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

**PUBLICATION OF OFFERING CIRCULAR ON
THE STOCK EXCHANGE OF HONG KONG LIMITED**

HAICHUAN INTERNATIONAL INVESTMENT CO., LTD.

(Incorporated with limited liability in the British Virgin Islands)

(the “Issuer”)

**U.S.\$150,000,000 5.45 per cent. Credit Enhanced Guaranteed Green Bonds due 2027
(the “Bonds”, Stock Code: 4512)**

UNCONDITIONALLY AND IRREVOCABLY GUARANTEED BY



JIANGSU FANGYANG GROUP CO., LTD.

(江蘇方洋集團有限公司)

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

(the “Guarantor”)

**with the benefit of an irrevocable Standby Letter of Credit issued by
Postal Savings Bank of China Co., Ltd. Lianyungang Branch**

Sole Global Coordinator

Huatai International

Joint Bookrunners and Joint Lead Managers

Huatai International	Haitong International	CITIC Securities	Industrial Bank Co., Ltd. Hong Kong Branch	Shanghai Pudong Development Bank
China International Capital Corporation	China Securities International	Shenwan Hongyuan (H.K.)	China Credit International Securities	TF International
CEB International	CMBC Capital	CNCB Capital	Tai Fung Bank, Ltd	Fosun International Securities

Sole Green Structuring Adviser

Huatai International

PRC Coordinators

Postal Savings Bank of China Co., Ltd.

China Post Securities Co., Ltd.

This announcement is issued pursuant to Rule 37.39A of the Listing Rules.

Reference is made to the notice of listing of the Bonds on The Stock Exchange of Hong Kong Limited dated 5 February 2024 published by the Issuer.

The offering circular dated 29 January 2024 in relation to the Bonds is appended to this announcement.

Hong Kong, 6 February 2024

As at the date of this announcement, the sole director of the Issuer is Ms. Sun Xiaoling, and the board of directors of the Guarantor comprises Mr. Yan Hongmin, as Chairman of the board of directors, Mr. An Tao, Mr. Cao Hongtao and Mr. Lin Hongjun, as directors, Mr. Zhao Jiandong and Mr. Song Chunfei, as external directors, and Mr. Liu Yucheng, as an employee director.

Appendix 1 – Offering Circular dated 29 January 2024

IMPORTANT NOTICE

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

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

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THE SECURITIES AND THE GUARANTEE DESCRIBED HEREIN (THE “SECURITIES”) HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES, EXCEPT 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 REGULATIONS UNDER THE SECURITIES ACT.

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Important Notice to Prospective Investors

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

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

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

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

Confirmation of Your Representation: You have accessed the attached document on the basis that you have confirmed to Haichuan International Investment Co., Ltd. (the “Issuer”), Jiangsu Fangyang Group Co., Ltd. (江蘇方洋集團有限公司) (the “Guarantor”), Huatai Financial Holdings (Hong Kong) Limited, Haitong International Securities Company Limited, CLSA Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Shanghai Pudong Development Bank Co., Ltd. Singapore Branch, China International Capital Corporation Hong Kong Securities Limited, China Securities (International) Corporate Finance Company Limited, Shenwan Hongyuan Securities (H.K.) Limited, China Credit International Securities Co., Limited, TFI Securities and Futures Limited, CEB International Capital Corporation Limited, CMBC Securities Company Limited, CNCB (Hong Kong) Capital Limited, Tai Fung Bank Limited and Fosun International Securities Limited (the “Joint Lead Managers”), and each a “Joint Lead Manager”) that: (1) you and any customers you represent are not in the United States, (2) the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, (3) you consent to delivery of this document and any amendments or supplements by electronic transmission, and (4) to the extent you purchase the Securities, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S thereunder.

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

The Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, 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, the Guarantor or the Joint Lead Managers to subscribe or purchase any of the Securities, in any place where offers or solicitations are not permitted by law and access has been limited so that it shall not constitute in the United States or elsewhere directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and any Joint Lead Manager or any affiliate of a Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that Joint Lead Manager or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction. Any Securities to be issued in respect thereof will not be registered under the Securities Act and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from such registration. Access has been limited so that it shall not constitute a general solicitation in the United States or elsewhere. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the Securities.

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

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

HAICHUAN INTERNATIONAL INVESTMENT CO., LTD.

(Incorporated with limited liability in the British Virgin Islands)

U.S.\$150,000,000 5.45 per cent. Credit Enhanced Guaranteed Green Bonds due 2027
unconditionally and irrevocably guaranteed by



JIANGSU FANGYANG GROUP CO., LTD.

(江蘇方洋集團有限公司)

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

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

Issue Price: 100.0 per cent.

The 5.45 per cent. credit enhanced guaranteed green bonds in the aggregate principal amount of U.S.\$150,000,000 due 2027 (the "Bonds") will be issued by Haichuan International Investment Co., Ltd. (the "Issuer") and will be unconditionally and irrevocably guaranteed (the "Guarantee") by Jiangsu Fangyang Group Co., Ltd. (江蘇方洋集團有限公司) (the "Guarantor" or the "Company"), a company incorporated under the laws of the People's Republic of China. 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") issued by Postal Savings Bank of China Co., Ltd. Lianyungang Branch (the "LC Bank"). See "Appendix A – Form of Irrevocable Standby Letter of Credit" for the form of the Standby Letter of Credit.

The Bonds bear interest on their outstanding principal amount from and including 5 February 2024 (the "Issue Date") at the rate of 5.45 per cent. per annum, payable semi-annually in arrears in equal instalments of U.S.\$27.25 per Calculation Amount (as defined in the terms and conditions of the Bonds (the "Terms and Conditions")) on 5 February and 5 August in each year, commencing on 5 August 2024.

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 laws, and at all times rank equally with all the Issuer's other present and future unsecured and unsubordinated obligations. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable laws and at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations of the Guarantor.

The obligations of the Issuer and the Guarantor under the Bonds and the Guarantee shall solely be fulfilled by the Issuer and the Guarantor as independent legal persons. No PRC governmental entity has any payment or other obligations under the Bonds or the Guarantee nor will they provide a guarantee of the Bonds. The Bondholders (as defined in the Terms and Conditions) shall have no recourse to any PRC governmental entity in respect of any obligation arising out of or in connection with the Bonds or the Guarantee solely by virtue of the Issuer and the Guarantor being state-owned enterprises of the PRC. See "Risk Factors – Risks relating to the Bonds, the Guarantee and the Standby Letter of Credit – The PRC Government has no obligations under the Bonds, the Guarantee or the Trust Deed".

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

The Guarantor has made an application for the pre-issuance registration (the "Pre-Issuance Registration") in relation to the Bonds with the National Development and Reform Commission (the "NDRC") in accordance with the Administrative Measures for the Review and Registration of Mid-to-Long-Term Foreign Debt of Enterprises (《企業中長期外債審核登記管理辦法》) (國家發展和改革委員會令56號) (the "NDRC Circular 56") issued by the NDRC on 5 January 2023 which came into effect on 10 February 2023. The Guarantor has received an Enterprise Foreign Debt Filing Registration Certificate dated 18 September 2023 from the NDRC in connection with the Pre-Issuance Registration. Pursuant to the requirements of the NDRC Circular 56, the Guarantor will be required to file or cause to be filed with the NDRC the requisite information and documents in respect of the issuance of the Bonds within 10 PRC Business Days (as defined in the Terms and Conditions) after the Issue Date (the "NDRC Post-issuance Filing").

The Guarantor will enter into a deed of guarantee (the "Deed of Guarantee") with China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) (the "Trustee") on or around the Issue Date. The Guarantor undertakes to use its best endeavours to file or cause to be filed with the State Administration of Foreign Exchange or its local counterpart ("SAFE"), the Guarantee within 15 PRC Business Days after the execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (《跨境擔保外匯管理規定》) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "Cross-Border Security Registration"). The Guarantor shall use its best endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) and comply with all applicable PRC laws and regulations in relation to the Guarantee.

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 5 February 2027 (the "Maturity Date"). The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with the Terms and Conditions (which shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent (or, if the Guarantee was called, the Guarantor), at their principal amount (together with any interest accrued up to but excluding the date fixed for redemption), if the Issuer (or, if the Guarantee was called, the Guarantor) satisfies the Trustee immediately prior to giving such notice that (i) the Issuer (or, if the Guarantee was called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions) as a result of any change in, or amendment to, the laws or regulations of the BVI, the PRC or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 29 January 2024, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor, as the case may be would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds or the Guarantee, as the case may be) then due. Following the occurrence of a Change of Control (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 that 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".

For a more detailed description of the Bonds, see "Terms and Conditions of the Bonds" beginning on page 53.

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.

The Bonds will be issued under the green finance framework of the Issuer (the "Green Finance Framework"). See "Green Finance Framework".

Investors should be aware that there are certain risks relating to the Guarantee and the Standby Letter of Credit and that there are various other risks relating to the Bonds, the Issuer, the Guarantor and its subsidiaries, their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in the Bonds. See "Risk Factors" beginning on page 21.

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

Application will be made to The Stock Exchange of Hong Kong Limited (the "SEHK") 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 6 February 2024. This document is for distribution to Professional Investors only.

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

The SEHK 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 SEHK is not to be taken as an indication of the commercial merits or credit quality of the Bonds, the Issuer, the Guarantor, the Group (as defined below), the LC Bank or the quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the SEHK 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.

Application has been made to Chongwa (Macao) Financial Asset Exchange Co., Ltd. (the "MOX") for the listing of the Bonds by way of debt issues to professional investors (as defined in Section 11 of the Guideline on Provision and Distribution of Financial Products (Circular 033/B/2010-DSB/AMCM) and in Section 2.1.6 of the Guideline on the Issuance of Bonds (Circular no. 009/B/2019-DSB/AMCM) ("MOX Professional Investors") only. Investors should not purchase the Bonds in the primary or secondary markets unless they are MOX Professional Investors and understand the risks involved. The Bonds are only suitable for MOX Professional Investors.

The MOX 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 MOX Professional Investors only have been reproduced in this document. Listing of the Bonds on the MOX is not to be taken as an indication of the commercial merits or credit quality of the Bonds, the Issuer, the Guarantor, the Group or the quality of disclosure in this document. The MOX takes 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. Potential investors should exercise caution before making investment decisions.

The Bonds will be represented initially by 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 transfer thereof will be effected only through, records maintained by Euroclear and Clearstream. Except in the limited circumstances as set out in the Global Certificate and described herein, definitive certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Sole Global Coordinator

Huatai International

Joint Lead Managers and Joint Bookrunners

Huatai International	Haitong International	CITIC Securities	Industrial Bank Co., Ltd. Hong Kong Branch	Shanghai Pudong Development Bank
China International Capital Corporation	China Securities International	Shenwan Hongyuan (H.K.)	China Credit International Securities	TF International
CEB International	CMBC Capital	CNCB Capital	Tai Fung Bank, Ltd	Fosun International Securities

Sole Green Structuring Adviser

Huatai International

PRC Coordinators

Postal Savings Bank of China Co., Ltd. China Post Securities Co., Ltd.

Offering Circular dated 29 January 2024

NOTICE TO INVESTORS

THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING CIRCULAR NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE GUARANTOR OR ANY OF THE GUARANTOR'S OTHER 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, the Guarantor, the Group and the LC Bank. Each of the Issuer and the Guarantor 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.

Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor, the Group, 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 Guarantor, the Group, the Bonds, the Standby Letter of Credit and the Guarantee, is necessary to enable investors and their investment advisers to make an informed assessment of the financial position, profits and losses and prospects of the Issuer, the Guarantor, the Group and of the rights attaching to the Bonds, the Standby Letter of Credit and the Guarantee), (ii) the statements contained in this Offering Circular relating to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee as at the date hereof are in every material particular true and accurate and not misleading, (iii) the opinions and intentions with regard to the Issuer, the Guarantor and the Group expressed in this Offering Circular as at the date hereof are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other facts in relation to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee, the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular as at the date hereof misleading; (v) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements in this Offering Circular; (vi) this Offering Circular does not include an untrue statement of a material fact or omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (vii) the information relating to the LC Bank, 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 Guarantor believe to be accurate and reliable in all material respects.

Notwithstanding the foregoing, the information included in this Offering Circular regarding the LC Bank is for information purposes only and is based on, or derived or extracted from, among other sources, publicly available information. Each of the Issuer and the Guarantor has taken reasonable care in the compilation and reproduction of the information. However, none of the Issuer, the Guarantor, 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 herein) or their respective affiliates, directors, officers, employees, representatives, agents 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 Guarantor, the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents or their respective affiliates, directors, officers, employees, representatives, agents 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.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Bonds and giving of the 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, the Guarantor, Huatai Financial Holdings (Hong Kong) Limited, Haitong International Securities Company Limited, CLSA Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Shanghai Pudong Development Bank Co., Ltd. Singapore Branch, China International Capital Corporation Hong Kong Securities Limited, China Securities (International) Corporate Finance Company Limited, Shenwan Hongyuan Securities (H.K.) Limited, China Credit International Securities Co., Limited, TFI Securities and Futures Limited, CEB International Capital Corporation Limited, CMBC Securities Company Limited, CNCB (Hong Kong) Capital Limited, Tai Fung Bank Limited and Fosun International 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 Guarantor, 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 Guarantor, 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 their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor, the Group or the LC Bank or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or adviser or any person who controls any of them 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 Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents, 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 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 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 Guarantor, 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 Guarantor, 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 Guarantor, the Group or the LC Bank during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the 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 Guarantor, 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 of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them that any recipient of this Offering Circular should subscribe for or purchase any Bonds. Each recipient of this Offering Circular shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Guarantor with its own tax, legal and business advisers as it deems necessary.

Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of this offering of the Bonds, including certain Joint Lead Managers, are “capital market intermediaries” (“**CMIs**”) subject to

Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “**SFC Code**”). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMI(s), which require the attention and cooperation of prospective investors. Certain CMI(s) may also be acting as “overall coordinators” (“**OCs**”) for this offering and are subject to additional requirements under the SFC Code.

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

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

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

*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, EACH MANAGER APPOINTED AND ACTING IN ITS CAPACITY AS STABILISING MANAGER (EACH, A “STABILISING 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, BUT IN DOING SO THE STABILISING MANAGER OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER SHALL ACT AS PRINCIPAL AND NOT AS AGENT OF THE ISSUER OR THE GUARANTOR AND ANY LOSS RESULTING FROM OVER-ALLOTMENT AND STABILISATION WILL BE BORNE, AND ANY PROFIT ARISING FROM THEM SHALL BE BENEFICIALLY RETAINED, BY THE STABILISING MANAGERS IN THE MANNER AGREED BY THEM.

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

This Offering Circular summarises certain material documents and other information, and the Issuer, the Guarantor, the Group, 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 Guarantor, 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, the British Virgin Islands, 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.

Listing of the Bonds on the MOX is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Group or the Bonds. None of the Issuer, the Guarantor, the Group, the Joint Lead Managers, the Trustee and the Agents, nor their respective directors, officers, employees, agents, representatives, advisers and affiliates, nor any person who controls any of them is making any representation to any purchaser of Bonds regarding the legality of any investment in the Bonds by such purchaser under any legal investment or similar laws or regulation.

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 or the Guarantor to be reliable and accurate but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Issuer, the Guarantor, the LC Bank, the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents or their respective affiliates, directors,

employees, representatives, agents, officers or advisers or any person who controls any of them makes any representation as to the correctness, accuracy or completeness of that 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. Accordingly, such information should not be unduly relied upon.

Presentation of Financial Information

This Offering Circular contains the audited consolidated financial information of the Guarantor as at and for the years ended 31 December 2020, 2021 and 2022. The consolidated financial information of the Guarantor as at and for the years ended 31 December 2020, 2021 and 2022 has been extracted from the Guarantor's consolidated financial statements as at and for the years ended 31 December 2021 and 2022 (the "**Audited Financial Statements**"). The Audited 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 Suya Jincheng Certified Public Accountants LLP ("**Suya Jincheng**"), the Guarantor's independent auditor, in accordance with the Chinese Auditing Standards issued by the Ministry of Finance of the PRC ("**MOF**").

This Offering Circular also contains unaudited but reviewed consolidated financial information of the Guarantor as at and for the six months ended 30 June 2022 and 2023, which has been extracted from and should be read in conjunction with the unaudited but reviewed consolidated interim financial statements of the Guarantor as at and for the six months ended 30 June 2023 (including the notes thereto and the relevant review report) included elsewhere in this Offering Circular (the "**Reviewed Financial Statements**", and together with the Audited Financial Statements, the "**Guarantor's Financial Statements**"). The Reviewed Financial Statements were prepared and presented in accordance with PRC GAAP and have been reviewed by Suya Jincheng in accordance with the Chinese Certified Public Accountant Review Standards No. 2101 — Review of Financial Statements. The Reviewed Financial Statements have not been audited by Suya Jincheng or any other independent auditors. Consequently, the Reviewed Financial Statements should not be relied upon by prospective investors to provide the same quality of information associated with information that has been subject to an audit. None of the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank and the Agents, nor their respective directors, officers, employees, agents, representatives, advisers and affiliates, nor any person who controls any of them makes any representation or warranty, express or implied, regarding the accuracy, completeness or sufficiency of the Reviewed Financial Statements for an assessment of, and prospective investors must exercise due caution when using such data to evaluate, the Issuer's, the Guarantor's or the Group's financial condition and results of operations. In addition, the Reviewed Financial Statements should not be taken as an indication of the Issuer's, the Guarantor's or the Group's expected financial condition or results of operations for the full financial year ending 31 December 2023.

PRC GAAP differs in certain respects from International Financial Reporting Standards ("**IFRS**"). For a discussion of certain differences between PRC GAAP and IFRS, see "*Summary of Certain Differences Between PRC GAAP and IFRS*".

CERTAIN TERMS AND CONVENTIONS AND CURRENCY PRESENTATION

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to “**the Issuer**” are to Haichuan International Investment Co., Ltd.; all references to “**the Guarantor**” are to Jiangsu Fangyang Group Co., Ltd. (江蘇方洋集團有限公司); all references to “**the Group**” are to the Guarantor and its subsidiaries; all references to “**Renminbi**”, “**RMB**”, “**yuan**” and “**CNY**” are to the lawful currency of the PRC, and all references to “**U.S.\$**” and “**U.S. dollars**” are to the lawful currency of the United States of America; all references to “**PRC**” and “**China**” are to the People’s Republic of China and, for the purposes of this Offering Circular, except where the context otherwise requires, do not include the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China or Taiwan; all references to “**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China; all references to “**Macau**” means the Macau Special Administrative Region of the People’s Republic of China; all references to “**United States**” means the United States of America; all references to “**PRC Government**” or the “**State**” means 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; all references to “**MOFCOM**” means the Ministry of Commerce of the People’s Republic of China; all references to “**MOF**” means the Ministry of Finance of the People’s Republic of China; and all references to “**CBRC**” means the China Bank Regulatory Commission.

Unless otherwise stated in this Offering Circular, all translations from Renminbi into U.S. dollars were made at the rate of RMB7.2513 to U.S.\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi on 30 June 2023 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*”.

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 shall prevail.

FORWARD-LOOKING STATEMENTS

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

These forward-looking statements speak only as at the date of this Offering Circular. The Group 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.

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

- general political and economic conditions, including those related to the PRC;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of its business;
- its ability to successfully implement business plans and strategies;
- access and cost of capital and financing;
- its financial condition and performance;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which it operates;
- various business opportunities that it may pursue;
- macroeconomic measures taken by the PRC government to manage economic growth; and
- other factors, including those discussed in “*Risk Factors*”.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in “*Risk Factors*” and elsewhere in this Offering Circular. Each of the Issuer and the Guarantor cautions investors not to place undue reliance on these forward-looking statements which reflect their managements’ view only as at the date of this Offering Circular.

The Group undertakes no obligation to update or revise publicly any of the opinions or forward-looking statements expressed in this Offering Circular as a result of any new information, future events or otherwise.

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SUMMARY

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

Overview

The Guarantor is the largest investment and financing platform of the Lianyungang Municipal Government, in terms of total equity as well as net profit for the six months ended 30 June 2023, and the second largest investment and financing platform of the Lianyungang Municipal Government, in terms of total assets as at 30 June 2023, according to the Lianyungang Municipal Government. Being an enterprise directly and wholly owned by the Lianyungang Municipal Government, the Guarantor has been mandated by the Lianyungang Municipal Government on an exclusive basis to implement the PRC Government’s and Jiangsu Provincial Government’s plans to develop Lianyungang Xuwei New District (連雲港徐圩新區), a key state-level economic development zone in China. Over the years, the Guarantor together with its subsidiaries not only has established a strong track record of infrastructure and ancillary facility development in Lianyungang Xuwei New District, but it has also proven to be a key force to enhance the commercial attractiveness and competitiveness of Lianyungang Xuwei New District by exploring and integrating local social, natural and industry resources.

Lianyungang Xuwei New District is a key component of, and a demonstration district in, the National East-Central-West Regional Cooperation Demonstration Region (國家東中西區域合作示範區), which was set up by the State Council in June 2011 as part of the implementation of its “Jiangsu Coastal Area Development Plan” released in June 2009. The National East-Central-West Regional Cooperation Demonstration Region forms an important part of the “Yangtze River Delta Regional Development Plan” approved by the State Council in May 2016 and is of significant strategic importance to achieving a balanced economic development in China. As an important district in Lianyungang, Lianyungang Xuwei New District undertakes the mission to develop port operations, marine transportation and logistics industries in Lianyungang and to promote the economic cooperation and open up of the central and western regions in China according to the Notice Issued by the National Development and Reform Commission of China Regarding the Comprehensive Development Plan for the National East-Central-West Regional Cooperation Demonstration Region (國家發展改革委員會關於印發國家東中西區域合作示範區建設總體方案的通知(發改地區[2011]第1185號)).

As a major investment and financing platform of the Lianyungang Municipal Government to develop Lianyungang Xuwei New District, the Group engages in a wide range of business activities to carry out its mission, which primarily consist of (i) infrastructure and affordable housing construction, (ii) port logistics, (iii) public utility services, (iv) port industrial park supporting services and (v) miscellaneous. Set forth below is a summary of each of the Group’s business segments:

- **Infrastructure and affordable housing construction:** Infrastructure and affordable housing construction is the Group’s core business. The Group’s infrastructure construction mainly includes the construction of ecological wetlands, industrial tourism projects, flood control projects, underground integrated pipelines, emergency backup water bases and water drainage systems. The Group is a major entity commissioned by the Lianyungang XND Management Committee (acting on behalf of the Lianyungang Municipal Government) to undertake infrastructure construction projects and develop affordable housing in Lianyungang Xuwei New District. The Group develops its infrastructure and affordable housing projects under the agent construction model under which the Group is engaged as general contractor for the development of the project for an agreed contracting fee payable according to the payment timetable. The Group was previously

commissioned by the Lianyungang XND Management Committee to undertake primary land development in the Lianyungang Xuwei New District under an agency construction model. The Group has ceased to conduct its primarily land development in 2015 but receives land development fee from the Lianyungang XND Management Committee on a non-routine basis according to its payment schedule. For the six months ended 30 June 2023, the Group did not receive land development fee. See “*Description of the Group’s Businesses — Infrastructure and affordable housing construction*”.

- **Port logistics:** The Group engages in the trading of stone, coal, steel, ore, chemicals and other commodities, warehouse-logistics and combined transportation. Leveraging the industry development within Xuwei Port as well as advantageous sea-rail transportation, the Group focuses on developing material processing business and transshipment logistics business in Xuwei Port. The Group believes that its operation of the port logistics business provides a stable supply of certain construction materials to companies in the industrial parks in Lianyungang Xuwei New District and is a strong complement to its infrastructure and affordable housing construction. See “*Description of the Group’s Businesses — Port Logistics*”.
- **Public utility services:** The Group provides public utility services including recycling of waste, sales of raw water, sewage treatment and sales of steam and electricity in Lianyungang Xuwei New District. The Group invests in public utility business in order to better complement the future development and to increase the commercial attractiveness of Lianyungang Xuwei New District. For example, the Group invested in the Hongyang Thermolectricity Project (虹洋熱電項目) with a total estimated amount of RMB2 billion in 2011. Phase I of this project and its wastewater treatment plants No. 1, No. 2, No. 3 and No. 4 were completed and commenced operation in 2012, 2013, 2016 and 2020, respectively, and the construction of Phase II of this project has been commenced in 2019. See “*Description of the Group’s Business — Public utility services*”.
- **Port industrial park supporting services:** The Group operates several ancillary businesses to support the operation and development of the industrial parks located in Lianyungang Xuwei New District, including advertisement and exhibition, property management, catering service, consulting service, leasing business and sales of commercial housing. See “*Description of the Group’s Businesses — Port industrial park supporting services*”.
- **Miscellaneous:** The Group also engages in financial leasing business, loan services, supplying electric power and others.

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

	Year ended 31 December						Six months ended 30 June			
	2020		2021		2022		2022		2023	
	Amount (audited)	Per cent. of total	Amount (audited)	Per cent. of total	Amount (audited)	Per cent. of total	Amount (reviewed)	Per cent. of total	Amount (reviewed)	Per cent. of total
	(RMB in million, except for percentages)									
Infrastructure and affordable housing construction ⁽¹⁾	1,430.3	20.8	1,855.3	15.6	2,413.7	14.9	1,293.7	17.1	1,277.4	13.9
Port logistics ⁽²⁾	2,819.3	41.0	4,597.3	38.6	4,631.4	28.6	2,191.4	29.0	1,177.1	12.8
Public utility services ⁽³⁾	936.2	13.6	2,133.4	17.9	6,133.3	37.9	1,866.7	24.7	6,001.7	65.2
Port industrial park supporting services ⁽⁴⁾	658.3	9.6	2,516.0	21.1	2,316.2	14.3	1,946.8	25.8	677.9	7.4
Miscellaneous ⁽⁵⁾	1,025.9	14.9	811.3	6.8	696.4	4.3	254.2	3.4	69.7	0.8
Total	6,870.0	100.0	11,913.3	100.0	16,191.2	100.0	7,552.8	100.0	9,203.9	100.0

Notes:

- (1) This amount represents the aggregate of the Group's operating income from operations of "engineering construction" and "management and maintenance" and "land consolidation and development", as reported in the Group's financial statements of the respective period.
- (2) This amount represents the aggregate of the Group's operating income from operations of "commodity sales", "loading and unloading", "storage and stockpiling", "port administration" and "logistics transportation", as reported in the Group's financial statements of the respective period.
- (3) This amount represents the aggregate of the Group's operating income from operations of "raw water sales", "industrial sewage treatment", "tap water sales", "industrial water sales", "steam sales", "electricity sales" and "power operation and maintenance", as reported in the Group's financial statements of the respective period.
- (4) This amount represents the aggregate of the Group's operating income from operations of "land reclamation", "charter business", "advertisement and exhibition", "property management", "catering service", "supermarket retail", "consulting service", "event planning", "commercial housing sales" and "loan service business", as reported in the Group's financial statements of the respective period.
- (5) This amount represents the aggregate of the Group's operating income from operations of "other main businesses", "electricity income" and "others", as reported in the Group's financial statements of the respective period.

The following table sets forth a breakdown of the Group's gross profit by business segment and its percentage of the total gross profit for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2020		2021		2022		2022		2023	
	Amount (audited)	Per cent. of total	Amount (audited)	Per cent. of total	Amount (audited)	Per cent. of total	Amount (reviewed)	Per cent. of total	Amount (reviewed)	Per cent. of total
(RMB in million, except for percentages)										
Infrastructure and affordable housing construction ⁽¹⁾	178.8	29.8	388.1	24.9	427.9	20.7	194.4	14.7	217.9	18.4
Port logistics ⁽²⁾	10.6	1.8	149.0	9.6	105.7	5.1	40.4	3.0	43.8	3.7
Public utility services ⁽³⁾	188.9	31.5	214.4	13.8	338.5	16.4	140.4	10.6	824.6	69.7
Port industrial park supporting services ⁽⁴⁾	120.3	20.1	755.2	48.5	1,127.9	54.6	918.4	69.4	90.9	7.7
Miscellaneous ⁽⁵⁾	100.5	16.8	49.6	3.2	66.2	3.2	30.1	2.3	5.2	0.4
Total	599.1	100.0	1,556.2	100.0	2,066.2	100.0	1,323.6	100.0	1,182.4	100.0

Notes:

- (1) This amount represents the aggregate of the Group's gross profit from operations of "engineering construction", "management and maintenance" and "land consolidation and development".
- (2) This amount represents the aggregate of the Group's gross profit from operations of "commodity sales", "loading and unloading", "storage and stockpiling", "port administration" and "logistics transportation".
- (3) This amount represents the aggregate of the Group's gross profit from operations of "raw water sales", "industrial sewage treatment", "tap water sales", "industrial water sales", "steam sales", "electricity sales" and "power operation and maintenance".
- (4) This amount represents the aggregate of the Group's gross profit from operations of "land reclamation", "charter business", "advertisement and exhibition", "estate management", "catering and service", "supermarket retail", "consulting service", "event planning", "commercial housing sales" and "loan service business".
- (5) This amount represents the aggregate of the Group's gross profit from operations of "other main businesses", "electricity income" and "others".

Competitive Strengths

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

- Well positioned to leverage the abundant port resources and associated industries Designated entity of the Lianyungang Municipal Government to implement the Jiangsu Provincial Government's plans to develop Lianyungang Xuwei New District, a key component of the National East-Central-West Regional Cooperation Demonstration Region promoted by the State Council;
- Well-positioned to capitalise large growth potential of Lianyungang Xuwei New District with a diversified business portfolio;
- Support from PRC Central Government and the Lianyungang Municipal Government;
- Abundant land returns providing key resources for future project development and large potential growth in property valuation;
- Balanced capital structure supplemented with access to diverse sources of capital;
- Sound and effective corporate governance and internal control;
- Dedicated senior management with extensive experience in corporate management.

Business Strategies

The Guarantor will continue to capitalise the growth potential arising from the development of Lianyungang Xuwei New District and the National East-Central-West Regional Cooperation Demonstration Region, focusing on the provision of integrated services to support the construction, operation, and development of the industrial parks. The following key strategies have been adopted to achieve its goal:

- Continue to leverage the preferential policies and geographical advantage of Lianyungang Xuwei New District and Lianyungang to carry on its mission to develop Lianyungang Xuwei New District and to enhance its commercial attractiveness;
- Further improve the synergies among the Group's different business segments;
- Further explore innovative financing channels and expand the financing sources of the Group;
- Adhere to prudent financial management with stringent risk control;
- Strategically invest in high-quality companies.

Recent Developments

Additional Indebtedness since 30 June 2023

Since 30 June 2023, the Group has incurred indebtedness to replenish its working capital, to finance and refinance its business development and its construction projects and for other general corporate purposes. In particular, in July 2023, the Group issued RMB660 million 4.25 per cent. corporate bonds with a tenor of two years; in August 2023, the Group issued RMB700 million 3.20 per cent. super short-term financing bonds with a tenor of 270 days, RMB1.0 billion 3.27 per cent. short-term corporate bonds with a tenor of one year, and RMB550 million 2.87 per cent. super short-term financing bonds with a tenor of 140 days; in November 2023, the Group issued RMB1.0 billion 3.34 per cent. short-term corporate bonds with a tenor of one year and RMB450 million 2.99 per cent. short-term financing bonds with a tenor of one year, and in December 2023, the Group issued RMB600 million 3.90 per cent. mid-term notes with a tenor of two years. The Group will continue to seek external capital on favourable terms to fund its business operations and expansion and to optimise its debt structure.

Financial performance of the Group as at and for the nine months ended 30 September 2023

On 24 October 2023, the Guarantor published the unaudited and unreviewed consolidated quarterly financial statements as at and for the nine months ended 30 September 2023 (“**2023 Third Quarter Financial Statements**”) on the website of the Shanghai Clearing House. The financial information in the 2023 Third Quarter Financial Statements may differ from future audited or reviewed information and the 2023 Third Quarter Financial Statements should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review. The 2023 Third Quarter Financial Statements should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2023. The 2023 Third Quarter Financial Statements have not been included in, and do not constitute part of, this Offering Circular. See “*Risk Factors — Risks Relating to the Group’s Financial Information — Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular*”.

