mine	1,300,000.00	1,300,000.00	Above 3	Already in the legal proceeding
Huaibei Public Utilities Asset Operation Co., Ltd	Housing loan department of ICBC (housing maintenance fund)	308,654.90	308,654.90	Above 3	Divested assets, unrecoverable due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Local tax office of ICBC (deposits)	4,539.41	4,539.41	Above 3	Divested assets, unrecoverable due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Gas expense of Second Institute Printing and Dyeing Group	362,500.00	362,500.00	Above 3	Divested assets, unrecoverable due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Gas expense of Second Institute Zhongbo Ceramics	175,827.90	175,827.90	Above 3	Divested assets, unrecoverable due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Zhongbo Ceramics	40,000.00	40,000.00	Above 3	Divested assets, unrecoverable due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Municipal Glass Plant	197,106.90	197,106.90	Above 3	Divested assets, unrecoverable due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Liuqiao First Mine	34,906.21	34,906.21	Above 3	Divested assets, unrecoverable due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Huaguang Lamp Factory	24,215.00	24,215.00	Above 3	Divested assets, unrecoverable due to

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

					historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Zhangbei Neighborhood Committee	8,030.34	8,030.34	Above 3	Divested assets, unrecoverable due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Public Transit Corporation	3,796.32	3,796.32	Above 3	Divested assets, unrecoverable due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Chen Yuzhi (deposit for family planning with the construction commission)	2,700.00	2,700.00	Above 3	Divested assets, unrecoverable due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Deposit	500.00	500.00	Above 3	Divested assets, unrecoverable due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Local taxation inspection bureau	200.00	200.00	Above 3	Divested assets, unrecoverable due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Dong Xiaomin	151.00	151.00	Above 3	Divested assets, unrecoverable due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Dashenggong	46.00	46.00	Above 3	Divested assets, unrecoverable due to historical reasons.
Huaibei Public Utilities Asset Operation Co., Ltd	Sandikou Grain Depot	3,870.00	3,870.00	Above 3	Divested assets, unrecoverable due to historical reasons.
<b>Total</b>		<b>10,567,378.50</b>	<b>8,947,311.60</b>		

(4) Top 5 accounts receivable in terms of ending balance pooled by debtors

Entity name	Book balance	Proportion of total accounts receivable (%)	Account age
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Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Huaibei Municipal Bureau of Housing and Urban-Rural Development	5,212,364,758.57	68.45	1-2 year
Duji District Bureau of Finance of Huaibei Municipal People's Government	1,545,856,959.90	20.3	1-2 year
Huaibei Tianhui Construction Investment Co., Ltd	54,983,969.33	0.72	within 1 year
Huaibei Hengji Property Group Co., Ltd.	51,371,700.00	0.67	within 1 year
Huaibei Municipal Lieshan District People's Government	34,178,025.00	0.45	1-2 year
<b>Total</b>	<b>6,898,755,412.80</b>	<b>90.59</b>	

**5. Prepayments**

(1) Aging analysis and percentage

Account age	12/31/2020			12/31/2019		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Percentage		Amount	Percentage	
Within 1 year	2,582,562,247.42	81.91		1,799,374,704.44	76.79	
1-2 years (including 2 years)	224,374,587.57	7.12		212,220,516.64	9.06	
2 to 3 years (including 3 years)	18,341,974.28	0.58		11,570,799.38	0.49	
Above 3	327,432,987.45	10.39		320,076,053.77	13.66	
<b>Total</b>	<b>3,152,711,796.72</b>	<b>100.00</b>		<b>2,343,242,074.23</b>	<b>100.00</b>	

(2) Top five prepaid accounts of the 2020 year-end balance aggregated by the owing party

Entity name	Relationship with the company	Book balance	Percentage of total prepayments %	Reasons for non-settlement
China Coal Mine Construction Group Corporation Huaibei Ansha Real Estate Development Co., Ltd	Non-affiliate	885,950,000.00	28.10	Project not completed
Huaibei Jinming Real Estate Development Co. Ltd	Non-affiliate	464,100,000.00	14.72	Project not completed
Anhui Jinggong Huidao Real Estate Co., Ltd	Non-affiliate	386,209,300.00	12.25	Project not completed
Huaibei Longcheng Real Estate Co., Ltd	Non-affiliate	243,400,000.00	7.72	Project not completed
Anhui Construction Engineering Real Estate Huaibei Co., Ltd	Non-affiliate	204,665,562.12	6.49	Project not completed
<b>Total</b>		<b>2,184,324,862.12</b>	<b>69.28</b>	

**6. Other receivables**

Item	12/31/2020	12/31/2019
Interests receivable	26,564,190.25	6,135,510.93

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Item	12/31/2020	12/31/2019
Dividends receivable		
Other receivables	11,747,276,360.23	12,969,102,871.54
<b>Total</b>	<b>11,773,840,550.48</b>	<b>12,975,238,382.47</b>

(1) Other receivables

① Classification of other receivables by risk:

Category	12/31/2020				Book value
	Book balance		Provision for bad debts		
	Sum	Percentage	Amount	Percentage	
Other receivables that are individually significant in amount and for which bad debt provision accrues separately					
Other receivables whose bad debts are provided according to the combination of credit risk characteristic	11,802,898,698.8 <sub>2</sub>	100.00	55,622,338.5 <sub>9</sub>	0.47	11,747,276,360.2 <sub>3</sub>
Other receivables that are individually insignificant in amount but for which bad debt provision accrues separately					
<b>Total</b>	<b>11,802,898,698.8<sub>2</sub></b>	<b>100.00</b>	<b>55,622,338.5<sub>9</sub></b>	<b>0.47</b>	<b>11,747,276,360.2<sub>3</sub></b>

(Continued)

Category	12/31/2019				Book value
	Book balance		Provision for bad debts		
	Sum	Percentage	Sum	Percentage	

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Category	12/31/2019				
	Book balance		Provision for bad debts		Book value
	Sum	Percentage	Sum	Percentage	
Other receivables that are individually significant in amount and for which bad debt provision accrues separately					
Other receivables whose bad debts are provided according to the combination of credit risk characteristics	13,024,725,210.13	100.00	55,622,338.59	0.43	12,969,102,871.54
Other receivables that are individually insignificant in amount but for which bad debt provision accrues separately					
<b>Total</b>	<b>13,024,725,210.13</b>	<b>100.00</b>	<b>55,622,338.59</b>	<b>0.43</b>	<b>12,969,102,871.54</b>

(2) Provision for bad debts

12/31/2019	Increase in 2020	Decrease in 2020		12/31/2020
		Reversed	Write-off	
55,622,338.59				55,622,338.59

Note: details of important other receivables for which bad debt provision accrued at the end of 2020:

Creditor	Debtor name	Book balance	Amount accrued	Account age	Basis or reasons for accrual
Huaibei Construction Investment Co., Ltd	Suixi County Construction Investment	145,946,859.95	2,562,310.28	Above 3	Partially unrecoverable due to

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

	Co., Ltd				historical reasons
Huaibei Financial Holding Group Co., Ltd	Changyuan Coking	6,000,000.00	6,000,000.00	Above 3	Expected not to be recovered due to historical reasons.
Huaibei Financial Holding Group Co., Ltd	Yifeng Textile	850,000.00	170,962.00	Above 3	Expected not to be recovered due to historical reasons.
Huaibei Financial Holding Group Co., Ltd	Feiya Group	13,000,000.00	13,000,000.00	Above 3	Expected not to be recovered due to historical reasons.
Huaibei Financial Holding Group Co., Ltd	Hengtai Investment	1,050,000.00	1,050,000.00	Above 3	Expected not to be recovered due to historical reasons.
Huaibei Financial Holding Group Co., Ltd	First Textile Factory	8,500,000.00	8,500,000.00	Above 3	Expected not to be recovered due to historical reasons.
Huaibei Financial Holding Group Co., Ltd	Brewery	4,500,000.00	4,500,000.00	Above 3	Expected not to be recovered due to historical reasons.
Huaibei Financial Holding Group Co., Ltd	Glass Plant	400,000.00	400,000.00	Above 3	Expected not to be recovered due to historical reasons.
Huaibei Financial Holding Group Co., Ltd	Thermal Power Plant	5,050,000.00	5,050,000.00	Above 3	Expected not to be recovered due to historical reasons.
Huaibei Financial Holding Group Co., Ltd	Second Plastic Plant	2,000,000.00	2,000,000.00	Above 3	Expected not to be recovered due to historical reasons.
Huaibei Financial Holding Group Co., Ltd	Rubber factory	700,000.00	700,000.00	Above 3	Expected not to be recovered

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

					due to historical reasons.
<b>Total</b>		<b>187,996,859.95</b>	<b>43,933,272.28</b>		

② Top five entities in terms of ending balance of other receivables:

Entity name	Whether a related party or not	Nature of amount	12/31/2020	Proportion of Total Balance of Other Receivables at Year-end (%)
Huaibei Municipal Bureau of Housing and Urban-Rural Development	No	Recurrent accounts	2,686,588,900.00	22.76
Duji District Bureau of Finance of Huaibei Municipal People's Government	No	Recurrent accounts	1,377,686,751.70	11.67
Xiangshan District Bureau of Finance of Huaibei Municipal People's Government	No	Recurrent accounts	870,000,000.00	7.37
Xiangshan District Bureau of Finance of Huaibei Municipal People's Government	No	Recurrent accounts	648,285,657.87	5.49
Huaibei Construction Engineering Trading Center	No	Recurrent accounts	593,924,500.00	5.03
<b>Total</b>			<b>6,176,485,809.57</b>	<b>52.32</b>

7. Inventory

(1) Inventory classification

Item	12/31/2020		
	Book balance	Provision for falling price	Book value
Raw materials	27,336,351.58		27,336,351.58
Goods in stock(finished goods)	3,359,201,300.26		3,359,201,300.26
Development cost	15,409,186,209.65		15,409,186,209.65
<b>Total</b>	<b>18,795,723,861.49</b>		<b>18,795,723,861.49</b>

(Continued)

Item	12/31/2019		
	Book balance	Provision for falling price	Book value
Raw materials	30,926,573.29		30,926,573.29
Goods in stock(finished goods)	1,086,769,038.88		1,086,769,038.88
Development cost	12,733,227,175.03		12,733,227,175.03
<b>Total</b>	<b>13,850,922,787.20</b>		<b>13,850,922,787.20</b>

(2) The detailed composition of inventory is as follows:

① The detailed composition of goods in stock is as follows:

Item name	12/31/2020	12/31/2019
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Huaibei Hexu Expressway Connection (north outer ring road-Wusong Road)	630,000,000.00	630,000,000.00
Tuohe East Road-Renmin Road East Section of Hexu Expressway Connection	312,039,147.49	312,039,147.49
Others	2,417,162,152.77	144,729,891.39
<b>Total</b>	<b>3,359,201,300.26</b>	<b>1,086,769,038.88</b>

②The detailed composition of development cost is as follows:

Name of development cost item	12/31/2020	12/31/2019
World Bank-funded Project Tuohe Road	199,661,765.85	199,661,765.85
World Bank-funded Project Suixi Road	29,080,300.00	29,080,300.00
New east outer ring road	61,928,631.00	61,928,631.00
Municipal renovation project at Liyuan Middle Road	12,591,925.28	12,591,925.28
Jinding Shijia	153,373,862.91	152,678,498.47
Zhaozhuang Residential Community	2,738,493.39	2,535,412.84
Chengyuan Residential Community	454,089,158.66	171,900,810.03
Cultural, Creative and Tech Education Town	458,532.01	1,084,577.83
Taohuayuan Residential Community	581,341,498.28	10,874,945.90
Makers Station	175,529,038.90	155,134,552.05
Lvjin Garden	445,412,545.73	554,389,292.33
He street	99,229,063.86	77,527,605.75
202, Nanhu Road	17,724,803.68	16,410,371.85
Green Gold New Town (formerly vocational education park)	468,932,313.43	332,360,465.67
Jusheng Jiayuan	101,940,729.94	94,381,033.23
Green Gold School	489,100.82	436,681.38
Expert Building	18,392,034.94	16,064,918.77
Kechuang Building	517,827,546.28	172,669,557.39
2019-56Plot	164,205,081.90	
2019-54Plot	475,458,975.02	
2019-55Plot	486,043,931.75	
2018-62Plot	583,134,776.64	
2018-63Plot	674,167,025.79	
2020-37Plot	93,752,473.95	
2020-38Plot	66,642,023.53	
2020-39Plot	76,038,872.88	

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Name of development cost item	12/31/2020	12/31/2019
Lv Xin 8#	475,134,945.73	
Lv Heng 8# green gold era	49,875,005.96	
Green Gold School	489,100.82	
Datang power plant	1,881,799.60	
Zhaozhuang Residential Community	2,738,493.39	
Green gold residence	2,035,100.32	
Business Venture Park	43,254,496.00	43,254,496.00
开发新区二期市政道路	327,263,236.69	327,263,236.69
临涣工业园基地北路	51,303,790.00	51,303,790.00
Xishan South Road	20,860,643.00	20,860,643.00
Xiangwang Bridge	84,854,936.79	84,854,936.79
Roads of phase I of development area	242,146,544.90	242,146,544.90
Changshan South Road	189,757,775.63	189,757,775.63
Huashan Road	34,477,397.95	34,477,397.95
Taishan Road	26,869,559.19	26,869,559.19
Ji Trench of Flood Discharge Trench, Huajia Lake, Vocational Education Park	14,710,920.00	14,710,920.00
Keji Road School	20,780,504.00	20,780,504.00
Sewage pipeline of Wutong Road	1,349,800.00	1,349,800.00
Fire control center	13,161,972.55	13,161,972.55
West Shore of South Lake	1,017,708.00	1,017,708.00
East Section of Qilin Avenue	11,088,559.00	11,088,559.00
Guangming Road	13,910,980.46	13,910,980.46
Armed Police Training Unit Program	37,746,839.71	37,746,839.71
Xishan Road Bridge	9,162,900.03	9,162,900.03
Keji Road	13,110,556.36	13,110,556.36
Stadium	304,416,366.38	304,416,366.38
Fangan Road	58,178,744.05	58,178,744.05
Section A of Nanhu Road	285,587.00	285,587.00
Warning Education Center	23,029,462.04	23,029,462.04
Lieqing Bridge	74,865,585.93	74,865,585.93
Resettlement housing of phase I in the development area	326,071,236.51	326,071,236.51
Sewage network project at Huiyuan East Road	4,603,055.62	4,603,055.62

Name of development cost item	12/31/2020	12/31/2019
Liuhe West Road Project	15,217,868.44	15,217,868.44
Xinhu Road Project	39,208,772.69	39,208,772.69
Dongshan South Road Project	36,976,622.00	36,976,622.00
Lieqing Road Project	78,707,739.85	78,707,739.85
Suding Road-Woniu Road Project	266,072,298.89	266,072,298.89
Meiyuan Road-Dongzhuang Road-Huanshan East Road Project	16,600,222.14	16,600,222.14
Haiju Technology Park Project	51,244,906.00	51,244,906.00
East Road of Qilin Avenue	438,300.00	438,300.00
Dongzhuang Road	1,401,034.66	1,401,034.66
Land on which housing properties have been developed	3,326,283,467.03	3,129,012,577.03
Project construction	2,607,990,855.02	4,409,930,240.02
Others	528,426,012.90	678,426,089.90
<b>Total</b>	<b>15,409,186,209.65</b>	<b>12,733,227,175.03</b>

#### 8. Noncurrent assets due within a year

Item	12/31/2020	12/31/2019
Long-term receivables due within a year (Note VI.11)	823,518,661.01	458,612,283.42
Other noncurrent assets due within a year (Note VI.18)	179,578,099.22	153,099,672.57
<b>Total</b>	<b>1,003,096,760.23</b>	<b>611,711,955.99</b>

#### 9. Other current assets

Item	12/31/2020	12/31/2019
Taxes to be deducted and taxes prepaid	251,954,892.74	187,471,781.16
Construction projects managed on behalf of client	7,814,538,142.92	7,814,538,142.92
Entrusted loans and issued loans	993,903,315.40	1,708,084,304.67
Others	313,170,582.59	310,240,000.00
<b>Total</b>	<b>9,373,566,933.65</b>	<b>10,020,334,228.75</b>

(1)The details of managed projects are as follows:

Item Name	12/31/2020	12/31/2019
Huaibei-Xiaoxian North Coach Connection Line Project	497,715,521.72	497,715,521.72
Jianshe Road and Ziyu Road Project of Duji District Bureau of Finance	155,723,241.00	155,723,241.00
Civilization creation program	6,603,200.00	6,603,200.00

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Item Name	12/31/2020	12/31/2019
Town-oriented construction of Zhaolou Pingshan	42,764,791.66	42,764,791.66
Suixi Road (Liuqiao Dedicated Line-Suihe Road) Renovation Project	13,302,873.98	13,302,873.98
Shantytown Transformation Project	108,184,299.90	108,184,299.90
Wutong Road project	329,355,757.08	329,355,757.08
Low-rent housing program	120,094,907.41	120,094,907.41
Xishan Road rundown area	502,434,740.71	502,434,740.71
Tuohe Road Project	45,435,681.06	45,435,681.06
11-year Shantytown renovation project	1,304,913,865.13	1,304,913,865.13
Affordable housing project	744,621,239.42	744,621,239.42
Subsidence area management project	72,511,142.29	72,511,142.29
Water network construction project	42,085,234.43	42,085,234.43
Subsidence area management project	22,667,997.84	22,667,997.84
Water network construction project	12,861,913.69	12,861,913.69
Technology room project of Huaibei Municipal Bureau of Public Security	56,032,757.99	56,032,757.99
Huajia Lake project	14,680,227.17	14,680,227.17
Resettlement housing project of the construction commission in scenic spot	10,379,570.02	10,379,570.02
Cemetery construction project of the construction commission	139,401,709.06	139,401,709.06
Mine Geological Environment Management Project	11,353,639.82	11,353,639.82
Greening and supporting facilities project of the construction commission	10,139,237.17	10,139,237.17
Low-rent housing at Guangze Jiayuan	26,930,600.00	26,930,600.00
Fujia Line Crossing Project	105,262,816.00	105,262,816.00
Shantytown of Phase II in Xishan Area at Xiangshan Road	125,006,854.98	125,006,854.98
Southeast New Area	119,063,536.19	119,063,536.19
Vocational Education Park Project	25,377,876.93	25,377,876.93
Vancouver Ring Road	10,035,890.21	10,035,890.21
Appropriation project on behalf of government	39,822,900.00	39,822,900.00
Public rental housing project	124,027,717.55	124,027,717.55
S202 Huaibei Section Reconstruction Project	103,323,587.27	103,323,587.27
New area of the People's Hospital	59,199,836.79	59,199,836.79
Municipal roads	245,542,980.06	245,542,980.06
Basic public-interest buildings	18,888,175.27	18,888,175.27

Item Name	12/31/2020	12/31/2019
Infrastructure construction project	455,441,135.55	455,441,135.55
15-year Shantytown renovation (Xishan Road Project Phase II in Xiangshan District)	190,011,840.71	190,011,840.71
16-year Shantytown renovation (Dinglou Project Phase I in Xiangshan District)	60,593,897.87	60,593,897.87
Equipment room renovation project of intermediate people's court	3,447,796.40	3,447,796.40
S101 project	293,207,506.37	293,207,506.37
S235 Jutang Road Project	53,423,341.34	53,423,341.34
S203 project	497,665,030.16	497,665,030.16
S303 project payments	36,712,382.16	36,712,382.16
Binhe Road Project	7,975,643.70	7,975,643.70
Keji Road Primary School	4,116,732.00	4,116,732.00
Mengshan Road	17,772,921.00	17,772,921.00
Dongshan Road	13,212,231.00	13,212,231.00
Longshan South Road	44,255,692.00	44,255,692.00
Xueyuan East Road	33,943,609.35	33,943,609.35
Qilin Avenue	36,681,425.92	36,681,425.92
G311 project	4,213,973.58	4,213,973.58
S305 project	47,400,005.00	47,400,005.00
2016X009	45,360,717.84	45,360,717.84
2013-2014 ordinary artery maintenance project	24,160,000.00	24,160,000.00
Suyuan Road	29,135,576.35	29,135,576.35
Mengshan Road Project	100,962,628.89	100,962,628.89
Party School of the Municipal Party Committee	102,697,340.00	102,697,340.00
Dongshan North Road	168,928,653.96	168,928,653.96
Public rental housing	277,471,741.97	277,471,741.97
<b>Total</b>	<b>7,814,538,142.92</b>	<b>7,814,538,142.92</b>

(1)The entrusted loans and issued loans account for the entrusted loans issued by the company to numerous small and micro-sized enterprises and part of general enterprises in Huaibei.

(2)Other items account for the amounts appropriated by the company to Huaibei Anjian Investment Co., Ltd for implementation of "Huaibei Zhonghu Mine Geological Environment Management PPP project". **Financial assets available for sale**

(1)Details of financial assets available for sale

Item	12/31/2020	12/31/2019
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Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

	Book balance	Impairment Provision	Book value	Book balance	Impairment Provision	Book value
Debt instruments available for sale						
Equity instruments available for selling	2,217,563,384.75		2,217,563,384.75	2,104,882,618.53		2,104,882,618.53
Wherein:						
measured at fair value						
measured at cost	2,217,563,384.75		2,217,563,384.75	2,104,882,618.53		2,104,882,618.53
Other						
<b>Total</b>	<b>2,217,563,384.75</b>		<b>2,217,563,384.75</b>	<b>2,104,882,618.53</b>		<b>2,104,882,618.53</b>

(2) Financial assets available for sale that were measured at cost at the end of 2020

Investee	Book balance			12/31/2020	Current cash dividends
	12/31/2019	Current increase	Current decrease		
Guoyuan Agricultural Insurance Co., Ltd	20,600,000.00			20,600,000.00	2,247,192.00
Huaibei Huiyin Urbanization 1st Fund (LP)	239,162,687.28			239,162,687.28	
Huaibei Huiyin Infrastructure Project Management Center (LP)	550,000,000.00			550,000,000.00	
Xinxiang Tianli Lithium Energy Co., Ltd	19,500,000.00		19,500,000.00	-	332,708.05
Shanghai Electric (Huaibei) Water Development Co., Ltd	36,000,000.00			36,000,000.00	
Huaibei Shui'an Water Environment Construction Investment Co., Ltd	8,965,000.00			8,965,000.00	
CCB Huaibei Construction Industrialization Co., Ltd	20,000,000.00			20,000,000.00	
Zhong'an	100,000,000.00		43,833,333.34	56,166,666.66	

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Huiding Dingzeng Private Equity Investment Fund				
Suixi County Jinmao Financing Guarantee Co., Ltd	19,000,000.00			19,000,000.00
Anhui Huaichen Coal Dressing Materials Co., Ltd	9,902,096.61			9,902,096.61
Huaibei Xinglong Financing Guarantee Co., Ltd	10,000,000.00			10,000,000.00
Huaibei Xinlong SME Credit Guarantee Co., Ltd	1,000,000.00		1,000,000.00	-
Anhui Shanhe Mining Equipment Co., Ltd	15,300,000.00			15,300,000.00
Huaibei Youshi New-type Environment-Friendly Building Materials Co., Ltd	12,224,149.94			12,224,149.94
Huaibei Lieshan Ceramics Raw Materials Supply Co., Ltd	200,000.00			200,000.00
Huaibei Lieshan Huiyin Urbanization 1st Fund (LP))	40,000,000.00		40,000,000.00	-
Anhui Chenyu Auto Parts Co., Ltd	691,200.00		691,200.00	-
Huaibei Yigao E-commerce Industrial Park Co., Ltd	300,000.00			300,000.00
Huaibei Molan Technology Co., Ltd	5,000,000.00			5,000,000.00
Anhui Fangmeng Food Co., Ltd	1,000,000.00			1,000,000.00

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Anhui Xiqiang Dairy Group Co., Ltd	15,000,000.00		15,000,000.00	-	
Huaibei Xiangshan District Fenghuangshan Industrial Guidance Investment Fund (LP)	15,000,000.00	22,000,000.00		37,000,000.00	
Huaibei Xiangshan Huiyin Urbanization 1st Fund (LP)	93,423,152.76			93,423,152.76	
Huaibei Chifang Car Rental Co., Ltd	181,800.00			181,800.00	
Anhui Changjie Transport Development Co., Ltd	370,000.00		370,000.00	-	
Huaibei Smart City Investment and Operation Co., Ltd	21,250,000.00		21,250,000.00	-	
Huaibei Puyin Urban Development Fund (LP)	398,000,000.00			398,000,000.00	
Anhui Deheng Investment Co., Ltd	12,500,000.00			12,500,000.00	
Anhui Credit Reference Co., Ltd	10,000,000.00			10,000,000.00	
Wanbei Financing Center of Anhui Equity Exchange Center	3,000,000.00			3,000,000.00	288,000.00
Huaibei Kexun Information Co., Ltd	500,000.00			500,000.00	
Huishang Bank Co., Ltd	68,696,975.00			68,696,975.00	10,146,251.70
Anhui Qi Jia Detergent Products Co., Ltd	53,556.94			53,556.94	
Tengyun Asset Tianshan No. 5 Fund	50,000,000.00		16,666.66	49,983,333.34	
Land Group	40,000,000.00			40,000,000.00	

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Zhengxin No. 1 Wenzhou Highway	20,000,000.00		14,913,507.60	5,086,492.40	
Wanmei Investment Fund	140,000,000.00			140,000,000.00	
Huaibei Guojin Real Estate Co., Ltd's financing plan	53,000,000.00		20,000,000.00	33,000,000.00	
Anhui Zhuotai Chemical technology Co. Ltd	6,000,000.00			6,000,000.00	
HuaiBei Institute Of Industrial Technology CAS	300,000.00			300,000.00	
Chizhou Huiyuan SME Development Fund	15,000,000.00	50,000,000.00		65,000,000.00	
Anhui Changhuai New Materials Co., Ltd	6,000,000.00			6,000,000.00	
Huaibei Rural Commercial Bank Co., Ltd	27,260,000.00			27,260,000.00	789,041.10
Suixi County Rural Credit Cooperative Association		47,505,473.82		47,505,473.82	
Huaibei Jianyuan Green Gold Carbon Valley Venture Capital Fund Partnership (LP)		160,000,000.00		160,000,000.00	
Huaibei Tairun Emerging Industry Venture Capital Fund (LP)		9,750,000.00		9,750,000.00	
Other	502,000.00			502,000.00	
<b>Total</b>	<b>2,104,882,618.53</b>	<b>289,255,473.82</b>	<b>176,574,707.60</b>	<b>2,217,563,384.75</b>	<b>13,803,192.85</b>

**10. Long-term receivables**

(1)Details of Long-term receivables

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Item	12/31/2020			12/31/2019			Year-end discount rate range
	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value	
Payment under financing lease	1,980,137,157.48		1,980,137,157.48	1,359,612,622.09		1,359,612,622.09	
Within: Unrealized financing income	339,626,622.14		339,626,622.14	209,382,588.71		209,382,588.71	
Others	15,349,186.35		15,349,186.35	15,349,186.35		15,349,186.35	
Minus: long-term receivables due within a year	823,518,661.01		823,518,661.01	458,612,283.42		458,612,283.42	
<b>Total</b>	<b>832,341,060.68</b>		<b>832,341,060.68</b>	<b>706,966,936.31</b>		<b>706,966,936.31</b>	

**11. Long-term equity investments**

(1) Classification of Long-term equity investments

Item	12/31/2019	Increase in 2020	Decrease in 2020	12/31/2020
Investment in subsidiaries				
Investment in joint ventures				
Investment in associated enterprises	2,238,302,278.66	1,222,170,671.06	188,663,224.92	3,271,809,724.80
<b>Subtotal</b>	<b>2,238,302,278.66</b>	<b>1,222,170,671.06</b>	<b>188,663,224.92</b>	<b>3,271,809,724.80</b>
Minus: provision for impairment of long-term equity investments				
<b>Total</b>	<b>2,238,302,278.66</b>	<b>1,222,170,671.06</b>	<b>188,663,224.92</b>	<b>3,271,809,724.80</b>

(2) Details of Long-term equity investments

Investee	12/31/2019	Increase or decrease in 2020				
		Additional investments	Reduced investments	Investment income or loss recognized under the equity method	Adjustment to other comprehensive income	Other equity changes
1. Affiliates						
Huaibei Lianchuang Real	6,000,000.00			-1,867,413.39		

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Investee	12/31/2019	Increase or decrease in 2020				Other equity changes
		Additional investments	Reduced investments	Investment income or loss recognized under the equity method	Adjustment to other comprehensive income	
Estate Development Co., Ltd						
CCMC Huaibei Investment & Development Co., Ltd	26,342,016.91			1,894,683.50		
Huaibei Anjian Investment Co., Ltd	117,126,918.37			13,689,004.86		
Anhui Hongxin Asset Management Co., Ltd	16,015,805.77			82,434.93		
Hui Li Financial Information Service (Shanghai) Co., Ltd	1,004,573.63			-84,179.20		
Huaibei Anjian Communication Construction Co., Ltd	34,000,000.00			4,523,960.37		
Huaibei China Resources Gas Co., Ltd	99,948,194.61			22,338,811.22		
Huaibei Datang Central Heating Co., Ltd	4,047,794.63			-28,285.46		
Huaibei Hejie Business Operation Management Co., Ltd	1,082,692.39			-416,568.48		
Wenergy Huaibei Energy Sales Co., Ltd	35,722,166.46			-1,117,874.15		

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Investee	12/31/2019	Increase or decrease in 2020				Other equity changes
		Additional investments	Reduced investments	Investment income or loss recognized under the equity method	Adjustment to other comprehensive income	
Huaibei Ganghang Investment Co., Ltd	20,000,000.00			-78,900.49		
Hefei Zhongan Jinkun Investment Partnership (LP)	481,555,034.00		34,941,763.73	307,248,153.59		
Anhui Equity Service Group Co., Ltd	117,234,464.79	7,107,000.00		11,787,392.85		
Anhui Aoolong Network Co., Ltd	10,000,000.00			-5,398,494.80		
Huaibei Anyuan Investment Fund Co., Ltd	50,500,000.00			-2,221,997.74		
Anhui Tianlu Aviation Technology Co., Ltd	3,000,000.00			400,000.00		
Alumics Materials Institute Co., Ltd	164,000,000.00	156,000,000.00	60,000,000.00			
Huaibei Silicon-based Industry Investment Fund (LP)	75,000,000.00	75,000,000.00		4,000,000.00		
Anhui Zhongye Huaihai Prefabricated Building Co., Ltd	14,003,107.48	7,500,000.00	7,001,553.74	23,949.84		
Huaibei Shuren Engineering Construction Co., Ltd	20,133,285.00			50.41		

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Investee	12/31/2019	Increase or decrease in 2020				
		Additional investments	Reduced investments	Investment income or loss recognized under the equity method	Adjustment to other comprehensive income	Other equity changes
Anhui High-tech Investment New Materials Industry Fund Partnership (LP)	200,000,000.00	240,000,000.00		4,976,591.58		
Huaibei Xingju Construction Investment Co., Ltd	448,738.81	20,052,000.00		1,258,427.51		
Suixi Water Supply Co., Ltd	2,000,000.00					
Huaibei Jiangnan Real Estate Co., Ltd	130,997,931.00			-10,458,396.51		
Huaibei iFlybank Financial Big Data Application Co., Ltd	300,000.00			4,107.83		
Huaibei Galaxy Big Data Industry Development Co., Ltd	1,200,000.00					
Huaibei Growth SME Fund Co., Ltd	300,000,000.00	300,000,000.00		4,113,879.92		
Huaibei Venture Capital Investment Fund (LP)	30,000,000.00			180,248.96		
Huaibei Jiuyou Industry Investment Fund	260,000,000.00			1,607,124.80		