For the nine months ended 30 September 2023, the Group recorded an increase in its total operating income as compared to the same period in 2022, and the Group’s operating costs and income tax expenses also increased, resulting a decrease in its net profit as compared to the same period in 2022. As at 30 September 2023, total liabilities of the Group increased as compared to the balance as at 31 December 2022, which was primarily attributable to increases in short-term loans, contract liabilities, non-current liabilities due within one year and long-term loans incurred to meet the Group’s increasing capital needs as it continued to expand and grow its businesses.

THE ISSUE

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

Issuer	Haichuan International Investment Co., Ltd.
Guarantor	Jiangsu Fangyang Group Co., Ltd. (江蘇方洋集團有限公司)
LC Bank	Postal Savings Bank of China Co., Ltd. Lianyungang Branch
Issue	U.S.\$150,000,000 aggregate principal amount of 5.45 per cent. credit enhanced guaranteed green bonds due 2027.
Issue Price	100.0 per cent. of the principal amount of the Bonds.
Guarantee	<p>The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. Its obligations in that respect will be contained in the Deed of Guarantee.</p> <p>The Guarantor will undertake to use its best endeavours to file or cause to be filed with SAFE, the Deed of Guarantee within 15 PRC Business Days (as defined in the Terms and Conditions of the Bonds) after the execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) (the “Cross-Border Security Registration”). The Guarantor shall use its best endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) and comply with all applicable PRC laws and regulations in relation to the Guarantee.</p>
Form and Denomination	The Bonds will be issued in registered form and in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
Interest	The Bonds will bear interest on their outstanding principal amount from and including the Issue Date at the rate of 5.45 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.\$27.25 per Calculation Amount (as defined in the Terms and Conditions) on 5 February and 5 August in each year (each an “ Interest Payment Date ”), commencing on 5 August 2024.
Issue Date	5 February 2024.
Maturity Date	5 February 2027.

Use of Proceeds See “*Use of Proceeds*”.

Standby Letter of Credit The Bonds will have the benefit of the Standby Letter of Credit issued in favour of the Trustee, on behalf of itself and the holders of the Bonds, by the LC Bank. The Standby Letter of Credit shall be drawable by the Trustee as beneficiary under the Standby Letter of Credit on behalf of itself and the holders of the Bonds upon the presentation of a demand by authenticated SWIFT (or by such method of communication otherwise permitted under the Standby Letter of Credit) sent by or on behalf of the Trustee to the LC Bank in accordance with the Standby Letter of Credit (the “**Demand**”) stating that (i) the Issuer has failed to comply with Condition 4(b) in relation to pre-funding the amount that is required to be pre-funded under these Conditions and/or has 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 these Conditions.

Such drawing on the Standby Letter of Credit will be payable in immediately available and cleared funds 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.

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

The payment made under the Standby Letter of Credit in respect of any amount payable under the Conditions or in connection with the Bonds, the Trust Deed, the Guarantee, the Agency Agreement and/or any other transaction documents relating to the Bonds 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 Conditions or in connection with the Bonds, the Trust Deed, the Guarantee and/or the Agency Agreement.

The LC Bank’s liability under the Standby Letter of Credit shall be expressed and payable in U.S. dollars and shall not exceed U.S.\$155,087,500. The Standby Letter of Credit expires at 5:30 p.m. (Beijing time) on 4 March 2027.

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

Pre-funding In order to provide for the payment of any amount in respect of the Bonds (other than the amounts payable under Condition 7(d)) (the “**Relevant Amount**”) as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, on or prior to 10:00 am (Hong Kong time) the Business Day falling ten Business Days (the “**Pre-funding Date**”) prior to the due date for such payment under the Conditions:

- (i) unconditionally pay or procure to be paid the Relevant Amount into the Pre-funding Account; and
- (ii) deliver to the Trustee and the Principal Paying Agent by facsimile or e-mail (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 and the Principal Paying Agent 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) send the notice substantially in the form set out in Schedule 6 of the Agency Agreement (the “**Pre-funding Failure Notice**”) to the Bondholders by the second Business Day immediately following the Pre-funding Date 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

(B) by no later than 6:00 p.m. (Hong Kong time) on the second Business Day immediately following the Pre-funding Date issue a Demand to the LC Bank for the principal amount in respect of all of the Bonds then outstanding, together with interest accrued to, but excluding, the Mandatory Redemption Date (as defined in Condition 7(d)) and all fees, costs, expenses, indemnity payments and all other amounts payable by the Issuer under or in connection with the Bonds, the Agency Agreement, the Trust Deed and/or any other transaction document relating to the Bonds, *provided that*, in accordance with the terms of Standby Letter of Credit, the Trustee need not physically present the Demand to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT (provided that in the event that the SWIFT system is not available for any reason, the Trustee may instead present a Demand via email transmission).

Following receipt by the LC Bank of a Demand by 5:30 p.m. (Beijing time) presented by the Trustee in accordance with the Standby Letter of Credit on a Business Day on or after the Issue Date and before the Expiry Time, the LC Bank shall by 10:00 a.m. (Beijing time) on the fourth Business Day (or, if such Demand is received after 5:30 p.m. (Beijing time) on a Business Day, the LC Bank shall by 10:00 a.m. (Beijing Time) on the fifth Business Day) immediately following the Business Day of receipt of such Demand, pay to or to the order of, the Trustee the amount in U.S. dollars specified in the Demand in immediately available and cleared funds 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 banks and foreign exchange markets are generally open for business in Hong Kong, Beijing, and New York City.

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

Status of the Bonds The Bonds 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, at all times rank at least equally with all the Issuer’s other present and future unsecured and unsubordinated obligations.

Status of the Guarantee The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by Applicable Law, and at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Guarantor.

Events of Default Upon the occurrence of certain events of default, as further described in “*Terms and Conditions of the Bonds — Events of Default*”, in respect of the Issuer, the Guarantor or the LC Bank, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall, (provided that in any such case the Trustee shall first have been indemnified and/or secured and/or pre-funded to its satisfaction), give written notice to the Issuer and the Guarantor declaring that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest.

Cross-Default The Bonds are subject to a cross-default provision in relation to the Issuer, the Guarantor or any of their respective Subsidiaries and a cross-default in relation to the LC Bank or any of its Subsidiaries as further described in Condition 10(a)(iii) (*Cross-Default*) and Condition 10(b)(i) (*Cross-Default*) of the Conditions, respectively.

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

Where such set-off, counterclaim, withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC at a rate up to and including the aggregate rate applicable on 29 January 2024 (the “**Applicable Rate**”), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such set-off, counterclaim, withholding or deduction been required.

If the Issuer or, as the case may be, the Guarantor is required to make a set-off, counterclaim, deduction or withholding by or within the PRC at a rate in excess of the Applicable Rate, or any deduction or withholding by the BVI is required, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts (“**Additional Tax Amounts**”) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such set-off, counterclaim, 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 the Maturity Date.

Redemption for Taxation Reasons The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice (a “**Tax Redemption Notice**”) 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 (or, if the Guarantee was called, the Guarantor) satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer has (or if the Guarantee were called, the Guarantor) has or would 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 BVI or the PRC or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 29 January 2024, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, as further described in Condition 7(b). See “*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Taxation Reasons*”.

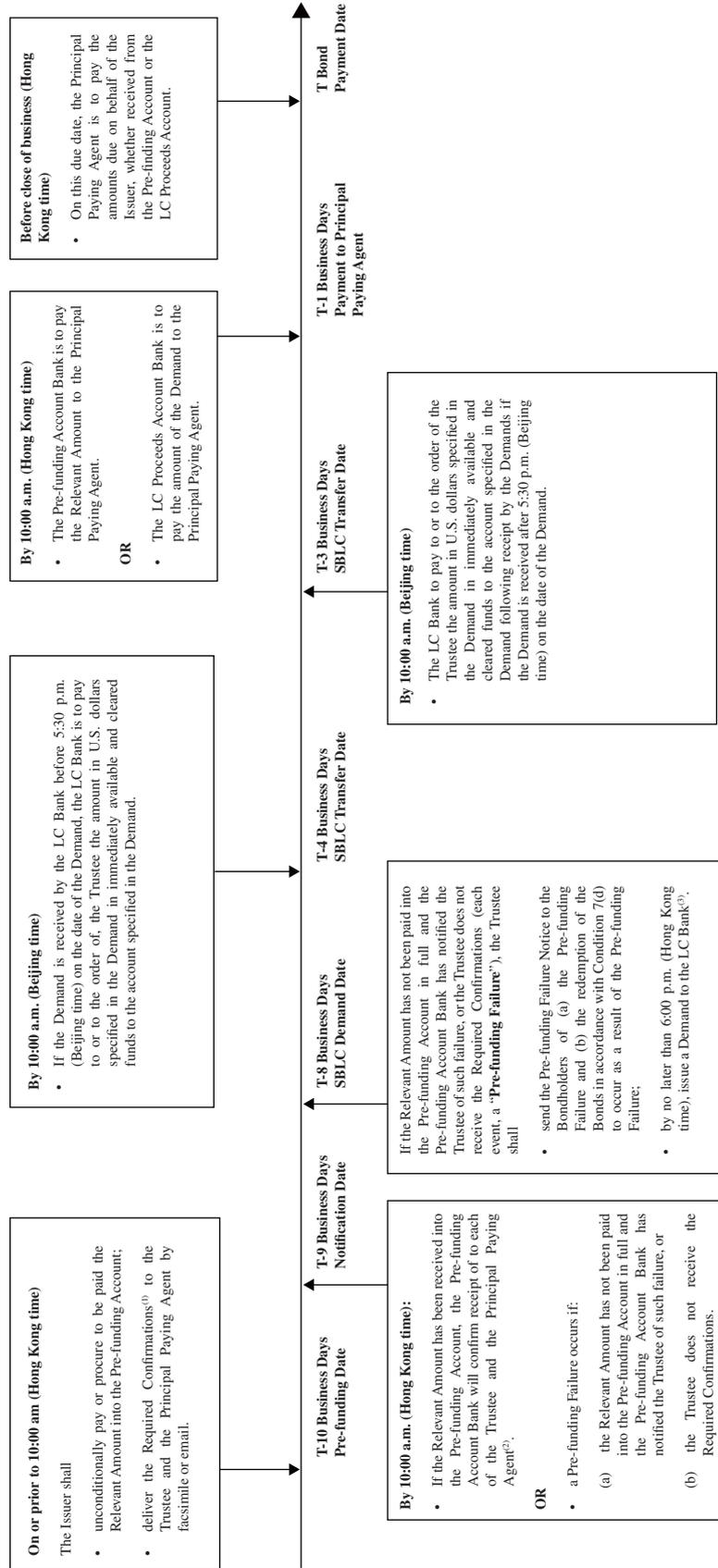
Redemption for Change of Control At any time following the occurrence of a Change of Control, the holder of any Bond will have the right, at such holder’s option, to require the Issuer to redeem all, but not some only, of such holder’s Bonds on the Put Settlement Date (as defined in Condition 7(c)) at 100 per cent. of their principal amount, together with interest accrued up to, but excluding, the Put Settlement Date. See “*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Change of Control*”.

Mandatory Redemption upon Pre-funding Failure	<p>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, as further described in Condition 7(d).</p> <p>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 then outstanding shall be redeemed in whole, but not in part, at their principal amount in accordance with 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.</p>
Clearing Systems	<p>The Bonds will be evidenced 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.</p>
ISIN	XS2751569810.
Common Code	275156981.
Legal Entity Identifier	3003006OCTRJFKKI9E83.
Governing Law and Jurisdiction	English law.
Trustee	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
Registrar, Principal Paying Agent and Transfer Agent	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
Pre-funding Account Bank and LC Proceeds Account Bank	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).

Green Finance Framework	The Bonds will be issued under the Green Finance Framework. See “ <i>Green Finance Framework</i> ”.
Listing	<p>Application will be made to the SEHK for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only.</p> <p>Application has been made to the MOX for the listing of the Bonds by way of debt issues to the MOX Professional Investors only, and such listing will be subject to the MOX’s approval. Admission to the listing of the Bonds on the MOX shall not be taken as an indication of the merits of the Issuer or the Bonds.</p>
Selling Restrictions	The Bonds will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See “ <i>Subscription and Sale</i> ”.

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.



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 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.
- (2) The confirmation of receipt or notification of non-receipt, as the case may be, from the Pre-funding Account Bank to the Trustee and the Principal Paying Agent shall be by way of authenticated SWIFT or other means of communication as the Principal Paying Agent may agree with the Pre-funding Account Bank.
- (3) The Trustee need not physically present the Demand under the Standby Letter of Credit to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT.

SUMMARY FINANCIAL INFORMATION OF THE GROUP

The following tables set forth the Guarantor'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 2020, 2021 and 2022 set forth below is extracted from the Audited Financial Statements, which have been prepared and presented in accordance with PRC GAAP. The Audited Financial Statements have been audited by Suya Jincheng, the Guarantor's independent auditor, in accordance with the Chinese Auditing Standards issued by MOF.

The summary unaudited but reviewed consolidated financial information of the Guarantor as at and for the six months ended 30 June 2022 and 2023 set forth below has been extracted from and should be read in conjunction with the Reviewed Financial Statements (including the notes thereto and the relevant review report) included elsewhere in this Offering Circular. The Reviewed Financial Statements were prepared and presented in accordance with PRC GAAP and have been reviewed by Suya Jincheng in accordance with the Chinese Certified Public Accountant Review Standards No. 2101 — Review of Financial Statements. The Reviewed Financial Statements have not been audited by Suya Jincheng or any other independent auditors. Consequently, the Reviewed Financial Statements should not be relied upon by prospective investors to provide the same quality of information associated with information that has been subject to an audit. None of the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank and the Agents, nor their respective directors, officers, employees, agents, representatives, advisers and affiliates, nor any person who controls any of them makes any representation or warranty, express or implied, regarding the accuracy, completeness or sufficiency of the Reviewed Financial Statements for an assessment of, and prospective investors must exercise due caution when using such data to evaluate, the Issuer's, the Guarantor's or the Group's financial condition and results of operations. In addition, the Reviewed Financial Statements should not be taken as an indication of the Issuer's, the Guarantor's or the Group's expected financial condition or results of operations for the full financial year ending 31 December 2023.

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 Audited Financial Statements and, including the notes thereto, included elsewhere in this Offering Circular.

Summary Consolidated Income Statement Data

	For the year ended 31 December			For the six months ended 30 June	
	2020	2021	2022	2022	2023
	(RMB'000) (audited)	(RMB'000) (audited)	(RMB'000) (audited)	(RMB'000) (reviewed)	(RMB'000) (reviewed)
Total operating income	6,870,039	11,913,303	16,191,167	7,552,770	9,203,890
Less: Operating costs	6,270,969	10,357,062	14,124,969	6,229,125	8,021,493
Taxes and surcharge	69,343	87,464	78,271	39,167	47,164
Selling and distribution expenses	23,422	32,492	27,253	12,968	17,510
Administrative expenses	397,402	469,293	524,663	238,507	328,826
Research and development expenditure	42,216	65,069	141,435	26,883	60,009
Financial expenses	254,756	659,120	947,456	282,352	411,381
Including: Interest expense	529,016	829,806	971,538	246,251	463,092
Interest income	218,287	228,288	281,663	109,871	225,037
Add: Other income	83,298	39,337	118,754	79,504	11,542
Investment income	10,417	238,674	37,568	2,913	3,672
Including: income from investment in associates and joint ventures)	10,417	18,264	21,059	–	–
Income from derecognition of financial assets measured at amortized cost (“-” for losses) . . .	–	-162	2,677	241	–
Gains from changes in fair value (“-” for losses) .	871,848	1,724,944	1,648,057	-433,546	-9,918
Credit impairment loss (“-” for losses)	–	-2,343	-8,617	-245	5,575
Impairment loss of assets (“-” for losses)	-8,081	–	–	–	–
Gains from disposal of assets (“-” for losses) . . .	-662	4,969	422	225	1,262
Operating profits	768,750	2,248,383	2,143,304	372,618	329,640
Add: Non-operating income	4,401	2,963	1,710	1,042	8,800
Less: Non-operating expenses	1,147	883	6,891	2,171	14,623
Total profits before tax	772,004	2,250,463	2,138,123	371,489	323,817
Less: Income tax expenses (“-” for losses)	223,286	441,794	453,142	-94,521	68,014
Net profit (“-” for net loss)	548,718	1,808,669	1,684,981	466,009	255,803
Net profit from continuing operation (“-” for losses)	548,718	1,808,669	1,684,981	466,009	255,803
Attributable to owners of the parent company . . .	483,983	1,801,407	1,641,659	439,138	96,602
Attributable to non-controlling interests	64,736	7,263	43,322	26,871	159,201
Net of income tax effect of other comprehensive income (“-” for net losses) . .	71,717	-154,657	-79,876	-127,192	-2,926
Total comprehensive incomes	620,436	1,654,012	1,605,105	338,817	252,877
Total comprehensive income attributable to owners of the parent company	528,123	1,646,749	1,530,453	311,946	93,676
Total comprehensive income attributable to non-controlling interests	92,313	7,263	74,652	26,871	159,201

Summary Consolidated Balance Sheet Data

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	(RMB'000) (audited)	(RMB'000) (audited)	(RMB'000) (audited)	(RMB'000) (reviewed)
Current Assets				
Cash and cash equivalents	11,348,083	12,708,760	10,685,193	9,692,339
Notes receivable	58,355	36,981	2,801	12,121
Accounts receivable	12,154,425	17,423,290	22,228,835	23,140,940
Accounts receivable financing	–	35,189	88,668	5,956
Prepayment	524,081	162,764	230,112	164,994
Other receivables	1,915,200	2,819,079	2,760,557	2,810,987
Inventories	2,834,486	3,062,504	3,083,106	2,706,709
Contract assets	–	1,050	35,732	269,940
Other current assets	403,844	292,344	142,646	159,842
Total Current Assets	29,238,474	36,541,959	39,257,650	38,963,828
Non-current Assets				
Investment in debt instruments	–	31,033	62,067	62,067
Available-for-sale financial assets	3,008,824	–	–	–
Long-term receivables	2,351,956	3,378,727	2,285,802	2,286,090
Long-term equity investments	3,349,165	4,576,595	4,586,152	4,568,595
Other non-current financial assets	–	3,335,536	3,525,156	3,575,866
Investment property	21,247,738	21,004,368	23,242,240	22,838,942
Fixed assets	8,064,152	10,551,050	10,749,657	16,258,699
Construction in progress	10,156,362	14,160,777	18,332,248	16,349,157
Right of use assets	–	70,729	61,193	56,424
Intangible assets	1,173,168	1,838,250	2,037,700	2,234,316
Long-term deferred expenses	24,339	31,602	44,778	37,789
Deferred tax assets	18,146	18,718	20,840	19,836
Other non-current assets	494,319	583,777	240,103	135,676
Total Non-current Assets	49,888,170	59,581,163	65,187,933	68,423,456
Total Assets	79,126,643	96,123,122	104,445,583	107,387,284
Current Liabilities				
Short-term loans	5,310,561	5,973,349	6,128,123	5,298,849
Notes payables	3,219,028	4,981,308	3,787,375	3,079,682
Accounts payables	1,260,262	1,587,556	2,125,374	3,238,292
Receipts in advance	129,812	–	–	–
Contract liabilities	–	216,906	262,605	387,607
Employee benefits payable	7,463	23,811	16,814	9,290
Taxes payable	22,356	17,410	39,091	67,909
Other payables	1,098,189	1,035,244	1,203,253	945,295
Non-current liabilities due within one year	6,796,944	4,311,014	5,563,962	6,698,433
Other current liabilities	1,230,000	2,130,880	4,206,371	3,711,370
Total Current Liabilities	19,074,614	20,277,478	23,332,968	23,436,726
Non-current Liabilities				
Long-term loans	22,344,918	30,487,958	32,494,666	34,138,290
Bonds payable	5,193,759	7,425,702	9,201,363	8,184,010
Lease liabilities	–	79,163	70,843	72,496
Long-term payables	1,240,157	1,857,432	2,044,434	1,713,952
Deferred revenue	482,655	566,681	605,199	600,112
Deferred tax liabilities	2,702,152	3,072,121	3,457,510	3,454,055
Total Non-current Liabilities	31,963,641	43,489,057	47,874,015	48,162,915
Total Liabilities	51,038,255	63,766,535	71,206,983	71,599,642

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	(RMB'000) (audited)	(RMB'000) (audited)	(RMB'000) (audited)	(RMB'000) (reviewed)
Owners' Equity				
Share capital	7,500,000	8,570,000	8,570,000	8,570,000
Other equity instruments	–	–	–	1,500,000
Capital reserves	3,425,343	4,816,949	5,247,880	6,185,840
Other comprehensive income	3,173,537	3,018,879	2,907,674	2,904,748
Special reserves	–	–	206	1,410
Surplus reserves	411,653	534,784	669,951	669,951
Undistributed profits	3,570,676	5,248,952	6,267,444	5,921,046
Total equity attributable to owners of parent				
Company	18,081,209	22,189,564	23,663,154	25,752,995
Non-controlling interests	10,007,179	10,167,022	9,575,446	10,034,648
Total Owners' Equity	28,088,388	32,356,587	33,238,600	35,787,643
Total Liabilities and Owners' Equity	79,126,643	96,123,122	104,445,583	107,387,284

Summary Consolidated Cash Flow Statement Data

	For the year ended 31 December			For the six months ended 30 June	
	2020	2021	2022	2022	2023
	(RMB'000) (audited)	(RMB'000) (audited)	(RMB'000) (audited)	(RMB'000) (reviewed)	(RMB'000) (reviewed)
Net cash flows from operating activities	-307,349	-297,437	511,588	-264,129	481,386
Net cash flow from investing activities	-6,564,138	-7,595,596	-6,361,938	-4,683,110	-1,328,019
Net cash flow from financing activities	8,757,058	8,123,992	3,934,396	7,433,184	872,715
Net change in cash and cash equivalents	1,880,992	207,338	-1,915,954	2,489,590	26,417
Balance of cash and cash equivalents at the end of the period	7,371,529	7,578,868	5,662,914	10,068,458	5,689,331

Other Financial Information

	As at and for the year ended 31 December			As at and for the six months ended 30 June
	2020	2021	2022	2023
	(unaudited)			
Total liabilities/Total assets (per cent.)	64.5	66.3	68.2	66.7
EBIT ⁽¹⁾ (RMB in millions)	1,301	3,080.3	3,109.7	786.9
EBIT margin ⁽²⁾ (per cent.)	18.9	25.9	19.2	8.5
EBIT/total interest expense	2.5	3.7	3.2	1.7

Notes:

- (1) The Guarantor calculates EBIT for any period as profit before tax for that period, plus interest expenses. EBIT is not a standard measure under PRC GAAP or IFRS. EBIT is a widely used financial indicator of a company's ability to service and incur debt. EBIT should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Guarantor's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBIT, investors should consider, among other things, the components of EBIT such as operating expenses and the amount by which EBIT exceeds capital expenditures and other charges. The Guarantor has included EBIT because the Guarantor believes that it is a useful supplement to cash flow data as a measure of the Guarantor's performance and its ability to generate cash flow from operations to cover debt service and taxes. EBIT presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Guarantor's EBIT to EBIT presented by other companies because not all companies use the same definition.
- (2) EBIT margin is calculated as EBIT divided by total operating income.

RISK FACTORS

An investment in the Bonds is subject to a number of risks. Investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below, before deciding to invest in the Bonds. Each of the Issuer and the Guarantor believes that the risk factors described below represent the principal risks inherent in investing in the Bonds, but the ability of the Issuer and/or the Guarantor to pay interest, principal or other amounts on or in connection with any Bonds may be affected by some factors that may not be considered as significant risks by the Issuer and the Guarantor based on information currently available to them or which they are currently unable to anticipate. All of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring. The actual results of the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular.

Neither the Issuer nor the Guarantor represents that the statements below regarding the risk factors of holding any Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

RISKS RELATING TO THE GROUP'S BUSINESS

The Group's business is heavily dependent on the general economic conditions in Lianyungang Xuwei New District, Lianyungang and China.

The Group primarily operates its business in Lianyungang in the PRC, particularly in Lianyungang Xuwei New District (連雲港徐圩新區) which is an important component of the National East-Central-West Regional Cooperation Demonstration Region (國家東中西區域合作示範區), and its assets are highly concentrated in Lianyungang Xuwei New District. Therefore, its business and prospects are heavily affected by the level of economic development of Lianyungang, which has a material impact on the level of business activity within the Lianyungang Xuwei New District. 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 gross domestic product ("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 Bureau of Statistics of the PRC, the annual growth rate of China's GDP decreased from 7.3 per cent. in 2014 to 6.1 per cent. in 2019. In 2020, China's GDP shrank by 2.3 per cent. year-on-year, as a result of the outbreak of the COVID-19 pandemic and large-scale quarantine and shutdown measures implemented by the PRC government. In 2022, China's GDP slightly increased to 3.0 per cent. year-on-year. According to the Statistics Bureau of Lianyungang Municipality, Lianyungang's gross regional product (the "GRP") increased from RMB120.1 billion in 2010 to RMB400.5 billion in 2022. In the meantime, the annual growth rate of Lianyungang's GRP decreased from 13.6 per cent. in 2010 to 2.4 per cent. in 2022. These changes were generally in line with the change in the PRC's GDP growth rate during the same period. Any slowdown in the economic development in Lianyungang may affect the PRC Government's support or the Lianyungang Municipal Government's investments in the industries where the Group operates, reduce the demand for the Group's services and products and therefore adversely affect the development of the Lianyungang Xuwei New District. This may have an adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's business and prospects largely depend upon the development of Lianyungang Xuwei New District.

The Group is tasked by the Lianyungang Municipal Government to conduct investment and construction in Lianyungang Xuwei New District. The number of the enterprises operating in Lianyungang Xuwei New District, which currently is steadily increasing with its development, will have a material impact on the regional economic development. Although Lianyungang Xuwei New District has unique geographical

advantages due to its port resources and its large landmass and enjoys a number of favourable policies from the state and the local governments, it faces fierce competition from several other economic and technology development zones nearby with comparatively longer development history and greater industrial concentration advantages, such as Lianyungang Economic and Technology Development Zone (連雲港經濟技術開發區), Yancheng Economic and Technology Development Zone (鹽城經濟技術開發區), Huai'an Economic and Technology Development Zone (淮安經濟技術開發區) and Xuzhou Economic and Technology Development Zone (徐州經濟技術開發區). For example, Yancheng Economic and Technology Development Zone has an industrial focus on automobile and automobile parts manufacturing and Xuzhou Economic and Technology Development Zone has an industrial focus on equipment manufacturing, new energy and services industries. Consequently, the number of enterprises commencing business in Lianyungang Xuwei New District may not grow as fast as the Group expects and Lianyungang may not be able to attract the enterprises it wishes to attract. The foregoing could adversely affect the development of the Group's business and the tax income of Lianyungang Xuwei New District, and in turn, the ability of the Lianyungang Xuwei New District Management Committee (the "**Lianyungang XND Management Committee**") to make timely payment for the Group's infrastructure and affordable housing projects. If any of the above were to occur, the Group's business, financial performance and prospects may be materially and adversely affected. In addition, Lianyungang Xuwei New District faces industrial concentration risk due to its strong focus on the port industry. If the port industry experiences any industrial depression in the future, the Group's business, financial performance and prospects may be materially and adversely affected.

Delays or defaults in the payment of any construction fee by the Lianyungang XND Management Committee may have a material adverse impact to the Group's results of operations, financial condition and cash flow.

Certain of the Group's main business activities are conducted with the Lianyungang XND Management Committee. A small portion of the Group's operating income is generated from the construction fee payable by the Lianyungang XND Management Committee relating to the Group's infrastructure and affordable housing construction. For example, the Group has developed most of its infrastructure projects under the agency construction business model. Those projects are capital intensive and involve many risks arising from budget overruns. Under the agency construction model, the Group finances its infrastructure construction projects with start-up capital provided by the Lianyungang XND Management Committee and through self-financing methods. This model generally causes the Group to incur substantial capital expenditures and increases the pressure on the Group's liquidity before the Lianyungang XND Management Committee makes full payment of the construction fees. As at 31 December 2020, 2021 and 2022 and as at 30 June 2023, the Group's account receivables due from the government or its affiliates were RMB11,218.9 million, RMB15,551.8 million, RMB19,794.7 million and RMB21,229.4 million, respectively, accounting for 92.1 per cent., 89.1 per cent., 89.0 per cent. and 91.7 per cent., respectively, of the account receivables of the Group as at the corresponding dates. Any delay or default in such payment to be made by the Lianyungang XND Management Committee may have a material adverse impact to the Group's results of operations, financial condition and cash flow.

The Group has experienced delay in the payment of construction fee by the Lianyungang XND Management Committee.

As at the date of this Offering Circular, the outstanding construction fee due from the Lianyungang XND Management Committee is approximately RMB21.9 billion under the agency agreements between the Group and Lianyungang XND Management Committee. There is no assurance that Lianyungang XND Management Committee will make payments in accordance with the agreed timetable or that it will request further postponement of any payment in the future. The ability of the Lianyungang XND Management Committee to perform its obligation under the agency agreements is affected by many factors that are beyond the Group's control, such as its fiscal revenue, budgeting and changes in PRC laws and regulations concerning its and the Group's operations. Any delay or failure to pay any construction

fee by the Lianyungang XND Management Committee may cause constraint cash flow of the Group, increase the Group's liquidity risk and have a material adverse impact to its results of operations, financial condition and its ability to serve the Bonds.

The Lianyungang Municipal Government or the Lianyungang XND Management Committee exert significant influence on the Group, and they may make decisions that are not in the Group's best interest.

The Guarantor is wholly and beneficially owned by the Lianyungang Municipal Government. For internal control, the Lianyungang XND Management Committee participates in and closely monitors the Group's decision-making process for key projects, reviews the Group's development strategy and investment plans of the Group and appoints, and conducts annual appraisals on, the directors, supervisors and senior management of the Guarantor. The Guarantor's senior management and the Lianyungang Municipal Government regularly have in-depth discussions regarding the key investment projects and essential appraisal procedures are conducted before investment decisions are taken. There can be no assurance that the Lianyungang Municipal Government or the Lianyungang XND Management Committee will not interfere with the business and operations of the Group in the future and any such interference may have a material adverse effect on the Group's business, financial position, results of operations, and prospects.

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

The Group's results of operations and financial condition may be affected by changes in the regulation of the PRC Government concerning local government debts and the financing platforms of local governments. In September 2014, the State Council of the PRC released the Opinion on Enhancing the Administration of Fiscal Debts of Local Governments (關於加強地方政府性債務管理的意見) (the "Circular 43") with an aim to control a significant increase in local government debts and associated risks in the PRC's banking system. Circular 43 generally prohibits local governments from incurring "off-balance" indebtedness to finance the development of government projects and other public interest projects with the proceeds of the borrowings incurred by financing platforms the relevant local governments own or control, such as the Group. The Group should rely upon the cash flow generated from its operations and external borrowings to satisfy its cash needs for servicing its outstanding indebtedness and for financing its operating activities. The release of Circular 43 has changed the Group's financing and business model, especially those relating to its infrastructure development. The MOF, together with NDRC, the PBOC, China Securities Regulatory Commission, the CBRC and the Ministry of Justice, released the Notice concerning Further Regulation of Local Government Borrowing and Financing Conduct (關於進一步規範地方政府舉債融資行為的通知) ("Circular 50") to emphasise the principles and policies set out in Circular 43 in April 2017. 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.

The PRC Government issued Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知，財金[2018]23號) (the "MOF Circular"), effective on 28 March 2018, which aims to increase the responsibility of the PRC state-owned financial institutions to investigate into the financial independence and liquidity level of the local government financing vehicles that they assist in fundraising. The PRC government is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds, the Guarantee or the Transaction Documents in lieu of the Issuer or as the case may be, the Guarantor. On 11 May 2018, the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness

Risks (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知) (the “**Joint Circular**”) was released which reiterates the PRC Government’s position to isolate the debt of local government financing vehicles from the relevant local government and to control the increase of the local governments’ debt. The Joint Circular requires companies that plan to borrow medium and long-term foreign debt to establish a sound and standardised corporate governance structure, management decision-making mechanism and financial management system. It further requires that the assets owned by such companies should be of good quality and clear ownership and it is forbidden to use public interest assets to be included in corporate assets. The Bonds are solely to be repaid by the Issuer (and the Guarantee by the Guarantor), each as an obligor under the relevant transaction documents and as an independent legal person. See “— *Risks relating to the Bonds, the Guarantee and the Standby Letter of Credit — The PRC Government has no obligations under the Bonds, the Guarantee or the Trust Deed*”.