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Investee	12/31/2019	Increase or decrease in 2020				Other equity changes
		Additional investments	Reduced investments	Investment income or loss recognized under the equity method	Adjustment to other comprehensive income	
Partnership (LP)						
Huaibei Xingchuang Construction Investment Co., Ltd	6,733,601.64	5,000,000.00		869,451.30		
Huaibei Yuhou Asset Management Co., Ltd	675,000.00	5,850,000.00		1,054,169.59		
Anhui Yongjun Biotechnology Co., Ltd	9,000,000.00					
Huaibei Phoenix Mountain Baozhi Life Trading Co., Ltd	230,953.17					
Huaibei Smart City Investment and Operation Co., Ltd		1,250,000.00		-1,179,509.11		
Huaibei Suez Environmental Services Co. Ltd		19,767,000.00		-128,472.47		
Anhui Aihui Health and Pension Industry Development Co., Ltd		2,400,000.00				
Huaibei Phoenix Mountain Yiju Business Management Co., Ltd		13,720,000.00				
Anhui Perception Future		1,800,000.00				

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Investee	12/31/2019	Increase or decrease in 2020				Other equity changes
		Additional investments	Reduced investments	Investment income or loss recognized under the equity method	Adjustment to other comprehensive income	
Electronic Technology Co., Ltd						
Anhui Penghuai Industrial Co., Ltd		6,000,000.00		3,652,319.80		
<b>Total</b>	<b>2,238,302,278.66</b>	<b>861,446,000.00</b>	<b>101,943,317.47</b>	<b>360,724,671.06</b>		

(Continued)

Investee	Increase or decrease in 2020			Ending 12/31/2020	Ending balance of impairment provision at the end of 2020
	Cash dividends or profits distributed	Impairment provision accrued	Other		
<b>1. Affiliates</b>					
Huaibei Lianchuang Real Estate Development Co., Ltd				4,132,586.61	
CCMC Huaibei Investment & Development Co., Ltd				28,236,700.41	
Huaibei Anjian Investment Co., Ltd	136,875.97			130,679,047.26	
Anhui Hongxin Asset Management Co., Ltd				16,098,240.70	
Hui Li Financial Information Service (Shanghai) Co., Ltd				920,394.43	
Huaibei Anjian Communication Construction Co., Ltd				38,523,960.37	
Huaibei China Resources Gas Co., Ltd	18,894,395.69			103,392,610.14	
Huaibei Datang Central Heating Co., Ltd				4,019,509.17	
Huaibei Hejie Business Operation Management Co., Ltd				666,123.91	
Wenergy Huaibei Energy Sales Co., Ltd				34,604,292.31	
Huaibei Ganghang Investment Co., Ltd				19,921,099.51	
Hefei Zhongan Jinkun Investment Partnership (LP)	63,288,635.79			690,572,788.07	
Anhui Equity Service Group Co., Ltd				136,128,857.64	

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Anhui Aolong Network Co., Ltd			4,601,505.20
Huaibei Anyuan Investment Fund Co., Ltd			48,278,002.26
Anhui Tianlu Aviation Technology Co., Ltd	400,000.00		3,000,000.00
Alumics Materials Institute Co., Ltd			260,000,000.00
Huaibei Silicon-based Industry Investment Fund (LP)	4,000,000.00		150,000,000.00
Anhui Zhongye Huaihai Prefabricated Building Co., Ltd			14,525,503.58
Huaibei Shuren Engineering Construction Co., Ltd			20,133,335.41
Anhui High-tech Investment New Materials Industry Fund Partnership (LP)			444,976,591.58
Huaibei Xingju Construction Investment Co., Ltd			21,759,166.32
Suxi Water Supply Co., Ltd			2,000,000.00
Huaibei Jiangnan Real Estate Co., Ltd			120,539,534.49
Huaibei iFlybank Financial Big Data Application Co., Ltd			304,107.83
Huaibei Galaxy Big Data Industry Development Co., Ltd			1,200,000.00
Huaibei Growth SME Fund Co., Ltd			604,113,879.92
Huaibei Venture Capital Investment Fund (LP)			30,180,248.96
Huaibei Jiuyou Industry Investment Fund Partnership (LP1)			261,607,124.80
Huaibei Xingchuang Construction Investment Co., Ltd			12,603,052.94
Huaibei Yuhou Asset Management Co., Ltd			7,579,169.59
Anhui Yongjun Biotechnology Co., Ltd			9,000,000.00
Huaibei Phoenix Mountain Baozhi Lile Trading Co., Ltd			230,953.17
Huaibei Smart City Investment and Operation Co., Ltd			70,490.89
Huaibei Suez Environmental Services Co. Ltd			19,638,527.53
Anhui Aihui Health and Pension Industry			2,400,000.00

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Development Co., Ltd				
Huaibei Phoenix Mountain Yiju Business Management Co., Ltd				13,720,000.00
Anhui Perception Future Electronic Technology Co., Ltd				1,800,000.00
Anhui Penghuai Industrial Co., Ltd				9,652,319.80
<b>Total</b>	<b>86,719,907.45</b>			<b>3,271,809,724.80</b>

## 12. Investment property

### (1) Measures investment property by fair value

Item	Houses and buildings	Land use right	Total
<b>I. 12/31/2019</b>	<b>5,888,233,600.00</b>	<b>10,330,352,200.00</b>	<b>16,218,585,800.00</b>
Wherein: costs	2,383,900,174.48	6,079,435,918.92	8,463,336,093.40
Changes in fair value	3,504,333,425.52	4,250,916,281.08	7,755,249,706.60
<b>II. Current change</b>	<b>779,121,900.00</b>	<b>-949,457,200.00</b>	<b>-170,335,300.00</b>
Plus: purchased	601,226,060.08	40,693,268.00	641,919,328.08
Transferred from fixed assets	29,107,112.02		29,107,112.02
Changes in fair value	148,788,727.90	216,834,532.00	365,623,259.90
Minus: disposal			
Other transfer-out		1,206,985,000.00	1,206,985,000.00
Wherein: costs		693,404,039.67	693,404,039.67
Changes in fair value		513,580,960.33	513,580,960.33
other			-
<b>III. 12/31/2020</b>	<b>6,667,355,500.00</b>	<b>9,380,895,000.00</b>	<b>16,048,250,500.00</b>
Wherein: costs	3,014,233,346.58	5,426,725,147.25	8,440,958,493.83
Changes in fair value	3,653,122,153.42	3,954,169,852.75	7,607,292,006.17

Note:

1. the company determined the value of its investment property based on the appraisal reports Kaiyuan Appraisal Report 【2021】 No, 231-237 issued by Kaiyuan Asset Appraisal Co., Ltd
2. According to the "Approval of Financial Write-off of 5 Land Lots Transferred by Huaibei Construction Holding Group Co., Ltd" issued by The State-owned Assets Supervision and Administration Commission of Huaibei Municipal People's Government (Huaiguozipingjia (2021) No. 10), the company wrote off part of its land.

## 13. Fixed Assets

Item	12/31/2020	12/31/ 2019
Fixed assets	8,756,476,014.27	5,446,567,729.51
Liquidation of fixed assets		

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Item	12/31/2020	12/31/ 2019
<b>Total</b>	<b>8,756,476,014.27</b>	<b>5,446,567,729.51</b>

(1) Details of fixed assets

Item	12/31/2019	Increase in 2020	Decrease in 2020	12/31/2020
<b>I. Original book value</b>	<b>6,323,193,171.66</b>	<b>3,494,707,758.51</b>	<b>82,836,035.68</b>	<b>9,735,064,894.49</b>
Wherein: building	3,664,272,275.20	345,678,499.54	42,345,765.60	3,967,605,009.14
Machinery and equipment	603,783,715.61	102,930,518.53	1,758,233.67	704,956,000.47
Municipal facilities	1,592,513,993.96	2,985,517,343.94	-	4,578,031,337.90
Transport equipment	398,015,594.31	53,474,026.00	38,576,263.53	412,913,356.78
Office devices and other equipment	64,607,592.58	7,107,370.50	155,772.88	71,559,190.20
<b>II. Accumulated depreciation</b>	<b>876,625,442.15</b>	<b>135,592,368.86</b>	<b>33,628,930.79</b>	<b>978,588,880.22</b>
Wherein: building	261,083,633.21	96,081,449.06	2,776,704.42	354,388,377.85
Machinery and equipment	129,345,178.24	14,410,515.60	1,645,028.92	142,110,664.92
Municipal facilities	195,595,741.64	13,454,806.08	-	209,050,547.72
Transport equipment	251,821,288.77	7,565,910.66	29,118,636.32	230,268,563.11
Office devices and other equipment	38,779,600.29	4,079,687.46	88,561.13	42,770,726.62
<b>III. Total net book value</b>	<b>5,446,567,729.51</b>			<b>8,756,476,014.27</b>
Wherein: building	3,403,188,641.99			3,613,216,631.29
Machinery and equipment	474,438,537.37			562,845,335.55
Municipal facilities	1,396,918,252.32			4,368,980,790.18
Transport equipment	146,194,305.54			182,644,793.67
Office devices and other equipment	25,827,992.29			28,788,463.58
<b>VI. Total impairment provisions</b>				
<b>V. Total book value</b>	<b>5,446,567,729.51</b>			<b>8,756,476,014.27</b>
Wherein: building	3,403,188,641.99			3,613,216,631.29
Machinery and equipment	474,438,537.37			562,845,335.55
Municipal facilities	1,396,918,252.32			4,368,980,790.18
Transport equipment	146,194,305.54			182,644,793.67
Office devices and other equipment	25,827,992.29			28,788,463.58

14. Works in progress

Item	12/31/2020			12/31/2019		
	Book balance	Imp air	Book value	Book balance	Imp air	Book value

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

		ment Pro visi on		ment Pro visi on	
Works in progress	15,283,954,715.42		15,283,954,715.42	15,409,572,592.72	15,409,572,592.72
Engineering materials	14,919,069.35		14,919,069.35	12,263,557.98	12,263,557.98
<b>Total</b>	<b>15,298,873,784.77</b>		<b>15,298,873,784.77</b>	<b>15,421,836,150.70</b>	<b>15,421,836,150.70</b>

(2) Details of projects under construction

Details of projects	12/31/2020	12/31/2019
East Lake Park Construction Project	48,167,823.39	100,721,276.24
East Lake Construction and Management Project	22,828,300.00	22,828,300.00
Lyjin Lake Construction and Management Co., Ltd	107,810,278.20	93,108,360.80
Duji Duanyuan Town Robot Project		278,301.88
Duji Flower Nursery Project	5,185,723.61	4,563,723.61
Children's Park Project	5,414,118.68	5,414,118.68
Huashan Park Project	179,539,560.07	102,548,914.37
Laosui River Shopping Street Project		253,184.46
Two-mountain management project	148,184,505.58	128,093,686.53
South Bank Shopping Street Project	1,106,729.82	1,106,729.82
South Lake Scenic Area Demolition and Resettlement Management Project	268,516,212.83	280,476,632.99
Time-space Big Data and Cloud Platform Project	13,140,000.00	13,140,000.00
Shuoxi Lake Construction and Management Co., Ltd	259,509,892.60	22,916,906.03
Central Lake Construction and Management Project	225,395,215.38	174,926,613.92
Huaibei Municipal Water Supply Network Renovation Project	155,467,595.29	155,467,595.29
Huaibei Economic Development Area Standard Factory Buildings Project Phase III	62,139,150.00	62,139,150.00
Venture Park of Huaibei Economic and Technology Development Area	12,043,457.31	634,400.00
Huaibei City Lieshan District Sewage Treatment Plant Sporting Pipeline Network Project		98,948,136.96
Huaibei Municipal Commission of Construction	194,590,999.00	204,621,158.20
Resettlement Housing for Xiangshan Scenic Area	21,300,000.00	21,300,000.00
East Campus of Huaibei City No. 1 Middle School	8,229,871.00	8,229,871.00
Civilization creation program	153,817,057.60	232,414,997.74
Gushan Road, Xiehe Road and Wutong Avenue Project in Huaibei Economic Development Area	1,726,268.94	514,681.63
Outdoor project of Xinqu Road Resettlement Housing	14,804,295.28	10,000,000.00

Details of projects	12/31/2020	12/31/2019
Huaibei City Mental Hospital		13,226,644.85
Quanshan Branch Road Project		31,599,208.03
Liyuan East Road Project	1,503,062.33	957,540.00
Longfa Road Project	19,371,541.33	8,000,000.00
Guiyuan Middle Road Project		884,000.00
Fujia Line Project	967,661,023.63	1,136,270,319.16
Anmin Road Project	99,207,615.51	99,207,615.51
Seven-road project in East New Town Area	782,651,554.16	782,651,554.16
Downtown roads and municipal roads	2,874,992,606.72	2,874,992,606.72
Huaibei Municipal Bureau of Comprehensive Enforcement of City Management	16,283,715.73	16,283,715.73
G235 connecting line	13,687,027.49	13,687,027.49
Affordable housing project	91,759.66	91,759.66
Infrastructure and other projects	5,549,632,865.12	5,810,777,794.19
People's Hospital New Campus Project	569,259,422.31	331,852,518.79
s202 and S202 Huaibei Section Reconstruction Project	52,870,100.00	305,582,466.36
Linhuo Industrial Park Demolition and Land Requisition Project	577,105,866.10	570,919,016.10
Maidan Xingfu Jiayuan Project	151,117,901.76	103,844,165.84
Linhuo Industrial Park Base Road Network Project	42,359,979.41	23,384,649.14
Coal Chemical Industry Base Safety and Environmental Monitoring Project	10,551,640.19	6,142,850.80
Base Shelter Forest and Incubator Node Greening Project	10,860,478.27	2,859,079.38
Comprehensive Service Center of Coal Chemical Synthetic Materials Base	15,297,007.91	440,529.39
Comprehensive Pipe Gallery Project Phase II of Coal Chemical Synthetic Materials Base	37,312,633.50	9,972,362.20
Coal Chemical Industry Base Methanol Torch Project Phase II	597,160.00	597,160.00
Coke and Vinyl Acetate project of Coal Chemical Industry Base	4,300,000.00	4,300,000.00
Fine Chemical Park Project of Coal Chemical Industry Base	33,857,554.37	33,857,554.37
Menggou Landscape Management Project of Coal Chemical Industry Base	6,924,212.26	6,924,212.26
Huaibei planning library and archives center	169,379,661.74	
Longhu Sewage Treatment Plant Phase II	47,840,381.00	
Xulou Water Plant	63,014,738.39	
Middle Lake Express Way	104,871,627.82	
Phoenix Park	3,257,120.70	

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Details of projects	12/31/2020	12/31/2019
Fire Emergency Rescue Dispatching Command Complex Building	1,019,476.29	
Service Center for veteran cadres	1,261,920.51	
Huaibei national fitness center	20,034,951.46	
Yingbin Avenue Rainwater and Sewage Reconstruction Project	3,690,364.00	
Linhuan Industrial Park Base North Road Project	2,332,751.22	
Huaibei High-tech Zone New District Neighborhood Center Project EPC Project General Contracting Project	91,350,150.65	
Datang Power Plant Project	689,062,060.50	
Hazardous Chemicals Logistics Park Project	1,494,928.16	
Coal chemical synthetic material base exhibition center project	7,991,224.65	
Human settlement environment improvement project in coal chemical industry base	3,989,732.59	
Coking Phase II	2,548,720.00	2,548,720.00
Linhuan Industrial Park Road Reconstruction and Expansion Project	133,174.57	133,174.57
Huaibei Public Transport and Passenger Transport Comprehensive Hub Station Construction Project	36,035,727.52	
Huai Natural Resources Planning [2020] No. 1 State-owned Construction Land Use Right	12,900,000.00	
Trading gas station construction	75,182,318.86	
Mehao Hotel	15,839,678.67	
Laosui River Treatment Project	1,974,730.23	
River dredging project	2,024,436.19	
Urban Sewage Interception Project	8,014,895.88	
East Lake Scenic Area	23,310,281.82	
Treatment of subsidence area	11,719,964.10	
East Lake Treatment Section A	39,291,700.90	
Nanhu Scenic Area Core Area Governance Project		649,404,452.62
Duji Economic Development Zone Innovation Industrial Park Phase I Project		23,627,658.97
Duji Development Zone Pioneer Park Phase II Duanyuan Town Standardized Factory Building Project	97,974,214.66	16,603.77
Business Incubator Project in the New District of Huaibei Economic and Technological Development Zone		651,239,246.36
Public rental housing		12,321,000.00
Huai Mining Center, Zhuzhuang Coal Mine Resettlement Housing		26,589,835.79
Standardized Workshop Project of Coal Chemical Synthetic Material Base		7,623,969.39
Coal chemical synthetic material base concentrated		76,718,438.91

Details of projects	12/31/2020	12/31/2019
brine zero discharge project		
Comprehensive Pipe Gallery Project of Coal Chemical Synthetic Material Base		28,078,296.63
<b>Total</b>	<b>15,283,954,715.42</b>	<b>15,409,572,592.72</b>

### 15. Intangible assets

#### (1) Classification of intangible assets

Item	12/31/2019	Increase in 2020	Decrease in 2020	12/31/2020
<b>I. Original book value</b>	<b>12,202,646,365.23</b>	<b>79,738,276.86</b>	<b>10,759,511.36</b>	<b>12,271,625,130.73</b>
Wherein : Land use right	978,550,617.93	62,585,907.37	9,093,100.00	1,032,043,425.30
Mining right	201,000,000.00	-	-	201,000,000.00
other	11,023,095,747.30	17,152,369.49	1,666,411.36	11,038,581,705.43
<b>II. Accumulated depreciation</b>	<b>116,512,415.74</b>	<b>45,692,938.56</b>	<b>430,909.28</b>	<b>161,774,445.02</b>
Wherein : Land use right	33,945,739.09	9,680,453.94	430,909.28	43,195,283.75
Mining right	82,268,999.76	35,763,872.29	-	118,032,872.05
other	297,676.89	248,612.33		546,289.22
<b>III. Total impairment provision</b>				-
Wherein: Land use right				-
The mining right				-
other				-
<b>VI. Total book value</b>	<b>12,086,133,949.49</b>			<b>12,109,850,685.71</b>
Wherein: Land use right	944,604,878.84			988,848,141.55
Mining right	118,731,000.24			82,967,127.95
other	11,022,798,070.41			11,038,035,416.21

Note: RMB 1,021,0000.00 in other items refers to the intangible assets formed by East Lake, Lvjin Lake and South Lake, a total of 55.7 square kilometers, which were allocated to the company by Huaibei Municipal Development and Reform Commission and Huaibei Municipal People's Government after the treatment of the coal mining and subsidence area in the central lake belt of Huaibei in 2019.

### 16. Long-term unamortized expenses

Item	12/31/2019	Increase in 2020	Current amount amortized	Other decrease	12/31/2020	Other reasons for decrease
Rent	4,855,090.94	4,587,123.76	6,623,467.93		2,818,746.77	

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Item	12/31/2019	Increase in 2020	Current amount amortized	Other decrease	12/31/2020	Other reasons for decrease
Forest vegetation restoration fee	6,043,124.81	2,870,514.22	1,656,007.68		7,257,631.35	
Consultant fee and service fee	3,447,599.52		3,447,599.52			
Repair costs	2,755,211.34	5,445,794.46	3,547,674.15		4,653,331.65	
Financing costs	3,058,333.33	5,115,744.82	1,733,333.33		6,440,744.82	
Replacement costs for returning farmland to forest	265,656.52		57,961.44		207,695.08	
Material costs	117,285,253.75	21,049,249.28	1,270,797.44		137,063,705.59	
Asset acquisition expense		13,644,321.20	72,410.79		13,571,910.41	
<b>Total</b>	<b>137,710,270.21</b>	<b>52,712,747.74</b>	<b>18,409,252.28</b>		<b>172,013,765.67</b>	

**17. Deferred income tax assets and deferred income tax liabilities**

(1)Deferred income tax assets not offset

Item	12/31/2020		12/31/2019	
	Taxable temporary difference	Deferred income tax assets	Taxable temporary difference	Deferred income tax assets
Provision for asset impairment	133,541,274.61	33,385,318.65	64,569,650.20	16,142,412.55
Trading financial assets	8,632,892.08	2,158,223.02	18,357,834.40	4,589,458.60
<b>Total</b>	<b>142,174,166.69</b>	<b>35,543,541.67</b>	<b>82,927,484.60</b>	<b>20,731,871.15</b>

(2)Deferred income tax liabilities not offset

Item	12/31/2020		12/31/2019	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Investment property	7,607,292,006.17	1,901,823,001.54	7,755,249,706.60	1,938,812,426.66
Trading financial assets	507,060,032.35	126,765,008.09	41,749,388.16	10,437,347.04
<b>Total</b>	<b>8,114,352,038.52</b>	<b>2,028,588,009.63</b>	<b>7,796,999,094.76</b>	<b>1,949,249,773.70</b>

**18. Other noncurrent assets**

Item	12/31/2020	12/31/2019
Entrusted loans	179,578,099.22	153,099,672.57
Shantytown renovation sub-loan	12,214,114,673.60	10,554,406,699.58

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Item	12/31/2020	12/31/2019
other	1,183,211,610.45	1,123,109,666.45
Minus: other noncurrent assets due within one year	179,578,099.22	153,099,672.57
<b>Total</b>	<b>13,397,326,284.05</b>	<b>11,677,516,366.03</b>

The details of shantytown renovation sub-loan are as follows:

Item	12/31/2020	12/31/2019
China Development Bank Shantytown Renovation Sub-loan	229,169,391.23	
Shantytown renovation sub-loan for Leicun Village, Lieshan District	666,642,806.73	569,960,000.00
Agricultural Development Bank Shantytown Renovation Sub-loan	9,023,367,494.80	8,113,015,496.28
Post Savings Bank Shantytown Renovation Sub-loan	626,224,744.91	642,228,733.55
Bank of Communications Shantytown Renovation Sub-loan	1,141,443,750.68	656,002,849.60
China Merchants Bank Shantytown Renovation Sub-loan	245,239,992.52	272,420,959.03
Xiangshan District Shantytown Renovation Sub-loan	199,913,143.58	216,787,885.12
Lieshan District Shantytown Renovation Sub-loan	81,699,345.48	52,523,000.00
Lieshan District Taxing Shantytown Renovation Sub-loan	414,003.67	31,467,776.00
<b>Total</b>	<b>12,214,114,673.60</b>	<b>10,554,406,699.58</b>

Other details are as follows:

Item	12/31/2020	12/31/2019
Special loan for flood prevention	100,000,000.00	
CDB Fund renovation project of Huaibei Dongxing Construction Investment Co., Ltd①	83,191,400.00	83,191,400.00
CDB Fund governance project of Huaibei Suixi County Construction Investment Co., Ltd①	421,600,000.00	426,700,000.00
CDB Fund renovation project of Huaibei Shengda Construction Investment Co., Ltd①	35,000,000.00	35,000,000.00
CDB Fund renovation project of Huaibei Phoenix Mountain Industries Co., Ltd①	65,000,000.00	65,000,000.00
CDB Fund construction project of Huaixiao North Coach Linking Road①	100,000,000.00	100,000,000.00
CDB Fund construction project of Huaibei Mining Real Estate Co., Ltd①	36,000,000.00	36,000,000.00
Anhui Xiangwang Medical & Health Co., Ltd's CDB Fund project①	4,500,000.00	5,000,000.00
CDB Fund new campus construction project of Anhui College of Mining and Technology①		52,200,000.00

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Item	12/31/2020	12/31/2019
CDB Fund project of Anhui Anxing Ancient Town Cultural Tourism Development Co., Ltd①	88,200,000.00	88,200,000.00
CDB Fund project of Huaibei Kaiyuan Construction Investment Co., Ltd①	13,200,000.00	13,200,000.00
CDB Fund construction project of Huaibei Drainage Co., Ltd①	4,261,000.00	4,261,000.00
CDB Fund parking lot project of Huaibei City Parking Management Co., Ltd①	7,240,000.00	7,240,000.00
Huaibei Smart City Investment and Operation Co., Ltd①	16,130,000.00	
Huaibei-to-North Water Diversion Project of Huaibei Municipal People's Government	80,000,000.00	80,000,000.00
Suixi County Guoguang Paper Co., Ltd②	88,178,149.00	88,178,149.00
Huaibei Yongshun Paper Co., Ltd②	28,722,150.00	28,722,150.00
Anhui New Choice Food Technology Development Co., Ltd②	5,987,600.00	5,987,600.00
Other assets for debt repayment②	5,660,644.50	3,888,700.50
Financial leasing assets	340,666.95	340,666.95
<b>Total</b>	<b>1,183,211,610.45</b>	<b>1,123,109,666.45</b>

Note ①: Accounting for the project construction investments that the company, CDB Development Fund and cooperative companies engage in.

②: Accounting for the assets for credit assignment acquired by the company.

### 19. Short-term borrowings

#### (1)Category of short-term borrowings

Item	12/31/2020	12/31/2019
Credit loans	609,000,000.00	658,500,000.00
Secured loans	2,301,810,374.59	3,298,586,149.92
Pledged loans	1,040,000,000.00	219,500,000.00
Mortgage loan	122,930,000.00	
<b>Total</b>	<b>4,073,740,374.59</b>	<b>4,176,586,149.92</b>

#### (2)Details of important short-term borrowings:

Lender	Start date of loan	End date of loan	Interest rate(%)	Ending balance	Mode of guaranty
Huishang Bank Xiangyang Sub-branch working capital loans	2020-6-3	2021-6-3	4.20	300,000,000.00	Secured+Pledged
Huishang Bank Xiangyang Sub-branch working capital loans	2020-6-3	2021-6-3	4.20	300,000,000.00	Secured+Pledged
China CITIC Bank working capital loans	2020-1-19	2021-1-19	4.35	285,000,000.00	Pledged loans

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Lender	Start date of loan	End date of loan	Interest rate(%)	Ending balance	Mode of guaranty
Huishang Bank Xiangyang Sub-branch working capital loans	2020-5-25	2021-5-25	4.20	200,000,000.00	Secured+Pledged
Huishang Bank Xiangyang Sub-branch working capital loans	2020-5-25	2021-5-25	4.20	200,000,000.00	Secured+Pledged
Agricultural Bank of China Huaibei Branch working capital loans	2020-3-12	2021-3-12	4.35	200,000,000.00	Pledged loans
China CITIC Bank working capital loans	2020-3-20	2021-3-20	4.15	190,000,000.00	Pledged loans
China CITIC Bank Co., Ltd Hefei Binhu Sub-branch	20200216	20210216	4.35	171,000,000.00	Pledged loans
China Guangfa Bank Hefei Branch	2020-3-19	2021-3-19	3.90	170,000,000.00	Pledged loans
China CITIC Bank Co., Ltd Hefei Binhu Sub-branch	2020-03-20	2021-03-20	4.15	114,000,000.00	Pledged loans
China CITIC Bank working capital loans	2020-1-14	2021-1-14	5.00	100,000,000.00	Credit loans
Huishang Bank Co., Ltd	2020-7-22	2021-7-22	3.85	100,000,000.00	Secured loans
Huishang Bank Co., Ltd	2020-12-31	2021-12-31	3.85	97,000,000.00	Secured loans
China CITIC Bank working capital loans	2020-12-29	2021-12-29	5.00	50,000,000.00	Credit loans
China CITIC Bank working capital loans	2020-12-29	2021-12-30	5.00	50,000,000.00	Credit loans
Huishang Bank Co., Ltd Huishang Bank Co., Ltd Huaibei Xiangyang Sub-branch	2020-07-27	2021-07-27	3.85	40,000,000.00	Secured loans
China CITIC Bank Co., Ltd Hefei Binhu Sub-branch	2020-05-28	2021-05-28	5.00	30,000,000.00	Secured loans
China Construction Bank Co., Ltd	2020-5-29	2021-5-28	3.85	20,000,000.00	Secured loans
China Construction Bank Co., Ltd Huaibei Sub-branch	2020-2-28	2021-2-18	3.25	20,000,000.00	Credit loans
Huishang Bank Co., Ltd Huishang Bank Co., Ltd Huaibei Xiangyang Sub-branch	2020-04-30	2021-04-30	4.35	10,000,000.00	Secured loans
Bank of Communications Co., Ltd Huaibei Sub-branch	2020-3-15	2021-3-15	4.35	10,000,000.00	Secured loans
Huishang Bank Co., Ltd Huaibei Xiangyang Sub-branch00002	2020-4-24	2021-4-24	4.35	10,000,000.00	Secured loans
Bank of Communications Co., Ltd Huaibei Branch Business Office	2020-03-31	2021-03-26	4.35	10,000,000.00	Pledged loans

Lender	Start date of loan	End date of loan	Interest rate(%)	Ending balance	Mode of guaranty
China Merchants Bank Co., Ltd Huaibei Branch	2020-11-17	2021-11-17	5.04	10,000,000.00	Secured loans
<b>Total</b>				<b>2,687,000,000.00</b>	

## 20. Notes payable

Category	12/31/2020	12/31/2019
Trade acceptance		
Bank acceptance	382,395,490.13	631,597,528.45
<b>Total</b>	<b>382,395,490.13</b>	<b>631,597,528.45</b>

## 21. Accounts payable

### (1)Aging of accounts payable

Item	12/31/2020	12/31/2019
Purchase and project amounts payable	487,814,851.69	572,476,791.80
<b>Total</b>	<b>487,814,851.69</b>	<b>572,476,791.80</b>

(2) Important accounts payable aged over one year: None

## 22. Advance receipts

### (1)Aging of advance receipts

Account age	12/31/2020	12/31/2019
Within 1 year	941,599,450.22	718,457,568.78
More than 1 year	568,732,764.00	63,486,389.23
<b>Total</b>	<b>1,510,332,214.22</b>	<b>781,943,958.01</b>

(2) Important advance receipts aged over one year:

Entity name	12/31/2020	Reasons for not carry-over
Payments for purchase of presold houses in Lvjin Garden Community	605,558,608.60	The residential community not completed.
Payments for purchase of presold houses Jinding Shijia	154,244,847.48	The residential community not completed.
Payments for purchase of presold houses in Chengyuan Residential Community	151,392,219.40	The residential community not completed.
<b>Total</b>	<b>911,195,675.48</b>	—

## 23. Employee compensation payable

### (1)Details of Employee compensation payable

Item	12/31/2019	Increase in 2020	Decrease in 2020	12/31/2020
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Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Item	12/31/2019	Increase in 2020	Decrease in 2020	12/31/2020
I. Short-term compensations	19,240,788.02	197,710,592.12	189,624,869.03	27,326,511.11
II. Post-employment benefits-defined contribution plan	430,927.45	21,610,291.01	20,807,070.52	1,234,147.94
<b>Total</b>	<b>19,671,715.47</b>	<b>219,320,883.13</b>	<b>210,431,939.55</b>	<b>28,560,659.05</b>