On 6 June 2019, the General Office of the NDRC issued the Circular of the General Office of the National Development and Reform Commission on the Relevant Requirements for Filing and Registration of Foreign Debts Issuance by Local State-owned Enterprises (國家發展改革委辦公廳關於對地方國有企業發行外債申請備案登記有關要求的通知) (“**Circular 666**”), which aims to strengthen the management of debts of local government and avoid or mitigate risks relating to medium and long-term debt raised offshore as well as hidden debt of local governments. Circular 666 expressly restricts the use of proceeds from debt securities issued offshore by state-owned enterprises with local government financing functions to the repayment of medium and long-term offshore debt due within one year.

The PRC Government may continue to release new policies or amend existing regulations to manage the increase in local government debts in China. There is no assurance that the Group’s financing model and business model will not be materially affected by future changes in the regulatory regime concerning the financing platforms of local governments.

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

The Group’s business operations require substantial capital resources. For the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2022 and 2023, the Group incurred capital expenditures of RMB3,396.0 million, RMB1,927.9 million, RMB1,618.7 million, RMB828.3 million and RMB572.4 million, respectively. The Group has historically met its cash requirement through (i) the cash flow generated from its operating activities, (ii) subsidies mainly from the State Council, the Jiangsu Provincial Government, the Lianyungang Municipal Government and the Lianyungang XND Management Committee, (iii) proceeds of bank and other borrowings, and (iv) issuance of bonds in the PRC and international capital markets. The Group will continue to require substantial capital resources to support its business operations and expansion.

The ability of the Group to generate sufficient operating cash flow is affected by a number of factors, such as the Group’s ability to carry on its business activities in an efficient manner, the Lianyungang XND Management Committee’s payment schedule, due performance of the Group’s contractors, changes in the general market conditions and regulatory environment and the competition in certain sectors in which the Group operates. Any adverse change in any of these factors, which may be out of the Group’s control, may create capital shortfall. There is no assurance that the Group’s operating activities are able to generate sufficient cash to satisfy its cash need at all times. For the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2022 and 2023, the Group had net operating cash outflow of RMB307.3 million, RMB297.4 million, RMB511.6 million, RMB264.1 million and RMB481.4 million, respectively. See “— *The Group has historically experienced volatile and negative net operating cash flow*” below.

A significant portion of the cash demand of the Group is satisfied through subsidies provided by the State Council, the Jiangsu Provincial Government and the Lianyungang Municipal Government. For the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2022 and 2023, government grants received by the Group amounted to RMB83.3 million, RMB39.3 million, RMB118.8 million, RMB79.5 million and RMB11.5 million, respectively. The ability of the State Council, the Jiangsu Provincial Government, the Lianyungang Municipal Government and the Lianyungang XND Management Committee to provide continued financial support to the Group to a large extent depends on the future fiscal income and policies of Lianyungang, Jiangsu Province and the PRC in general. There is no assurance that the Group will continue to receive the same government subsidies and grants or enjoy the same preferential treatments in the future. See “— *A reduction or discontinuance of government support could materially and adversely affect the Group’s business, financial condition and results of operations*” below.

Insufficient cash flow generated from the Group’s operating activities will increase the Group’s reliance on external financing. The Group’s ability to arrange for external financing and the cost of such financing are dependent on numerous factors, including:

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

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

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

For the years ended 31 December 2020 and 2021 and for the six months ended 30 June 2022, the Group had net operating cash outflow of RMB307.3 million, RMB297.4 million and RMB264.1 million, respectively. The Group’s net operating cash outflow experienced in the past was largely attributable to a mismatch between the development timetable which determines its expenditures and the payment timetable which determines its operating income from the relevant projects.

According to the arrangement entered with the Lianyungang XND Management Committee, the construction fee is normally paid in instalments during a period of up to five years after project completion. As the Group anticipates continued expansion of its business, it believes that it will continue to require significant capital commitment. There is no assurance that its negative operating cash flow will be resolved soon, if at all. Under such circumstances, the Group's future liquidity, the payment of its other payables and accruals, as well as the repayment of its outstanding indebtedness when due, will primarily depend on its ability to maintain adequate cash inflows from operating activities and proceeds from external financing. In the event that it is unable to generate sufficient cash flows from its operations to meet the demand from its operating and capital expenditures, its operations will have to be funded by other financing activities. However, the Group's debt service and other fixed payment obligations could divert its cash flows from its operations and planned capital expenditures, and its financing costs associated with such debt obligations could materially and adversely affect the Group's profitability in the future.

A reduction or discontinuance of government support could materially and adversely affect the Group's business, financial condition and results of operations.

The Group has benefited from, and relied on various forms of support from the PRC government and the Lianyungang Municipal Government (in the form of asset and capital injections, subsidies and other grants, and tax incentives permissible under PRC laws and regulations), to meet its capital and other operation requirements. See "*Description of the Group — Competitive Strengths — Support from PRC Central Government and the Lianyungang Municipal Government*" for further details. For the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2022 and 2023, the Group received government grants and subsidies in the aggregate amount of RMB83.3 million, RMB39.3 million, RMB118.8 million, RMB79.5 million and RMB11.5 million, respectively, which account for 10.8 per cent., 1.7 per cent., 5.6 per cent., 21.4 per cent. and 3.6 per cent. of the Group's profit before tax for the same periods. Historically, the Group had received financial support in the form of allocation of land use rights from the Lianyungang XND Management Committee. In 2017, the Ministry of Finance issued the Notice on Strict Prohibition against Noncompliant Financing through Service Procurement Arrangement of Governments (財政部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) restricting, among others, the ability of local governments from allocating land use rights to their financing platforms to support the platforms' financing needs. Accordingly, the Group had not received any allocation of land use rights since 2017 and expects not to receive this form of financial support in the future. Nonetheless, there is no assurance that the PRC Government will not impose any further restriction on providing financial support in any other forms. As such, the Group may not be able to receive the same level of government subsidies and grants or enjoy the same preferential treatments or at all. Any loss or reduction in government subsidies and grants or other form of government support could have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

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

The Group relies on bank loans and proceeds from bond issuances to satisfy a portion of its capital requirements. As at 30 June 2023, the Group's total indebtedness (comprising short-term loan, non-current liabilities due within one year, other current liabilities, long-term loans, bonds payable and financial leasing) was RMB59.7 billion, of which 11.2 per cent. would become due within one year. In addition, the Group had outstanding guarantee in a total amount of RMB37.5 billion as at 30 June 2023, which was mainly relating to guarantees for members and affiliates of the Group in Xuwei New District.

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

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

In incurring indebtedness and liabilities from time to time, the Group creates security such as pledge and mortgage over its assets in favour of relevant creditors. As at 30 June 2023, the Group's assets with a total book value of RMB1,255.6 million were provided as security to secure the loan facilities of the Group. Assets of the Group which have been provided as security mainly include investment real estate. Third-party security rights may limit the Group's use of the underlying collateral assets and adversely affect its operation efficiency. If the Guarantor and its subsidiaries are unable to service and repay their debts under such loan facilities on a timely basis, the assets mortgaged or charged to secure the Group's bank loans may be foreclosed, which may adversely affect the Group's business, financial condition, results of operations and prospects.

The Group believes that its capital requirement and its reliance on external financing will continue to increase considering its existing cash needs to finance business operations and refinance its existing indebtedness. The Group's financial performance and operating results may be materially and adversely affected if its cash flows and capital resources are insufficient to fund its debt service obligations.

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

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

If the Guarantor or any of its relevant subsidiaries is unable to comply with the restrictions (including restrictions on future investments) and covenants in its current or future debt obligations and other financing agreements, a default under the terms of such agreements may occur. In the event of a default under such agreements, the creditors may be entitled to terminate their commitments granted to the Guarantor or its subsidiaries, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, depending on the provisions of the relevant agreements. Some financing agreements of the Group contain cross-acceleration or cross-default provisions, which entitle the creditors under these financing agreements to require the Group to immediately repay their loans or declare a default on the borrower as a result of the acceleration or default of other financing agreements

by any other member of the Group. If any of these events occur, there can be no assurance that the Group will be able to obtain the lenders' waiver in a timely manner or that the assets and cash flow of the Guarantor or its subsidiaries would be sufficient to repay in full all of their respective debts as they become due, or that the Guarantor or its subsidiaries would be able to find alternative financing. Even if the Guarantor and its subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Guarantor or, as the case may be, its subsidiaries.

The Group's business and results of operations are influenced by governmental decisions and actions and are inherently exposed to uncertainties associated with contracting with governments and its agencies.

The Guarantor is wholly and beneficially owned by the Lianyungang Municipal Government and is under the direct administration of the Lianyungang XND Management Committee which acts on behalf of the Lianyungang Municipal Government. The Lianyungang Municipal Government has appointed the Lianyungang XND Management Committee to act as its nominee in carrying out its function as the sole shareholder. A majority of the Group's business activities are conducted with the Lianyungang XND Management Committee. A significant portion of the Group's operating income is generated from the construction fee payable by the Lianyungang XND Management Committee relating to the Group's infrastructure and affordable housing construction. As such, the Group is exposed to certain inherent risks relating to dealing with public bodies, such as the Lianyungang XND Management Committee.

The Lianyungang Municipal Government and the Lianyungang XND Management Committee may (i) have economic or business interests or considerations that are inconsistent with the Group's, (ii) take actions contrary to the Group's requests, policies or objectives, (iii) be unable or unwilling to fulfil their obligations, (iv) encounter financial difficulties, or (v) have disputes with the Group as to the contractual terms or other matters. Those governmental authorities and 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 Lianyungang Xuwei New District for a number of reasons, such as government budgeting.

Any failure by the Lianyungang XND Management Committee to fulfil its contractual obligations or any change to its policies may require the Group to change its business plans and materially affect the Group's business and operating results. If there is any material disagreement between the Group and the Lianyungang Municipal Government or the Lianyungang XND Management Committee, there is no assurance that the Group will successfully resolve them in a timely manner, or at all. Any dispute or legal proceeding with or against the Lianyungang Municipal Government or the Lianyungang XND Management Committee may last for a long period of time and cost considerable financial and managerial resources. Any of these may severely damage the business relationships between the Group and the Lianyungang Municipal Government or the Lianyungang XND Management Committee, and in turn materially and adversely affect the Group's business, financial condition, results of operations and prospects.

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

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group's account receivables were RMB12,154.4 million, RMB17,423.3 million, RMB22,228.8 million and RMB23,140.9 million, respectively, representing 41.6 per cent., 47.7 per cent., 56.6 per cent. and 59.4 per cent. of the Group's current assets as at the corresponding dates. The Group's account receivables are mainly the outstanding construction fees payable by the Lianyungang XND Management Committee. There are inherent risks associated with the ability of the Lianyungang XND Management Committee and the Group's other customers to make timely payments and any failure to make timely payments by these entities could

materially and adversely affect the Group's liquidity and in turn affect its business, financial condition or results of operations. See "*— Delays or defaults in the payment of any construction fee by the Lianyungang XND Management Committee may have a material adverse impact to the Group's results of operations, financial condition and cash flow*" above.

The Group has historically experienced volatility in its gross profit margin and any significant fluctuation in the future may have a material adverse impact on its business, financial condition and results of operations.

The Group has historically experienced volatility in its gross profit margin. For the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2022 and 2023, the Group had gross profit margin of 8.7 per cent., 13.1 per cent., 12.8 per cent., 17.5 per cent. and 12.8 per cent. respectively, for its principal businesses. The volatility in the Group's gross profit margin was mainly due to the mismatch in different timetables of its construction projects, which determine the gross profit recorded from its relevant construction projects. If the Lianyungang XND Management Committee cannot meet its payment schedule in the future or if the gross profit margin of the Group's port logistics business and port industrial park support services business segments continue to decrease, the Group may continue to experience fluctuations in its gross profit margin in the future, which in turn may have a material and adverse effect to the Group's business, financial conditions and results of operations.

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

The Group needs to obtain a number of approvals, certificates, licenses and permits from different governmental authorities and to comply with extensive procedural requirements in order to carry on its business activities under PRC law and regulations. For example, the Group is required to obtain a project approval and environmental assessment approval at the outset of the project. As the projects progress, it also needs to receive a construction land planning permit (建設用地規劃許可證), a land use right certificate, a construction project planning permit (建設工程規劃許可證) and a construction permit (建築工程施工許可證) before it is permitted to commence construction of the relevant project. It normally takes months to obtain all of these approvals and certificates. As at the date of this Offering Circular, the Group has received all the permits for its projects under construction. The Group is also required to comply with the laws and regulations relating to the agency construction and other operating business. Governmental authorities in the PRC have certain discretion in implementing and enforcing applicable laws and regulations and in determining the grant of approvals, licences, permits and certificates necessary for conducting the business. Any failure to obtain necessary approvals, licences or permits in a timely manner could result in delay or suspension of the Group's business operations and result in regulatory or administrative penalties. As at the date of this Offering Circular, the Group has not received any notice from any governmental authorities regarding the above-mentioned non-compliance.

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

The Group’s result of operations may be susceptible to the material fluctuation of interest rates.

Most of the Group’s existing floating rate bank loans bear interests that accrue at rates linked to the loan prime rate (the “LPR”) published by PBOC. A material fluctuation in the LPR may have a material impact on the Group’s interest expenses and payables under its bank loans and in turn negatively affect its financing costs and results of operations. Any increase in the LPR in the future will increase the Group’s financing costs and adversely affect its profitability, financial condition and results of operations.

As at the date of this Offering Circular, the Group has approximately in aggregate U.S.\$157.9 million outstanding bonds issued outside the PRC. As the Group continues to explore overseas sources of funding to replenish its capital and to refinance its existing overseas debts, it will be exposed to risks arising from interest rate fluctuation overseas. Any unfavourable interest rate hike overseas could cause the Group to incur additional financing cost for its overseas financing, if any. For example, as the Bonds will bear fixed coupon rates linked to the yield of the U.S. government’s treasury bonds with a corresponding maturity upon issue, any increase in the Federal Reserve interest rate as a result of policy changes may cause the Bonds to be priced at a higher rate compared to its outstanding USD bonds, which may then cause the Group to incur higher financing cost as compared to its previous debt financings.

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

The Group engages third-party contractors for its infrastructure and affordable housing construction projects. The Group generally selects third-party contractors through its standardised public tender process. However, there is no assurance that its third-party contractors will always provide satisfactory services of the quality required by the Group. If the performance of any third-party contractor fails to meet the requirements of the Group, the Group may need to replace such contractor or take other remedial actions, which could adversely affect the cost and development schedule of its projects. Further, labour shortages, labour disputes or increases in labour costs of the Group’s third-party contractors could cause an extension of the construction progress and an increase in the Group’s fees payable to such contractors. See “— *Labour shortages, labour disputes or increases in labour costs of any third-party contractors engaged for the Group’s projects could materially and adversely affect the Group’s business, prospects and results of operations*” below.

In addition, the Group may be asked to undertake one or more projects by the Lianyungang XND Management Committee on short notice, there is no assurance that the Group is able to engage third-party contractors that meet its quality requirements in this situation. Moreover, the Group’s contractors may undertake projects from other enterprises operating similar business, engage in risky undertakings or otherwise encounter financial or other difficulties, which may adversely affect their ability to complete the Group’s projects on time, within budget or at all. All of these third-party related factors may have material adverse impact on the quality of services provided by the Group’s contractors and the Group’s reputation, credibility, financial position and business operations.

The illiquid nature and the lack of alternative uses of investment properties could limit the Group’s ability to respond to adverse changes in the performance of the Group’s properties.

The Group currently holds land use rights of certain land and several properties that it develops for investment purposes. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group’s investment properties were RMB21,247.7 million, RMB21,004.4 million, RMB23,242.2 million and RMB22,838.9 million, respectively, representing 26.9 per cent., 21.9 per cent., 22.3 per cent. and 21.3 per cent. of the Group’s total assets. Investment properties are relatively illiquid compared to other types of investments such as publicly traded equity securities. As a result, the Group’s ability to promptly sell one or more of its investment properties in response to changing economic, financial and investment conditions is limited. The property market is affected by many factors that are beyond the Group’s control, including general economic conditions, the availability of mortgage financing and interest rates, and the Group

cannot accurately determine the market price of its investment properties nor is it able to predict whether it will be able to sell any of the Group's investment properties at the price or on the terms set by it, or whether any price or other terms offered by a prospective purchaser would be acceptable to it. In addition, investment properties may not be readily convertible for alternative uses without substantial capital expenditure if the original function of such investment property became unprofitable due to age, decreased demand or other factors. Similarly, for certain investment properties to be sold, substantial capital expenditure may be required to correct defects or make improvements to the property due to factors such as change in building regulations or as a result of age, compounding the effort and time required. These factors and any others that would impede the Group's ability to respond to adverse changes in the performance of its investment properties could materially and adversely affect its business, financial condition and results of operations.

The Group's results of operations may be materially and adversely affected as the fair value of the Group's investment properties may fluctuate from time to time.

The Group's results of operations have historically been affected by adjustments in the estimated fair value of its investment properties. In accordance with the PRC GAAP, the Group is required to reassess the fair value of its investment properties on each reporting date, and gains or losses arising from fair value changes and the relevant deferred tax should be accounted for in the Group's income statements in the period in which they arise. Fair value gains or losses do not, however, change the Group's cash position as long as the relevant investment properties are held by it, and accordingly do not increase its liquidity in spite of the increased profit represented by any fair value gains. For the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2022 and 2023, the Group recorded revenue from fair value changes in amount of RMB871.8 million, RMB1,724.9 million, RMB1,648.1 million, RMB433.5 million and RMB9.9 million, respectively, representing 113.4 per cent., 76.7 per cent., 76.9 per cent., 116.4 per cent. and 3.0 per cent. respectively, of the Group's operating profit.

Property valuation involves the exercise of professional judgment and requires the use of certain bases and assumptions. Favourable or unfavourable changes in the assumptions of market conditions used by the Group's independent property value assessor would result in changes to the fair value of the Group's investment properties and corresponding adjustments to the amount of gains or losses reported in the Group's income statement in the future. In addition, the amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. Macroeconomic factors, including economic growth rate, interest rate, inflation rate, urbanisation and disposable income level, in addition to any government regulations, can substantially affect the fair value of the Group's investment properties and affect the supply and demand in the PRC property market. Many of these factors are beyond the Group's control and there can be no assurance that changes in market conditions will continue to create fair value gains on its investment properties at the historical levels, or that the fair value of its investment properties will not decrease in the future.

The Group may not successfully implement its growth strategy.

The Group has historically focused on infrastructure and affordable housing construction in Lianyungang Xuwei New District. Over the years, it has diversified its business into supporting services for industrial parks in ports, port logistics business and distribution and sales of electricity, and plans to further develop and expand the aforementioned business segments. The Group continues to develop other new business while maintaining sustainable growth of its existing business as one of its strategies.

Whether the Group could successfully implement this strategy, to some extent, depends on the Group's ability to identify attractive projects, obtain required approvals from relevant regulatory authorities in China, obtain sufficient capital on acceptable terms in a timely manner and maintain close working relationships with various governmental authorities and agencies. The success of negotiations with respect to any particular project cannot be assured. There can be no assurance that the Group will be able

to successfully implement this strategy, manage or integrate newly acquired operations with its existing operations. Failure to implement the Group's growth strategy could have a material adverse impact on its business, financial condition and results of operations.

The Group's affordable housing construction business are subject to claims under statutory quality warranties.

Under Regulations on the Quality Management of Construction Projects (建設工程質量管理條例), effective on 23 April 2019, all property development companies in China must provide certain quality warranties for the properties they develop or sell. The Group is required to provide these warranties to its customers. The Group may sometimes receive quality warranties from its third-party contractors with respect to the affordable housing construction projects. If a significant number of claims are brought against the Group under its warranties and if the Group is unable to obtain reimbursement for such claims from third-party contractors in a timely manner or at all, the Group could incur significant expenses to resolve such claims or face delays in correcting the related defects, which could in turn harm the Group's reputation and have a material and adverse effect on the Group's business, prospects, financial condition and results of operations.

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

Some of the past projects developed by the Group involved relocation of indigenous residents and businesses, and the Group believes that similar situations may recur when it develops its future projects. There is no assurance that the relocation of indigenous residents or businesses will proceed smoothly or they will agree to the relocation plan approved by the government authority. If any indigenous resident or business disagrees with the relocation plan, the disagreement will be submitted to the relevant township government for the authority's determination. The relevant land authority will then make a decision as to the proper relocation compensation which may differ from the original proposal and result in higher compensation payment and delays in the development schedules. In addition, the amount of compensation to be paid is subject to China's governmental regulation and can be changed at any time. Any increases of compensations required or delays of such relocations may result in increase of the Group's project development costs and overall delays in the Group's development schedules, which may in turn materially and adversely affect the Group's business, financial condition and results of operations.

Volatility in the prices of the stone, steel, coal, ore and chemicals may have an impact on the Group's port logistics business.

The operating income of the Group's port logistics business prior to 2023 was mainly generated from commodity sales, therefore the performance of the Group's port logistics business was significantly affected by the availability and market prices of stone, coal, steel, ore, chemicals and other commodities. The market prices of those products are affected by factors beyond the Group's control, primarily including but not limited to increase in global demand, depletion of existing sources and decreasing availability of new sources, interruptions in production by suppliers, suppliers' allocations to other purchasers, wars, natural disasters and other similar events. Fluctuations in the prices of the stone, coal, steel, ore, chemicals and other commodities will cause the demand for related products in downstream industries, and consequently the prices at which the Group is able to sell its products, to fluctuate significantly, which in turn would have a material adverse effect to the Group's profitability and results of operations.

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

The Group relies on its quality control system to ensure the safety and quality of its projects. The effectiveness of the Group's quality control system may be affected by a number of factors, such as timely updates of the quality control system to address the changing business need and the Group's and the contractors' willingness and ability to adhere to its quality control policies and guidelines. There is no assurance that the quality of the projects developed by the Group will not be undermined by the underperformance of the Group's contractors. Any failure or deterioration of the Group's quality control system could result in defects in its projects, which in turn may subject the Group to contractual, product liability and other claims. Any such claims, regardless of whether they are ultimately successful, could cause the Group to incur significant costs, harm its business reputation and result in significant disruption to its operations. If any of such claims were ultimately successful, the Group could be required to pay substantial monetary damages or penalties.

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

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

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

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

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

The Group is required to comply with extensive environmental, safety and health regulations in the PRC. Failure to comply with such regulations may result in fines or suspension or revocation of the Group's licenses or permits to conduct its business. Given the volume and complexity of these regulations, compliance may involve some financial and other resources to establish efficient compliance and monitoring systems. There is no assurance that the Group will be able to comply with all applicable requirements or obtain these approvals and permits on a timely basis, if at all. There can be no assurance that the PRC Government will not impose additional or stricter laws or regulations, which may increase compliance costs of the Group.

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

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

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

Under Measures for the Disposal of Idle Land (revised in 2021), effective on 1 July 2021, the local branch of the Ministry of Land and Resources, upon the approval of the people's government at the same level, may impose an idle land fee equal to 20 per cent. of the land premium or allocation fees if the Group does not commence development of the land held by the Group for more than one year after the date specified in the relevant land use rights grant contract, or the Group commences development on an area which is less than one-third of the area granted, or the capital invested in the development is less than one-fourth of the total investment approved for the development, and the development is suspended for more than one year without governmental approval, unless the land becoming idle is caused by government behaviour or force majeure. The local branch of the Ministry of Land and Resources, upon the approval of the people's government at the same level, may have the power to revoke the land use rights certificate without compensation based on the totality of circumstances, if the Group does not commence development for more than two years after the date specified in the relevant land use rights grant contract without compelling causes. The State Council issued the Notice on Promoting the Saving and Intensification of Use of Land (國務院關於促進節約集約用地的通知) which states, among other things, that the Ministry of Land and Resources and other authorities are required to research and commence the drafting of implementation rules concerning the levy of land appreciation fees on idle land. Furthermore, the Ministry of Land and Resources issued in August 2009 the Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (關於嚴格建設用地管理促進批而未用土地利用的通知) which reiterates its policy on idle land.

The Group may not be able to fully detect money laundering and other illegal or improper activities in its business operations on a timely basis.

The Group is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in the PRC, Hong Kong and other relevant jurisdictions. The applicable anti-money laundering law requires financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Such policies and procedures require the Group to, among other things, establish a customer identification system in accordance with the relevant rules, record the details of customer activities and report suspicious transactions to the relevant authorities. While the Group has adopted policies and procedures aimed at detecting and preventing the use of its business vehicles to facilitate money laundering activities and terrorist acts, such policies and procedures in some cases have only been recently adopted and may not completely eliminate instances in which it may be used by other parties to engage in money laundering and other illegal activities. In the event that the Group fails to detect money laundering or other illegal or improper activities or fails to fully comply with applicable laws and regulations, the relevant government agencies may freeze its assets or impose fines or other penalties on it. Any of these may materially and adversely affect its business reputation, financial condition and results of operations.

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

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

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

The Group may be exposed to fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties that could subject it to financial losses and sanctions imposed by governmental authorities, which in turn affects its reputation. The Group may be harmed if, for example, any of these parties engages in misrepresentation or fraudulent, deceptive or otherwise improper activities, conduct transactions that exceed authorised limits, make or accept bribes or improperly use or disclose confidential information.

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

The Group may be subject to disputes, legal, regulatory or other proceedings.

The Group may from time to time be involved in disputes with governmental entities, indigenous residents, contractors, suppliers, employees and other third-party service providers during the course of its daily operations. Claims may be brought against members of the Group based on a number of causes such as defective or incomplete work, personal injuries, property damages, breach of warranty or delay in completion and delivery projects. In addition, the Group may bring up claims against project contractors for additional costs incurred as a result of the contractors' underperformance or non-performance, project defects or default by the contractors. If the disputes or claims are not resolved or settled through negotiation or mediation, the Group may be involved in lengthy and costly litigation or arbitration proceedings, which may distract the Group's financial and managerial resources. In the event that the Group prevails in those legal proceedings, there is no assurance that the judgement or awards will be effectively enforced. If a judgment or award is rendered against the Group, the amounts payable by the Group may not be fully covered by the Group's insurance, and the amounts could differ from the provisions made by the Group based on its estimates. Any material charges associated with claims brought against the Group and material write downs associated with the Group's claims could have a material adverse impact on its financial condition, results of operations and cash flow.

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 the 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 disruptions in business, slower response times and limitations on its ability to monitor and manage data and risk exposures, control financial and operation conditions, and keep accurate records. These consequences could result in operating outages, poor operating performance, financial losses, and intervention of regulatory authorities. While the Group has not experienced any material malfunction of these systems, any malfunction of these systems or any inadequacy in its controls could cause the relevant information to become unreliable, inaccurate or permanently lost, which could have an adverse effect on the Group's relevant business segment and, consequently, its operating income and results of operations.

The Group is subject to joint venture risks.

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

The Group may be unsuccessful in integrating and managing future investments and/or acquisitions.

The Group may consider expanding its business by acquiring certain interests in other companies, entering into new strategic alliances and joint ventures and investing in or entering into new business opportunities. The ability of the Group's operations to grow by investments in and/or acquisitions is dependent upon, and may be limited by, the requirements of the relevant regulatory authorities, the availability of attractive projects, its ability to agree commercial, technical and 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, if at all, or that the due diligence with respect to any acquisition will reveal all relevant facts that are necessary or useful in evaluating such opportunity.

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 markets in different geographic locations 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 finance 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 September 2020, the Guarantor acquired 11.11 per cent. equity interest in Jiangsu Runke Investment Development Co., Ltd. (江蘇潤科投資發展集團有限公司) and 15.84 per cent. equity interest in Lianyungang Tongcheng Property Group Co., Ltd. (連雲港市同城地產集團有限責任公司) to strengthen the cooperation with other state-owned enterprises in Lianyungang as well as to diversify the Group's business and investment portfolio. The Group, however, is unable to predict whether there will be any other suitable target or when any other suitable acquisition, investment or joint venture opportunities could arise. In the event that the Group enters into any letter of intent or agreement for any material acquisition, investment or joint venture after the issue of the Bonds, the market price and the trading volume of the Bonds may be adversely affected.

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

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 projects and materially and adversely affect its cash flows and, accordingly, adversely affect its ability to service debt. In addition, the Group's operations are subject to outbreaks of contagious diseases.

In early 2020, COVID-19, a highly infectious virus, spread throughout the globe, resulting in numerous deaths around the world. The World Health Organisation announced in March 2020 that COVID-19 had developed into a pandemic. Since December 2022, the PRC government has gradually lifted the strict COVID-19 restrictions for travel in and out of the country, which has led to increases of COVID-19 cases in the PRC. It is uncertain whether there will be any further waves of COVID-19 outbreaks in China or any other part of the world and when the COVID-19 pandemic will be contained globally. A prolonged outbreak of COVID-19 has had and may continue to have a material adverse impact on China's economy, the global economy and financial markets in general, which in turn could materially and adversely affect the Group's business, financial condition and results of operations.

The extent to which the COVID-19 impacts the Group's operation results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others. However, such contagious disease, or any such outbreak or threatened outbreak of any severe contagious diseases in future, if not contained, may result in material influence of the Group's related business, which in turn may adversely affect the Group's financial condition and results of operations. Similarly, war, terrorist activity, threat of war or terrorist activity, social unrest and the corresponding heightened travel security measures instituted in response to such events, as well as geopolitical uncertainty and international conflict and tension, would affect economic development. In turn, there could be a material adverse effect on the Group's business, financial condition and results of operations.

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

RISKS RELATING TO THE GROUP'S FINANCIAL INFORMATION

Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular.

The Guarantor from time to time issues medium-term and short-term bonds in the domestic capital markets in the PRC. According to applicable PRC securities regulations on debt capital markets, the Guarantor needs to publish its quarterly, semi-annual and annual financial information to satisfy its continuing disclosure obligations relating to its medium-term and short-term bonds. After the Bonds are issued, the Guarantor is obligated by the terms of the Bonds, among others, to provide holders of the Bonds with its audited financial statements and certain unaudited interim financial statements. The semi-annual financial information published by the Group in the PRC is normally derived from the Group's management accounts which have not been audited or reviewed by independent auditors. As such, this financial information published in the PRC should not be referred to or relied upon by potential purchasers to provide the same quality of information associated with any audited information. The Guarantor is not responsible to holders of the Bonds for the unaudited and unreviewed financial information from time to time published in the PRC and therefore Investors should not place any reliance on any such financial information.

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

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

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 and is sometimes adjusted or restated to address subsequent changes in accounting standards, accounting policies and/or applicable laws and regulations with retrospective impact on the Guarantor’s financial reporting or to reflect the comments provided by the Guarantor’s independent auditors during the course of their audit or review in subsequent financial periods. The historical 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 auditors may be involved in investigations initiated by relevant PRC authorities from time to time.

The Group’s independent auditors, Suya Jincheng, is a registered accounting firm in the PRC supervised by relevant PRC regulatory agencies, including the MOF and the China Securities Regulatory Commission (“CSRC”). In the past few years, Suya Jincheng was investigated by CSRC in connection with its provision of audit services to PRC companies. CSRC and other regulatory or self-regulatory institutions have imposed administrative regulatory measures on Suya Jincheng in recent years.

According to Suya Jincheng, its auditing work in connection with the Bonds is not affected by the above incidents and the audit or review reports included elsewhere in this Offering Circular are valid and effective. There can be no assurance that the involvement of Suya Jincheng in such administrative actions or any negative news about Suya Jincheng would not affect investors’ confidence in companies and financial statements audited or reviewed by it. Prospective investors should consider these factors prior to making any investment decision.

RISKS RELATING TO THE PRC

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

The economy of the PRC experienced rapid growth in the past 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. In 2020, the annual growth rate of China's GDP dropped to 2.3 per cent., as a result of the outbreak of the COVID-19 pandemic and large-scale quarantine and shutdown measures implemented by the PRC government. While the PRC economy gained strength in 2021 with a GDP growth rate of 8.1 per cent., it slowed down to 3.0 per cent. in 2022.