(2) Presentation of short-term compensation

Item	12/31/2019	Increase in 2020	Decrease in 2020	12/31/2020
1. Salary, bonus, allowance and subsidy	16,405,271.49	158,122,931.68	151,546,480.89	22,981,722.28
2. Employee benefits	68,493.61	7,162,839.83	7,069,439.83	161,893.61
3. Social insurance costs	207,239.52	12,978,489.36	12,659,749.92	525,978.96
Wherein: medical insurance costs	175,043.00	12,897,063.23	12,579,791.82	492,314.41
Industrial injury insurance costs	9,670.23	72,226.45	70,737.98	11,158.70
Maternity insurance costs	13,976.29	9,199.68	9,220.12	13,955.85
Other	8,550.00			8,550.00
4. Housing fund	986,106.95	14,586,903.49	13,627,336.49	1,945,673.95
5. Trade union outlays and employee education expense	1,573,676.45	4,859,427.76	4,721,861.90	1,711,242.31
6. Short-term paid absence				
7. Short-term profit-sharing plans				
8. Other short-term compensation				
<b>Total</b>	<b>19,240,788.02</b>	<b>197,710,592.12</b>	<b>189,624,869.03</b>	<b>27,326,511.11</b>

(3) Presentation of defined contribution plan

Item	12/31/2019	Increase in 2020	Decrease in 2020	12/31/2020
1. Basic endowment insurance	385,157.69	18,837,558.49	18,434,865.27	787,850.91
2. Unemployment insurance costs	27,902.24	197,080.76	162,021.14	62,961.86
3. Corporate annuity contributions	17,867.52	2,575,651.76	2,210,184.11	383,335.17
<b>Total</b>	<b>430,927.45</b>	<b>21,610,291.01</b>	<b>20,807,070.52</b>	<b>1,234,147.94</b>

24. Taxes payable

Item	12/31/2020	12/31/2019
VAT	232,799,669.41	176,115,243.07
Turnover tax	5,575,877.51	5,575,877.51
Urban maintenance and construction taxes	23,322,343.30	20,090,427.80
Educational surcharge	9,736,277.99	8,671,837.77
Local educational surcharge	6,592,167.76	5,754,316.28

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Item	12/31/2020	12/31/2019
Real estate taxes	66,634,332.47	66,189,595.73
Land use taxes	3,233,387.81	1,517,989.30
Water conservancy construction fund	1,419,448.24	1,496,089.92
Corporate income tax	1,803,198,764.32	1,589,809,227.45
Resource taxes	1,041,197.31	2,415,755.55
Other	1,149,612.30	3,654,606.19
<b>Total</b>	<b>2,154,703,078.42</b>	<b>1,881,290,966.57</b>

**25. Other payables**

Item	12/31/2020	12/31/2019
Interests payable	75,467,879.31	72,223,778.61
Dividends payable	22,331,470.22	43,812,181.58
Other payables	4,434,329,549.49	5,206,938,306.18
<b>Total</b>	<b>4,532,128,899.02</b>	<b>5,322,974,266.37</b>

(1)Interest payable

Item	12/31/2020	12/31/2019
Interest on long-term borrowings with principal repayment when due and interest payment by	71,328,809.73	68,084,709.03
Interests over corporate bonds		
Interest payables for short-term borrowings	4,139,069.58	4,139,069.58
Preference shares\perpetual bond interest classified as financial liabilities		
Other interest		
<b>Total</b>	<b>75,467,879.31</b>	<b>72,223,778.61</b>

(2)Dividends payable

Item	12/31/2020	12/31/2019
Common share dividends	22,331,470.22	43,812,181.58
<b>Total</b>	<b>22,331,470.22</b>	<b>43,812,181.58</b>

(3)Other payables

①Other payables presented by nature of amount

Item	12/31/2020	12/31/2019
Security deposits and margins	176,433,298.00	141,034,636.88
Recurrent accounts	4,257,896,251.49	5,065,903,669.30
<b>Total</b>	<b>4,434,329,549.49</b>	<b>5,206,938,306.18</b>

② Presentation of other payables by age:

Account age	12/31/2020		12/31/2019	
	Amount	Percentage(%)	Sum	Percentage(%)
Within 1 year (1 year inclusive)	2,340,794,828.47	52.79	3,755,328,875.17	72.12
1-2 years (2 years inclusive)	1,106,328,732.00	24.95	811,660,312.89	15.59
2-3 years (3 years inclusive)	547,328,329.26	12.34	298,412,602.00	5.73
Above 3	439,877,659.76	9.92	341,536,516.12	6.56
<b>Total</b>	<b>4,434,329,549.49</b>	<b>100.00</b>	<b>5,206,938,306.18</b>	<b>100.00</b>

③ Top five entities in terms of ending balance of other payables:

Entity name	12/31/2020	Percentage of total ending balance of other payables (%)	Nature of amount
Anhui Huaihai Industry Development Group Co., Ltd	255,482,928.15	5.76	Recurrent accounts
Anhui Zhongan Financial Assets Management Co., Ltd	248,415,573.43	5.60	Recurrent accounts
Huaibei Municipal Bureau of Finance	170,131,361.18	3.84	Recurrent accounts
Anhui (Huaibei) New Coal Chemical Synthetic Materials Base Management Committee	121,885,600.00	2.75	Recurrent accounts
Huaibei Yinheng Trade Development Co., Ltd	177,501,200.00	4.00	Recurrent accounts
<b>Total</b>	<b>973,416,662.76</b>	<b>21.95</b>	

26. Noncurrent liabilities due within a year

Item	12/31/2020	12/31/2019
Long-term borrowings due within a year	2,856,721,795.30	2,271,437,738.28
Bonds payable due within a year	7,813,620,000.00	5,298,800,000.00
Long-term payables due within a year	2,064,683,004.60	961,840,596.40
<b>Total</b>	<b>12,735,024,799.90</b>	<b>8,532,078,334.68</b>

27. Other current liabilities

Item	12/31/2020	12/31/2019
Provision for guarantee indemnity	167,578,786.88	133,955,677.34
Provision for unexpired liabilities	10,972,388.03	15,856,929.19
<b>Total</b>	<b>178,551,174.91</b>	<b>149,812,606.53</b>

28. Long-term borrowings

Category of borrowings	12/31/2020	12/31/2019
Credit loans	3,443,779,100.00	5,019,788,712.13
Mortgage loan	246,718,133.66	292,712,000.00
Secured loans	7,254,867,724.13	365,810,407.46

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Pledged loans	14,364,217,690.00	17,504,526,666.74
Minus: long-term borrowings due within a year (Note VIII.27)	2,856,721,795.30	2,271,437,738.28
<b>Total</b>	<b>22,452,860,852.49</b>	<b>20,911,400,048.05</b>

Details of important long-term borrowings:

Lender	Start date of loan	End date of loan	Interest rate range(%)	12/31/2020	Mode of guaranty
Agricultural Development Bank Huaibei branch	2016-4-29	2040-4-29	4.545	7,519,773,333.30	Pledged loans
China Development Bank	2014-11-26	2040-5-27	4.345	1,747,000,000.00	Pledged loans
Bank of Communications Co., Ltd Huaibei branch	2017-11-29	2037-11-29	5.390	988,890,000.00	Pledged loans
China Development Bank	2018-1-8	2043-1-8	4.445	986,000,000.00	Pledged loans
China Development Bank	2017-5-12	2042-5-12	4.900	910,000,000.00	Pledged loans
China Development Bank	2016-9-17	2036-2-17	4.345	891,000,000.00	Pledged loans+Credit loans
China Development Bank	2016-11-10	2036-1-12	4.345	781,000,000.00	Pledged loans
Agricultural Development Bank of China Huaibei branch Business Office	2017-11-3	2041-11-1	4.900	747,700,000.00	Pledged Secured +
Agricultural Bank of China Huaibei branch	2020-12-30	2027-12-31	4.650	563,253,333.48	Secured loans
Postal Savings Bank of China	2016-9-9	2040-9-9	5.490	484,800,000.00	Pledged loans
China Development Bank	2016-12-8	2041-12-8	4.900	480,000,000.00	Pledged loans
Agricultural Bank of China Syndicated loan	2020-6-24	2032-6-24	5.489	430,000,000.00	other
Agricultural Bank of China	2019-6-18	2026-6-18	5.194	400,000,000.00	Pledged Secured +
<b>Total</b>				<b>16,929,416,666.78</b>	

**29. Bonds payable**

(1) Bonds payable

Item	12/31/2020	12/31/2019
16 Huaibei Construction Investment PPN001	350,000,000.00	350,000,000.00
16 Huaibei Construction Investment PPN002	868,000,000.00	890,000,000.00
17 Wan Huaibei Construction Investment ZR001	994,000,000.00	991,000,000.00
17 Wan Huaibei Construction Investment ZR002	994,000,000.00	991,000,000.00

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Item	12/31/2020	12/31/2019
18 Huaibei Construction Investment MTN001	1,000,000,000.00	997,000,000.00
18 Wan Huaibei Construction Investment ZR001	994,000,000.00	991,000,000.00
18 Huaibei Construction Investment MTN003	500,000,000.00	498,500,000.00
Foreign Debt	2,050,938,898.98	2,043,287,797.97
Foreign Debt Phase II	1,006,036,900.34	1,002,468,800.68
18 Huaibei Construction Investment PPN001	400,000,000.00	399,200,000.00
19 Huai Construction 01	999,300,000.00	998,600,000.00
19 Huai Construction 02	999,300,000.00	998,600,000.00
Huaibei Construction Investment 2019Wealth Management Direct Financing	380,000,000.00	378,860,000.00
2019 Huaibei Construction Investment PPN001	998,000,000.00	996,000,000.00
20 Huaibei Construction Investment MTN001	997,230,000.00	
20 Huaibei Construction Investment PPN001	999,716,981.13	
20 Huai Construction D1(Private corporate bonds)	2,000,000,000.00	
20 Huaibei Construction Investment CP001	500,000,000.00	
20 Huaibei PipeGallery Bond	797,865,229.10	
20 Huai Construction 01	2,096,258,632.07	
20 Huai Construction 02	897,729,664.70	
20 Huaibei Construction Investment PPN002	499,854,245.29	
2020PPN004	999,811,320.75	
2020PPN003	499,854,245.29	
20 Huaibei Construction Investment MTN002	997,161,132.07	
20 Huai Construction 03	499,056,603.77	
20 Huai Construction 04	499,056,603.77	
2020 Small and Micro Enterprise Bond 01	498,000,000.00	
20 Commercial Debt Financing Program	100,000,000.00	
Anhui Province Equity Custody Trading Center Bond	50,000,000.00	
2019 Huaibei Construction Investment PPN002		1,000,000,000.00
2019 Huaibei Construction Investment CP001		500,000,000.00
2019 Huaibei Construction Investment CP002		500,000,000.00
2019 Huaibei Construction Investment SCP002		1,000,000,000.00
2019 Huaibei Construction Investment Convertible bonds to A		100,000,000.00

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Item	12/31/2020	12/31/2019
2019 Huaibei Construction Investment Convertible bonds to B		100,000,000.00
16 Huaibei Small and Micro Debts		1,500,000,000.00
17 Huaibei Construction Investment PPN001		598,800,000.00
Minus: bonds payable due within a year (Note VIII. 27)	7,813,620,000.00	5,298,800,000.00
<b>Total</b>	<b>17,651,550,457.26</b>	<b>12,525,516,598.65</b>

(2) Increase or decrease in bonds payable

Bond name	Nominal value	Date issued	Nominal interest rate	Amount issued	Opening balance
16 Huaibei Construction Investment PPN001	100	2016/2/19	6.10%	1,000,000,000.00	350,000,000.00
16 Huaibei Construction Investment PPN002	100	2016/9/2	5.99%	1,000,000,000.00	890,000,000.00
16 Huaibei small and micro debts	100	2016/7/20	5.00%	1,500,000,000.00	1,500,000,000.00
17 Huaibei Construction Investment PPN001	100	2017/9/29	6.80%	600,000,000.00	598,800,000.00
17 Wan Huaibei Construction Investment ZR001	100	2017/11/15	6.40%	1,000,000,000.00	991,000,000.00
17 Wan Huaibei Construction Investment ZR002	100	2017/11/27	6.40%	1,000,000,000.00	991,000,000.00
18 Huaibei Construction Investment MTN001	100	2018/3/19	7.30%	1,000,000,000.00	997,000,000.00
18 Huaibei Construction Investment MTN003	100	2018/8/17	7.20%	500,000,000.00	498,500,000.00
18 Huaibei Construction Investment PPN001	100	2018/1/26	7.30%	400,000,000.00	399,200,000.00
18 Wan Huaibei Construction Investment ZR001	100	2018/7/17	7.20%	1,000,000,000.00	991,000,000.00

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Bond name	Nominal value	Date issued	Nominal interest rate	Amount issued	Opening balance
19 Huai Construction 01	100	2019/8/31	7.20%	1,000,000,000.00	998,600,000.00
19 Huai Construction 02	100	2019/10/28	7.20%	1,000,000,000.00	998,600,000.00
2019 Huaibei Construction Investment CP001	100	2019/4/9	4.37%	500,000,000.00	500,000,000.00
2019 Huaibei Construction Investment CP002	100	2019/7/15	4.70%	500,000,000.00	500,000,000.00
2019 Huaibei Construction Investment PPN001	100	2019/2/28	7.30%	1,000,000,000.00	996,000,000.00
2019 Huaibei Construction Investment PPN002	100	2019/12/10	5.50%	1,000,000,000.00	1,000,000,000.00
2019 Huaibei Construction Investment SCP002	100	2019/12/26	4.14%	1,000,000,000.00	1,000,000,000.00
2019 Huaibei Construction Investment Convertible bonds to A	100	2019/9/30	8.00%	100,000,000.00	100,000,000.00
2019 Huaibei Construction Investment Convertible Bonds to B	100	2019/11/14	8.00%	100,000,000.00	100,000,000.00
2020PPN003	100	2020/7/8	6.00%	500,000,000.00	
2020PPN004	100	2020/7/31	6.48%	1,000,000,000.00	
2020 Small and Micro Enterprise Bond 01	100	2020/12/30	5.50%	500,000,000.00	
20 Huaibei PipeGallery Bond	100	2020/4/2	6.00%	800,000,000.00	
20 Huaibei Construction	100	2020/3/6	3.10%	500,000,000.00	

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Bond name	Nominal value	Date issued	Nominal interest rate	Amount issued	Opening balance
Investment CP001					
20 Huaibei Construction Investment MTN001	100	2020/1/16	4.77%	1,000,000,000.00	
20 Huaibei Construction Investment MTN002	100	2020/8/26	5.00%	1,000,000,000.00	
20 Huaibei Construction Investment PPN001	100	2020/2/20	5.37%	1,000,000,000.00	
20 Huaibei Construction Investment PPN002	100	2020/6/24	6.00%	500,000,000.00	
20 Huai Construction 01	100	2020/4/16	6.50%	2,100,000,000.00	
20 Huai Construction 02	100	2020/6/16	6.00%	900,000,000.00	
20 Huai Construction 03	100	2020/9/8	6.08%	500,000,000.00	
20 Huai Construction 04	100	2020/9/25	6.20%	500,000,000.00	
20 Huai Construction D1(Private corporate bonds)	100	2020/2/28	5.30%	2,000,000,000.00	
20 Commercial Debt Financing Program	100	2020/6/19	4.00%	1000,000,000.00	
Anhui Province Equity Custody Trading Center Bond	100	2020/8/28	8.00%	50,000,000.00	
Huaibei Construction Investment 2019 Wealth Management Direct Financing	100	2019/3/4	6.80%	380,000,000.00	378,860,000.00
Foreign debt	100	2018/12/10	5.20%	2,066,450,000.00	2,043,287,797.97
Foreign debt phase II	100	2019/4/23	5.00%	1,009,605,000.00	1,002,468,800.68