The future performance of China's economy is not only affected by the economic and monetary policies of the PRC government, but is also exposed to material changes in global economic and political conditions as well as the performance of certain major developed economies in the world, such as the United States and the European Union (the "EU"). The United Kingdom withdrew from the EU on 31 January 2020 ("Brexit"). With Brexit taking full effect, there remains uncertainty about the future relationship between the United Kingdom and the EU. It is unclear how Brexit would ultimately affect the fiscal, monetary and regulatory landscape within the United Kingdom, the EU and the rest of the world. Furthermore, the Russo-Ukrainian conflict has led to significant volatility in the global markets. The extent and duration of such conflict, resulting sanctions and future market disruptions are impossible to predict, but could be significant and may have a severe adverse effect on the region, including a significant negative impact on the economy and the markets for certain securities and commodities, such as oil and natural gas, and on global economies. The outlook for the world economy and financial markets remains uncertain. Any volatility in the global markets and negative economic developments could, in turn, materially adversely affect the Group's business, prospects, financial condition or results of operations. In addition, this could adversely affect the Group's access to the debt capital markets and may increase funding costs, having a negative impact on the Group's revenue and financial conditions.

In addition, in recent years, there has been growing tension between the United States and the PRC. The two countries have been involved in disputes over trade barriers that have escalated into a trade war. The U.S. government has changed its trade policies towards the PRC with measures such as imposition of increased tariffs on a wide range of Chinese products and restriction on exports of certain U.S. goods to China. The ongoing trade war between the United States and the PRC and any further escalations thereof could have a material adverse impact on the Chinese economy. Sustained or escalating tension between the United States and the PRC over trade policies could significantly undermine the stability of the global economy and thereafter may lead to additional costs and unexpected consequences on the Group's business. The adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental action related to tariffs or trade agreements or policies have the potential to adversely impact the PRC's economy, which in turn could adversely impact the Group's business, financial condition and results of operations.

Any slowdown in the PRC economy may increase the Group's exposure to material losses from its investments, decrease the opportunities for developing the Group's businesses, create a credit tightening environment, increase the Group's financing costs, or reduce government subsidies to the Group, any of which may result in a material adverse effect on the Group's business, results of operations and financial condition.

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 operations and financial results of the Group 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 operations and financial results of the Group, 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 the Group's assets are located, in the PRC, the Group's operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes while prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to the Group in its operations and to the holders of the Bonds.

The Group may not be aware of the Group's violation of these policies and rules until sometime after the violation. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management's attention and it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgements by a court of another jurisdiction.

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

The Guarantor is incorporated under the laws of the PRC. A majority of its assets are located in the PRC. In addition, all of its directors, supervisors and senior management reside within the PRC and the assets of its directors and officers are located within the PRC. As a result, it may be difficult for investors to effect service of process outside the PRC upon all of its 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 some 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), effective on 1 August 2008 (the “Arrangement”), 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 Guarantor, or its directors, supervisors or senior management in the PRC without a “choice of court” agreement in writing pursuant to the Arrangement.

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

A substantial portion of the operating revenue of the Group 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 its 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 Group 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 Group’s ability to obtain foreign currencies through equity financing, or to obtain foreign currencies for capital expenditures.

The Group’s operations may be affected by rising inflation rates within the PRC.

Inflation rates within the PRC have been on an upward trend in recent years. Increasing inflation rates are due to many factors beyond the Group’s control, such as rising food prices, rising production and labour costs, high lending levels, PRC and foreign governmental policy and regulations, and movements in exchange rates and interest rates. It is impossible to accurately predict future inflationary trends. If inflation rates rise beyond the Group’s expectations, the costs of its business operations, including, not the least, costs for raw materials and labour costs, may become significantly higher than the Group has

anticipated for the future, limiting its ability to use financial resource efficiently. As a result, further inflationary pressures within the PRC may have an adverse effect on the Group's business, results of operations and financial condition, as well as its liquidity and profitability.

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

Facts and other statistics in this Offering Circular relating to the PRC, its economy or the relevant industry in which the Group operates have been directly or indirectly derived from official government publications and certain other public industry sources and although the Group believe such facts and statistics are accurate and reliable, the Group cannot guarantee the quality or the reliability of such source materials. They have not been prepared or independently verified by the Issuer, the Group, the Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents or any of the Group or their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them, and, therefore, the Issuer, the Group, the Managers, the Trustee, 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, THE GUARANTEE AND THE STANDBY LETTER OF CREDIT

The Bonds and the Guarantee are unsecured obligations.

As the Bonds and the Guarantee are unsecured obligations of the Issuer and the Guarantor, respectively. The repayment under the Bonds or the Guarantee may be compromised if:

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

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

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

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

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

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

An active trading market for the Bonds may not develop.

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

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

The Issuer will be subject to reporting obligations in respect of the Bonds to be listed on the SEHK and the MOX. The disclosure standards imposed by the SEHK and the MOX may be different than those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what Bondholders are accustomed to.

Investment 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 Issuer and the Guarantor have no control. Depreciation of the U.S. dollar against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

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

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

Developments in other markets may adversely affect the market price of the Bonds.

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. Since the global financial crisis in 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

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

On the Maturity Date (as defined in the Terms and Conditions), the Bonds will be redeemed at their principal amount, or following the occurrence of a Change of Control (as defined in the Terms and Conditions), the Issuer or the Guarantor may, at the option of any Bondholder, be required to redeem all, but not some only, of such Bondholder's Bonds at 100 per cent. of their principal amount, together in each case with any interest accrued to, but excluding, the Put Settlement Date. On the Maturity Date or if such an event were to occur, the Issuer or the Guarantor may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds on the Maturity Date or in such event may also be limited by the terms of other debt instruments. The Issuer's or, as the case may be, the Guarantor's failure to repay, repurchase or redeem the Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of its other indebtedness.

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

The PRC Government is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds, the Trust Deed and the Guarantee in lieu of the Issuer or, as the case may be, the Guarantor. This position has been reinforced by the MOF circular and the Joint Circular.

The PRC Government, including the Lianyungang Municipal Government, is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds, the Guarantee and the Trust Deed in lieu of the Issuer or, as the case may be, the Guarantor. This position has been reinforced by the MOF Circular and the Joint Circular. The Lianyungang Municipal Government, as the sole shareholder of the Guarantor, only has limited liability in the form of its equity contribution in the Guarantor. Any ownership or control by the PRC Government does not necessarily correlate to, or provide any assurance as to, the Issuer's or the Guarantor's financial condition and/or their ability to perform their respective obligations under the Bonds, the Guarantee or the Trust Deed. As such, the PRC Government does not have any payment or other obligations under the Bonds, the Guarantee and the Trust Deed. The Bonds are solely to be repaid by the Issuer (or, if the Issuer does not pay any sum payable by it under the Bonds, by the Guarantor under the Guarantee) as an obligor under the relevant transaction documents and as an independent legal person.

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

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

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

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

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

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

The Terms and Conditions also provide that the Trustee may (but shall not be obliged to), without the consent of the holders of the Bonds, agree to any modification of the Trust Deed, the Deed of Guarantee, the Standby Letter of Credit, the Terms and Conditions and/or the Agency Agreement (other than in respect of a reserved matter) which in the opinion of the Trustee will not be materially prejudicial to the interests of the holders of the Bonds and to any modification of the Bonds, the Trust Deed, the Deed of Guarantee, the Standby Letter of Credit and/or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of applicable law.

In addition, the Trustee may (but shall not be obliged to), without the consent of the holders of the Bonds, authorise or waive any proposed breach or breach of the Bonds, the Trust Deed, the Deed of Guarantee, the Standby Letter of Credit and/or the Agency Agreement (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 holders of the Bonds will not be materially prejudiced thereby.

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

In certain circumstances (including without limitation the giving of notice pursuant to Condition 10 (*Events of Default*) of the Terms and Conditions and the taking of any actions and/or steps and/or the instituting of any proceedings pursuant to Condition 14 (*Enforcement*) of the Terms and Conditions), the Trustee may (in its sole discretion) request the Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any actions and/or steps and or institutes any proceedings on behalf of Bondholders. The Trustee shall not be obliged to take any such actions and/or steps and/or institute any such proceedings if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions and/or steps can be taken and/or when such proceedings can be instituted. The Trustee may not be able to take actions and/or steps and/or institute such 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 and the Terms and Conditions of the Bonds and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such actions and/or steps and/or institute such proceedings directly.

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

Pursuant to the Deeds of Guarantee (as defined in the Terms and Conditions of the Bonds) executed by the Guarantor, the Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The Guarantor is required to submit the Deed of Guarantee for the Bonds with SAFE for registration in accordance with, and within 15

PRC Business Days (as defined in the Terms and Conditions of the Bonds) after the execution of the Deed of Guarantee for the Bonds as prescribed by the Cross-Border Security Provisions. There are instances where some local SAFEs do not allow the registration of the deed of guarantee when the bonds are backed by a standby letter of credit. As the Bonds are backed by the Standby Letter of Credit issued by the LC Bank, there is a possibility that the SAFE may not entertain the Guarantor's registration request. As provided by the Cross-Border Security Provisions, although the non-registration does not render the Guarantee ineffective or invalid under PRC law, SAFE may impose penalties on the Guarantor if registration is not carried out within the stipulated time frame. In addition, if the Guarantor fails to complete the SAFE registration, there may be logistical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of SAFE registration in connection with the Deed of Guarantee for the Bonds.

Gains on the transfer of the Bonds and interest payable by the Issuer to overseas Bondholders may be subject to income tax and value-added tax under PRC tax laws.

Under the Enterprise Income Tax Law of the PRC (2018 Revised) (the "EIT Law") effective 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 incomes derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate 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.

Pursuant to the EIT Law, the PRC Individual Income Tax Law (2018 Revised) (the "IIT Law") effective on 1 January 2019, and the implementation regulations in relation to both the EIT Law and 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).

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 (Caishui [2016] No. 36) ("Circular 36"), amended on 11 July 2017 and effective on the same date and further amended on 20 March 2019 and effective on 1 April 2019, which introduced a new value-added tax ("VAT") from 1 May

2016. VAT is applicable where entities or individuals provide services within the PRC. The issuance of the Bonds is likely to be treated as the Bondholders providing the loans to the Issuer, which thus shall be regarded as the financial services for VAT purposes. Therefore, the Bondholders may be regarded as providing the financial services within the PRC and consequently, the Issuer may be obligated 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 of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. The interpretation and enforcement of Circular 36 together with other laws and regulations pertaining to VAT involve uncertainties.

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

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

The Bonds will be represented by beneficial interests in the Global Certificate. Such Global Certificate will be registered in the name of a nominee for, and deposited with, a common depository for Euroclear and Clearstream (the "**Clearing Systems**"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Certificates. The Clearing 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 Guarantor will discharge its payment obligations under the Bonds by making payments to the relevant Clearing System for distribution to their accountholders with an interest in the Bonds.

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. None of the Issuer, the Guarantor, the Group, the Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank 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 any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Bondholders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such Bondholders 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 Certificates be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more minimum specified denominations. If definitive Certificates 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 Issuer may issue additional Bonds in the future.

The Issuer may, from time to time, and without prior consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all material respects (or in all material respects save for the issue date, first payment of interest on them and the timing for compliance with the Registration Conditions, for completing the Foreign Debt Registration (see Condition 16 (*Further Issues*) of the Terms and Conditions)) or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

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.

The LC Bank's ability to perform its obligations under the Standby Letter of Credit is subject to the financial condition of the LC Bank and the registration of the Standby Letter of Credit with PRC regulatory authorities.

The ability of the LC Bank to make payments under the Standby Letter of Credit will depend on its financial condition, which could be materially and adversely affected by a number of factors. For example, the LC Bank's results of operations have been and will continue to be negatively affected by its impaired loans. If the LC Bank is unable to effectively control and reduce the level of impaired loans and advances in its current loan portfolio and in new loans the LC Bank extends in the future, or the LC Bank's allowance for impairment losses on loans and advances is insufficient to cover actual loan losses, the LC Bank's financial condition could be materially and adversely affected. In addition, a substantial portion of the LC Bank's loans is secured by collateral, or 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 also be materially and adversely affected.

The abilities of the LC Bank to honor the obligations and the Standby Letter of Credit is, to a certain extent, subject to registration of the Standby Letter of Credit. If the LC Bank is not able to register the Standby Letter of Credit, there may be logistical hurdles when honoring its obligations under the Standby Letter of Credit.

The Standby Letter of Credit expires within certain days after the Maturity Date.

The Standby Letter of Credit will expire within certain days after the Maturity Date. In the event that the Trustee does not enforce the Standby Letter of Credit 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.

The Bonds may not be a suitable investment for all investors seeking exposure to green or social assets.

The Issuer has developed its Green Finance Framework (the “**Green Finance Framework**”) and intends to adopt certain obligations with respect to the issue of the Bonds as described in the section headed “*Green Finance Framework*”. An amount equal to the net proceeds from the offering of the Bonds will be allocated to refinance the Eligible Green Projects as defined in the Green Finance Framework. The Issuer cannot guarantee that it will be able to comply with the obligations as set out in the Green Finance Framework. However, it will not be an event of default under the Conditions if the Group fails to comply with such obligations. Such failure may affect the value of the Bonds and/or may have consequences for certain investors with portfolio mandates to invest in green or social assets meeting the criteria set out in “*Green Finance Framework*”. Therefore, the Bonds may not be a suitable investment for all investors seeking exposure to green or social assets.

The Issuer has engaged S&P Global Rating, an external reviewer that specializes in rating environmental and corporate governance performance, to provide a second party opinion (the “**Second Party Opinion**”) on its Green Finance Framework and to confirm the alignment with the various principles described in the “*Green Finance Framework*”. The criteria for S&P Global Rating’s procedures are the Green Bond Principles 2021 released by International Capital Market Association and Green Bond Endorsed Projects Catalogue (2021 Edition) or as they may be subsequently updated. The Second Party Opinion is not incorporated into, and it does not form part of, this Offering Circular. The Second Party Opinion is not a recommendation to buy, sell or hold securities and are only current as of its date of issue and are subject to certain disclaimers set out therein. Furthermore, the Second Party Opinion is for information purposes only and none of the Joint Lead Managers or the Agents or any of their respective directors, officers, employees, representatives, advisers, agents or affiliates or any person who controls any of them accepts any form of liability for the substance of the Second Party Opinion and/or any liability for loss arising from the use of the Second Party Opinion and/or the information provided in it.

There is currently no market consensus on what precise attributes are required for a particular project to be defined as “green,” and therefore no assurance can be provided to potential investors that the eligible projects will continue to meet the relevant eligibility criteria. Although eligible projects are expected to be selected in accordance with the categories described in the Green Finance Framework and are expected to be developed in accordance with applicable legislation and standards, there can be no guarantee that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and/or operation of any such projects. Where any negative impacts are insufficiently mitigated, projects may become controversial, and/or may be criticised by activist groups or other stakeholders.

While the Issuer intends to use the proceeds from the issuance of the Bonds in accordance with the Green Finance Framework, it would not be an event of default under the Conditions if it were to fail to comply with such obligations or were to fail to use the net proceeds in the manner specified in this Offering Circular and/or the Second Party Opinion and/or any other certification were to be withdrawn. Any failure to use the net proceeds in the manner specified in this Offering Circular, and/or any failure to meet, or to continue to meet, the investment requirements of certain investors with environmental and/or

social concerns with respect to the Bonds, may affect the value and/or trading price of the Bonds, and/ or may have consequences for certain investors with portfolio mandates to invest in green or social projects. In the event that the Bonds are included in any dedicated “green”, “social”, “environmental”, “sustainable” or other equivalently-labelled index, no representation or assurance is given by the Issuer or any other person that such listing or admission, or inclusion in such index, satisfies any present or future investor expectations or requirements as regards to any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable laws or regulations or by its own constitutive documents or other governing rules or investment portfolio mandates. None of the Issuer, the Joint Lead Managers or the Agents or any of their respective directors, officers, employees, representatives, advisers, agents or affiliates or any person who controls any of them makes any representation as to the suitability or reliability for any purpose of the Second Party Opinion or any other certification or whether the Bonds fulfil, in whole or in part, the relevant environmental criteria or any present or future investor expectations or requirements.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to modification and 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 U.S.\$150,000,000 5.45 per cent. credit-enhanced guaranteed bonds due 2027 (the “**Bonds**”, which term shall include, unless the context requires otherwise, any additional bonds issued in accordance with Condition 16 and consolidated and forming a single series therewith) was authorised by the sole director of Haichuan International Investment Co., Ltd. (the “**Issuer**”) passed on 11 January 2024.

The Bonds are constituted by a trust deed (as amended and/or supplemented from time to time, the “**Trust Deed**”) dated on or about 5 February 2024 (the “**Issue Date**”) among the Issuer, Jiangsu Fangyang Group Co., Ltd. (江蘇方洋集團有限公司) (the “**Guarantor**”) and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) (the “**Trustee**” which expression shall, where the context so permits, include its successor(s) and 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 include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the certificates evidencing the Bonds.

The bonds have the benefit of a deed of guarantee dated on or about the Issue Date (as amended and/or supplemented from time to time, the “**Deed of Guarantee**”) entered into between the Guarantor and the Trustee relating to the Bonds. The giving of the Guarantee (as defined in Condition 3(b)) was authorised by a resolution of the board of directors of the Guarantor dated 27 June 2023 and a resolution of the shareholder of the Guarantor dated 8 July 2023.

The Bonds are the subject of an agency agreement (as amended and/or supplemented from time to time, the “**Agency Agreement**”) dated on or about 5 February 2024 relating to the Bonds among the Issuer, the Guarantor, the Trustee, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as registrar (the “**Registrar**”, which expression shall include any successor registrar appointed from time to time in connection with Bonds), as transfer agent (the “**Transfer Agent**”, which expression shall include any successor transfer agent appointed from time to time in connection with the Bonds), as principal paying agent (the “**Principal Paying Agent**”, which expression shall include any successor principal paying agent appointed from time to time in connection with the Bonds), as the account bank (in such capacity, the “**Pre-funding Account Bank**”, which expression shall include any successor) with which the Pre-funding Account (as defined below) is held and as the account bank (in such capacity, the “**LC Proceeds Account Bank**”, which expression shall include any successor, together with the Pre-funding Account Bank, the “**Account Banks**”) with which the LC Proceeds Account (as defined below) is held. The Bonds will have the benefit of an irrevocable standby letter of credit (the “**Standby Letter of Credit**”) dated on or before 5 February 2024 issued by Postal Savings Bank of China Co., Ltd. Lianyungang Branch (the “**LC Bank**”) in favour of the Trustee on behalf of itself and the holders of the Bonds.

For so long as any Bond is outstanding, copies of the Trust Deed, the Deed of Guarantee, the Agency Agreement and the Standby Letter of Credit are available for inspection by the Bondholders (as defined below) at all reasonable times during usual 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 specified office of the Principal Paying Agent (being as at the Issue Date at 3/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong) following prior written request and proof of holding and identity to the satisfaction of the Trustee or, as the case may be, the Principal Paying Agent. “**Agents**” means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time pursuant to the Agency Agreement with respect to the Bonds including their respective successors. The

Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Deed of Guarantee and are deemed to have notice of those provisions applicable to them of the Agency Agreement and the Standby Letter of Credit.

All capitalised terms that are not defined in these terms and conditions (these “**Conditions**”) will have the meanings given to them in the Trust Deed.

1. FORM, DENOMINATION AND TITLE

The Bonds are issued in registered form in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each a “**Specified Denomination**”).

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

Title to the Bonds shall pass by 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 evidencing it or the actual or alleged theft, destruction or loss of such Certificate and no person shall be liable for so treating the holder.

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

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

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

2. TRANSFERS OF BONDS

(a) **Transfer:** A holding of Bonds may, subject to Condition 2(d) and 2(e) and the Agency Agreement, 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) evidencing 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 require. In the case of a transfer of part only of a holding of Bonds evidenced by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred (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 the Bonds to a person who is already a holder of the Bonds, a new Certificate evidencing the enlarged holding shall only be issued against surrender of the Certificate evidencing the existing holding. All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning

transfers and registration of the 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 made available for inspection (free of charge to the Bondholders and at the Issuer's expense) by the Registrar to any Bondholder at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays)) following prior written request and satisfactory proof of holding and identity to the satisfaction of the Registrar. Bonds may not be transferred unless the principal amount of such Bonds to be transferred and (where not all of the Bonds held by a Holder are being transferred) the principal amount of the balance of such Bonds not being transferred are equal to or more than the Specified Denomination.

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

- (b) **Delivery of New Certificates:** Each new Certificate to be issued upon transfer of any Bonds pursuant to Condition 2(a) shall be made available for delivery within seven business days of receipt by the Transfer Agent or the Registrar of a duly completed and signed 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 or surrender of such form of transfer and Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as such Transfer Agent or the Registrar may specify. In this Condition 2(b), “**business day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- (c) **Transfer or Exercise Free of Charge:** Certificates, on transfer, exercise of an option or redemption of the Bonds, shall be issued and registered without charge to the relevant Bondholder by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon (i) payment by the relevant Bondholder of any tax, assessments, duties or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent may require in respect thereof); (ii) the Registrar or the relevant Transfer Agent (as the case may be) being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the Registrar or the relevant Transfer Agent (as the case may be) 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, premium or interest in respect of that Bond, (ii) after the Certificate evidencing any such Bond has been surrendered for redemption pursuant to Condition 7(c), (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 8(a)(ii)), or (iv) after notice of redemption has been given pursuant to Condition 7(b).

3. STATUS AND GUARANTEE

- (a) **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 at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

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

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**") 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 has 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 these Conditions.

Such drawing on the Standby Letter of Credit will be payable in immediately available and cleared funds 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.

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

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, the Guarantee, the Agency Agreement and/or any other transaction documents relating to the Bonds 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, the Guarantee and/or the Agency Agreement.

The LC Bank's liability under the Standby Letter of Credit shall be expressed and payable in U.S. dollars and shall not exceed U.S.\$155,087,500 in aggregate (the "**Maximum Limit**"), an amount representing only (i) the aggregate principal amount of the Bonds plus interest payable for one Interest Period (as defined in Condition 6) and (ii) U.S.\$1,000,000 being the maximum amount payable under the Standby Letter of Credit for any fees, costs, expenses, indemnity payments and all other amounts payable by the Issuer and the Guarantor under these Conditions or in connection with the Bonds, the Deed of Guarantee, the Trust Deed, the Agency Agreement and/or any other transaction documents relating to the Bonds. The Standby Letter of Credit takes effect from the Issue Date and shall not be prior to the issuance date of the Standby Letter of Credit. The Standby Letter of Credit shall remain valid and in full force until 5:30 p.m. (Beijing time) on 4 March 2027 (the "**Expiry Time**"),

and shall expire at the place of the LC Bank, when all the LC Bank's obligations under the Standby Letter of Credit will cease with no further liability on the LC Bank's part except for any complying Demand validly presented under the Standby Letter of Credit before the Expiry Time that remains unpaid.

- (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, on or prior to 10:00 am (Hong Kong time) the Business Day falling ten 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 or e-mail (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 and the Principal Paying Agent 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) send the notice substantially in the form set out in Schedule 6 of the Agency Agreement (the “**Pre-funding Failure Notice**”) to the Bondholders by the second Business Day immediately following the Pre-funding Date of (a) the Pre-funding Failure and (b) the redemption of the Bonds in accordance with Condition 7(d) to occur as a result of the Pre-funding Failure; and
- (B) by no later than 6:00 p.m. (Hong Kong time) on the second Business Day immediately following the Pre-funding Date issue a Demand to the LC Bank for the principal amount in respect of all of the Bonds then outstanding, together with interest accrued to, but excluding, the Mandatory Redemption Date (as defined in Condition 7(d)) and all fees, costs, expenses, indemnity payments and all other amounts payable by the Issuer under or in connection with the Bonds, the Agency Agreement, the Trust Deed and/or any other transaction document relating to the Bonds, *provided that*, in accordance with the terms of Standby Letter of Credit, the Trustee need not physically present the Demand to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT (provided that in the event that the SWIFT system is not available for any reason, the Trustee may instead present a Demand via email transmission).

Following receipt by the LC Bank of a Demand by 5:30 p.m. (Beijing time) presented by the Trustee in accordance with the Standby Letter of Credit on a Business Day on or after the

Issue Date and before the Expiry Time, the LC Bank shall by 10:00 a.m. (Beijing time) on the fourth Business Day (or, if such Demand is received after 5:30 p.m. (Beijing time) on a Business Day, the LC Bank shall by 10:00 a.m. (Beijing Time) on the fifth Business Day) immediately following the Business Day of receipt of such Demand, pay to or to the order of, the Trustee the amount in U.S. dollars specified in the Demand in immediately available and cleared funds to the account specified in the Demand.

Notwithstanding the Maximum Limit, all payments under the Standby Letter of Credit shall be made in U.S. Dollars and for value on the date specified in the Demand in immediately available and cleared funds without any deduction or withholding for or on account of tax, set-off, counter-claim or otherwise, unless and to the extent that any deduction or withholding for or on account of tax, set-off, counter-claim or otherwise is required by law, in which case, the LC 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 required by law.

The Trustee will not be liable to anyone in the event that the Standby Letter of Credit cannot be drawn for any reason, or if the amount paid under the Standby Letter of Credit is insufficient to repay all amount due under the Bonds, the Trust Deed, the Agency Agreement, and/or any other transaction document relating to the Bonds, and shall be entitled to rely conclusively without investigation on any Required Confirmations or any other confirmations or notifications from the Issuer, the Pre-funding Account Bank, the LC Proceeds Account Bank, the LC Bank and/or any Agent received by it and shall not be liable to any Bondholder or any other person for so relying upon such confirmations or notifications and shall not be responsible for any loss occasioned by acting on such confirmations or notifications. The Trustee is not required to physically hold the Standby Letter of Credit.

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 banks and foreign exchange markets are generally open for business in New York, Hong Kong and Beijing;

“**LC Proceeds Account**” means a non-interest bearing multi-currency account established in the name of the Trustee with the LC Proceeds Account Bank and designated for the purposes specified above;

“**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) each of the Issuer and the Guarantor is solvent; and

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

5. COVENANTS

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

- (i) the Guarantor will furnish the Trustee with (A) a Compliance Certificate of the Guarantor in English (on which the Trustee may rely conclusively as to such compliance) and a copy of the relevant Guarantor Audited Financial Reports within 150 days of the end of each Relevant Period prepared in accordance with the Accounting Standards for Business Enterprises in the PRC (“**PRC GAAP**”) (audited by a nationally or internationally recognised firm of independent accountants) and if such financial statements are in the Chinese language, together with an English translation of the same prepared by (aa) a nationally or internationally recognised firm of accountants or (bb) a professional translation service provider; together with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate and (B) a copy of the Guarantor Unaudited Financial Reports within 120 days of the end of each Relevant Period prepared on a basis consistent with the Guarantor Audited Financial Reports; and
- (ii) the Issuer will furnish the Trustee with a Compliance Certificate in English of the Issuer pursuant to the Trust Deed (on which the Trustee may rely conclusively as to such compliance) (a) within 150 days of the end of each financial year and (b) within 14 days of any request therefor from the Trustee.

The Trustee shall not be required to review the Audited Financial Reports, the Unaudited Financial Reports or any other financial report furnished or delivered to it as contemplated in this Condition 5(a) and, if the same shall not be in the English language, shall not be required to request or obtain or arrange for an English language translation of the same, and the Trustee shall not be liable to any Bondholder or any other person for not doing so.

(b) **Undertakings relating to the Guarantee:**

- (i) The Guarantor undertakes to use its best endeavours to file or cause to be filed with the State Administration of Foreign Exchange or its local counterpart (“**SAFE**”), the Guarantee within 15 PRC Business Days after the execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantee (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the “**Cross-Border Security Registration**”). The Guarantor shall use its best endeavours to complete the Cross-Border Security Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) and comply with all applicable PRC laws and regulations in relation to the Guarantee.
- (ii) The Guarantor shall as soon as reasonably practicable after receipt of (i) the registration certificate from SAFE (or any other document evidencing the completion of registration by the Guarantor issued by SAFE), or (ii) any record from the LC Bank evidencing the completion of the registration with SAFE by the LC Bank in connection with the issue of the Standby Letter of Credit, provide the Trustee with (1) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Guarantor confirming the completion of the Cross-Border Security Registration or, as the case may be, the completion of the LC Bank’s registration with SAFE in connection with the issue of the Standby Letter of Credit; and (2) a copy of the relevant SAFE registration certificate or any document evidencing the completion of the registration with SAFE by the Guarantor or, as the case may be, any document evidencing the completion of registration by the LC Bank (each certified in English as a true and complete copy of the original by an Authorised Signatory of the Guarantor) (the items in (1) and (2) collectively, the “**Registration Documents**”).

In addition, the Guarantor shall procure that within five PRC Business Days after the Registration Documents are delivered to the Trustee, the Issuer shall ensure that notice is given to the Bondholders (substantially in the form set out in the Trust Deed and in accordance with Condition 17) confirming the completion of the Cross-Border Security Registration or the completion of the LC Bank's registration with SAFE in connection with the issue of the Standby Letter of Credit.

The Trustee shall have no obligation or duty to monitor or ensure or in any way assist with the filing or registration of the Bonds or the Guarantee with SAFE or the NDRC Post-issue Filing or to verify the accuracy, completeness, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Filing and/or the information and documents filed with the NDRC in the course of the NDRC Post-issue Filing and/or the documents evidencing the NDRC Post-issue Filing (if any) or to procure that any certificate, confirmation, information or document filed with the NDRC in the course of the NDRC Post-issue Filing not in English is translated into English or, if any English translation of any document is provided or retained, to verify the accuracy of any English translation of any certificate, confirmation or document or to give notice to the Bondholders confirming the completion of the Cross-Border Security Registration and/or the NDRC Post-issue Filing, and shall not be liable to Bondholders or any other person for not doing so.

(c) **Undertakings in relation to NDRC:**

- (i) The Guarantor undertakes to file or cause to be filed with the NDRC the requisite information and documents in relation to the issue of the Bonds within ten PRC Business Days after the Issue Date in accordance with the Administrative Measures for the Review and Registration of Medium- to Long-Term Foreign Debt of Enterprises (企業中長期外債審核登記管理辦法 (中華人民共和國國家發展和改革委員會令第56號)) (the “**NDRC Circular 56**”) issued by NDRC on 5 January 2023 which came into effect on 10 February 2023, and any implementation rules as issued by the NDRC from time to time (the “**NDRC Post-issue Filing**”) and (ii) make other appropriate post-issuance disclosures, registrations and filings in connection with the Bonds from time to time as required by applicable laws and regulations of the PRC including but not limited to the NDRC Circular 56.
- (ii) The Guarantor shall complete the NDRC Post-issue Filing and provide such document(s) filed with the NDRC within the prescribed timeframe and shall comply with all applicable PRC laws and regulations in connection with the Bonds. The Guarantor shall within ten PRC Business Days after submission of such NDRC Post-issue Filing provide the Trustee with a certificate in English in substantially the form scheduled to the Trust Deed signed by any Authorised Signatory of the Guarantor confirming the submission of the NDRC Post-issue Filing (together with copies of the document(s) filed with the NDRC, each certified in English as a true and complete copy of the original by an Authorised Signatory of the Guarantor).

In addition, the Guarantor shall procure that within five PRC Business Days after the confirming the submission of the NDRC Post-issue Filing is delivered to the Trustee, the Issuer shall ensure that notice is given to the Bondholders (substantially in the form set out in the Trust Deed and in accordance with Condition 17) confirming the completion of the NDRC Post-issue Filing.

(d) **In these Conditions:**

“**Compliance Certificate**” means a certificate in English (substantially in the form set out in the Trust Deed) of each of the Issuer and the Guarantor (as the case may be) signed by any

one of their respective Authorised Signatories that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer or the Guarantor (as the case may be) as at a date (the “**Certification Date**”) not more than five days before the date of the certificate:

- (i) no Event of Default or Potential Event of Default has occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event has occurred, giving details of it; and
- (ii) the Issuer or the Guarantor (as the case may be) has complied with all its obligations under the Trust Deed, the Deed of Guarantee and the Bonds;

“**Guarantor Audited Financial Reports**” means, for a Relevant Period, the annual audited consolidated financial statements of the Guarantor, which comprise the consolidated balance sheet, the consolidated income statement, the consolidated cashflow statement and the consolidated statement of changes in owners’ equity of the Guarantor together with the corresponding auditors’ audit report and notes to the financial statements prepared in accordance with the PRC GAAP;

“**Guarantor Unaudited Financial Reports**” means the semi-annual unaudited consolidated financial statements of the Guarantor, which comprise the consolidated balance sheet, the consolidated income statement and the consolidated cashflow statement of the Guarantor prepared on a basis consistent with the PRC GAAP;

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

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

“**Potential Event of Default**” means an event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 10 become an Event of Default;

“**PRC**” means the People’s Republic of China which, for the purposes of these Conditions, shall not include Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;

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

“**Relevant Period**” means, in relation to the Guarantor Audited Financial Reports, each period of twelve months ending on the last day of their respective financial year (being 31 December of that financial year) and, in relation to the Guarantor Unaudited Financial Reports, each period of six months ending on the last day of each six-month period of the financial year of the Guarantor (being 30 June of that financial year); and

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

accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person.

6. INTEREST

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 5.45 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.\$27.25 per Calculation Amount (as defined below) on 5 February and 5 August each year (each an “**Interest Payment Date**”), commencing on 5 August 2024.

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal or premium (if any) is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, 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 5 February 2027 (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 Tax Reasons:** The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice (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 (or, if the Guarantee was called, the Guarantor) satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer has (or, if the Guarantee were called, the Guarantor) has or would 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 British Virgin Islands (the “**BVI**”) or the PRC or, in each case, any political subdivision or any authority thereof or therein having power to

tax, or any change in the application or official interpretation of such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 29 January 2024, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due.

Prior to the giving of any Tax Redemption Notice pursuant to this Condition 7(b), the Issuer (or the Guarantor, as the case may be) shall deliver to the Trustee (A) a certificate in English signed by any Authorised Signatory of the Issuer (or of the Guarantor, as the case may be) stating that the obligation referred to in Condition 7(b)(i) above cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and (B) an opinion of legal counsel or a tax consultant, in either case, of recognised standing with respect to taxation matters of the BVI or the PRC, as the case may be, addressed to and in form and substance satisfactory to the Trustee stating that the requirement to pay such Additional Tax Amounts arises as a result of such change or amendment referred to above in this Condition 7(b). The Trustee shall be entitled (but shall not be obliged to) to accept and rely conclusively upon such certificate and opinion as sufficient evidence (without further investigation or query and without liability to the Bondholders or any other person) of the satisfaction of the condition precedent set out in Condition 7(b) above, in which event the same 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 conclusively without investigation on such certificate or opinion. All Bonds in respect of which any Tax Redemption Notice is given under this Condition 7(b) shall be redeemed on the date specified in such notice in accordance with this Condition 7(b) in which event the same shall be conclusive and binding on the Bondholders, and the Trustee shall have no liability to the Issuer, any Bondholder or any other person for so accepting and relying conclusively 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) or any Put Exercise Notice under Condition 7(c) and none of them shall be liable to the Bondholders, the Issuer, the Guarantor or any other person for not doing so.

- (c) **Redemption for Change of Control:** At any time following the occurrence of a Change of Control, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of such holder's Bonds on the Put Settlement Date at 100 per cent. of their principal amount, together 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 Change of Control, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with this Condition 7(c) and Condition 17. The "**Put Settlement Date**" shall be the fourteenth Business Day after the expiry of such period of 30 days as referred to above in this Condition 7(c).

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

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

Neither the Trustee nor the Agents shall be required to monitor whether a Change of Control or any event which could lead to the occurrence of a Change of Control has occurred and none of them shall be liable to Bondholders or any other person for not doing so. Each of them shall be entitled to assume that no such event has occurred until it have received written notice to the contrary from the Issuer.

For the purposes of these Conditions:

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

- (i) (x) the Lianyungang Municipal Government, and (y) any other person directly or indirectly controlled by Jiangsu Provincial Government or the central government of the PRC, together cease to directly or indirectly hold or own 100 per cent. of the issued share capital of the Guarantor; or
 - (ii) the Guarantor ceases to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer.
- (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 then outstanding shall be redeemed in whole, but not in part, at their principal amount in accordance with this Condition 7(d) on the Put Settlement Date, together with interest accrued 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 Guarantor, the Issuer and their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Guarantor, the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of, among other things, calculating quorums at meetings of the Bondholders or for the purposes of Conditions 9, 12(a) and 13.
- (f) **Cancellation:** All Certificates evidencing Bonds which are (i) redeemed or (ii) purchased by or on behalf of the Issuer, the Guarantor or their respective Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Bonds shall be discharged.

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 Paying 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, on the due date for payment, to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Bond shall be made in U.S. dollars by transfer to the registered account of the Bondholder. For the purposes of this Condition 8(a), a Bondholder’s “**registered account**” means the U.S. dollar account maintained by or on behalf of it with a bank that processes payments in U.S. dollars, 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 the relative Bond(s), the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear Bank SA/NV, Clearstream Banking S.A. 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 Fiscal Laws:** Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 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. No commission or expenses shall be charged to the Bondholders in respect of such payments.
- (c) **Payment Initiation:** Payment instructions (for value on the due date or, if that is not a Payment Business Day, for value on the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment Business Day), or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of the 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 the Guarantor and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer and the Guarantor reserve the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, any Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar with a specified office outside the United Kingdom, (iii) a Transfer Agent and (iv) such other agents as may be required by the stock exchange on which the Bonds may be listed, in each case, as approved 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.

- (e) **Delay in Payment:** Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).
- (f) **Non-Payment Business Days:** If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 8, “**Payment Business Day**” means a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are generally open for business in Hong Kong, London and New York City, the place in which the specified office of the Principal Paying Agent is located and (if presentation or surrender of the relevant Certificate is required) the relevant place of presentation.

9. TAXATION

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

Where such set-off, counterclaim, withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC at a rate up to and including the aggregate rate applicable on 29 January 2024 (the “**Applicable Rate**”), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such set-off, counterclaim, withholding or deduction been required.

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

- (a) **Other connection:** to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the BVI or the PRC other than the mere holding of the Bond; or
- (b) **Surrender more than 30 days after the Relevant Date:** in respect of which the Certificate evidencing it is presented (where presentation is required) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate evidencing such Bond for payment on the last day of such period of 30 days.

In these Conditions, “**Relevant Date**” in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date which is fourteenth Business Days (as defined in Condition 4(b)) 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.

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

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, assessment, governmental charge, 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, and none of them shall be responsible or liable for any failure by the Issuer, the Guarantor, any Bondholder or any third party to pay such taxes, duties, assessments, governmental charges, withholding or other payment in any jurisdiction or be responsible to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, assessment, governmental charge, withholding or other payment imposed by or in any jurisdiction.

10. EVENTS OF DEFAULT

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

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

- (i) **Non-Payment:** there is a failure to pay (i) any interest on the Bonds and such failure continues for a period of seven days; or (ii) the principal of or any premium on any of the Bonds when due; or
- (ii) **Breach of Other Obligations:** the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Bonds, the Guarantee, the Trust Deed, (other than a Change of Control which gives rise to a right of redemption pursuant to Condition 7(c)) which default (i) in the opinion of the Trustee is incapable of remedy, or (ii) in the opinion of the Trustee being a default which is capable of remedy, remains unremedied for 30 days after written notice of such default is given to the Issuer and the Guarantor 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-Default:** (i) any other present or future indebtedness of the Issuer, the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer, the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(a)(iii) have occurred equals or exceeds U.S.\$40,000,000 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 a material part of the property, assets or revenues of the Issuer, the Guarantor or any Principal Subsidiary and is not discharged or stayed for a period of 30 days; or
- (v) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any Principal Subsidiary 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 for a period of 30 days); or

- (vi) **Insolvency:** the Issuer, the Guarantor or any Principal Subsidiary 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 any agreement for the deferral, rescheduling or other readjustment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Issuer, the Guarantor, or any Principal Subsidiary, as the case may be; or
- (vii) **Winding-up:** an order of any court of competent jurisdiction is made or an effective resolution is passed for the winding-up or dissolution of the Issuer or the Guarantor or any Principal Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, (ii) in the case of any Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or the Guarantor (as the case may be) or another of their respective Subsidiaries, or (iii) a disposal of or by a Principal Subsidiary at Fair Market Value and the net proceeds from such disposal shall be transferred to or otherwise vested in the Guarantor 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 assets of the Issuer, the Guarantor or any Principal Subsidiary which individually or in aggregate would have a material adverse impact on the ability of the Issuer and/or the Guarantor to perform and comply with their respective obligations under the Bonds, the Guarantee and the Trust Deed; 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 (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Guarantee, the Agency Agreement and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Trust Deed, the Agency Agreement and the Deed of Guarantee admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or
- (x) **Illegality:** it is or will become unlawful for any of the Issuer and the Guarantor to perform or comply with any one or more of their respective obligations under any of the Bonds, the Guarantee or the Trust Deed; or
- (xi) **Unenforceability of Guarantee:** except as permitted under the Deed of Guarantee, any part of the Guarantee is unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by the Issuer or the Guarantor; or

- (xii) **Standby Letter of Credit:** the Standby Letter of Credit is not (or is claimed by the LC Bank not to be) enforceable, valid or in full force and effect; or
- (xiii) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Conditions 10(a)(i) to 10(a)(xii), both inclusive.

In this Condition 10(a):

“Fair Market Value” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by such seller; and

“Principal Subsidiary” means any Subsidiary of the Guarantor:

- (a) whose operating revenue (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries), whose net profit (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has consolidated Subsidiaries) represent not less than five per cent. of the consolidated operating revenue, consolidated net profit or, as the case may be, the consolidated total assets of the Guarantor and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest Guarantor Audited Financial Reports, provided that:
 - (i) in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated financial statements of the Guarantor relate for the purpose of applying each of the foregoing tests, the reference to the Guarantor’s latest audited consolidated financial statements shall be deemed to be a reference to such audited financial statements as if such Subsidiary had been shown therein by reference to its then latest relevant audited financial statements, adjusted as deemed appropriate by the auditor for the time being, after consultation with the Guarantor;
 - (ii) if at any relevant time in relation to the Guarantor or any Subsidiary no financial statements are prepared and audited, its operating revenue, net profit and total assets (consolidated, if applicable) shall be determined on the basis of pro forma 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 of this definition) are not consolidated with those of the Guarantor, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements (determined on the basis of the foregoing) of the Guarantor; or
- (b) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Principal Subsidiary, whereupon (i) in the case of a transfer by a Principal Subsidiary, the transferor Principal Subsidiary shall immediately cease to be a Principal Subsidiary; and (ii) the transferee Subsidiary shall immediately become a Principal Subsidiary,

provided that on or after the date on which the relevant audited financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined pursuant to the provisions of sub-paragraph (a) above of this definition. A statement in writing by any Authorised Signatory of the Guarantor that in its opinion (making such adjustments (if any) as he or she shall deem appropriate) a Subsidiary is or is not or was or was not at any particular time or during any particular period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Guarantor, the Trustee, the Agents and the Bondholders.

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

- (i) **Cross-Default:** any other present or future Public External Indebtedness of the LC Bank or any LC Bank Subsidiary becomes due and payable prior to its stated maturity by reason of any default, event of default or the like (howsoever described) in respect of the terms thereof, or any such Public External Indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, provided that the aggregate amount of the relevant Public External Indebtedness in respect of which one or more of the events mentioned above in this Condition 10(b)(i) have occurred equals or exceeds U.S.\$30,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 10(b)(i) operates); or
- (ii) **Insolvency:** the LC Bank or any Material Subsidiary 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 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 all or a material part of its debts; or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the LC Bank or any Material Subsidiary; or
- (iii) **Winding-up:** an order is made or an effective resolution is passed for the winding-up or dissolution or administration of the LC Bank or any Material Subsidiary, or the LC Bank ceases to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (X) on terms approved by an Extraordinary Resolution of the Bondholders, or (Y) in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the LC Bank or an LC Bank Subsidiary; or
- (iv) **Illegality:** it is or will become unlawful for the LC Bank to perform or comply with any one or more of its obligations under the Standby Letter of Credit, and the LC Bank fails to obtain the necessary waiver or approval or complete such other necessary remedial action within 60 calendar days such that the LC Bank may lawfully perform such obligations; or
- (v) **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)(iv) (both inclusive).

In this Condition 10(b):

“**LC Bank Subsidiary**” means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the LC Bank.

“**Public External Indebtedness**” means any indebtedness of the LC Bank or any LC Bank Subsidiary, or any guarantee or indemnity by the LC Bank of indebtedness, for money borrowed which (i) is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is issued outside the PRC, 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 an LC Bank Subsidiary whose total assets or total revenue (consolidated in the case of an LC Bank Subsidiary which itself has subsidiaries) as at the date at which its latest audited financial statements were prepared or, as the case may be, for the financial period to which those audited financial statements relate, account for five per cent. or more of the consolidated assets or consolidated revenue of the LC Bank as at such date or for such period. If a Material Subsidiary transfers all of its assets and business to an LC Bank Subsidiary, the transferee shall become a Material Subsidiary and the transferor shall cease to be a Material Subsidiary on completion of such transfer.

A certificate signed by an authorised signatory of the LC Bank that an LC Bank 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 Guarantor, the Trustee and the Bondholders.

11. PRESCRIPTION

Claims against the Issuer and/or the Guarantor for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal or premium) 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 mutilated or defaced or is or is alleged to have been lost, stolen or destroyed, it may be replaced, subject to Applicable Law, 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, pre-funding and otherwise as (a) the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice) and (b) the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13. MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER

- (a) **Meetings of Bondholders:** The Trust Deed contains provisions for convening meetings of 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, the Deed of Guarantee or the Standby Letter of Credit. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee if requested in writing to do so by Bondholders holding

not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to it being indemnified and/or secured and/or pre-funded to its satisfaction against all fees, costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the Maturity Date 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, (v) to cancel or amend the Deed of Guarantee in a manner that is materially prejudicial to the interests of the Bondholders, or (vi) 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 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed and whether or not they voted in favour of such resolution).

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

*So long as the Global Certificate is held on behalf of Euroclear Bank SA/NV and Clearstream Banking S.A., or any other clearing system, a resolution may be passed by way of electronic consent through the electronic communication systems of the relevant clearing system in accordance with the Trust Deed on behalf of Holders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding (“**Electronic Consent**”). An Electronic Consent shall take effect as an Extraordinary Resolution. An Electronic Consent will be binding on all Bondholders, whether or not they participated in such Electronic Consent and even if the relevant consent instruction proves defective.*

- (b) **Modification of Agreements and Deeds:** The Trustee may, but shall not be obliged to, agree without the consent of the Bondholders to any modification to these Conditions, the Trust Deed, the Agency Agreement, the Deed of Guarantee or the Standby Letter of Credit which is, in its opinion, of a formal, minor or technical nature or to correct a manifest error or to comply with any mandatory provision of law. The Trustee may also so agree without the consent of the Bondholders to any modification to, and any waiver or authorisation of any breach or proposed breach of, the Trust Deed, these Conditions, the Agency Agreement, the Deed of Guarantee or the Standby Letter of Credit which is in its opinion not materially prejudicial to the interests of the Bondholders and 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, but such power does not extend to any such modification as is mentioned in the proviso to paragraph 3 of Schedule 3 of the Trust Deed. Any such modification, waiver or authorisation may be subject to such terms and conditions (if any) as the Trustee may determine and will be binding on the Bondholders and, unless the Trustee otherwise agrees, any such modification, waiver or authorisation will be notified by the Issuer, failing whom the Guarantor, to the Bondholders (if the Bonds remain rated, with a copy to the relevant rating agency) as soon as practicable thereafter in accordance with Condition 17. The Trustee may request, and may conclusively rely upon, any certificate signed by an Authorised Signatory and/or an opinion of counsel concerning the compliance with the above conditions in respect of any such modification, waiver, authorisation and/or amendment and shall not be liable to the Bondholders or any other person for such reliance.

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

14. ENFORCEMENT

The Trustee may at its sole discretion and without further notice, take any steps and/or actions and/or initiate any proceedings and/or other steps as it may think fit against or in relation to the Issuer and/or the Guarantor and/or the LC Bank to enforce payment of the Bonds after the Bonds have become due and payable or to declare the Bonds due and payable and, where appropriate, draw on the Standby Letter of Credit and/or take any steps and/or actions and/or institute proceedings against the LC Bank and enforce any of the terms under the Trust Deed, the Deed of Guarantee, the Standby Letter of Credit, the Agency Agreement and/or the Bonds, provided that the Trustee shall not be under any obligation to do any of the foregoing (other than the making of a Demand on the Standby Letter of Credit) unless it shall have been so requested in writing by the holders of at least 25 per cent. in aggregate principal amount of the Bonds then outstanding or shall have been so directed by an Extraordinary Resolution and unless, in any such case, it shall first have been indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any Applicable Law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power. The Trustee shall incur no liability to the Issuer, the Guarantor, the Bondholders or any other person for taking or refraining from taking such action in accordance with the instructions or any direction or request of the Bondholders. The Trustee shall be entitled to rely on any direction or instruction or request of Bondholders (whether given by Extraordinary Resolution or otherwise as contemplated or permitted by the Trust Deed and/or the Bonds). No Bondholder will be entitled to proceed directly against the Issuer, the Guarantor or the LC Bank unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

15. INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking steps and/or actions and/or instituting

proceedings its rights under the Trust Deed, the Agency Agreement, the Deed of Guarantee, the Standby Letter of Credit and/or these Conditions and in respect of the Bonds, or take any steps and/or actions and/or instituting proceedings and payment or taking other actions, unless first indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to be paid or reimbursed its fees, costs, expenses and indemnity payments and for any liabilities incurred by it in priority to the claims of Bondholders. The Trustee is entitled to (i) enter into business transactions with the Issuer, the Guarantor, the LC Bank and/or any entity related (directly or indirectly) to the Issuer, the Guarantor or the LC Bank without accounting for any profit, (ii) exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders and (iii) retain any profit made or any other amount or benefit received thereby or in connection therewith without accounting for such profits.

None of the Trustee or any of the Agents or the Account Banks shall be responsible for the performance by the Issuer, the Guarantor, the LC Bank and any other person appointed by the Issuer, the Guarantor or the LC Bank in relation to the Bonds of the duties and obligations on their part expressed under the Trust Deed, the Agency Agreement, the Deed of Guarantee or these Conditions and, unless it has express written notice from the Issuer, the Guarantor 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 any Agent or the Account Banks shall be liable to any Bondholder, the Issuer, the Guarantor, the LC Bank or any other person for any action taken by the Trustee or such Agent in accordance with the instructions, direction or at the request of the Bondholders. The Trustee and the Agents shall be entitled to rely on any direction, request or resolution of Bondholders given by Bondholders of the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed or passed as otherwise provided in the Trust Deed. Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement, the Deed of Guarantee or these Conditions to exercise any discretion or power, take or refrain from any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking or refraining from any such action, making any such decision, or giving any such direction, to seek directions from the Bondholders by way of an Extraordinary Resolution, and neither the Trustee nor any of its Agents is not responsible for shall be under any obligation to ascertain whether any Event of Default, Potential Event of Default, Pre-funding Failure or Change of Control has occurred or to monitor compliance by the Issuer, the Guarantor, the LC Bank with the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee, the Standby Letter of Credit or these Conditions, and shall not be liable to the Bondholders or any other person for not doing so. Neither the Trustee nor any of its Agents, Account Banks is responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking or refraining from such action, making such decision, or giving such direction where the Trustee is seeking such directions or in the event that no such directions are received.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Deed of Guarantee, the Agency Agreement, the Standby Letter of Credit or these Conditions to exercise any discretion or power, take or refrain from taking 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 taking 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 not be responsible for any loss or liability incurred by the Issuer, the Guarantor, the LC Bank, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking or refraining from taking such action, making such decision, or giving such direction or certification as a result of seeking such directions or in the event that no such direction or clarification is given to the Trustee by the Bondholders.

The Trustee may rely conclusively without liability to Bondholders, the Issuer, the Guarantor, the LC Bank or any other person on any report, confirmation, certificate or information from or any advice or opinion of any legal advisers, accountants, financial advisers, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee 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, certificate, information, advice or opinion and, in such event, such report, confirmation, certificate, information, advice or opinion shall be binding on the Trustee and the Bondholders and, to the extent provided or procured by the Issuer and/or the Guarantor, or the Issuer and/or the Guarantor expressly agreed to be bound by, on the Issuer and the Guarantor. The Trustee shall not be responsible or liable to the Issuer, the Guarantor, the LC Bank, the Bondholders or any other person for any loss occasioned by acting on or refraining from acting on any such report, confirmation, certificate, information, advice or opinion.

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, the Guarantor, the LC Bank and their respective Subsidiaries, 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 interest payment date, the timing for completing the NDRC Post-issue Filing, and making the notifications thereof) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds, *provided that*, (i) 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 interest which is payable for six months on such further bonds); 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 and be guaranteed by the Guarantor pursuant to a deed supplemental to the Deed of Guarantee or an additional deed of guarantee, as the case may be. References to the Standby Letter of Credit shall thereafter include such further, supplemental, replacement or amended standby letter of credit, and (ii) if the Bonds remain to be rated by a rating agency, such rating agency has been informed of such further issue by the Issuer.

17. NOTICES

Notices to the holders of Bonds shall be valid if mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday, Sunday or 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 or on different dates, on the first date on which such publication is made. Neither the Trustee nor the Agents have any duty to monitor or supervise any publication of notices of the Issuers on any stock exchange or other relevant authority on which the Bonds are for the time being listed.

So long as the Global Certificate is held on behalf of Euroclear Bank SA/NV and Clearstream Banking S.A., any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear Bank SA/NV and Clearstream Banking S.A. for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999, except to the extent expressly provided for in these Conditions and in the Trust Deed and without prejudice to the rights of Bondholders as contemplated in Condition 14.

19. GOVERNING LAW AND JURISDICTION

- (a) **Governing Law:** The Trust Deed, the Agency Agreement, the Deed of Guarantee, the Standby Letter of Credit and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with English law.
- (b) **Jurisdiction:** The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Deed of Guarantee, the Agency Agreement, the Trust Deed and the Standby Letter of Credit and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Deed of Guarantee, the Agency Agreement, the Trust Deed or the Standby Letter of Credit (“**Proceedings**”) may be brought in the courts of Hong Kong. Pursuant to the Trust Deed and the Deed of Guarantee, each of the Issuer and the Guarantor has irrevocably submitted to the jurisdiction of the courts of Hong Kong.
- (c) **Agent for Service of Process:** Pursuant to the Trust Deed and the Deed of Guarantee, each of the Issuer and the Guarantor has irrevocably appointed an agent in Hong Kong to receive service of process in any Proceedings in Hong Kong based on any of the Bonds, the Trust Deed and the Deed of Guarantee. If for any reason the Issuer or the Guarantor, as the case may be, ceases to have such an agent in Hong Kong, it will promptly appoint a substitute process agent and shall notify the Trustee of such replacement within 30 days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.
- (d) **Waiver of Immunity:** Each of the Issuer and the Guarantor hereby waives any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and irrevocably consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

USE OF PROCEEDS

The gross proceeds from this offering will be U.S.\$150,000,000. The Issuer intends to use the net proceeds from this offering, being the gross proceeds less commissions and other estimated expenses payable in connection with the offering, for refinancing its existing offshore debts. An amount equal to the net proceeds from the offering of the Bonds will be allocated to refinance the Eligible Green Projects as defined in the Green Finance Framework.

GREEN FINANCE FRAMEWORK

INTRODUCTION

The Company was established in April 2009. It is a wholly state-owned company funded by the Lianyungang Municipal People's Government, with a registered capital of RMB11 billion. It is an important industrial investment entity in the Lianyungang Xuwei New District (XND).

The Company is one of the important urban infrastructure construction and state-owned asset operation entities in Lianyungang City. It is mainly engaged in urban infrastructure construction, port logistics, public utility investment, park supporting services and other businesses within the XND. In accordance with the current guidelines of the State Council and Outline of the National Environmental Plan on environmental protection and the development of a low-carbon economy under the 14th Five Year Plan, the Company is committed to ensuring that its economic performance benefits the environment and society.

After 14 years of rapid development, the Company's asset scale has continued to expand, and its operating quality has continued to improve. In 2022, the Company's total assets has reached RMB104.4 billion with revenue of RMB16.191 billion, driven by a strong growth in the public service segment.

The Company intends to use net proceeds from the offering of the Bonds for the repayment of the principal amount of the Company's medium- and long-term offshore bonds due March 2024 in accordance with the Company's Green Finance Framework to refinance the Eligible Green Projects as defined in this green finance framework (the "**Green Finance Framework**"). The Green Finance Framework has received a "second party opinion" by S&P Global Rating.

GREEN FINANCE FRAMEWORK

The Company's Green Finance Framework has been developed to demonstrate how the Company intends to enter into green financing transactions (the "**Green Financing Transactions**"), including bonds, loans and other debt instruments, to fund environmental-friendly projects to support its business strategies and vision, which will conform to the green finance principles listed below:

- With respect to bonds: Green Bond Principles ("**GBP**") 2021 (with June 2022 Appendix 1) released by International Capital Market Association ("**ICMA**") and Green Bond Endorsed Projects Catalogue (2021 Edition);
- With respect to loans: Green Loan Principles (April 2023 edition) jointly published by the Loan Market Association, the Asia Pacific Loan Market Association and the Loan Syndications and Trading Association or as they may be subsequently amended ("**GLP**"); and
- With respect to other forms of financing: other sustainable or green finance principles as may have been established at the time of such financing transaction being undertaken.

In aligning with the above principles and guidelines, the Green Finance Framework consists of the following core components:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds

- Reporting
- External Review

Bond(s) issued under the Green Finance Framework may take the form of public transactions or private placements, in bearer or registered format, and may take the form of senior unsecured or subordinated issuances. Such bonds and loans issued under the Green Finance Framework will be standard recourse-to-the-issuer debt obligation and investors will not bear the credit risk of the underlying allocated eligible asset exposures. Green Financing Transactions may be done in any jurisdiction and market reflecting the Group’s current and future business needs.

USE OF PROCEEDS

The net proceeds raised under the Green Finance Framework or an amount equal to these net proceeds will be used exclusively to fund or refinance existing eligible green projects (“**Eligible Green Projects**”) that meet the below category of eligibility as recognized in the 2021 GBP (“**Eligible Criteria**”):

Eligible Green Projects

Eligible Green Project Category (SDG Mapping)	Eligible Criteria and Example of Eligible Green Projects	Environmental Benefits
<p>Green Buildings</p>  	<p>Acquisition, construction, maintenance and renovation of building that have received the below recognized green building certifications:</p> <ul style="list-style-type: none"> • Conform to Green Building Evaluation Standards (GB/T 50378) with one star or above or obtain U.S. Leadership in Energy and Environmental Design (LEED) — Gold grade or above; • Building and Construction Authority (BCA) Green Mark — Gold or above; • Meet the requirements of the “Near-Zero Energy Building Technical Standards” (GB/T 51350) • A maximum 3-year timeframe would be required for properties/buildings to obtain the green certification under this framework. All eligible properties or buildings will have a pre-design green certification. 	<p>GBP environmental objectives: Climate change mitigation, pollution prevention and control.</p> <p>Project Goals: To increase the use of renewable energy in the construction, maintenance, and renovation activities of green buildings. In order to comply with regional, national or internationally recognized standards or certifications for environmental performance, and to achieve harmonious coexistence between human and nature.</p>

Exclusion Criteria

In any case, eligible assets/projects exclude the type of activities listed in the latest International Finance Corporation (IFC) Exclusion List:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB’s, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions.
- Production or trade in alcoholic beverages (excluding beer and wine).

- Production or trade in tobacco.
- Gambling, casinos and equivalent enterprises.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length.
- Production or activities involving forced labor or child labor.
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.

PROCESS FOR PROJECT EVALUATION AND SELECTION

The Company has a robust internal control and policy mechanism to ensure environmental and social risks are identified and mitigated. It complies with the Energy Saving Regulation of the People's Republic of China (《中華人民共和國節約能源法》), the Energy Efficiency Standards for Public Buildings (《公共建築節能設計標準》), the Regulation for Green Construction (《建築工程綠色施工規範》) and other related policies and regulations enforcing sustainability considerations.

During the design stage, environmental impact assessments (“EIA”) will be conducted in accordance with the application regulations to identify environmental and social impact, controls and mitigation measures will be made to minimize the impact on environment. The assessment results will be recorded in the EIA report. During the construction stage, mitigation measures and protection of the eco-system are strictly implemented and monitored.

The Company has set up a Green Financing Working Group (the “GFWG”) to oversee all projects and select the Eligible Green Projects to be financed. The GFWG will comprise of General Manager and the senior members and representatives from the below departments, including:

- Finance Department
- Engineering Management Department
- Investment and Operation Department
- Contract Management Department
- Human Resources Department
- Asset Management Department
- Corporate Planning Department
- Safety and Environmental Protection Department

The GFWG may be supplemented or expanded with representatives from other relevant teams and has a standard process for project evaluation and selection. The GFWG will meet at least every 12 months and select eligible green projects according to the Eligible Green Projects Criteria in this framework and prioritize selecting projects that comply with the Energy Saving Regulation of People's Republic of China, the Green Building Evaluation Standard and other related policies and regulations enforcing sustainability considerations.

The GFWG will evaluate each project based on each its feasibility report. The feasibility report evaluates a project by assessing its investment necessity, feasibility in terms of both technical and financial aspects, the ratio of return against cost, potential social impact and metrics in the Eligible Criteria. The feasibility report will generally be issued by a third-party agent or a professional consultant team. The report scope will cover the process of identifying environmental and social risks in all stages related to green projects as well as the management solutions to address such risks. Moreover, the feasibility report will examine whether the related financial budget and construction plan is feasible in order for the project can be carried out.

A list of green projects will be provided to the GFWG, and GFWG will ensure the selected Eligible Green Projects to comply with environmental regulatory policy of the project site. GFWG then selects projects based on compliance, industry policy conformity, and completeness of relevant procedures, filing and legal documents.

Lastly, the GFWG will present the board of directors with a short-listed of green projects and wait for approval. The internal control of this process and the policies to address the risks above will be publicly available in the Company's annual report.