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Bond name	Nominal value	Date issued	Nominal interest rate	Amount issued	Opening balance
Minus: bonds payable due within a year	100				5,298,800,000.00
<b>Total</b>				<b>32,506,055,000.00</b>	<b>12,525,516,598.65</b>

(Continued)

Bond name	Current issue	Current amortization	Current repayment	Closing balance
16 Huaibei Construction Investment PPN001				350,000,000.00
16 Huaibei Construction Investment PPN002			22,000,000.00	868,000,000.00
16 Huaibei small and micro debts			1,500,000,000.00	0.00
17 Huaibei Construction Investment PPN001		1,200,000.00	600,000,000.00	0.00
17 Wan Huaibei Construction Investment ZR001		3,000,000.00		994,000,000.00
17 Wan Huaibei Construction Investment ZR002		3,000,000.00		994,000,000.00
18 Huaibei Construction Investment MTN001		3,000,000.00		1,000,000,000.00
18 Huaibei Construction Investment MTN003		1,500,000.00		500,000,000.00
18 Huaibei Construction Investment PPN001		800,000.00		400,000,000.00
18 Wan Huaibei Construction Investment ZR001		3,000,000.00		994,000,000.00
19 Huai Construction 01		700,000.00		999,300,000.00
19 Huai Construction 02		700,000.00		999,300,000.00
2019 Huaibei Construction Investment CP001			500,000,000.00	0.00
2019 Huaibei Construction Investment CP002			500,000,000.00	0.00
2019 Huaibei Construction Investment PPN001		2,000,000.00		998,000,000.00
2019 Huaibei Construction Investment PPN002			1,000,000,000.00	0.00
2019 Huaibei Construction			1,000,000,000.00	0.00

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Bond name	Current issue	Current amortization	Current repayment	Closing balance
Investment SCP002				
2019 Huaibei Construction Investment Convertible bonds to A			100,000,000.00	0.00
2019 Huaibei Construction Investment Convertible bonds to B			100,000,000.00	0.00
2020PPN003	499,708,490.57	145,754.72		499,854,245.29
2020PPN004	999,716,981.13	94,339.62		999,811,320.75
2020 Small and Micro Enterprise Bond 01	497,000,000.00	1,000,000.00		498,000,000.00
20Huaibei PipeGallery Bond	797,509,433.96	355,795.14		797,865,229.10
20 Huaibei Construction Investment CP001	499,500,000.00	500,000.00		500,000,000.00
20 Huaibei Construction Investment MTN001	995,845,000.00	1,385,000.00		997,230,000.00
20 Huaibei Construction Investment MTN002	995,741,698.11	1,419,433.96		997,161,132.07
20 Huaibei Construction Investment PPN001	999,433,962.26	283,018.87		999,716,981.13
20 Huaibei Construction Investment PPN002	499,708,490.57	145,754.72		499,854,245.29
20 Huai Construction 01	2,094,387,948.11	1,870,683.96		2,096,258,632.07
20 Huai Construction 02	896,594,497.05	1,135,167.65		897,729,664.70
20 Huai Construction 03	498,584,905.66	471,698.11		499,056,603.77
20 Huai Construction 04	498,584,905.66	471,698.11		499,056,603.77
20 Huai Construction D1(Private Corporate Bonds)	1,998,113,207.55	1,886,792.45		2,000,000,000.00
20 Commercial Debt Financing pProgram	100,000,000.00			100,000,000.00
20 Shengda Directional Bond	50,000,000.00			50,000,000.00
Huaibei Construction Investment 2019Wealth Management Direct Financing		1,140,000.00		380,000,000.00
Foreign debt		7,651,101.01		2,050,938,898.98

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Bond name	Current issue	Current amortization	Current repayment	Closing balance
Foreign debt phase II		3,568,099.66		1,006,036,900.34
Minus: bonds payable due within a year				7,813,620,000.00
<b>Total</b>	<b>12,920,429,520.63</b>	<b>42,424,337.98</b>	<b>5,322,000,000.00</b>	<b>17,651,550,457.26</b>

**30. Long-term payables**

Item	12/31/2020	12/31/2019
Long-term payables	4,510,015,886.97	2,235,491,227.72
Special payables	747,692,626.58	315,264,657.23
<b>Total</b>	<b>5,257,708,513.55</b>	<b>2,550,755,884.95</b>

(1) Long-term payables presented by nature of amount:

Item	12/31/2020	12/31/2019
Financial leasing	6,574,698,891.57	3,197,331,824.12
Special payables	747,692,626.58	315,264,657.23
Minus: long-term payables due within a year (Note VIII. 27)	2,064,683,004.60	961,840,596.40
<b>Total</b>	<b>5,257,708,513.55</b>	<b>2,550,755,884.95</b>

**31. Deferred income**

Item	12/31/2019	Increase in 2020	Decrease in 2020	12/31/2020
Government grants	10,226,600.00	29,226,600.00	3,445,3200.00	5,000,000.00
<b>Total</b>	<b>10,226,600.00</b>	<b>29,226,600.00</b>	<b>3,445,3200.00</b>	<b>5,000,000.00</b>

Government grants:

Item	12/31/2019	Current increase	Charged to non-business revenue	Charged to other income	Charged against costs and expenses	Other changes	12/31/2020	Asset/income-related
Relocation compensation for Huaibe Economic	10,226,600.00	29,226,600.00	34,453,200.00				5,000,000.00	
<b>Total</b>	<b>10,226,600.00</b>	<b>29,226,600.00</b>	<b>34,453,200.00</b>				<b>5,000,000.00</b>	

According to the document issued by Haibei Economic Development Area Management Committee regarding compensation for relocation of the company due to requisition of part of land of the company, the company charged the compensation for relocation of properties received this year to the deferred income and amortized it as the relocation progresses.

**32. Other noncurrent liabilities**

Item	12/31/2020	12/31/2019
SPD City Development Fund	1,360,000,000.00	1,680,000,000.00
Huishang Bank Infrastructure Project Management Center	3,109,150,000.00	2,702,500,000.00
Shaanxi International Trust Co., Ltd debt investment	200,000,000.00	
Bank of Communication China Trust Funds	293,793,662.90	
<b>Total</b>	<b>4,962,943,662.90</b>	<b>4,382,500,000.00</b>

### 33. Paid-in Capital

Investor	12/31/2019		Increase in 2020	Decrease in 2020	12/31/2020	
	Investment Amount	Percentage			Investment Amount	Percentage
The State-owned Assets Supervision and Administration Commission of Huaibei Municipal People's Government	8,229,000,000.00	100.00			8,229,000,000.00	100.00
<b>Total</b>	<b>8,229,000,000.00</b>	<b>100.00</b>			<b>8,229,000,000.00</b>	<b>100.00</b>

### 34. Other equity instruments

(1) Basic details of other financial instruments such as preference shares and perpetual bonds issued and outstanding at the end of the year

In 2017, the company issued perpetual mid-term notes with special terms attached with a nominal value of 400,000,000.00 Yuan to Interbank Association and received 398,560,000.00 Yuan after deduction of the underwriting fee. the company presented them as other equity instruments according to the provisions of the terms that there is no specific maturity date, right to delayed payment of interest and future controllable right of redemption.

In 2018, the company issued perpetual mid-term notes with special terms attached with a nominal value of 800,000,000.00 Yuan to Interbank Association and received 799,600,000.00 Yuan after deduction of the underwriting fee. the company presented them as other equity instruments according to the provisions of the terms that there is no specific maturity date, right to delayed payment of interest and future controllable right of redemption.

(2) Changes in financial instruments such as preference shares and perpetual bonds issued and outstanding at the end of the year

Outstanding financial instruments	12/31/2019		Current increase		Current decrease		12/31/2020	
	Number	Book value	Number	Book value	Number	Book value	Number	Book value
Perpetual bonds		1,198,160,000.00						1,198,160,000.00

<b>Total</b>		<b>1,198,160,000.00</b>					<b>1,198,160,000.00</b>
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**35. Capital reserve**

Item	12/31/2019	Increase in 2020	Decrease in 2020	12/31/2020
1. Capital (or share capital) premium	9,462,246,637.43			9,462,246,637.43
2. Other capital reserve	29,999,798,758.75	1,917,793,296.55	1,416,985,000.00	30,500,607,055.30
<b>Total</b>	<b>39,462,045,396.18</b>	<b>1,917,793,296.55</b>	<b>1,416,985,000.00</b>	<b>39,962,853,692.73</b>
Wherein : State owned exclusive capital reserve				

**36. Other comprehensive income**

Item	12/31/2019	Amount incurred in the current period		
		Amount uncured in this year before income tax	Less: Amount that was included in other comprehensive income in the previous period and transferred to profit or loss in the current	Minus: income tax expense
1. Other comprehensive income that will be reclassified into profit and loss in the future				
Wherein : the share of other comprehensive income of the investee that will subsequently be reclassified to profit and loss under the equity method	1,161,337,081.33	18,523,087.98		4,630,772.00
<b>Total</b>	<b>1,161,337,081.33</b>	<b>18,523,087.98</b>		<b>4,630,772.00</b>

(Continued)

Item	Amount incurred in the current period		12/31/2020
	Attributable to parent company after tax	Attributable to minority shareholders after tax	
2. Other comprehensive income that will be reclassified into profit and loss in the future			
Wherein : the share of other comprehensive income of the investee that will subsequently be reclassified to profit and loss under the equity method	7,224,004.32	6,668,311.66	1,168,561,085.65
<b>Total</b>	<b>7,224,004.32</b>	<b>6,668,311.66</b>	<b>1,168,561,085.65</b>

Remarks: the company converted part of fixed assets (houses and buildings) into investment

property measured at fair value for accounting, with the value-added portion at the conversion date charged to other comprehensive income.

### 37. Special reserve

Item	12/31/2020	12/31/2019
Work safety fee	3,882,073.10	3,447,588.78
General risk reserve	9,838,409.43	9,056,364.04
<b>Total</b>	<b>13,720,482.53</b>	<b>12,503,952.82</b>

### 38. Surplus reserve

Item	12/31/2019	Increase in 2020	Decrease in 2020	12/31/2020	Reason and basis of change
Statutory surplus reserve	807,087,834.96	294,705,609.36		1,101,793,444.32	
<b>Total</b>	<b>807,087,834.96</b>	<b>294,705,609.36</b>		<b>1,101,793,444.32</b>	

### 39. Undistributed profits

Item	2020 amount	2019 amount
Balance at the beginning of 2020	1,691,608,096.97	7,102,031,511.89
Increase in 2020	1,720,367,413.60	1,459,995,044.54
Wherein: Transferred net profit	1,720,367,413.60	1,459,995,044.54
Other Adjustment Factors		
Decrease in 2020	384,064,088.68	6,870,418,459.46
Wherein: Surplus reserve accrued	294,705,609.36	363,112,628.06
General risk reserve accrued		
Cash dividends distributed	89,358,479.32	6,507,305,831.40
Transfer to paid-in capital		
Other decreases		
12/31/2020	3,027,911,421.89	1,691,608,096.97

### 40. Operating income and operating costs

(1) Operating income and costs presented as follows

Item	2020 Year		2019 Year	
	Revenue	costs	Revenue	costs
Main business	12,423,324,854.90	11,429,149,270.43	11,620,047,791.04	10,275,280,554.22
Other business	366,446,489.63	23,734,217.69	391,987,794.58	24,279,516.91
<b>Total</b>	<b>12,789,771,344.53</b>	<b>11,452,883,488.12</b>	<b>12,012,035,585.62</b>	<b>10,299,560,071.13</b>

(2) Main business revenue and costs (by product) presented as follows:

Item Name	2020 Year		2019 Year	
	Revenue	costs	Revenue	costs

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Item Name	2020 Year		2019 Year	
	Revenue	costs	Revenue	costs
Government purchase segment	1,711,501,098.12	1,306,653,400.00	3,690,266,812.50	3,084,940,988.43
Product sales segment	8,953,611,033.31	8,633,066,793.12	6,157,914,525.08	5,776,421,010.47
Leasing segment	133,551,179.99	68,198,936.75	124,908,908.75	46,643,342.10
Guarantee fee segment	17,041,781.01		23,419,420.82	
Water drainage and supply segment	155,050,787.03	137,820,562.29	199,831,017.99	167,316,664.47
Project construction segment	1,132,540,816.86	1,029,517,881.70	1,108,416,968.07	965,282,986.03
other	320,028,158.58	253,891,696.57	315,290,137.83	234,675,562.72
<b>Total</b>	<b>12,423,324,854.90</b>	<b>11,429,149,270.43</b>	<b>11,620,047,791.04</b>	<b>10,275,280,554.22</b>

**41. Taxes and surtaxes**

Item	Amount incurred in 2020	Amount incurred in 2019
Real estate taxes	8,605,559.30	8,981,033.70
Land value-added tax	362,488.53	331,352.01
Urban maintenance and construction taxes	4,579,835.74	5,497,175.82
Educational surcharge	1,886,405.71	2,761,686.53
Local educational surcharge	1,228,961.22	2,479,767.86
Stamp duty	4,419,589.62	2,399,055.97
Land use taxes	13,473,695.10	12,179,386.90
Resource taxes	26,417,675.80	23,329,618.58
Vehicle and vessel tax	70,890.48	73,967.52
other	86,338.47	20,943.40
<b>Total</b>	<b>61,131,439.97</b>	<b>58,053,988.29</b>

**42. Selling expenses**

Item	Amount incurred in 2020	Amount incurred in 2019
Employee compensation and benefits	4,013,587.80	4,040,137.87
Office allowance	790,490.43	597,578.55
Travel and transportation expenses	1,346,342.11	1,527,869.07
Advertising and publicity expenses	287,167.20	121,047.61
Service fee	2,835,682.01	3,126,860.33

Item	Amount incurred in 2020	Amount incurred in 2019
Sales commission	5,281,528.24	6,702,876.54
Freights	10,515,026.12	15,170,848.16
Provision for guarantee indemnity	14,084,269.34	20,637,316.62
other	560,947.97	260,273.39
<b>Total</b>	<b>39,715,041.22</b>	<b>52,184,808.14</b>

#### 43. Management expenses

Item	Amount incurred in 2020	Amount incurred in 2019
Employee compensation and benefits	119,263,210.30	123,071,144.97
Office allowance	9,547,204.66	9,932,354.81
Travel and vehicle transport expenses	5,432,783.91	6,816,847.15
Depreciation and amortization	57,788,791.28	55,691,848.81
Entertainment fees	4,141,790.46	4,091,784.47
Training expenses	2,034,069.38	2,017,834.64
Consulting service fee	35,364,711.50	34,336,664.96
Rent and property fees	4,321,252.31	3,338,736.39
Other service fees	2,609,374.08	2,341,205.22
other	1,030,804.38	993,424.39
<b>Total</b>	<b>241,533,992.26</b>	<b>242,631,845.81</b>

#### 44. Financial expenses

Item	Amount incurred in 2020	Amount incurred in 2019
Interests	168,183,802.93	440,173,337.66
Minus: interest income	107,514,818.60	79,565,726.44
Financing costs	155,006,747.99	155,814,722.05
Exchange loss	2,771,594.66	
Minus: exchange income	94,012.69	47,400,602.51
Handling fee	6,897,962.11	5,754,196.51
other	3,121,470.90	7,959,982.87
<b>Total</b>	<b>228,372,747.30</b>	<b>482,735,910.14</b>

#### 45. Other incomes

Item	Amount incurred in 2020	Amount incurred in 2019
Government grants	524,738,327.63	652,406,546.80
<b>Total</b>	<b>524,738,327.63</b>	<b>652,406,546.80</b>