MANAGEMENT OF PROCEEDS

The proceeds from Green Financing Transactions will be managed by the GFWG and be deposited in the Company's funding accounts, which is a temporary cash account that keeps the unallocated proceeds in the form of cash deposits that will be used only on Eligible Green Projects when applicable. All net proceeds of an issuance will be allocated to Eligible Green Projects within two years. The GFWG will be committed to periodically adjusting the tracked net proceeds to match allocations to Eligible Green Projects during the time the instrument is outstanding. The expected look-back period for refinanced Eligible Green Projects will be three years. The GFWG will also maintain a register to keep track of the use of proceeds containing the following information:

- Information of Green Financing Transactions
- Issuer/borrower entity
- Transaction date
- Principal amount of proceeds
- Maturity date
- Interest or coupon
- ISIN number (if applicable)

Allocation of Use of Proceeds

- Name and description of Eligible Green Projects to which the proceeds have been allocated in accordance with the Green Finance Framework
- Project location

- Amount of investment (state currency)
- Date of investment
- Progress/construction status
- Environmental certification (including source and date)
- Energy Performance data (including source and date)
- The balance of unallocated proceeds
- Information of temporary investment for unallocated proceeds

REPORTING

The Company is committed to providing the proceeds allocation report and environment impact report, which will be approved by the GFWG. Both allocation report and environment impact report will be disclosed once a year. The allocation report will be disclosed until all the net proceeds are being allocated to Eligible Green Projects. Such information will be available on the Company’s website or included in the annual report including but not limited to the following:

Allocation Reporting

- The aggregate amount allocated to various Eligible Green Projects
- The remaining balance of funds which have not yet been allocated and type of temporary investment
- Share of financing vs. refinancing
- Examples of Eligible Green Projects and brief description of the Eligible Green Projects which Bond proceeds have been allocated (subject to confidentiality disclosures)

Impact Reporting

The Company is committed to reporting on the expected and actual environmental and social impacts associated with the Eligible Green Projects funded with the proceeds. The impact report will continuously be disclosed until all the net proceeds are being allocated to Eligible Green Projects. Subject to the nature of Eligible Green Projects and the availability of information, the report will include, but not limited to, the following Impact Indicators:

GBP category	Impact Indicators
Green Buildings	<ul style="list-style-type: none"> • Level of certification by property • Energy efficiency gains in MWh or percentage vs baseline • Estimated avoided GHG emissions (tCO₂eq) • Annual energy savings (MWh pa) • Annual absolute (gross) water saving in m³/a

External Review

The Company has engaged S&P Global Ratings as the external reviewer to evaluate the appropriateness of the Green Finance Framework, and alignment with the GBP and the GLP. The assessment result document(s) will be available on Company’s website.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated total indebtedness and total capitalisation of the Guarantor as at 30 June 2023 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:

	As of 30 June 2023			
	Actual		As adjusted	
	(RMB'000) (reviewed)	(USD'000) ⁽¹⁾ (unreviewed)	(RMB'000) (unreviewed)	(USD'000) ⁽¹⁾ (unreviewed)
Short-term indebtedness				
Short-term loan	5,298,849	730,745	5,298,849	730,745
Non-current liabilities due within one year	6,698,433	923,756	6,698,433	923,756
Other current liabilities	3,711,370	511,821	3,711,370	511,821
Total short-term indebtedness	15,708,652	2,166,322	15,708,652	2,166,322
Long-term indebtedness				
Long-term loan	34,138,290	4,707,886	34,138,290	4,707,886
Bonds payable	8,184,010	1,128,627	8,184,010	1,128,627
Financial leasing ⁽²⁾	1,632,479	225,129	1,632,479	225,129
Bonds to be issued ⁽³⁾	–	–	1,087,695	150,000
Total long-term indebtedness	43,954,779	6,061,644	45,042,474	6,211,644
Total indebtedness⁽⁴⁾	59,663,431	8,227,967	60,751,126	8,377,967
Total owners' equity	35,787,643	4,935,342	35,787,643	4,935,342
Total capitalisation⁽⁵⁾	95,451,074	13,163,311	96,538,769	13,313,311

Notes:

- (1) For convenience only, all translations from Renminbi into U.S. dollars are made at the rate of RMB7.2513 to U.S.\$1.00, based on the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York on 30 June 2023.
- (2) See note V — 34.2 (Notes to the Main Items of the Financial Statements — Long-term payable) to the Guarantor's Financial Statements.
- (3) This amount represents the aggregate principal amount of the Bonds to be issued, before deducting the fees and commissions, offering discounts and other expenses payable by the Issuer in connection with the issuance of the Bonds.
- (4) Total indebtedness equals the sum of short-term indebtedness and long-term indebtedness.
- (5) Total capitalisation equals the sum of total indebtedness and total equity.

Since 30 June 2023, the Group has incurred additional indebtedness to satisfy its capital needs. In particular, in July 2023, the Group issued RMB660 million 4.25 per cent. corporate bonds with a tenor of two years; in August 2023, the Group issued RMB700 million 3.20 per cent. super short-term financing bonds with a tenor of 270 days, RMB1.0 billion 3.27 per cent. short-term corporate bonds with a tenor of one year, and RMB550 million 2.87 per cent. super short-term financing bonds with a tenor of 140 days; in November 2023, the Group issued RMB1.0 billion 3.34 per cent. short-term corporate bonds with a tenor of one year and RMB450 million 2.99 per cent. short-term financing bonds with a tenor of one year, and in December 2023, the Group issued RMB600 million 3.90 per cent. mid-term notes with a tenor of two years. The Group will continue to seek external capital on favourable terms to fund its business operations and expansion and to optimise its debt structure.

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

DESCRIPTION OF THE LC BANK

The information included below is for information purposes only and is based on, or derived or extracted from, among other sources, publicly available information. The Issuer and the Guarantor have taken reasonable care in the compilation and reproduction of the information. None of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank, 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 Guarantor, the Joint Lead Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank, 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 Postal Savings Bank of China Co., Ltd. Lianyungang Branch as the LC Bank. Under PRC laws, the LC Bank is not a separate and independent legal person but has capacity to carry on its activities within its scope of authorisation given by Postal Savings Bank of China Co., Ltd. (the “**Bank**”), and if the assets of the LC Bank are not sufficient to meet the obligations of the LC Bank under the Standby Letter of Credit, the Bank would have an obligation to satisfy the balance of the obligations under the Standby Letter of Credit.*

OVERVIEW

With approximately 40,000 outlets and services covering over 650 million personal customers, the Bank leverages its advantage of unique model featuring directly-operated outlets and agency outlets to serve Sannong customers, urban and rural residents and small and medium enterprises. It has shown its superior asset quality and significant development potential, and is a leading retail bank in China.

The Bank is committed to serving the real economy, actively implementing the national development strategy and supporting the development of the modern economic system of China, and strives for sustainable development. The Bank adheres to the customer-centric philosophy and has established a financial service system where online and offline services connect with each other for joint development, providing our customers with quality, convenient and efficient integrated financial services. It adheres to the risk-based approach, continuously improves the development of the comprehensive risk management system featuring “all aspects, whole process and entire staff”, and maintains good asset quality. It stays committed to its mission of “covering both urban and rural areas and delivering services to the broad public” by providing inclusive financial services; embraces the trend of residents’ wealth growth and consumption upgrade and develops wealth finance; supports the country’s industrial structural transformation and upgrade by developing industry finance; and implements major plans for peaking carbon dioxide emissions and achieving carbon neutrality to develop green finance. The Bank aims to empower high-quality development via financial technology and build a digital ecology bank serving the new urbanisation and rural revitalisation strategy.

After 16 years of dedicated efforts, the Bank has been playing an increasingly important role in the market with marked influence. It has been rated “A+” and “A1” by Fitch and Moody’s Investors Service respectively, which are the same as China’s sovereignty credit rating. It has been rated “A”, “AAAspc” and “AAA” with a stable outlook by S&P Global Ratings, S&P Global (China) Ratings and CCXI, respectively.

BUSINESS OVERVIEW

The Bank’s principal businesses include personal banking and corporate banking.

Personal Banking

Personal banking is the Bank's strategic core business for building it into a first-tier large retail bank. In adherence to the business strategy featuring retail banking as the key driver with coordinated development of wholesale banking, the Bank continues to grow in size and optimise the business structure while constantly improving customer experience so as to strengthen its leading position in the market and give full play to its strengthen its leading position in the retail banking business.

Retail Banking Business

The Bank has fully leveraged its advantage in resources to focus on comprehensive services to individual customers. It makes full use of technology and data, developed targeted marketing tools based on scenarios to reach its customer online and offline in all aspects, and boosted customer engagement. By utilising big data, the Bank consolidates its customer base, enriched the tagging system and empowered the targeted marketing by branches and sub-branches with the CRM platform to increase the assets of existing individual customers. By product portfolio design, differentiated customisation and customer benefits package assignment, the Bank upgrades the customer service system and continuously enhances its capability to retain and expand customers.

The Bank provides integrated comprehensive financial services including personal deposit services, credit card services, and personal settlement services to approximately 650 million customers through all channels.

Wealth Management

The Bank advances the building of its wealth management system with the objectives of "exclusive products and services, professional personnel, specialised IT system and proprietary service channels". Capturing the opportunity of wealth growth among residents and focusing on the high-net-worth customers, the Bank improves the professional competence of its team, optimised asset allocation, launched differentiated products, diversified benefit services, consolidated investment research, and promoted the upgrading of its wealth management business. In light of the comprehensive financial needs of individual, family and enterprise customers, the Bank takes retail banking as the mainstay and coordinated the resources and capabilities of corporate banking and asset management sectors to form a financial service ecosystem that met the comprehensive wealth management needs of a wider range of customers.

Retail Credit

With consumer credit and personal micro loans as pillars, the Bank fully grasps the development trend of new retail transformation, takes digital transformation as the driving force, and continuously improves its service capacity and customer experience by expanding customer acquisition channels, improving online and offline service capacity, and promoting intelligent and efficient operation.

Building on consumption upgrading and digital transformation, the Bank presses ahead with the high-quality transformation and development of consumer credit business. In addition, the advancement of financial technology has strongly bolstered the innovation of micro loan service models, better met customers' needs for efficient, convenient and precise financing, and continuously improved the availability and coverage of micro loans.

Credit Card Business

The credit card business is a core component of the Bank's retail banking strategy, which is attached with top priority. The Bank actively builds customer acquisition channels including outlets, sales teams,

coordination with China Post Group and online channels to enrich sources of customer acquisition. It intensifies cross-marketing among its existing customers, comprehensively optimises the cross-marketing whitelist, consolidates the retail customer base across the Bank, supports marketing in outlets and has effectively alleviated the impact of deteriorating customer acquisition during the epidemic.

Corporate Banking

Corporate banking is an important support and foundation for the Bank's business development. The Bank continuously transforms its corporate banking business to a development path featuring low cost, light capital and unique characteristics.

Corporate Loans

The Bank provides corporate customers with working capital loan, fixed asset loan, trade finance, corporate loans for small-sized enterprises and other corporate loan products. Seizing opportunities arising from the country's major strategies and leveraging its advantage in resources, the Bank has increased support for strategic regions such as Yangtze River Delta, Yangtze River Economic Belt, Beijing-Tianjin-Hebei Region, and Guangdong, Hong Kong-Macao Great Bay Area. The Bank also continues to increase financial support for key industries, effectively improves its quality and efficiency in serving the real economy based on market demands, and actively supports the manufacturing sector, new infrastructure and new urbanisation initiatives and major projects, rural revitalisation, green credit, private enterprises and other fields. The Bank keeps improving the ability of strategic customer management. It explores and grants more credit to high-quality member units, and supports major strategy-related enterprises by establishing in-depth cooperation with them.

Corporate Deposits

The Bank provides time and demand deposit services in Renminbi and other major foreign currencies to corporate customers. It focuses on "Ten Initiatives" of corporate deposits, revolves around major customer groups of enterprises, government authorities and administrative institutions, and strengthens the collaboration with China Post Group and interconnection among business lines to enhance its comprehensive service capacity. In addition, the Bank has built a comprehensive interest rate management model to further promote the high-quality development of corporate deposits. The Bank continuously promotes the special campaign to consolidate the fundamentals and improve performance of institutional business. It pays close attention to key clients such as finance, social security, medical care, medical insurance and pharmaceutical industry, as well as military, and seized opportunities from key projects such as rural revitalisation and medical insurance E-certificate, strengthening the foundation of institutional business. Through such multiple measures, the Bank has achieved significant growth in the number of institutional business licences, the number of newly opened accounts and the amount of institutional deposits.

Corporate Wealth Management

Relying on a huge amount of funds and a wide range of outlets, the Bank has built a specialised and comprehensive corporate wealth management system based on customer needs, and employed technology to achieve a chain of wealth management services in all respects, thereby enhancing its customer management capabilities. The Bank creates a new ecosystem for corporate wealth management. It vigorously develops the three drivers for corporate wealth management business, i.e., agency business and agency sales, financing and introduction of intellectual support, and account settlement. Seizing the preemptive opportunities in marketing, the Bank has also fully explored the potential markets for corporate wealth management and corporate insurance, ensured the smooth matching between funds and assets, and built a smart settlement service system. The Bank has expanded product channels, paid close

attention to the timing of market reshuffle, and realised professional corporate wealth management product management. It designs product settlement or service packages aligned with customer needs, diversifies products arising from capital market, M&A and restructuring as well as portfolio financing, and provides customers with a package of wealth management services with the aim of maintaining and increasing the value of customers' wealth, thus making the corporate wealth management business more systematic and targeted. The Bank has established a more specialised team and brought the account manager team to a more professional level. It continues to carry out training on special products, strengthens the practice of corporate customer wealth management service plan, thereby creating a result-oriented wealth management team getting prepared for both promotion and demotion. The Bank has built a complete system for corporate wealth management platforms.

Transaction Banking

In terms of transaction banking, the Bank focuses on the transformation towards online and intelligent operation, and provides customers with comprehensive financial services such as account, payment and settlement, liquidity management, investment and financing services. Focusing on core enterprises in the industrial chain such as the transportation and high-end manufacturing enterprises, the Bank provides financing services to more than 10,000 upstream and downstream suppliers and distributors, and the balance of supply chain finance exceeded RMB100 billion in 2022.

Investment Banking

The Bank continues to focus on the investment banking businesses of bond underwriting, syndicated loans, M&A finance, financial advisory, asset securitisation and so on, and plays an active role in improving the comprehensive financial service capabilities of corporate banking, increasing intermediary business income, and supporting the reform and transformation of the Bank. In terms of bond underwriting, the Bank has fully leveraged the coordination advantages throughout its corporate group, and vigorously promoted the underwriting of various bonds. The Bank actively promotes green finance, and has successfully launched the first ultra-short-term carbon neutrality bond in the market. It effectively promotes the start of the non-performing asset securitisation business, and has introduced its first credit card non-performing-asset-backed securities. In addition, the Bank has deepened its efforts to serve the rural revitalisation strategy and reserved a number of underwriting projects such as rural revitalisation bonds. Secondly, in terms of syndicated loan, the Bank has been actively serving the real economy, continuing business innovation, and increasing the contribution of syndicated loans to the fee income.

Treasury and Asset Management Business

For its treasury and asset management business, the Bank strengthened its capabilities in six major aspects including core business, system support, coordination and integration, technological facilitation, institutional drive and innovation leadership. It strengthened prediction of market trends, deepened the development of the inter-bank ecosystem, and further enhanced the business operation and comprehensive service capabilities. The Bank intensified its efforts to expand online interbank deposits, explored a new business model for asset securitisation products, launched the new online discounted bill product "Specialised New Discounting", brought interbank certificate of deposit index fund and ESG-themed fund under custody for the first time, and successfully completed investments in offshore RMB bonds including the first transaction under Southbound Bond Connect, free-trade-zone bonds, etc. The Bank enriched its trading varieties, boosted trading activity, and launched the first standard bond forward business. It also accelerated digital transformation and launched the "Together We Thrive" interbank ecosystem platform and the electronic trading system.

FINANCIAL INFORMATION

Copies of the latest annual and interim reports of the Bank, as well as its public filings, can be downloaded free of charge from the websites of the Shanghai Stock Exchange, the SEHK and the Bank on the internet at www.sse.com.cn, www.hkex.com.hk and www.psbc.com/cn/, respectively. The financial statements of the Bank are not included in and do not form part of this Offering Circular. The information contained on the websites of the Shanghai Stock Exchange, SEHK and the Bank is subject to change from time to time. No representation is made by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents, the Pre-funding Account Bank or the LC Proceeds Account Bank or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them and none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents, the Pre-funding Account Bank or the LC Proceeds Account Bank or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them takes any responsibility for any information contained on the websites of the Shanghai Stock Exchange, SEHK and the Bank.

GENERAL INFORMATION

The Bank's registered office is located at No. 3 Financial Street, Xicheng District, Beijing. The Bank's website address is <https://www.psbc.com/cn/>. Information contained on the Bank's website is subject to change from time to time. No representation is made by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents, the Pre-funding Account Bank or the LC Proceeds Account Bank or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them and none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents, the Pre-funding Account Bank or the LC Proceeds Account Bank or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them takes any responsibility for any information contained on the Bank's website.

DESCRIPTION OF THE ISSUER

Formation

The Issuer is a business company incorporated in the British Virgin Islands with limited liability on 1 June 2016. The Issuer is an indirect wholly-owned subsidiary of the Guarantor. Its registered office is at Maples Corporate Services (BVI) Limited, Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands. As at the date of this Offering Circular, it is authorised to issue a maximum of 50,000 shares of a single class of no par value and has one share in issue.

Business Activities

The Issuer was established pursuant to the unrestricted objects and powers set out in its articles of association. The Issuer has not undertaken any business activities since the date of its incorporation, other than those incidental to its incorporation and establishment and those incidental to (1) the issuance of its US\$200 million senior bonds due 2019, (2) the issuance of its US\$280 million senior bonds due 2021, (3) the issuance of its US\$150 million guaranteed bonds due 2024 and (4) the issuance of its US\$150 million guaranteed bonds due 2024.

Financial Statements

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

Director

The sole director of the Issuer is Sun Xiaoling. The sole director does not hold any shares or options to acquire shares of the Issuer. The Issuer does not have any employees and has no subsidiaries.

Legal Proceedings

The Issuer is not involved in any litigation or arbitration proceedings and it is not aware of any pending or threatened action against it.

DESCRIPTION OF THE GROUP

Overview

The Guarantor is the largest investment and financing platform of the Lianyungang Municipal Government, in terms of total equity as well as net profit for the six months ended 30 June 2023, and the second largest investment and financing platform of the Lianyungang Municipal Government, in terms of total assets as at 30 June 2023, according to the Lianyungang Municipal Government. Being an enterprise directly and wholly owned by the Lianyungang Municipal Government, the Guarantor has been mandated by the Lianyungang Municipal Government on an exclusive basis to implement the PRC Government's and Jiangsu Provincial Government's plans to develop Lianyungang Xuwei New District (連雲港徐圩新區), a key state-level economic development zone in China. Over the years, the Guarantor together with its subsidiaries not only has established a strong track record of infrastructure and ancillary facility development in Lianyungang Xuwei New District, but it has also proven to be a key force to enhance the commercial attractiveness and competitiveness of Lianyungang Xuwei New District by exploring and integrating local social, natural and industry resources.

Lianyungang Xuwei New District is a key component of, and a demonstration district in, the National East-Central-West Regional Cooperation Demonstration Region (國家東中西區域合作示範區), which was set up by the State Council in June 2011 as part of the implementation of its "Jiangsu Coastal Area Development Plan" released in June 2009. The National East-Central-West Regional Cooperation Demonstration Region forms an important part of the "Yangtze River Delta Regional Development Plan" approved by the State Council in May 2016 and is of significant strategic importance to achieving a balanced economic development in China. As an important district in Lianyungang, Lianyungang Xuwei New District undertakes the mission to develop port operations, marine transportation and logistics industries in Lianyungang and to promote the economic cooperation and open up of the central and western regions in China according to the Notice Issued by the National Development and Reform Commission of China Regarding the Comprehensive Development Plan for the National East-Central-West Regional Cooperation Demonstration Region (國家發展改革委員會關於印發國家東中西區域合作示範區建設總體方案的通知(發改地區[2011]第1185號)).

As a major investment and financing platform of the Lianyungang Municipal Government to develop Lianyungang Xuwei New District, the Group engages in a wide range of business activities to carry out its mission, which primarily consist of (i) infrastructure and affordable housing construction, (ii) port logistics, (iii) public utility services, (iv) port industrial park supporting services and (v) miscellaneous. Set forth below is a summary of each of the Group's business segments:

- Infrastructure and affordable housing construction: Infrastructure and affordable housing construction is the Group's core business. The Group's infrastructure construction mainly includes the construction of ecological wetlands, industrial tourism projects, flood control projects, underground integrated pipelines, emergency backup water bases and water drainage systems. The Group is a major entity commissioned by the Lianyungang XND Management Committee (acting on behalf of the Lianyungang Municipal Government) to undertake infrastructure construction projects and develop affordable housing in Lianyungang Xuwei New District. The Group develops its infrastructure and affordable housing projects under the agent construction model under which the Group is engaged as general contractor for the development of the project for an agreed contracting fee payable according to the payment timetable. The Group was previously commissioned by the Lianyungang XND Management Committee to undertake primary land development in the Lianyungang Xuwei New District under an agency construction model. The Group has ceased to conduct its primary land development in 2015 but receives land development fee from the Lianyungang XND Management Committee on a non-routine basis according to its payment schedule. For the six months ended 30 June 2023, the Group did not receive land development fee. See "*Description of the Group's Businesses — Infrastructure and affordable housing construction*".

- **Port logistics:** The Group engages in the trading of stone, coal, steel, ore, chemicals and other commodities, warehouse-logistics and combined transportation. Leveraging the industry development within Xuwei Port as well as advantageous sea-rail transportation, the Group focuses on developing material processing business and transshipment logistics business in Xuwei Port. The Group believes that its operation of the port logistics business provides a stable supply of certain construction materials to companies in the industrial parks in Lianyungang Xuwei New District and is a strong complement to its infrastructure and affordable housing construction. See “*Description of the Group’s Businesses — Port Logistics*”.
- **Public utility services:** The Group provides public utility services including recycling of waste, sales of raw water, sewage treatment and sales of steam and electricity in Lianyungang Xuwei New District. The Group invests in public utility business in order to better complement the future development and to increase the commercial attractiveness of Lianyungang Xuwei New District. For example, the Group invested in the Hongyang Thermolectricity Project (虹洋熱電項目) with a total estimated amount of RMB2 billion in 2011. Phase I of this project and its wastewater treatment plants No. 1, No. 2, No. 3 and No. 4 were completed and commenced operation in 2012, 2013, 2016 and 2020, respectively, and the construction of Phase II of this project has been commenced in 2019. See “*Description of the Group’s Business — Public utility services*”.
- **Port industrial park supporting services:** The Group operates several ancillary businesses to support the operation and development of the industrial parks located in Lianyungang Xuwei New District, including advertisement and exhibition, property management, catering service, consulting service, leasing business and sales of commercial housing. See “*Description of the Group’s Businesses — Port industrial park supporting services*”.
- **Miscellaneous:** The Group also engages in financial leasing business, loan services, supplying electric power and others.

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

	Year ended 31 December						Six months ended 30 June			
	2020		2021		2022		2022		2023	
	Amount (audited)	Per cent. of total	Amount (audited)	Per cent. of total	Amount (audited)	Per cent. of total	Amount (reviewed)	Per cent. of total	Amount (reviewed)	Per cent. of total
	(RMB in million, except for percentages)									
Infrastructure and affordable housing construction ⁽¹⁾	1,430.3	20.8	1,855.3	15.6	2,413.7	14.9	1,293.7	17.1	1,277.4	13.9
Port logistics ⁽²⁾	2,819.3	41.0	4,597.3	38.6	4,631.4	28.6	2,191.4	29.0	1,177.1	12.8
Public utility services ⁽³⁾	936.2	13.6	2,133.4	17.9	6,133.3	37.9	1,866.7	24.7	6,001.7	65.2
Port industrial park supporting services ⁽⁴⁾	658.3	9.6	2,516.0	21.1	2,316.2	14.3	1,946.8	25.8	677.9	7.4
Miscellaneous ⁽⁵⁾	1,025.9	14.9	811.3	6.8	696.4	4.3	254.2	3.4	69.7	0.8
Total	6,870.0	100.0	11,913.3	100.0	16,191.2	100.0	7,552.8	100.0	9,203.9	100.0

Notes:

- (1) This amount represents the aggregate of the Group’s operating income from operations of “engineering construction” and “management and maintenance” and “land consolidation and development”, as reported in the Group’s financial statements of the respective period.
- (2) This amount represents the aggregate of the Group’s operating income from operations of “commodity sales”, “loading and unloading”, “storage and stockpiling”, “port administration” and “logistics transportation”, as reported in the Group’s financial statements of the respective period.

- (3) This amount represents the aggregate of the Group's operating income from operations of "raw water sales", "industrial sewage treatment", "tap water sales", "industrial water sales", "steam sales", "electricity sales" and "power operation and maintenance", as reported in the Group's financial statements of the respective period.
- (4) This amount represents the aggregate of the Group's operating income from operations of "land reclamation", "charter business", "advertisement and exhibition", "property management", "catering service", "supermarket retail", "consulting service", "event planning", "commercial housing sales" and "loan service business", as reported in the Group's financial statements of the respective period.
- (5) This amount represents the aggregate of the Group's operating income from operations of "other main businesses", "electricity income" and "others", as reported in the Group's financial statements of the respective period.

The following table sets forth a breakdown of the Group's gross profit by business segment and its percentage of the total gross profit for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2020		2021		2022		2022		2023	
	Amount (audited)	Per cent. of total	Amount (audited)	Per cent. of total	Amount (audited)	Per cent. of total	Amount (reviewed)	Per cent. of total	Amount (reviewed)	Per cent. of total
	(RMB in million, except for percentages)									
Infrastructure and affordable housing construction ⁽¹⁾	178.8	29.8	388.1	24.9	427.9	20.7	194.4	14.7	217.9	18.4
Port logistics ⁽²⁾	10.6	1.8	149.0	9.6	105.7	5.1	40.4	3.0	43.8	3.7
Public utility services ⁽³⁾	188.9	31.5	214.4	13.8	338.5	16.4	140.4	10.6	824.6	69.7
Port industrial park supporting services ⁽⁴⁾	120.3	20.1	755.2	48.5	1,127.9	54.6	918.4	69.4	90.9	7.7
Miscellaneous ⁽⁵⁾	100.5	16.8	49.6	3.2	66.2	3.2	30.1	2.3	5.2	0.4
Total	599.1	100.0	1,556.2	100.0	2,066.2	100.0	1,323.6	100.0	1,182.4	100.0

Notes:

- (1) This amount represents the aggregate of the Group's gross profit from operations of "engineering construction", "management and maintenance" and "land consolidation and development".
- (2) This amount represents the aggregate of the Group's gross profit from operations of "commodity sales", "loading and unloading", "storage and stockpiling", "port administration" and "logistics transportation".
- (3) This amount represents the aggregate of the Group's gross profit from operations of "raw water sales", "industrial sewage treatment", "tap water sales", "industrial water sales", "steam sales", "electricity sales" and "power operation and maintenance".
- (4) This amount represents the aggregate of the Group's gross profit from operations of "land reclamation", "charter business", "advertisement and exhibition", "estate management", "catering and service", "supermarket retail", "consulting service", "event planning", "commercial housing sales" and "loan service business".
- (5) This amount represents the aggregate of the Group's gross profit from operations of "other main businesses", "electricity income" and "others".

Overview of Lianyungang and Lianyungang Xuwei New District

Lianyungang

Lianyungang is a coastal city located on the eastern coast of China in north-eastern Jiangsu Province and was the 10th largest port in China in terms of annual container throughput in 2022. It is well connected to other parts of China, Asia and Europe through the New Eurasian Continental Bridge (新亞歐大陸橋), which is a transnational railway running from Lianyungang to Rotterdam in Western Europe. Lianyungang is also an eastern harbour city on the Great Silk Road (絲綢之路), a core city of the Development of Jiangsu Coastal Area Strategy (江蘇沿海大開發戰略) promulgated by the State Council of China and a pilot city of National Innovation-oriented Cities (國家創新型城市) as approved by the Ministry of Science and Technology of the PRC. Lianyungang is a part of the Yangtze River Delta Development Plan and plays a key role in China's economic development.

With its advantageous position as a central city in an international harbour, Lianyungang will become a new open-ended economic area and an important coastal industrial base in the PRC. It is expected that it will be a core and pioneer area for the implementation of the Belt and Road Initiative across the Jiangsu Province. For example, Lianyungang is a demonstration region for the Belt and Road Initiative international cooperation of agricultural industry and it has held Lianyungang Silk Road International Logistics Expo for eight consecutive years since 2014.

The economy of Lianyungang heavily relies on the development of its port-related industries. In 2009, as the 210 million tonnes annual throughput of the main port areas of Lianyungang was unable to meet the increasing demand of transportation, the PRC Government decided to build a new port located in Lianyungang Xuwei New District. The Lianyungang Municipal Government has substantial investment in port construction since 2014. The 300,000-tonne navigation channel has been fully completed and the 300,000-tonne Shenghong Port has been put in use. The construction of a 400,000-tonne ore port intelligent container port has commenced.

The economy of Lianyungang experienced fast development in 2019 and 2020. According to the 2020 Government Work Report published by the Lianyungang Municipal Government, 383 key municipal industrial projects were carried out during 2019, among which there were seven projects with investment of more than RMB10 billion. Despite the impact of COVID-19 in 2020, the economy of Lianyungang achieved progress according to the 2021 Government Work Report published by the Lianyungang Municipal Government. According to the 2023 and 2024 Government Work Reports published by the Lianyungang Municipal Government, the economy of Lianyungang maintained stable growth during 2022 and 2023.

The following map shows the geographical location of Lianyungang:



According to the “13th Five-Year Plan” (2016-2020) of Lianyungang, the Lianyungang Municipal Government aimed to develop Lianyungang into a regional international shipping centre and an important integrated transportation hub in the PRC, and promote the development of National East-Central-West Regional Cooperation Demonstration Region (國家東中西區域合作示範區). The “14th Five-Year Plan” (2021-2035) of Lianyungang re-emphasised the importance of using Lianyungang’s geographical advantage to turn itself into an active player for the development of the Yangtze River Delta Region and a trade hub for Belt and Road Initiative.

Port infrastructures, such as navigation channels, breakwaters and anchor stations will be further enhanced and the port transportation system will be improved to achieve greater efficiency. The Lianyungang Municipal Government will also attract renowned shipping enterprises, liner companies, shipping agencies and freight forwarders and develop offshore shipping and fleet to raise the value of the harbour logistics supply chain of Lianyungang.

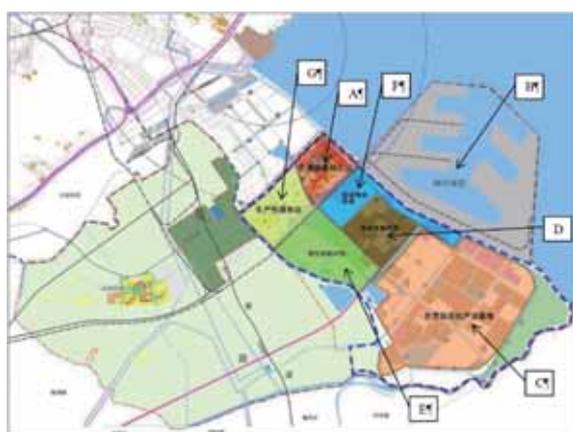
To develop Lianyungang into an important integrated transportation hub in the PRC, the Lianyungang Municipal Government plans to continue to invest in the development of a transportation network that provides the city with efficient and convenient railways and highways, and a regional international airport for more international and domestic flights. The Lianyungang Municipal Government will also increase the loading capacity of its waterway transportation system. It further has plans to construct the Sinopec Lianyungang — Yizheng Crude Oil Pipeline (中石化連雲港 — 儀徵原油管道) that focuses on lowering shipping costs, reducing wear and tear, ensuring smooth logistics and safeguarding demand and supply.

Lianyungang Xuwei New District

Lianyungang Xuwei New District is situated to the southeast of Lianyungang, adjoining to the north bank of the Yangtze River, and the Bohai Bay. It is opposite to Japan and South Korea across Bohai Sea. Its geographical location allows it to be one of the most convenient sailing channels for regions along the Belt and Road Initiative area.

Lianyungang Xuwei New District is an important integral part in the overall urban planning of Lianyungang and is tasked to provide more adequate complementary facilities and enhanced logistics and industry chain support to the overall development of Lianyungang. In accordance with the “Development Plan for Coastal Regions of Jiangsu Province” approved in the executive meeting of the State Council in 2009, the central government planned to develop Lianyungang into a comprehensive port with a focus on the chemical industry as one of China’s seven largest petrochemical industrial bases is located in Lianyungang. In November 2013, the planning and development of Lianyungang’s petrochemical industrial bases was approved by the NDRC according to the Response Letter of the General Office of the National Development and Reform Commission on the Planning of Lianyungang Petrochemical Industrial Base and the Preliminary Work of Phase I Project (國家發展改革委辦公廳關於連雲港石化產業基地規劃編制和一期工程前期工作的覆函). In July 2017, the general planning and development of Lianyungang’s petrochemical industrial bases were approved by the Jiangsu Provincial Government according to the approval of the General Development Plan of Lianyungang Petrochemical Industrial Base (連雲港石化產業基地總體發展規劃).

Lianyungang Xuwei New District is equipped with well-developed industrial facilities, including one urban community and six industrial areas, namely the Xuwei port area, a national petrochemical industrial base, a central western region export products processing park, an energy saving and environmental protection industrial base, a modern port logistics base and a modern agricultural complexity. The following chart shows the master plan of the Lianyungang Xuwei New District as at the date of this Offering Circular:



- A - urban community
- B - the Xuwei port area
- C - world-class petrochemical industrial base
- D - advanced equipment manufacturing base
- E - new material industrial base
- F - port and logistics base
- G - productive service area

Lianyungang Xuwei New District is a pioneer region of the National East-Central-West Regional Demonstration Region which is the only regional cooperation demonstration region approved by the State Council. According to the “13th Five-Year Plan” of Lianyungang Xuwei New District, the pioneer region of National East-Central-West Regional Cooperation Demonstration Region would be fully established by 2020. The “14th Five-Year Plan” (2021-2035) of Lianyungang re-emphasised the importance of using Lianyungang’s geographical advantage to turn itself into an active player for the development of the Yangtze River Delta Region and a trade hub for Belt and Road Initiative. It is believed that this will enhance industrial cooperation among the east-central-west regions, and enhance Belt and Road Initiative cross-national economic and trade cooperation. It is also expected that there will be breakthrough developments in industry transformation and upgrade, making the Lianyungang Xuwei New District an important new coastal industrial base in China.

The innovation ability of advantageous industries such as fine steel and petrochemicals will continue be enhanced, with the feature of cluster development becoming more obvious and its role of economic support becoming more prominent. Emerging industries (such as the energy-saving and environmental protection industry, new energy industry and new materials industry) will develop more rapidly, and there will be an apparent rise in the proportion of high and new technology industries. According to Lianyungang Xuwei New District Government, as at 4 November 2023, 36 major industry projects were constructed in Lianyungang petrochemical industrial base, with a total investment of more than RMB450 billion. Among these projects, Shenghong Refining and Chemical Integration Project (盛虹煉化一體化項目) primarily produces new chemical materials, special rubbers and high-end specialty chemicals including ethylene, propylene and aromatics. Sinochem Lianyungang Circular Economy Industrial Park (中化連雲港循環經濟產業園) focuses on producing basic chemicals, petrochemical downstream materials, fine chemicals (including accelerators and antioxidants) and electronic chemicals. Satellite Petrochemical Project (衛星石化項目) includes an ethylene production plant, a propylene production plant and other downstream supporting plants and equipment. Sierbang Petrochemical Industry Chain Project (斯爾邦丙烷產業鏈項目) primarily focuses on constructing production plant for propane dehydrogenation, acrylonitrile, methyl methacrylate, waste acid regeneration and other supporting facilities. In addition, enhanced transportation system will help attract more companies and other resources to Lianyungang Xuwei New District. As a result, its service coverage will continue to expand and the trading volume is expected to increase significantly.

Competitive Strengths

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

Well positioned to leverage the abundant port resources and associated industries

Lianyungang is a coastal city located on the eastern coast of China in north-eastern Jiangsu Province and is the 10th largest port in China in terms of annual container throughput in 2022 by the Ministry of Transport of the People’s Republic of China. Since 2009, the Lianyungang Municipal Government has commenced the construction of Xuwei port (徐圩港) as an integral part of Lianyungang port (連雲港). As at 30 June 2023, the 300,000-tonne waterway has been completed with a capacity of 300,000 tonnes. In the meantime, construction and renovation of terminal facilities will be undertaken. According to the “14th Five-Year Plan” (2021-2035) of Lianyungang, the Lianyungang Municipal Government plans to construct ten more berths with a capacity of 10,000 tonnes. As at 30 June 2023, the Group has completed the construction of six berths, three of which have a capacity of 100,000 tonnes, two of which have a capacity of 50,000 tonnes and one of which has a capacity of 30,000 tonnes. The annual throughput of the Group’s port terminal project reached 25,000,000 tonnes as at the same time.

Lianyungang Xuwei New District has many advantages for the development of its port, including the vast hinterland, convenient transportation and diversified industrial layout. Lianyungang Xuwei New District

has a total planning area of 467 square kilometres, with a port area of approximately 74 square kilometres and a port industrial park of approximately 141 square kilometres. The Railway Bureau of Shanghai Municipality has approved the special railway line for the National East-Central-West Regional Demonstration Region, which enables the goods within the region to be directly transported to various national main railway lines. According to the region's industrial layout, Xuwei port is mainly composed of six functional areas, namely a liquid bulk cargo berth area, a dry bulk cargo berth area, a general berth area, a container terminal reserved area, an equipment manufacturing wharf operation area and an intermodal area.

Meanwhile, Lianyungang Xuwei New District is equipped with well-developed industrial facilities, see *“Overview of Lianyungang and Lianyungang Xuwei New District — Lianyungang Xuwei New District”*. For example, the national petrochemical industrial base, as one of the seven largest petrochemical industrial bases approved by State Council, mainly undertakes the transfer and upgrade of petrochemical industry in Jiangsu Province. The planned area is approximately 62.61 square kilometres with estimated industrial scale of approximately 40 million tonnes of oil refining, approximately 3 million tonnes of ethylene, approximately 4 million tonnes Aromatic hydrocarbons and other high-end petrochemical products.

The Group believes that it is well positioned to leverage the abundant port resources and well developed associated industries of Lianyungang Xuwei New District which will bring abundant business opportunities to the Group in terms of infrastructure construction and port industrial park supporting services.

Designated entity of the Lianyungang Municipal Government to implement the Jiangsu Provincial Government's plans to develop Lianyungang Xuwei New District, a key component of the National East-Central-West Regional Cooperation Demonstration Region promoted by the State Council

The Guarantor is the largest investment and financing platform of the Lianyungang Municipal Government, in terms of total equity as well as net profit for the six months ended 30 June 2023, and the second largest investment and financing platform of the Lianyungang Municipal Government, in terms of total assets as at 30 June 2023, according to the Lianyungang Municipal Government. Being an enterprise directly and wholly owned by the Lianyungang Municipal Government, the Guarantor has been mandated by the Lianyungang Municipal Government on an exclusive basis to implement the PRC Government's and Jiangsu Provincial Government's plans to develop Lianyungang Xuwei New District, a key state-level economic development zone in China. Over the years, the Guarantor together with its subsidiaries not only have established a strong track record of infrastructure and ancillary facility development in Lianyungang Xuwei New District, but it has also proven to be a key force to enhance the commercial attractiveness and competitiveness of Lianyungang Xuwei New District by exploring and integrating local social, natural and industry resources. See *“Description of the Group's Business”*.

Lianyungang Xuwei New District lies in the South-eastern region of Lianyungang on the east coast of China and has a proximity to the “Gansu (Lanzhou) — Jiangsu (Lianyungang)” railway (隴海鐵路), which connects China with middle Asia and Europe, and the Yellow Sea where China and Northeast Asia (i.e., Japan and South Korea) are connected through marine transportation. Due to its strategic location, Lianyungang Xuwei New District is believed to have a significant strategic importance to the economic development of Lianyungang and Jiangsu and the implementation of the PRC Government's Belt and Road Initiative strategy. In June 2011, Lianyungang Xuwei New District was designated as a key component of, and a demonstration district in, the National East-Central-West Regional Cooperation Demonstration Region set up by the State Council with an aim to develop port operations, marine transportation and logistics industries in Lianyungang and to promote the economic cooperation and open-up of the central and western regions in China. According to the master plan of the National East-Central-West Regional Cooperation Demonstration Region and the “14th Five-Year Plan” of Lianyungang Xuwei New District, Lianyungang Xuwei New District is expected to be developed into a

new industrial base featuring high-technologies and environmental protection, a key sea port providing comprehensive infrastructure facilities for transportation and logistics sectors and an integrated platform facilitating and promoting commercial activities within the district. See “*Overview of Lianyungang and Lianyungang Xuwei New District — Lianyungang Xuwei New District*”.

As a major investment and financing platform of the Lianyungang Municipal Government to develop the infrastructure in, and to promote the commercial attractiveness of, Lianyungang Xuwei New District, the Guarantor believes that it is in a position to leverage the strategic positioning of Lianyungang Xuwei New District to capture the business opportunities presented during the development of Lianyungang Xuwei New District and achieve sustainable growth in future.

Well-positioned to capitalise large growth potential of Lianyungang Xuwei New District with a diversified business portfolio

Unlike many governmental investment and financing platforms in China that heavily focus on primary land development and infrastructure and affordable housing development, the Group has established a diversified business portfolio in a large number of areas that are key to the transformation and upgrade of the industry structure in Lianyungang Xuwei New District in future, such as public utilities, warehouse-logistics, port logistics and other businesses in Lianyungang Xuwei New District.

Since the establishment of the National East-Central-West Regional Cooperation Demonstration Region, the local governments in Jiangsu and Lianyungang have endeavoured to improve the investment conditions and living environment as well as to create synergies among different industries and businesses operated within Lianyungang Xuwei New District. In response to the master development plan of the National East-Central-West Regional Cooperation Demonstration Region, the Lianyungang Municipal Government has designated petroleum refinery, fine steel production, advanced equipment manufacturing, clean energy and modern port logistics as five pillar industries within Lianyungang Xuwei New District. In response to such planning, the Group also operates Donggang Sewage Treatment Plant (東港污水處理廠) with a daily processing capacity of 50,000 tonnes and another sewage treatment plant with a daily processing capacity of 30,000 tonnes. In addition, the Group has an industrial wastewater treatment plant with a daily treatment capacity of 13,000 tonnes and a high-salt wastewater treatment plant with a daily treatment capacity of 37,500 tonnes in trial operation. This diversified business portfolio places the Group in a position to expand its revenue base and capitalise the tremendous growth potential in the related sectors and industries as a result of the development of Lianyungang Xuwei New District in the future. The Guarantor believes that its diversified business portfolio aligns the Group’s business interest with that of Lianyungang Xuwei New District, well placing the Group in a position to capitalise the large growth potential of Lianyungang Xuwei New District.

Support from PRC Central Government and the Lianyungang Municipal Government

The strong support from the PRC Government and local governments has been key for the Group to successfully carry out the development of capital-intensive and large-scale city construction projects. The Group has leveraged on different governmental support in the form of preferential policies and government subsidies to grow its business and financial strength.

Over the past years, the Group’s business has benefited from a number of preferential policies which the PRC Government and Jiangsu Provincial Government released to support the development of the National East-Central-West Regional Cooperation Demonstration Region. For example, according to the Notice Issued by the National Development and Reform Commission of China Regarding the Comprehensive Development Plan for the National East-Central-West Regional Cooperation Demonstration Region (國家發展改革委員會關於印發國家東中西區域合作示範區建設總體方案的通告(發改地區[2011]第1185號)) released by the NDRC in in 2011 and the Opinion Released by the Jiangsu Provincial Government Regarding the Implementation of the Comprehensive Development Plan

for the National East-Central-West Regional Cooperation Demonstration Region (江蘇省人民政府關於貫徹落實國家東中西區域合作示範區建設總體方案的實施意見(蘇政發[2012]65號)) in May 2012, the PRC Government would consider prioritising the need for land relating to the development of the National East-Central-West Regional Cooperation Demonstration Region, especially for the construction of ports and ancillary facilities within the region; according to the Notice Issued by the National Development and Reform Commission of China Regarding the Comprehensive Development Plan for the National East-Central-West Regional Cooperation Demonstration Region (國家發展改革委員會關於印發國家東中西區域合作示範區建設總體方案的通知(發改地區[2011]第1185號)) released by the NDRC in in 2011 and Opinion Released by the Jiangsu Provincial Government Regarding the Implementation of the Comprehensive Development Plan for the National East-Central-West Regional Cooperation Demonstration Region (江蘇省人民政府關於貫徹落實國家東中西區域合作示範區建設總體方案的實施意見(蘇政發[2012]65號)) in May 2012, the Lianyungang XND Management Committee is entitled to retain the land grant premium from land sales (after deduction of statutory taxes and charges) for the development of Lianyungang Xuwei New District and to retain the local tax income for the use of developing infrastructure within Lianyungang Xuwei New District.

In addition to the preferential governmental policies, the Group received governmental grants to support its development. For the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2022 and 2023, government grants received by the Group amounted to RMB83.3 million, RMB39.3 million, RMB118.8 million, RMB79.5 million and RMB11.5 million, respectively. The continued support from the PRC Central Government and the Lianyungang Municipal Government has been critical to the ability of the Group in operating and investing in capital-intensive and large-scale infrastructure construction and affordable housing construction projects, and further expanding its business operations to strengthen its competitive position.

Abundant land returns providing key resources for future project development and large potential growth in property valuation

The Guarantor believes that maintaining a sufficient land return is key for the development of comprehensive ancillary facilities in Lianyungang Xuwei New District. As at 30 June 2023, the Group owned the land use rights in respect of 24.0 million square metres of land parcels in Lianyungang Xuwei New District, all of which were under development and held for future development. These land resources, which were acquired at the early stage of the Group's development through statutory public tender and auction processes, provide the Group with flexibility to engage in the development of a variety of ancillary facilities that may enhance the commercial attractiveness of Lianyungang Xuwei New District, such as mixed-use urban complexes, hotels, office buildings and car parks. By participating in the development and operation of the ancillary facilities, the Group believes it will not only diversify its revenue base, but also help elevate the competitiveness of Lianyungang Xuwei New District which may in turn increase the value of the land use rights and properties held by the Group, providing gain on appreciation of property value.

Balanced capital structure supplemented with access to diverse sources of capital

The Group has access to diversified financing channels to fund its project development in Lianyungang Xuwei New District, such as bank loans and issuance of debt securities in the PRC capital markets. The Group maintains long-term relationships with more than 40 commercial banks and other financial institutions in the PRC, which have provided low-cost capital to the Group. As at 30 June 2023, the Group had credit facilities in a total amount of approximately RMB88.5 billion, of which approximately RMB36.0 billion had not been used. In addition, the Group has successfully raised capital by issuing corporate bonds, private bonds, short-term financing paper and medium-term notes and overseas bonds in the PRC and international capital market. The Guarantor believes that its strong financing capability will provide adequate funding sources to the repayment of its debt and expansion of its business. In recent years, the Group has been developing different types of innovative financing products, including but not

limited to private bills, corporate bonds, industrial funds, financial leasing, trust products, medium-term notes and overseas bonds. The Group is also actively exploring strategic partnerships and opportunities which could help expand the business or create synergy. The Guarantor believes that through comprehensive budget management, scientific and prudent financial management, the Group would be able to effectively reduce financing costs.

The Group has maintained a balanced capital structure to avoid over leverage and ensure financial stability. As at 31 December 2020, 2021 and 2022 and as at 30 June 2023, the leverage ratio (representing the ratio of total liabilities over total assets) was 64.5 per cent., 66.3 per cent., 68.2 per cent. and 66.7 per cent., respectively. As at 30 June 2023, the Group's total indebtedness (comprising short-term loan, non-current liabilities due within one year, other current liabilities, long-term loans, bonds payable and financial leasing) was RMB59.7 billion, of which RMB6.7 billion would become due within 12 months.

Sound and effective corporate governance and internal control

The Guarantor has instituted a sound corporate governance and internal control system which it believes distinguishes itself from many other state-owned enterprises. The Group's corporate governance is implemented by the board of directors (including an employee representative director), the board of supervisors and 16 departments undertaking different functions concerning the daily operations of the Group. The Group has an internal audit department which is responsible for internal audit, financial disclosure, review of the Group's internal control system and communication with external auditors. The Lianyungang XND Management Committee closely participates in the planning of the Group's annual budget and investment plan, monitors the decision-making process of key investment projects and has the authority to appoint directors, supervisors and senior management of the Guarantor and review their performance. In the meantime, the Group has established policies mainly covering fund management, investment and financing management, budget management, related party transaction management, human resources management and occupational safety management.

Dedicated senior management with extensive experience in corporate management

The Group's senior management team and key operating personnel have on average over five years of experience in the businesses the Group conducts, with strong experience in project management, finance and accounting, construction, operations and human resources management in various industries. Furthermore, the Group's senior management team is highly experienced in collaborating with various levels of the PRC Government, particularly the Lianyungang Municipal Government and the Lianyungang XND Management Committee, 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 development of the business. For further information, see "*Directors, Supervisors and Senior Management of the Guarantor*".

BUSINESS STRATEGIES

The Guarantor will continue to capitalise the growth potential arising from the development of Lianyungang Xuwei New District and the National East-Central-West Regional Cooperation Demonstration Region, focusing on the provision of integrated services to support the construction, operation, and development of the industrial parks. The following key strategies have been adopted to achieve its goal:

Continue to leverage the preferential policies and geographical advantage of Lianyungang Xuwei New District and Lianyungang to carry on its mission to develop Lianyungang Xuwei New District and to enhance its commercial attractiveness

The Group intends to continue to lead the development of Lianyungang Xuwei New District by leveraging its relationship with local governmental authorities, the existing preferential policies and the geographical advantage of Lianyungang Xuwei New District and Lianyungang. As a demonstration district and a key component of the National East-Central-West Regional Cooperation Demonstration Region, Lianyungang Xuwei New District is expected to play an increasingly important role in promoting the development of local economy, marine transportation and logistics sector as well as improving the cooperation and connection of central and western regions in China, thereby promoting the economic development in those regions. The Group will leverage the opportunity on the construction and development of National East-Central-West Regional Cooperation Demonstration Region to develop its trading and logistics services, port industrial park supporting services and industrial investment. The Group aims to improve the coordination of its business segments and further diversify its business portfolio.

Furthermore, it is anticipated that the Lianyungang Municipal Government and the Lianyungang XND Management Committee will continue to place a heavy emphasis on the development of the infrastructure and ancillary facilities to enhance commercial attractiveness of and promote business activities in Lianyungang Xuwei New District. The Group will continue to carry on its mission to construct infrastructures in Lianyungang Xuwei New District, while it will increase its focus and operations in other business and sectors which the Guarantor believes will present great growth potential. By way of developing and managing quality ancillary facilities in Lianyungang Xuwei New District, the Guarantor believes that it will enjoy the benefit of the appreciation in the property value as a result of an increase in the commercial attractiveness of Lianyungang Xuwei New District.

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 construction and operation management system and enhancing the operational integration between the construction capabilities of the Group's relevant construction business and the trading activities of the Group's materials trading business. The Group intends to improve its overall management efficiency to improve the support from its core business segments to its other ancillary business segments, including fiscal support and market information sharing. The Group will also enhance the communications 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.

Further explore innovative financing channels and expand the financing sources of the Group

The Group intends to take proactive measures to secure low-cost and stable funding and maintain balanced and healthy capital structure. The Group plans to raise funds through multi-channel financing and further develop innovative financing channels. In implementing this strategy, the Group aims to rely on a wide range of financing channels including equity and bond issuance in, offshore capital markets, project loans from banks and innovative financing mode like public-private partnership model, which helps to build a diversified financing structure for the Group. It seeks to control the cost of indirect financing below the benchmark interest rate as well as the cost of direct financing.

Furthermore, as a major investment and financing platform of the Lianyungang Municipal Government to carry out the development of Lianyungang Xuwei New District, the Guarantor operates and holds a large number of high quality assets, including but not limited to concession to operate sewage treatment, rights to develop and operate port facilities and mining rights. The Guarantor believes that these quality assets will be able to provide strong leverage for it to access sufficient low-cost capital in the market.

Adhere to prudent financial management with stringent risk control

The Group believes that a prudent financial management system can reduce operational and financial risks and help achieve long-term sustainable growth. The Group will continue to implement its dividend policies to ensure stable distribution from its subsidiaries. In addition, the Group will continue to implement and enhance its prudent financial management system with well-defined policies and procedures, including the indebtedness and leverage management mechanism, capital management mechanism and interest rate management mechanism. Under the indebtedness and leverage management mechanism, the Group will raise its funds primarily through long-term loan and bond issuance, whilst maintaining the short-term loan at less than 15.0 per cent. of the Group's total indebtedness, to achieve a balanced indebtedness structure. Under the capital management mechanism, the Group's financial department will exercise consistent control and management upon the Group's funds, thereby effectively enhancing the Group's capital utilisation rate, accelerating the capital turnover and further securing the Group's liquidity. 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.

Strategically invest in high-quality companies

The Group will continue to invest in the high-quality companies which are in the key industries and sectors with large growth potential by means of a variety of financial instruments including shares, bonds, industry guidance funds and supply-chain financing. The Group anticipates further alignment of its business strategies and corporate interest with the Lianyungang Municipal Government's plans for industrial upgrading. It intends to focus on the investment in the projects that are implementing the Belt and Road Initiative strategy and those that may lower operating cost or create other synergies as a result of vertical integration. The Guarantor believes that this investment will give it the opportunity to integrate more social and industry resources in Lianyungang Xuwei New District. See "*Risk Factors — The Group is subject to joint venture risks.*"

Recent Developments

Additional Indebtedness since 30 June 2023

Since 30 June 2023, the Group has incurred indebtedness to replenish its working capital, to finance and refinance its business development and its construction projects and for other general corporate purposes. In particular, in July 2023, the Group issued RMB660 million 4.25 per cent. corporate bonds with a tenor of two years; in August 2023, the Group issued RMB700 million 3.20 per cent. super short-term financing bonds with a tenor of 270 days, RMB1.0 billion 3.27 per cent. short-term corporate bonds with a tenor of one year, and RMB550 million 2.87 per cent. super short-term financing bonds with a tenor of 140 days; in November 2023, the Group issued RMB1.0 billion 3.34 per cent. short-term corporate bonds with a tenor of one year and RMB450 million 2.99 per cent. short-term financing bonds with a tenor of one year, and in December 2023, the Group issued RMB600 million 3.90 per cent. mid-term notes with a tenor of two years. The Group will continue to seek external capital on favourable terms to fund its business operations and expansion and to optimise its debt structure.

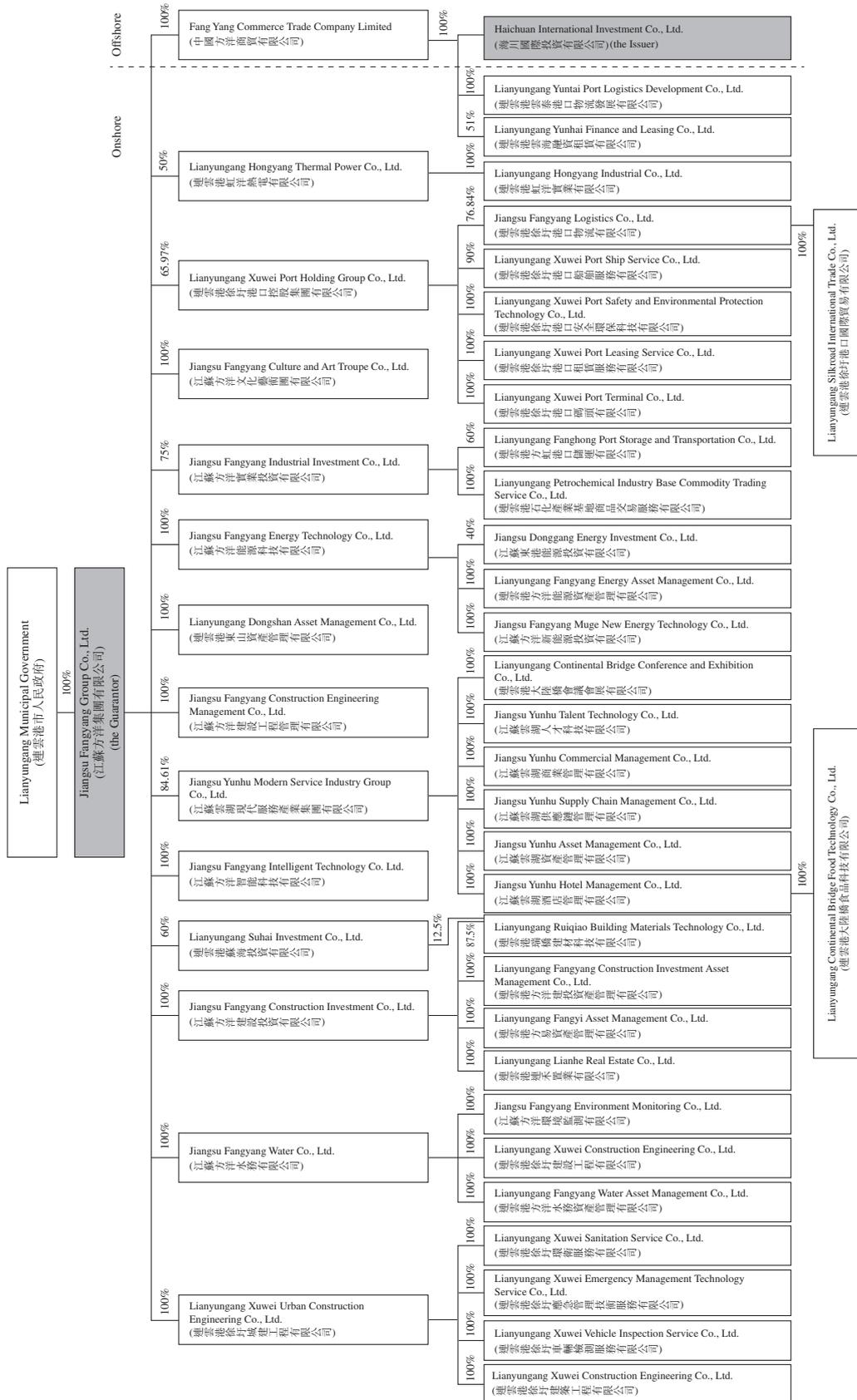
Financial performance of the Group as at and for the nine months ended 30 September 2023

On 24 October 2023, the Guarantor published 2023 Third Quarter Financial Statements on the website of the Shanghai Clearing House. The financial information in the 2023 Third Quarter Financial Statements may differ from future audited or reviewed information and the 2023 Third Quarter Financial Statements should not be relied upon by potential investors to provide the same quality of information associated with information that has been subject to an audit or review. The 2023 Third Quarter Financial Statements should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending 31 December 2023. The 2023 Third Quarter Financial Statements have not been included in, and do not constitute part of, this Offering Circular. See “*Risk Factors — Risks Relating to the Group’s Financial Information — Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular*”.

For the nine months ended 30 September 2023, the Group recorded an increase in its total operating income as compared to the same period in 2022, and the Group’s operating costs and income tax expenses also increased, resulting a decrease in its net profit as compared to the same period in 2022. As at 30 September 2023, total liabilities of the Group increased as compared to the balance as at 31 December 2022, which was primarily attributable to increases in short-term loans, contract liabilities, non-current liabilities due within one year and long-term loans incurred to meet the Group’s increasing capital needs as it continued to expand and grow its businesses.

Group Structure

The following chart presents a simplified structure of the Group and the shareholding of the Guarantor as at 30 June 2023.



History and Development

The Guarantor was formerly known as Lianyungang Xuwei Development and Construction Co., Ltd. (連雲港市徐圩開發建設有限公司) and was founded in 2009. The Guarantor is 100 per cent. owned by the Lianyungang Municipal Government. As at 30 June 2023, the registered capital of the Guarantor is RMB11.0 billion.

2009 In April 2009, Lianyungang Xuwei Development and Construction Co., Ltd. (連雲港市徐圩開發建設有限公司) was established by Lianyungang Municipal Government with an initial registered capital of RMB200 million.

In November 2009, Lianyungang Suhai Investment Co., Ltd. (連雲港蘇海投資有限公司) was established. The Guarantor directly owns 60 per cent. of the equity interest of Lianyungang Suhai Investment Co., Ltd..

2010 In January 2010, the registered capital of the Guarantor was increased to RMB1,000 million by way of conversion of capital reserve.

In April 2010, Lianyungang Hongyang Thermal Power Co., Ltd. (連雲港虹洋熱電有限公司) was established. The Guarantor directly owns 50 per cent. of the equity interest of Lianyungang Hongyang Thermal Power Co., Ltd.. In September 2010, the Guarantor changed its name from Lianyungang Xuwei Development and Construction Co., Ltd. to Jiangsu Fangyang Group Co., Ltd. (江蘇方洋集團有限公司). In December 2010, Beijing Fangyang Management Consulting Co., Ltd. (北京方洋管理諮詢有限公司) was established. The Guarantor indirectly owns 100 per cent. of the equity interest of Beijing Fangyang Management Consulting Co., Ltd..

2011 In September 2011, Jiangsu Fangyang Logistics Co., Ltd. (江蘇方洋物流有限公司), formerly known as Lianyungang Hangqiao Industrial Co. Ltd. (連雲港航橋實業有限公司), was acquired by the Guarantor. The Guarantor directly owns 100 per cent. of the equity interest of Jiangsu Fangyang Logistics Co., Ltd..

In December 2011, Jiangsu Fangyang Human Resource Management Co., Ltd. (江蘇方洋人力資源有限公司) was established. The Guarantor directly owns 100 per cent. of the equity interest of Jiangsu Fangyang Human Resource Management Co., Ltd..

2012 In January 2012, Jiangsu Fangyang Water Co., Ltd. (江蘇方洋水務有限公司) was established. The Guarantor directly owns 100 per cent. equity interest in Jiangsu Fangyang Water Co., Ltd..

In September 2012, Jiangsu Fangyang Modern Service Group Co., Ltd. (江蘇方洋現代服務產業集團有限公司) was established. The Guarantor directly owns 100 per cent. of the equity interest of Jiangsu Fangyang Modern Service Group Co., Ltd..

In September 2012, the Lianyungang Municipal Government became the sole shareholder of the Guarantor.

2013 In January 2013, the Guarantor was incorporated in Hong Kong under the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong) (company number: 1850896). The Guarantor indirectly, through Jiangsu Fangyang Logistics Co., Ltd. (江蘇方洋物流有限公司), owns 100 per cent. of the equity interest of the Guarantor.

In May 2013, the Guarantor registered its RMB2,000 million short-term notes and RMB2,000 million medium-term bonds at the National Association of Financial Market Institutional Investors China (中國銀行間交易商協會) (the “NAFMII”) and obtained a long-term corporate rating of “AA” from Lianhe Credit Rating Co., Ltd. In July 2013, Jiangsu Fangyang Technology Investment Development Co., Ltd. (江蘇方洋科技投資發展有限公司) was established. The Guarantor directly owns 100 per cent. of the equity interest of Jiangsu Fangyang Technology Investment Development Co., Ltd..

In August 2013, Jiangsu Fangyang Logistics Co., Ltd. (江蘇方洋物流有限公司) obtained the mining permit for the mining area of Xizou Mountain (西陬山礦區).

In September 2013, Jiangsu Fangyang Real Estate Co., Ltd. (江蘇方洋置業有限公司) was established. The Guarantor directly owns 100 per cent. of the equity interest of Jiangsu Fangyang Real Estate Co., Ltd..

In December 2013, the registered capital of the Guarantor was further increased to RMB2,000 million by way of conversion of capital reserve of RMB700 million and conversion of undistributed profit of RMB300 million, respectively. In the same month, the Guarantor registered its RMB1,200 million debt instrument private placement at the NAFMII.

- 2014 In April 2014, the registered capital of the Guarantor was further increased to RMB4,000 million by way of conversion of capital reserve of RMB1,500 million and conversion of undistributed profit of RMB500 million, respectively.
- 2015 In January 2015, Jiangsu Fangyang Construction Management Co., Ltd. (江蘇方洋建設工程管理有限公司) was established. The Guarantor directly owns 100 per cent. of the equity interest of Jiangsu Fangyang Construction Management Co., Ltd..
- 2016 In April 2016, the Guarantor was selected as one of the “Top 500 taxpayer enterprises in Jiangsu in 2015”, ranking at the 1st in Lianyungang and the 98th in Jiangsu.
- 2017 In December 2017, Peng Yuan Credit Rating Co., Ltd. (鵬元資信評估有限公司) assigned a corporate rating of “AA+” with a stable outlook to the Guarantor.
- 2018 In May 2018, the “Wisdom Xuwei (智慧徐圩)” public platform project established by Lianyungang Fangyang Intelligent Technology Co., Ltd. (連雲港方洋智慧科技有限公司), won the “China Government Information Management Innovation Award” at the China International Big Data Expo jointly sponsored by the NDRC, the Industry and Information Technology Commission and the China Information Association.
- 2019 In May 2019, the registered capital of the Guarantor was increased to RMB8.0 billion through capital reserve and capital injection.
- 2020 In June 2020, the Group signed a strategic cooperation agreement with China Everbright Bank Nanjing Branch and China Agricultural Development Bank Lianyungang Branch and Export-Import Bank of China. According to the strategic cooperation agreement, the Group obtained a syndicated loan in amount of RMB1.95 billion, which represents the first domestic syndicated loan provided by three policy banks in China.

2021 In March 2021, the Group signed a strategic cooperation agreement with 12 financial institutions. According to the strategic cooperation agreement, the Group obtained a syndicated loan in the amount of RMB9.8 billion, which represents the largest financing amount the Group has ever obtained.