**Government subsidies charged to current other income:**

Item	Amount incurred in 2020	Amount incurred in 2019
Income-related:		
Tax relief, rebate and handling fee	3,624,202.37	3,620,698.42
Business incentive funds subsidized by Duji District Bureau of Finance	-	41,820,800.00
Operating subsidy to public transit corporation	38,172,700.00	35,753,451.56
Operating subsidy to South Lake Park	-	200,000.00
Guarantee increment reward and subsidy funds from Commission of Economy and Information Technology and Bureau of Finance	-	9,886,001.82
Price subsidy from Huaibei Municipal Bureau of Finance	458,067,440.00	543,000,000.00
Incentive funds from Lieshan District Development and Reform Commission		3,100,000.00
Foreign trade development reward from Xiangshan District Bureau of Finance		156,800.00
New energy automobile promotion subsidy funds	11,698,165.52	13,170,000.00
Pension and unemployment insurance subsidies	1,760,705.53	
Coal chemical industry base management committee maintenance subsidies	3,130,000.00	
Subsidy for job stabilization	4,500.00	
Subsidies for new energy charging piles and parking lots	4,358,459.64	
Subsidies for job rotation during the epidemic	178,800.00	
Subsidies from the State Treasury Payment Center in Xiangshan District, Huaibei City	970,000.00	
other	2,773,354.57	1,698,795.00
<b>Total</b>	<b>524,738,327.63</b>	<b>652,406,546.80</b>

**46. Investment income**

Source of investment income	Amount incurred in 2020	Amount incurred in 2019
Investment incomes from long-term equity investment under equity method	374,014,383.88	143,160,738.10
Investment incomes from disposal of long-term equity investment	19,438,570.22	2,724,862.45
Investment incomes from financial assets measured at fair value through profit or loss during holding period	281,511.44	4,374,429.18
Investment income on available-for-sale financial assets during holding period	15,116,265.62	19,339,056.67
Investment incomes from disposal of financial assets available for selling	332,708.05	533,621.30
Income from financing products	4,025,247.07	
other	88,716,181.20	
<b>Total</b>	<b>501,924,867.48</b>	<b>170,132,707.70</b>

**47. Income from change in fair value**

Source of incomes from changes in fair value	Amount incurred in 2020	Amount incurred in 2019
Financial assets at fair value through profit and loss	469,873.76	5,811,887.04
Investment real estate measured at fair value	287,021,255.55	306,688,457.59
<b>Total</b>	<b>287,491,129.31</b>	<b>312,500,344.63</b>

**48. Asset impairment loss**

Item	Amount incurred in 2020	Amount incurred in 2019
Loan losses and reserves	-36,805,501.94	-11,340,927.60
other		
<b>Total</b>	<b>-36,805,501.94</b>	<b>-11,340,927.60</b>

**49. Income from asset disposal**

Item	Amount incurred in 2020	Amount incurred in 2019	Amount charged to current nonrecurring profit and loss
Gains or losses from disposal of noncurrent assets not classified as held-for-sale	150,524.35	932,843.17	150,524.35
Wherein: Fixed assets	150,524.35	932,843.17	150,524.35
<b>Total</b>	<b>150,524.35</b>	<b>932,843.17</b>	<b>150,524.35</b>

**50. Non-business income**

(1) Classification of Non-business income

Item	Amount incurred in 2020	Amount incurred in 2019	Amount charged to current nonrecurring
Government grants	34,453,200.00	19,000,000.00	34,453,200.00
Revenue from contractual liquidated damages	1,069,722.70	2,500,000.00	1,069,722.70
other	1,729,401.62	72,106.45	1,729,401.62
<b>Total</b>	<b>37,252,324.32</b>	<b>21,572,106.45</b>	<b>37,252,324.32</b>

(2) Details of government grants

Item	Amount incurred in 2020	Amount incurred in 2019
Relocation compensation for Huaibe Economic	34,453,200.00	19,000,000.00
<b>Total</b>	<b>34,453,200.00</b>	<b>19,000,000.00</b>

According to the document issued by Haibei Economic Development Area Management Committee regarding compensation for relocation of the company due to requisition of part of land of the company, the company, the company charged the compensation for relocation of properties received this year to the deferred income and amortized it as the relocation progresses before charging it to the non-business income.

**51. Non-business expenditures**

Item	Amount incurred in 2020	Amount incurred in 2019	Amount charged to current nonrecurring
Loss on scrapping of non-current assets	2,273,404.13		2,273,404.13
Expenditure on external donations	120,589.40	5,309,079.08	120,589.40
Fine loss and late fee expenditure	312,275.49	139,503.42	312,275.49
Expenditure on contractual liquidated damages		1,027,119.48	
other	3,032,101.50		3,032,101.50
<b>Total</b>	<b>5,738,370.52</b>	<b>6,475,701.98</b>	<b>5,738,370.52</b>

### 52. Income tax expense

Item	Amount incurred in 2020	Amount incurred in 2019
Current income tax	211,687,554.86	287,011,237.69
Deferred income tax	64,526,565.41	75,202,819.58
<b>Total</b>	<b>276,214,120.27</b>	<b>362,214,057.27</b>

### 53. Cash flow statement items

#### (1) Other cash received in connection with operating activities

Item	Amount incurred in 2020	Amount incurred in 2019
Recurrent accounts	4,072,771,177.83	5,015,298,215.54
Interest income	105,359,978.69	79,565,726.44
Margins, etc.	1,188,522,037.25	935,844,123.82
Government subsidy and personal income tax rebate	775,590,551.86	681,633,146.80
Current accounts of loan business	299,781,092.03	211,113,445.09
Current accounts of pawn business	68,513,202.57	71,049,676.00
Fines and liquidated damages	3,410,000.00	2,500,000.00
Amounts of government purchase and project management	95,024,387.00	921,143,138.13
Small and micro enterprise bond loans	1,517,759,529.20	1,149,817,825.15
<b>Total</b>	<b>8,126,731,956.43</b>	<b>9,067,965,296.97</b>

#### (2) Other cash paid in connection with operating activities

Item	Amount incurred in 2020	Amount incurred in 2019
Recurrent accounts	4,894,236,378.55	4,670,229,795.13
Out-of-pocket expenses	114,253,792.75	112,013,522.3
Margins, etc.	276,904,803.14	111,820,000.00
Current accounts of loan business	422,514,352.73	373,906,506.84

Current accounts of pawn business	39,453,052.47	71,845,261.60
Current accounts of major construction projects	707,374,948.86	872,475,912.37
Entrusted loans and small and micro-sized enterprises	248,432,195.42	322,430,000.00
Amounts of government purchase and project management	1,278,957,725.81	1,835,035,778.76
<b>Total</b>	<b>7,982,127,249.73</b>	<b>8,369,756,777.00</b>

(3) Other cash received in connection with financing activities

Item	Amount incurred in 2020	Amount incurred in 2019
Cash received from business combination		597,022,672.93
<b>Total</b>		<b>597,022,672.93</b>

(4) Other cash paid in connection with investment activities

Item	Amount incurred in 2020	Amount incurred in 2019
Formed from business combination		13,003,073.14
<b>Total</b>		<b>13,003,073.14</b>

(5) Other cash received in connection with financing activities

Item	Amount incurred in 2020	Amount incurred in 2019
Project loan capital	490,375,200.00	38,707,776.00
Financial leasing, etc.	5,782,330,050.59	1,094,221,224.00
<b>Total</b>	<b>6,272,705,250.59</b>	<b>1,132,929,000.00</b>

(6) Other cash paid in connection with financing activities

Item	Amount incurred in 2020	Amount incurred in 2019
Return of capital	312,300,000.00	
Capital operation income surrender, etc.	3,358,479.32	
Financial leasing, etc.	2,936,112,041.03	2,753,575,689.71
<b>Total</b>	<b>3,251,770,520.35</b>	<b>2,753,575,689.71</b>

**54. Consolidated cash flow statement**

(1) Information that adjusts net income to cash flow from operations by the indirect method

Supplementary information	Amount incurred in 2020	Amount incurred in 2019
1. Net profit into cash flow from operating activities:		
Net profits	1,798,933,816.02	1,654,382,824.01
Add: Provision for asset impairment	36,805,501.94	11,340,927.60
Impairment losses on credit assets		

Supplementary information	Amount incurred in 2020	Amount incurred in 2019
Depreciation of property, plant and equipment, depletion of oil and gas assets, and depreciation of productive biological assets	135,592,368.86	147,948,310.76
Amortization of intangible assets	45,692,938.56	34,284,121.01
Amortization of long-term deferred expenses	18,409,252.28	20,388,052.04
Losses from disposal of fixed assets, intangible assets and other long-term assets (income to be denoted by	-150,524.35	-932,843.17
Loss for scrap of property, plant and equipment (income presented with "-")		
Loss for changes in fair value (income presented with "-")	-287,491,129.31	-312,500,344.63
Financial expenses (income presented with "-")	168,183,802.93	440,173,337.66
Investment losses (income presented with "-")	-501,924,867.48	-170,132,707.70
Decrease in deferred income tax assets (increase presented with "-")	-14,811,670.52	3,600,331.26
Increase in deferred income tax liabilities (decrease presented with "-")	79,338,235.93	-502,945,700.50
Decrease of inventory (increase presented with "-")	-4,944,801,074.29	-3,462,954,356.44
Decrease of operational receivables (increase presented with "-")	-1,127,568,277.70	-7,346,397,985.28
Increase of operational payables (decrease presented with "-")	4,705,111,224.90	7,527,930,361.61
other		
Net cash flow from operating activities	111,319,597.77	-1,955,815,671.77
<b>2. Significant investment and financial activities without involving cash receipt and expenditure:</b>		
Debts into capital		
Convertible corporate bonds due in 1 year		
Property, plant and equipment under financing lease		
<b>3. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	9,698,048,172.10	5,722,313,751.79
Minus: beginning balance of cash	5,722,313,751.79	5,776,464,328.61
Add: closing balance of cash equivalents		
Minus: beginning balance of cash equivalents		
Net increase of cash and cash equivalents	3,975,734,420.31	-54,150,576.82

(2) Composition of cash and cash equivalents

Item	12/31/2020	12/31/2019
I. Cash	9,698,048,172.10	5,722,313,751.79
Wherein: cash in hand	40,188.86	28,154.24
Deposit available for payment at any time	8,629,923,461.81	5,722,285,597.55
Other monetary funds available for payment	1,068,084,521.43	
Money deposited with PBoC for payment		
Interbank deposit		
Interbank money		
II. Cash equivalents		
Wherein: bond investment matures within three months		
III. Closing balance of cash and cash equivalents	9,698,048,172.10	5,722,313,751.79
Wherein: cash and cash equivalents of parent company or subsidiaries inside the group subject to restrictions on use		

#### 55. Assets with restricted ownership or right of use

Item	Detailed categories	12/31/2020	Reason for restriction
Monetary funds	Bill margin, etc	173,805.78	Use restricted
Investment property	Huaituguoyong(2011)No.36	87,928.90	Mortgage right of state-owned land use right
Investment property	Huaituguoyong(2011)No.46	65,980.54	Mortgage right of state-owned land use right
Inventory	Wan (2016) Real Property Right No. 0000249	10,766.96	Mortgage on state-owned land use right
Inventory	Wan (2018) Real Property Right No. 0016793	9,716.69	Mortgage on state-owned land use right

#### IX. Commitments and contingences

As of December 31, 2020, the company had the following external guarantees:

SN	Secured party	Form of guarantee	Amount guaranteed (RMB 10,000 Yuan)
1	Anhui Construction Investment Co., Ltd	Mortgage	130,000.00
2	Anhui Suiwu Modern Industrial Park Investment Co., Ltd	Guarantee	88,000.00
3	Suixi County Public Utility Asset Operation Co., Ltd	Guarantee	70,000.00
4	Suixi Futong Urban-Rural Development Co., Ltd	Guarantee	11,000.00

#### X. Events after the balance sheet date

From January 1, 2019 to December 31, 2020, the company has no events after the balance

sheet date that need to be disclosed.

## XI. Related Parties and Related-party Transactions

### 1. Details of the parent of the company

Shareholder name	Registration place	Nature of business	Shareholding ratio in the company(%)	Percentage of voting power in the company(%)
The State-owned Assets Supervision and Administration Commission of Huaibei Municipal People's Government	Anhui huaibei	Management of state-owned property	100.00	100.00

### 1. Subsidiaries

Detailed in Note VII Business Combination and Consolidated Financial Statements.1

"Subsidiaries"

### 2. Affiliates and Joint Ventures

Detailed in Note VIII. 12. Long-term equity investments.

### 3. Other related parties: None

### 4. Related-party Transactions: None

## XII. Note for Important Item in Parent Company's Financial Statements

### 1. Account receivable

(1) Classification of account receivable:

Category	12/31/2020				Book value
	Book balance		Provision for bad debts		
	Sum	Percentage	Sum	Percentage	
Accounts receivable with significant single amount whose bad debts are provided individually					
Other receivables whose bad debts are provided according to the combination of credit risk characteristics	30,625,372.25	100.00	7,780,267.62	25.40	22,845,104.63
Accounts receivable with insignificant single amount whose bad debts are provided individually					
<b>Total</b>	<b>30,625,372.25</b>	<b>100.00</b>	<b>7,780,267.62</b>	<b>25.40</b>	<b>22,845,104.63</b>

(Continued)

Category	12/31/2019			
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Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

	Book balance		Provision for bad debts		Book value
	Sum	Percentage	Sum	Percentage	
Accounts receivable with significant single amount whose bad debts are provided individually					
Other receivables whose bad debts are provided according to the combination of credit risk characteristics	462,998,821.15	100.00	7,780,267.62	1.68	455,218,553.53
Accounts receivable with significant single amount whose bad debts are provided individually					
<b>Total</b>	<b>462,998,821.15</b>	<b>100.00</b>	<b>7,780,267.62</b>	<b>1.68</b>	<b>455,218,553.53</b>

(2) Provision for bad debts

Item	12/31/2019	Current increase	Current decrease		12/31/2020
			Reversed	Write-off	
Provision for bad debts of accounts receivable	7,780,267.62				7,780,267.62

(3) Receivables that are individually significant in amount and for which bad debt provision accrues and the end of year

Creditor	Debtor name	Book balance	Provision for bad debts	Account age	Percent age of accrual	Reasons for accrual
Huaibei Construction Investment Holding Group Co., Ltd	Liudong Coal mine	8,100,334.52	6,480,267.62	4-5years	80.00	Already in the legal proceedings
Huaibei Construction Investment Holding Group Co., Ltd	Chenzhuang Iron Mine	1,300,000.00	1,300,000.00	4-5years	100.00	Already in the legal proceedings
<b>Total</b>		<b>9,400,334.52</b>	<b>7,780,267.62</b>			

2. Other receivable

Item	12/31/2020	12/31/2019

Huaibei Construction Investment Holding Group Co., Ltd  
Notes to Financial Statements 2019 - 2020

Item	12/31/2020	12/31/2019
Interests receivable		
Dividends receivable		
Other receivables	29,913,800,144.84	25,490,515,623.54
<b>Total</b>	<b>29,913,800,144.84</b>	<b>25,490,515,623.54</b>

(1) Other receivables

① Classification of other receivables:

Category	12/31/2020				Book value
	Book balance		Provision for bad debts		
	Sum	Percentage	Sum	Percentage	
Other receivables that are individually significant in amount					
Other receivables whose bad debts are provided according to	29,913,800,144.84	100.00	-		29,913,800,144.84
Other receivables that are individually insignificant in amount					
<b>Total</b>	<b>29,913,800,144.84</b>	<b>100.00</b>			<b>29,913,800,144.84</b>

(Continued)

Category	12/31/2019				Book value
	Book balance		Provision for bad debts		
	Sum	Percentage	Sum	Percentage	
Other receivables that are individually significant in amount					
Other receivables whose bad debts are provided according to	25,490,515,623.54	100.00			25,490,515,623.54
Other receivables that are individually insignificant in amount					
<b>Total</b>	<b>25,490,515,623.54</b>	<b>100.00</b>			<b>25,490,515,623.54</b>

② Other receivables presented by nature of amount

Nature of amount	12/31/2020	12/31/2019
Margins	358,437,450.00	366,940,000.00
Recurrent accounts	29,555,362,694.84	25,123,575,623.54
<b>Total</b>	<b>29,913,800,144.84</b>	<b>25,490,515,623.54</b>

### 3. Long-term equity investments

#### (1) Classification of long-term equity investments

Item	12/31/2019	Increase in 2020	Decrease in 2020	12/31/2020
Investment in subsidiaries	20,269,038,850.30	408,503,100.00		20,677,541,950.30
Investments in affiliates and joint ventures	149,468,935.28	13,579,399.00		163,048,334.28
<b>Total</b>	<b>20,418,507,785.58</b>	<b>422,082,499.00</b>		<b>20,840,590,284.58</b>

#### (2) Details of long-term equity investments

Investee	12/31/2019	Current increase	Current decrease	12/31/2020	Current impairment provision
Huaibei Public Utility Asset Operation Co., Ltd	1,932,895,878.21	206,250,000.00		2,139,145,878.21	
Huaibei Drainage Co., Ltd	19,068,258.34			19,068,258.34	
Huaibei Construction Investment Co., Ltd	3,621,516,380.25			3,621,516,380.25	
Huaibei Financial Holding Group Co., Ltd	2,075,631,121.91			2,075,631,121.91	
Huaibei tongchuang Financing Guarantee Co., Ltd	201,580,000.00			201,580,000.00	
Huaibei Communication Investment Co., Ltd	1,457,244,592.41			1,457,244,592.41	
Huaibei Central Lake Zone Construction Investment and Development Co., Ltd	621,198,409.22	170,703,100.00		791,901,509.22	
Anhui Linhuan Industrial Park Circular Economy Development Co., Ltd	648,881,668.56	22,550,000.00		671,431,668.56	
Huaibei Industrial Investment & Operation Co., Ltd	51,166,707.21			51,166,707.21	
Huaibei Dongyu Construction Investment Group Co., Ltd	5,086,312,721.18			5,086,312,721.18	
Huaibei Phoenix Mountain Industries Group Co., Ltd	2,242,759,474.38			2,242,759,474.38	
Huaibei Shengda Holding Group Co., Ltd	2,310,783,638.63			2,310,783,638.63	
Huaibei Green Gold Industrial Investment Co., Ltd		9,000,000.00		9,000,000.00	
<b>Total</b>	<b>20,269,038,850.30</b>	<b>408,503,100.00</b>		<b>20,677,541,950.30</b>	

(3) Investments in affiliated companies

Investee	12/31/2019	Increase or decrease in 2020				
		Additional investments	Reduced investments	Investment income or loss recognized under the equity method	Adjustment to other comprehensive income	Other equity changes
<b>1. Affiliates</b>						
Huaibei Lianchuang Real Estate Development Co., Ltd	6,000,000.00			-1,867,413.39		
CCMC Huaibei Investment & Development Co., Ltd	26,342,016.91			2,031,559.47		
Huaibei Anjian Investment Co., Ltd	117,126,918.37			13,552,128.89		
<b>Total</b>	<b>149,468,935.28</b>			<b>13,716,274.97</b>		

(Continued)

Investee	Increase or decrease in 2020			Ending 12/31/2020	Ending balance of impairment provision at the end of 2020
	Cash dividends or profits distributed	Impairment provision accrued	other		
<b>1. Affiliates</b>					
Huaibei Lianchuang Real Estate Development Co., Ltd				4,132,586.61	
CCMC Huaibei Investment & Development Co., Ltd	136,875.97			28,236,700.41	
Huaibei Anjian Investment Co., Ltd				130,679,047.26	
<b>Total</b>	<b>136,875.97</b>			<b>163,048,334.28</b>	

**4. Operating income and operating costs**

(1)Details of operating income

Item	Amount incurred in 2020		Amount incurred in 2019	
	Revenue	costs	Revenue	costs
Main business	473,239,458.93	49,544,694.82	403,066,489.88	
Other business	333,316,199.63		287,746,717.87	5,265,118.95
<b>Total</b>	<b>806,555,658.56</b>	<b>49,544,694.82</b>	<b>690,813,207.75</b>	<b>5,265,118.95</b>

(2)Operating income and operating costs (by product) presented as follows:

Item Name	Amount incurred in 2020		Amount incurred in 2019	
	Revenue	costs	Revenue	costs
Government purchase segment	317,230,188.68	49,544,694.82	216,285,377.36	
Leasing segment	13,256,108.40		19,671,541.62	5,265,118.95
Interest segment	476,069,361.48		454,856,288.77	
<b>Total</b>	<b>806,555,658.56</b>	<b>49,544,694.82</b>	<b>690,813,207.75</b>	<b>5,265,118.95</b>

5. Investment income

Source of investment income	Amount incurred in 2020	Amount incurred in 2019
Income on long-term equity investment accounted for using the cost method	1,795,215,050.33	2,746,000,000.00
Investment incomes from long-term equity investment under equity method	13,716,274.97	16,512,599.18
Investment income from available-for-sale financial assets and etc	2,579,900.05	310,000.00
other	85,800,000.00	
<b>Total</b>	<b>1,897,311,225.35</b>	<b>2,762,822,599.18</b>

XIII. Approval of Financial Statements

This financial statement was approved by the board of directors on April 27, 2021.

Company name: Huaibei City Construction Investment Holding Group Company Limited



The financial statements and notes are signed by the following persons:

legal representative:

Director of accounting work:

Accounting Agencies:

Date:

Date:

Date:

## APPENDIX A – FORM OF IRREVOCABLE STANDBY LETTER OF CREDIT

FM: HUIZHANG BANK CORPORATION LIMITED (SWIFT: HFCBCNSH)

ADDRESS: BLOCK A, TIANHUI BUILDING, 79 ANQING ROAD, HEFEI, ANHUI PROVINCE, THE PRC

23 FEBRUARY 2022

TO BENEFICIARY: CITICORP INTERNATIONAL LIMITED (THE “**BENEFICIARY**”) (THE “**TRUSTEE**”, WHICH EXPRESSION SHALL INCLUDE ANY SUCCESSOR OR CO-TRUSTEE) IN ITS CAPACITY AS TRUSTEE FOR ITSELF AND ON BEHALF OF THE HOLDERS (THE “**BONDHOLDERS**”) OF THE U.S.\$150,000,000 2.90 PER CENT. CREDIT ENHANCED BONDS DUE 2025 (THE “**BONDS**”) (ISIN: XS2418729559/COMMON CODE: 241872955) TO BE ISSUED BY HUAIBEI CITY CONSTRUCTION INVESTMENT HOLDING GROUP COMPANY LIMITED (淮北市建投控股集团有限公司) (THE “**ISSUER**”) AND TO BE CONSTITUTED BY A TRUST DEED DATED 23 FEBRUARY 2022 (THE “**ISSUE DATE**”) BETWEEN THE ISSUER 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, HUIZHANG BANK CORPORATION LIMITED (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 THE DEMAND SUBSTANTIALLY IN THE FORM SET OUT IN APPENDIX A-1 (THE “**DEMAND**”) PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT 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 CONDITION 10 OF THE CONDITIONS) HAS OCCURRED AND THE BENEFICIARY, AS TRUSTEE FOR ITSELF AND THE BONDHOLDERS, HAS GIVEN NOTICE TO THE ISSUER THAT THE BONDS ARE IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH CONDITION 10 OF 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 THE DEMAND PRESENTED BY YOU OR ON YOUR BEHALF IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT ON OR BEFORE 6:00 P.M. (HONG KONG TIME) ON A BUSINESS DAY, WE SHALL ON OR BEFORE 10:00 A.M. (HONG KONG TIME) ON THE FIFTH BUSINESS DAY IMMEDIATELY FOLLOWING SUCH BUSINESS DAY ON WHICH WE RECEIVE THE DEMAND (OR IF THE DEMAND IS RECEIVED AFTER 6:00 P.M. (HONG KONG TIME) ON A BUSINESS DAY, THEN ON THE SIXTH BUSINESS DAY IMMEDIATELY FOLLOWING SUCH BUSINESS DAY ON WHICH WE RECEIVE THE 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 OR A SUNDAY OR A PUBLIC

HOLIDAY) ON WHICH COMMERCIAL BANKS AND FOREIGN EXCHANGE MARKETS ARE GENERALLY OPEN FOR BUSINESS IN HONG KONG, BEIJING 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.\$153,175,000 (THE “**MAXIMUM LIMIT**”).

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, OUR OBLIGATION TO PAY TO YOU IS UNCONDITIONAL, IRREVOCABLE AND ABSOLUTE AND THE DEMAND BY YOU UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE HONOURED WITHOUT ANY FURTHER ENQUIRY AS TO YOUR RIGHTS TO MAKE THE 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 THE EARLIER OF (1) THE DATE SPECIFIED IN THE CONFIRMATION OF REDEMPTION (TOGETHER WITH A SIGNED AND STAMPED POWER OF ATTORNEY AUTHORISING SIGNATORIES OF THE CONFIRMATION OF REDEMPTION) PROVIDED BY THE BENEFICIARY BY EMAIL TO THE ISSUER WITH THE ISSUING BANK COPIED IN THE FORM SET OUT IN SCHEDULE 7 OF THE TRUST DEED ON WHICH THE BONDS HAVE BEEN REDEEMED IN FULL AND, TO THE BEST KNOWLEDGE OF THE BENEFICIARY, ALL PAYMENT OBLIGATIONS UNDER THE TRUST DEED AND THE AGENCY AGREEMENT HAVE BEEN SATISFIED OR (2) 23 MARCH 2025 (THE EARLIER OF (1) OR (2), THE “**EXPIRY DATE**”) AND SHALL EXPIRE AT THE PLACE OF THE ISSUING BANK.

PAYMENT WILL BE EFFECTED AFTER OUR RECEIPT OF THE 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.

THE DEMAND UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS TO BE PRESENTED BYWAY OF AN AUTHENTICATED SWIFT PRESENTED BY OR ON BEHALF OF YOU AS TRUSTEE FOR ITSELF AND THE BONDHOLDERS TO US (SWIFT: HFCBCNSH) ON OR BEFORE 6:00 P.M. (HONG KONG TIME) ON THE EXPIRY DATE WITHOUT THE NEED TO PHYSICALLY PRESENT AN ORIGINAL OF THE 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 +86 551 6266 7578 ON OR BEFORE 6:00 P.M. (HONG KONG TIME) ON THE EXPIRY DATE AND THE DEMAND SHALL BE SIGNED BY YOU AS TRUSTEE FOR ITSELF AND 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 THE 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 UPON RECEIPT OF THE DEMAND SENT TO US BY WAY OF FACSIMILE TRANSMISSION. IF THERE IS ANY DISCREPANCY OR AMBIGUITY BETWEEN THE ORIGINAL DEMAND AND THE DEMAND SENT BY WAY OF FACSIMILE TRANSMISSION, THE FACSIMILE VERSION SHALL PREVAIL.

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, COUNTERCLAIM 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 ITSELF AND 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' PRIOR NOTICE HAVING BEEN GIVEN TO US BY OR ON BEHALF OF YOU AS TRUSTEE FOR ITSELF AND THE BONDHOLDERS BY AUTHENTICATED SWIFT, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON VIA FACSIMILE TRANSMISSION TO US AT +86 551 6266 7578. MULTIPLE TRANSFERS ARE PERMITTED, SUBJECT TO AS PROVIDED IN THIS PARAGRAPH.

WE MAY NOT ASSIGN, TRANSFER OR NOVATE ANY OF OUR OBLIGATIONS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, IN THE UNEXPECTED EVENT THAT WE ARE CLOSED WHEN YOU WISH TO PRESENT THE DEMAND HEREUNDER ON THE DAY AND AT THE TIME THE 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, IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON, BY PRESENTING A COPY OF THE DEMAND VIA FACSIMILE TRANSMISSION AT +86 551 6266 7578 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, 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 THE 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. IF THERE IS ANY DISCREPANCY OR AMBIGUITY BETWEEN THE ORIGINAL DEMAND AND THE DEMAND SENT BY WAY OF FACSIMILE TRANSMISSION, THE FACSIMILE VERSION SHALL PREVAIL.

ANY SETTLEMENT OR DISCHARGE BETWEEN US AS ISSUING BANK AND YOU AS TRUSTEE FOR YOURSELF AND 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 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.

THIS IRREVOCABLE STANDBY LETTER OF CREDIT, AND ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH IT, IS GOVERNED BY, AND SHALL BE CONSTRUED IN ACCORDANCE WITH, ENGLISH LAW. THE COURTS OF HONG KONG HAVE EXCLUSIVE JURISDICTION TO SETTLE 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 40/F, DAH SING FINANCE CENTER, NO.248 QUEEN'S ROAD EAST, WANCHAI, HONG KONG. IF FOR ANY REASON WE CEASE TO HAVE SUCH ADDRESS 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: HUISHANG BANK CORPORATION LIMITED (SWIFT: HFCBCNSH)  
BLOCK A, TIANHUI BUILDING, 79 ANQING ROAD, HEFEI, ANHUI PROVINCE,  
THE PRC

[DATE]

Dear Sirs

**RE: DEMAND UNDER THE IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER] IN RESPECT OF THE U.S.\$150,000,000 2.90 PER CENT. CREDIT ENHANCED BONDS DUE 2025 (THE “BONDS”) ISSUED BY HUAIBEI CITY CONSTRUCTION INVESTMENT HOLDING GROUP COMPANY LIMITED (淮北市建投控股集团有限公司) (THE “ISSUER”)**

The undersigned is a duly authorised signatory of Citicorp International Limited which is hereby making a demand on behalf of Citicorp International Limited 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:<sup>1</sup>

- 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 Condition 10 of the Conditions) has occurred and the Beneficiary, as Trustee for itself and the Bondholders, has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 10 of 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 Irrevocable Standby Letter of Credit and/or the Agency Agreement (as defined in the Conditions) and/or any other transaction documents relating to the Bonds.

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 on behalf of

\_\_\_\_\_  
Citicorp International Limited as Beneficiary

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

\_\_\_\_\_

<sup>1</sup> Trustee to check appropriate box and complete details in brackets.

**ISSUER**

**Registered and Place of Business in China**

**HuaiBei City Construction Investment Holding Group Company Limited**

(淮北市建投控股集团有限公司)

No. 56 Binhe Road, Economic and Development New Area  
HuaiBei City, Anhui Province  
China

**TRUSTEE**

**Citicorp International Limited**

20th Floor, Citi Tower  
One Bay East  
83 Hoi Bun Road  
Kwun Tong, Kowloon  
Hong Kong

**PRINCIPAL PAYING AGENT AND  
TRANSFER AGENT**

**Citibank, N.A., London Branch**

c/o Citibank, N.A., Dublin Branch  
1 North Wall Quay  
Dublin 1  
Ireland

**REGISTRAR**

**Citibank, N.A., London Branch**

Citigroup Centre, Canada Square  
Canary Wharf, London E14 5LB  
United Kingdom

**PRE-FUNDING ACCOUNT BANK AND LC  
PROCEEDS ACCOUNT BANK**

**Citibank, N.A., Hong Kong Branch**

20th Floor, Citi Tower  
One Bay East  
83 Hoi Bun Road  
Kwun Tong, Kowloon  
Hong Kong

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**AUDITORS OF THE ISSUER**

**Reanda Certified Public Accountants LLP**

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