In May 2021, the registered capital of the Guarantor was increased to RMB11.0 billion through capital injection.

Description of the Group's Businesses

The Guarantor is the largest investment and financing platform of the Lianyungang Municipal Government, in terms of total equity as well as net profit for the six months ended 30 June 2023, and the second largest investment and financing platform of the Lianyungang Municipal Government, in terms of total assets as at 30 June 2023, according to the Lianyungang Municipal Government. Being an enterprise directly and wholly owned by the Lianyungang Municipal Government, the Guarantor has been mandated by the Lianyungang Municipal Government on an exclusive basis to implement the PRC Government's and Jiangsu Provincial Government's plans to develop Lianyungang Xuwei New District, a key state-level economic development zone in China. Over the years, the Guarantor together with its subsidiaries not only has established a strong track record of infrastructure and ancillary facility development in Lianyungang Xuwei New District, but it has also proven to be a key force to enhance the commercial attractiveness and competitiveness of Lianyungang Xuwei New District by exploring and integrating local social, natural and industry resources.

As a major investment and financing platform of the Lianyungang Municipal Government to develop Lianyungang Xuwei New District, the Group engages in a wide range of business activities to carry out its mission, which primarily consist of (i) infrastructure and affordable housing construction, (ii) port logistics, (iii) public utility services, (iv) port industrial park supporting services and (v) miscellaneous.

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

	Year ended 31 December						Year ended 30 June			
	2020		2021		2022		2022		2023	
	Amount (audited)	Per cent. of total	Amount (audited)	Per cent. of total	Amount (audited)	Per cent. of total	Amount (unaudited)	Per cent. of total	Amount (unaudited)	Per cent. of total
	(RMB in million, except for percentages)						(RMB in million, except for percentages)			
Infrastructure and affordable housing construction ⁽¹⁾	1,430.3	20.8	1,855.3	15.6	2,413.7	14.9	1,293.7	17.1	1,277.4	13.9
Port logistics ⁽²⁾	2,819.3	41.0	4,597.3	38.6	4,631.4	28.6	2,191.4	29.0	1,177.1	12.8
Public utility services ⁽³⁾	936.2	13.6	2,133.4	17.9	6,133.3	37.9	1,866.7	24.7	6,001.7	65.2
Port industrial park supporting services ⁽⁴⁾	658.3	9.6	2,516.0	21.1	2,316.2	14.3	1,946.8	25.8	677.9	7.4
Miscellaneous ⁽⁵⁾	1,025.9	14.9	811.3	6.8	696.4	4.3	254.2	3.4	69.7	0.8
Total	6,870.0	100.0	11,913.3	100.0	16,191.2	100.0	7,552.8	100.0	9,203.9	100.0

Notes:

- (1) This amount represents the aggregate of the Group's gross profit from operations of "engineering construction" and "management and maintenance" and "land consolidation and development", as reported in the Group's financial statements of the respective period.
- (2) This amount represents the aggregate of the Group's operating income from operations of "commodity sales", "loading and unloading", "storage and stockpiling", "port administration" and "logistics transportation", as reported in the Group's financial statements of the respective period.
- (3) This amount represents the aggregate of the Group's operating income from operations of "raw water sales", "industrial sewage treatment", "tap water sales", "industrial water sales", "steam sales", "electricity sales" and "power operation and maintenance", as reported in the Group's financial statements of the respective period.
- (4) This amount represents the aggregate of the Group's operating income from operations of "land reclamation", "charter business", "advertisement and exhibition", "property management", "catering service", "supermarket retail", "consulting service", "event planning", "commercial housing sales" and "loan service business", as reported in the Group's financial statements of the respective period.
- (5) This amount represents the aggregate of the Group's operating income from operations of "other main businesses", "electricity income" and "others", as reported in the Group's financial statements of the respective period.

Infrastructure and Affordable Housing Construction

Overview

Infrastructure construction has been the Group's core business since its establishment. The Group's infrastructure construction mainly includes the construction of ecological wetlands, industrial tourism projects, flood control projects, underground integrated pipelines, emergency backup water bases and water drainage systems. The Group is a major entity commissioned by the Lianyungang XND Management Committee (acting on behalf of the Lianyungang Municipal Government) to undertake the infrastructure construction projects in Lianyungang Xuwei New District including the construction of municipal roads, tunnels, transportation hubs, bridges, parks and other public facilities, and certain environmental improvement works. The Group mainly conducts its infrastructure construction business through its subsidiaries, Jiangsu Fangyang Construction Management Co., Ltd. (江蘇方洋建設工程管理有限公司) and Lianyungang Xuwei City Construction Engineering Co., Ltd. (連雲港徐圩城建工程有限公司). As at the date of this Offering Circular, the Group has obtained several construction qualifications, including but not limited to the first class qualification for general contracting of housing construction (房屋建築工程施工總承包壹級資質), the second class qualification for municipal construction general contracting (市政公用工程施工總承包貳級資質), the second class qualification for harbour and waterway construction general contracting (港口與航道工程施工總承包貳級資質) and the first class qualification for foundation engineering professional contracting (地基基礎工程專業承包壹級資質).

The Group is also commissioned by the Lianyungang XND Management Committee to undertake the construction and development of affordable housing (保障性住房), including relocation housing (拆遷安置房), public-rental housing (公租房) and subsidised housing (經濟適用房), in Lianyungang Xuwei New District. The Group mainly conducts its affordable housing construction through its subsidiary, Jiangsu Fangyang Construction Investment Co., Ltd. (江蘇方洋建設投資有限公司). The Group is engaged by the Lianyungang XND Management Committee to undertake the construction and development of affordable housing in accordance with the affordable housing construction plan issued by the Lianyungang Municipal Government. In November 2011, the Lianyungang Development and Reform Commission issued the Reply on Project Proposal of Public-rental Housing Construction in Xuwei New District by Lianyungang Development and Reform Commission (Lianyun Fagai Toufa [2011] No. 598) (市發展改革委關於徐圩新區公共租賃房工程項目建議書的批覆(連雲發改投發[2011]598號)), pursuant to which the Lianyungang Xuwei New District was designated as the primary district in Lianyungang's affordable housing construction plan. A number of affordable housing projects were launched in Lianyungang Xuwei New District thereafter. The Group was designated by the Lianyungang XND Management Committee to conduct the construction for those affordable housing projects since 2012 and has completed and delivered the construction of many important affordable housing projects in Lianyungang Xuwei New District since then.

The Group was previously commissioned by the Lianyungang XND Management Committee to undertake primary land development in the Lianyungang Xuwei New District under an agency construction model. The Group has ceased to conduct its primarily land development in 2015 but receives land development fee from the Lianyungang XND Management Committee on a non-routine basis according to its payment schedule. For the year ended 31 December 2020, the Group received land development fee totalling approximately RMB31.6 million. The Group expects to receive the outstanding payments of land development fee in the amount of approximately RMB500.0 million in three years according to the relevant payment arrangement.

As at 30 June 2023, the Group had completed 11 main infrastructure projects with an aggregate investment amount of RMB5,922 million. As at 30 June 2023, the Group had 15 ongoing infrastructure and affordable housing construction projects with estimated investment totalling approximately RMB7,641 million and cost incurred totalling approximately RMB6,764 million. For the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2022 and 2023, operating revenue generated from the Group's infrastructure and affordable housing construction business was RMB1,430.3 million, RMB1,855.3 million, RMB2,413.7 million, RMB1,293.7 million and RMB1,277.4 million, respectively, representing 20.8 per cent., 15.6 per cent., 14.9 per cent., 17.1 per cent. and 13.9 per cent. of the Group's operating income for the same periods.

Business Model

Infrastructure Construction

The Group conducts its infrastructure construction business under an agency construction model whereby the Group is contracted to carry out the project construction work but the ownership of the relevant projects remains with the Lianyungang XND Management Committee. Details of the infrastructure projects to be developed by the Group (such as the scope of work, estimated investment amount and financing arrangement) are normally set out in an agency construction agreement (the “**Agency Agreement**”) between the Group and the Lianyungang XND Management Committee. The Group finances its infrastructure construction projects with start-up capital provided by the Lianyungang XND Management Committee and through self-financing methods. The Lianyungang XND Management Committee normally provides the Group with start-up capital for its infrastructure projects by way of capital injection. The remaining construction cost is normally funded by the Group with its internal cash and external funding, such as bank borrowings or bonds issuance.

In each infrastructure construction project, the Group mainly undertakes the financing and construction management functions under the supervision of the Lianyungang XND Management Committee. The Group supervises and controls the quality, timetable and cost of the projects through various methods such as establishing a project manager system, supervising the project construction throughout its lifetime and conducting cost audit upon at each project milestone and upon project completion.

Upon reaching each project milestone, the Group's internal construction department will first conduct a project inspection, the result of which will be confirmed by the Lianyungang Xuwei New District Planning and Construction Bureau. Upon completion of inspection, the Group will first conduct an internal audit, after which the Lianyungang Xuwei New District Audit Bureau will conduct an audit of the actual construction cost of the relevant period. The Lianyungang XND Management Committee will then confirm the interim or final construction fees payable by it based on the audit result of the actual construction cost plus a certain percentage of profit margin, whereupon the Group will recognise account receivables and construction cost according to its accounting policies. Upon receiving the relevant construction fees, the Group will recognise operating income and reduce the account receivables accordingly. Depending on the Agency Agreement of the relevant project, payment of the balance of the construction fees is normally made in full in the same year or within two to three years, upon project completion, inspection and acceptance of the completed infrastructure project and completion of the final audit. The Lianyungang XND Management Committee regularly reviews the project progress and designs construction plans in consideration of factors including number, scale, and payment schedule of the construction projects in the current year and previous years.

Affordable Housing Construction

The Group conducts its affordable housing construction business under an agency construction model as well. Details of the affordable housing projects to be developed by the Group (such as the scope of work, estimated investment amount and financing arrangement) are normally set out in an Agency Agreement between the Group and the Lianyungang XND Management Committee. The Group mainly funds its affordable housing construction with its internal cash and external funding, such as bank borrowings or bonds issuance.

Upon reaching each project milestone, the Group's internal construction department will first conduct a project inspection, the result of which will be confirmed by the Lianyungang Xuwei New District Planning and Construction Bureau. Upon completion of inspection, the Group will first conduct an internal audit, after which the Lianyungang Xuwei New District Audit Bureau will conduct an audit of the actual construction cost of the relevant period. The Lianyungang XND Management Committee will then confirm the interim or final construction fees payable by it based on the audit result of the actual construction cost plus a certain percentage of profit margin. Depending on the Agency Agreement of the relevant project, payment of the balance of the construction fees is normally made in full in the same year or within two to three years, upon project completion, inspection and acceptance of the completed housing units and completion of the final audit. The Group is not obliged to assist with the sales of the completed housing units.

The Group engages third-party construction companies to carry out the construction of its infrastructure and affordable housing construction projects through its standardised public tender process in accordance with applicable PRC laws and regulations. When selecting contractors, the Group considers a number of factors such as the reputation of the contractors, track records in similar projects, creditworthiness, technical capabilities, proposed construction plan and price. The Group makes payment to the contractors according to the construction progress of the project and upon the payment of the Lianyungang XND Management Committee. The Group normally retains five per cent. of the contractual fees from the contractors to cover the costs of any maintenance works to be undertaken for a term of one or two years.

Project Description

Completed projects

Over the years, the Group has undertaken and completed a large number of projects of strategic importance to Lianyungang Xuwei New District. The Group's signature completed projects include the Underground Integrated Pipeline Project (地下綜合管廊項目), which spans approximately 24.8 kilometres with total investment of approximately RMB1.9 billion, and aims to enhance the utilisation of the underground space of urban roads and save the above-ground road space. The Group's Haibin Avenue Xuwei New Area Section Project (海濱大道徐圩新區段項目), which has a total length of approximately 21.8 kilometres and a roadbed width of approximately 36.0 metres, serves as the major connection between Lianyungang Xuwei New District, Lianyungang District, Lianyun District and Ganyu District. As at 30 June 2023, 11 of the Group's completed infrastructure and affordable housing construction projects have not been fully paid. The aggregate investment of those 11 infrastructure construction and affordable housing projects amounted to RMB5,922 million. As at 31 December 2020, the Group had received payments for these 11 infrastructure and affordable housing construction projects totalling approximately RMB5,386 million, which represented approximately 75.8 per cent. of the total amount receivable for those projects. The Group expects to receive the outstanding payments in the amount of approximately RMB1,440 million in three years according to the relevant payment arrangement. The particulars of those 11 infrastructure projects are set forth below as at 30 June 2023:

	Project	Aggregate Investment	Total Amount Receivable	Total Amount Received
			(RMB in million)	
1	Xuwei New District Road Network and Ancillary Facilities Construction Project (徐圩新區路網管線及配套設施建設工程項目)	1,584	1,901	1,720
2	Xuwei New District Promenade Project (海濱大道徐圩新區段項目)	1,569	1,884	1,140
3	Xu Xin Road (徐新公路)	758	910	815
4	Provincial Highway 226 (Including Zhangwei Interchange) (226省道(含張圩互通))	735	882	691
5	Middle Passageway (中通道)	192	230	211
6	Xuwei New District Experimental School (徐圩新區實驗學校)	299	359	162
7	Vertical Road No.5 (縱五路)	193	232	206
8	Xuwei New District Surrounding Roads of Housing Construction (徐圩新區房建周邊道路)	95	114	111
9	Xuwei New District Water Supply Construction Project (徐圩新區送水工程)	169	203	105
10	Zhangwei Port Pump Gate Project (張圩港泵閘工程)	95	114	27
11	Phase II of Ancillary Road Network Construction Project for the Exports Production and Processing Base (出口產品生產加工基地配套路網二期工程)	2	280	198
	Total	5,922	7,109	5,386

Projects under construction

As at 30 June 2023, the Group had 15 ongoing infrastructure and affordable housing construction projects with estimated investment totalling approximately RMB7,641 million and cost incurred totalling approximately RMB6,764 million. The particulars of those projects are set forth below as at 30 June 2023:

	Project	Year of Commencement	Estimated Total Investment	Cost Incurred	Total Amount Receivable	Total Amount Received	Completion Progress
(RMB in million)							
							(Per cent. of total)
1	Xuwei New District Main Road and Ancillary Network Construction Project (徐圩新區主幹道及配套管網工程建設項目)	June 2010	4,290	4,205	5,046	2,572	84.1
2	Shihua 4th Road (Banxu Road to Shihua 9th Road) (石化四道(板徐路-石化九路))	April 2017	143	128	154	31	40.6
3	Lianyungang Xuwei Port Area Second Port Basin 50,000-ton Channel Preparation Project (連雲港徐圩港區二港池5萬噸級航道準備工程)	June 2016	458	375	450	182	57.2
4	Lianyungang Xuwei Port Area Second Port Basin 50,000-ton Channel Construction Project (連雲港徐圩港區二港池5萬噸級航道工程建設工程)	August 2016	237	229	275	55	62.5
5	Energy Saving 1st Road (Environmental Protection 2nd Road to 10th Road (節能一路(環保二路-環保十路))	November 2016	217	164	197	51	32.3
6	Middle Passageway Western Section (S242 to Shaoxiang Branch River Bridge) (中通道西延段(S242-燒香支河大橋))	October 2015	116	114	137	57	66.2
7	Phase I of Xuwei New District Medical Rescue Centre (徐圩新區醫療救援中心)	November 2016	780	506	607	159	27.3
8	Xuwei New District Fire and Rescue Emergency Centre (徐圩新區滅火救援應急中心)	April 2016	216	216	259	92	66.7
9	Xigang Watergate Construction Project (西港閘新建工程)	June 2016	115	99	119	53	59.1
10	Solid and Hazardous Waste Treatment and Disposal Centre Project Off-Site Municipal Infrastructure Construction — Construction of Xi'an Road (Zoushan Road-Jiangsu Avenue) (固危廢處理處置中心項目廠外市政基礎設施-西安路(廠山路-江蘇大道)新建工程)	December 2018	282	181	217	58	26.2
11	Xuwei New District River-Lake Connection Project (徐圩新區河湖連通工程)	August 2018	195	164	197	42	43.6
12	Emergency Water Source Pumping Station and Supporting Pipelines (應急備用水源輸水泵站及配套管綫)	December 2018	170	121	145	12	41.8
13	Donggang Sewage Treatment Plant Compliance Tail Water Purification Project (東港污水處理廠達標尾水淨化工程)	July 2018	215	192	230	9	27.0
14	Xuwei Port District Closed Management Project (徐圩港區封閉管理工程)	December 2019	66	42	50	28	16.7
15	Lianyungang Xuwei New District Zhangwei Port Pump Gate Downstream Drainage Channel Dredging project (連雲港市徐圩新區張圩港泵閘下游排水通道疏浚工程)	December 2019	141	121	145	6	2.1
	Total		7,641	6,857	8,228	3,407	

Port Logistics

Overview

The Group's port logistics business includes warehouse-logistics, loading and unloading, storage and stockpiling, port administration, logistics transportation and the trading of stone, coal, steel, ore, chemicals and other commodities. The Guarantor believes that its operation of the port logistics business provides a stable supply of certain construction materials to the companies of the industrial parks in Lianyungang Xuwei New District and is a strong complement to its infrastructure construction and port industrial park supporting services. Aside from its trading business, the Group is actively undertaking port-related construction projects in Lianyungang Xuwei New District, which provide well-rounded support for carrying out trading activities in Lianyungang Xuwei New District. For the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2022 and 2023, operating income generated from the Group's port logistics business was RMB2,819.3 million, RMB4,597.3 million, RMB4,631.4 million, RMB2,191.4 million and RMB1,177.1 million, respectively, representing 41.0 per cent., 38.6 per cent., 28.6 per cent., 29.0 per cent. and 12.8 per cent. of the Group's operating income for the same periods.

The Group conducts its port logistics business mainly through Lianyungang Xuwei Port Logistics Co., Ltd. (連雲港徐圩港口物流有限公司) and Lianyungang Xuwei Port Holding Group Co., Ltd. (連雲港徐圩港口控股集團有限公司). As Lianyungang Xuwei New District is experiencing rapid development, there is a strong demand of stone, concrete, steal and other construction materials. For example, Lianyungang Xuwei New District's construction work demands more than 20 million tonnes of stone in each year.

There is also a strong demand of coal, steel and ore by manufacturing enterprises of the industrial parks in Lianyungang Xuwei New District. The Group is well positioned to conduct the relevant port logistics business by leveraging its governmental background to meet the demand of the companies of the industrial parks in Lianyungang Xuwei New District.

Business Description

The following table sets forth a breakdown of the operating income from each sub-business segment of the Group's port logistics business for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2020		2021		2022		2022		2023	
	Amount (audited)	Per cent. of total	Amount (audited)	Per cent. of total	Amount (audited)	Per cent. of total	Amount (reviewed)	Per cent. of total	Amount (reviewed)	Per cent. of total
	(RMB in million, except for percentages)									
Sales of stone	74.5	2.6	75.4	1.6	23.4	0.5	9.7	0.4	12.5	1.1
Sales of coal and steel	11.0	0.4	267.5	5.8	204.2	4.4	113.4	5.1	131.2	11.1
Sales of chemicals	2,692.0	95.5	4,000.8	86.7	4,075.6	87.5	2,066.3	93.7	868.6	82.3
Sales of construction material	4.2	0.2	141.8	3.1	88.3	1.9	56.1	2.5	81.3	6.9
Sales of other commodities	–	–	357.1	7.7	293.4	6.3	183.5	8.3	44.3	3.88
Other port logistics business	37.7	1.3	77.9	1.7	82.9	1.8	36.5	1.7	126.9	10.3
Internal offsetting ⁽¹⁾	–	–	(323.2)	(7.0)	(136.4)	(2.9)	(274.1)	(12.5)	(87.7)	(7.5)
Total	2,819.3	100.0	4,597.3	100.0	4,631.4	100.0	2,191.4	100.0	1,177.1	100.0

Notes:

- (1) This amount represents the internal adjustments made to the consolidated financial statements for transactions among consolidated subsidiaries within the Group, as reported in the Group's financial statements of the respective periods.

Sales of stone

The Group mainly conducts its sales of stone by purchasing stone from third-party suppliers outside of Lianyungang Xuwei New District and on-selling the same to its customers. The Group employs two settlement methods with its customers, namely, (1) payment-before-delivery and (2) payment-after-delivery. For the sales of stone purchased from suppliers, the Group normally settles with the suppliers on a payment-after-delivery basis with a credit period of three to six months. When on-selling stone to the customers, the Group normally settles with the customers on a payment-after-delivery basis with a credit period of around three to six months. The Group also conducts its sales of stone with the stone provided by Lianyungang Xuwei Port Logistics Co., Ltd., which stockpiled a batch of stone before the expiration of its quarrying rights. For the sales of stone produced by the Group, the Group normally settles its stone sale contracts on a payment-before-delivery basis and the stone materials will be picked up by the customers themselves at the relevant mining area.

Sales of coal and sales of steel

The Group's sales of coal and steel involve purchase of materials from suppliers before on-selling them to customers of industrial parks in Lianyungang Xuwei New District, and most of the coal is provided for Hongyang Thermoelectricity Project. For these transactions, the Group normally settles with the suppliers on a payment-after-delivery basis with a credit period of three to 10 days. When on-selling the materials to the customers, the Group normally settles with the customers on a payment-after-delivery basis with a credit period of around 20 days for the customers of its coal trading and a much longer credit period of around 180 days for the customers of its steel trading.

Sales of Ore

The Group mainly sells laterite nickel ore and chrome powder ore to Jiangsu Baotong Nickel Industry Co., Ltd. (江蘇寶通鎳業有限公司) within the industrial park and Lianyungang Aobang International Trade Co., Ltd. (連雲港奧邦國際貿易公司) outside the industrial park. The Group ceased to conduct its sales of ore since 2019.

Sales of chemicals

The Group's sales of chemicals mainly involve sales of methanol, paraxylene and purified terephthalic acid. The Group's sales of chemicals started in 2017 when the alcohol-based poly generation project of Jiangsu Shenghong Petrochemical Co., Ltd. (江蘇盛虹石化有限公司), an enterprise in the industrial park, was put into operation and generated large demand of chemicals. Sales of chemicals has a relatively high gross profit margin and has made significant contribution to the operating profit of the group's port logistics business.

Warehouse-Logistics

The Group's warehouse-logistics is coordinated with sales of specific goods. The Group purchases commodities according to the production plan of enterprises in the industrial park and enterprises make use of these commodities according to their manufacturing progress. The Group generates income from enterprises by providing logistics within the industrial park and warehouses for commodities that are temporarily not in use.

Projects under construction

The Group is actively undertaking construction projects in Xuwei port, including but not limited to the construction of port terminal and logistics parks, which provide well-rounded support for carrying out trading activities of its port logistics business in Lianyungang Xuwei New District. As at 30 June 2023,

the Group has completed its construction of Port Terminal Project (港口碼頭項目) including six berths, three of which have a capacity of 100,000 tonnes, two of which have a capacity of 50,000 tonnes and one of which has a capacity of 30,000 tonnes. The annual throughput of the Group's port terminal project reached 25,000,000 tonnes as at the same time. Below is a summary of the Group's construction projects in Xuwei port under construction as at 30 June 2023:

- The Belt and Road Initiative Integrated Logistics Park Project (一帶一路綜合物流園項目) covers an area of 961,832 square metres, with an estimated total investment of approximately RMB2.6 billion. It serves as a major transportation hub in Xuwei port for railways, highways, maritime and river transportation, as well as a regional modern logistics storage base in line with the Belt and Road Initiative.
- The Lianyungang Comprehensive Bonded Zone (Xuwei Area) Project (連雲港綜合保稅區(徐圩片區)項目) was approved to be established in May 2018 by the State Council. Its Xuwei area covers 0.5 square kilometres and it primarily includes the bonded warehouse (phase I), bonded warehouse factory (phase II), supervised warehouses and storage yards to support the industry development in Xuwei port.
- Dry Bulk Transportation Trestle Bridge (Phase I) (乾散貨輸送棧橋一期工程) aims to minimise logistics costs and reduce environmental pollution caused by long-distance bulk cargo transportation in Xuwei port. The estimated total investment of this project is approximately RMB347 million.
- The Industrial Zone Dedicated Railway Project (產業區專用鐵道項目) has a dedicated railway with a length of about 13.6 kilometres with an estimated total investment of approximately RMB1.1 billion. It is constructed to increase the railway transportation volume in Lianyungang Xuwei New District as an important logistics transportation junction among petrochemical industrial bases in Lianyungang.

Public Utility Services

Overview

The Group provides public utility services including sales of raw water, sewage treatment and sales of steam and electricity in Lianyungang Xuwei New District. In addition, the Group has been engaged by the Lianyungang Municipal Government to construct urban underground utility tunnels which serves multiple purposes, including electricity, telecommunications, radio and television, water supply, drainage, heating and gas, in response to the initiative of promoting the construction of urban underground utility tunnels by the Ministry of Housing and Urban-Rural Development of the People's Republic of China. This project is one of the two pilot projects in Jiangsu Province. The Group commenced tunnels construction in June 2016 through its subsidiary, Jiangsu Fangyang Logistics Co., Ltd. (連雲港徐圩港口物流有限公司, previously named as 江蘇方洋物流有限公司) and Jiangsu Fangyang Water Co., Ltd. (江蘇方洋水務有限公司), and as at the date of this Offering Circular, approximately 90 per cent. of the construction has been completed. In November 2018, the Group obtained the Electric Power Business Licenses (電力業務經營許可證) issued by the National Energy Administration (國家能源局), and commenced its construction of the electricity distribution project in December 2018 through its subsidiary, Jiangsu Donggang Energy Investment Co., Ltd. (江蘇東港能源投資有限公司). The Group has increased its investment to grow this business in order to better complement the future development and to increase the commercial attractiveness of Lianyungang Xuwei New District. For the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2022 and 2023, operating income generated from the Group's public utility services was RMB936.2 million, RMB2,133.4 million, RMB6,133.3 million, RMB1,866.7 million and RMB6,001.7 million, respectively, representing 13.6 per cent., 17.9 per cent., 37.9 per cent., 24.7 per cent. and 65.2 per cent. of the Group's operating income.

Business Description

The following table sets forth a breakdown of the operating income by sub-segment of the Group's public utility services business for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2020		2021		2022		2022		2023	
	Amount (audited)	Per cent. of total	Amount (audited)	Per cent. of total	Amount (audited)	Per cent. of total	Amount (reviewed)	Per cent. of total	Amount (reviewed)	Per cent. of total
	(RMB in million, except for percentages)									
Raw water sales	39.7	4.2	22.0	1.0	7.6	0.1	6.3	0.3	0.6	0.0
Industrial sewage treatment	64.4	6.9	255.3	12.0	371.3	6.1	170.3	9.1	310.9	5.2
Tap water sales	7.7	0.8	35.2	1.7	39.3	0.6	18.7	1.0	17.5	0.3
Industrial water sales	–	–	70.6	3.3	105.5	1.7	45.1	2.4	87.0	1.4
Steam sales	664.7	71.0	987.4	46.3	3,532.4	57.6	985.0	52.8	3,121.8	52.0
Electricity sales	159.6	17.0	762.5	35.7	2,069.9	33.7	641.4	34.4	2,460.0	41.0
Power operation and maintenance	0.1	0.0	0.3	0.0	7.3	0.1	–	–	4.0	0.1
Total	936.2	100.0	2,133.4	100.0	6,133.3	100.0	1,866.7	100.0	6,001.7	100.0

Sales of steam and electricity

The Group's operating income of its public utility services is mainly generated from the sales of steam and electricity. During the three years ended 31 December 2022 and six months ended 30 June 2023, the Group's operating income of its sales of steam business was mainly generated from the sales of steam, produced by the Hongyang Thermoelectricity Project (虹洋熱電項目), to the companies of the industrial parks in Lianyungang Xuwei New District. In 2011, due to the lack of heating power generating industries in the industrial parks of Lianyungang Xuwei New District, Lianyungang Hongyang Thermal Power Co., Ltd. (連雲港虹洋熱電有限公司), a joint venture company in which the Group controls 50 per cent. equity interest, commenced the construction of the Hongyang Thermoelectricity Project (虹洋熱電項目) to meet the demand of heating power of the companies of the industrial parks.

The Hongyang Thermoelectricity Project is located at the Thermoelectricity Centre of the Lianyungang Xuwei New District and has a total estimated investment amount of RMB2 billion with an estimated annual steam production capacity of 8 million tonnes. It is targeted to generate revenue of RMB2.1 billion per year upon completion and full operation. Its wastewater treatment plants No. 1, No. 2, No. 3 and No. 4 were completed and commenced operation in 2012, 2013, 2016 and 2020, respectively. For the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2022 and 2023, the Hongyang Thermoelectricity Project had provided steam to the companies of the industrial parks in Lianyungang Xuwei New District in the amount of approximately 4,121,700 tonnes, 5,000,000 tonnes, 15,030,000 tonnes, 6,920,000 tonnes and 4,975,000 tonnes, respectively.

In addition to the Hongyang Thermoelectricity Project, the Group also completed the Kongqiao Substation and Shenzhen-Hong Kong Substation Project Station (孔橋變電站和深港變電站項目) in 2020 with two 220kV substations, an operation and maintenance building, a warehouse for spare parts and other supporting facilities. The Group's Tianwan Nuclear Power Plant Steam Supply Pipeline Project (田灣核電站蒸汽供能管道項目), which extends from Tianwan Nuclear Power Plant (田灣核電站) to Lianyungang Petrochemical Industry Base (連雲港石化產業基地), is under construction as at the date of this Offering Circular.

Sales of raw water and sewage treatment

The Group generates operating income from its sales of raw water business through providing industrial raw water to companies in the industrial parks in Lianyungang Xuwei New District and generates operating income from its sewage treatment through providing wastewater treatment services for those

companies. The Group carries out its sales of raw water and sewage treatment business through a subsidiary of the Guarantor, Jiangsu Fangyang Water Co., Ltd. (江蘇方洋水務有限公司).

In 2012, phase I of the Group's water supply plant project was completed and commenced operation. The Group's wastewater treatment plant project was completed and commenced operation in 2013. East Port Wastewater Treatment Plant (東港汙水處理廠) is currently in charge of wastewater treatment in the industrial park. It has a sewage treatment capacity of 50,000 tonnes per day. In addition, as at the date of this Offering Circular, the Group has several raw water and sewage treatment projects under construction, such as the phase II of Water Supply and Treatment Plant and Supporting Pipeline Network (給水處理廠及廠外配套管網二期工程), which has a pumping station with the water supply capacity of 300,000 tonnes per day and a pumping house with the water supply capacity of 450,000 tonnes per day currently in operation. The Group's No. 2 Water Supply Plant (第二水廠) primarily targets to supply industrial production water for enterprises in the petrochemical industry park in Xuwei New District. No. 2 Water Supply Plant occupies an area of approximately 50,000 square metres with an industry water plant with an estimated water supply capacity of 100,000 tonnes per day upon completion and full operation. Furthermore, the Group is constructing the phase I of Petrochemical Base Industrial Wastewater Third Party Treatment Project (石化基地工業廢水治理一期工程), a sewage pretreatment project with an estimated sewage treatment capacity of 12,000 tonnes per day upon completion and full operation. In its Xuwei New District Recycled Water Plant (徐圩新區再生水廠), the Group is currently constructing a recycled water plant with an estimated water treatment capacity of 50,000 tonnes per day and an estimated water production capacity of 35,000 tonnes per day upon completion and full operation. In its Xuwei New District Solid and Hazardous Waste Treatment and Disposal Centre Project (徐圩新區固危廢處理處置中心項目), the Group is currently constructing four landfill areas with a total of 338 landfill cells and the landfill capacity of 10,700 tonnes per year.

Port Industrial Park Supporting Services

Overview

The Group provides ancillary services to support the operation and development of the industrial parks in Lianyungang Xuwei New District, including advertisement and exhibition, property management, catering service, consulting service, leasing business and sales of commercial housing. For example, the Industrial Neighbourhood Centre Project (工業鄰里中心項目), which has been completed as at the date of this Offering circular, occupies an area of approximately 328,666.7 square metres. This comprehensive commercial and residential area is able to meet demands for business, accommodation, leisure and daily consumption for approximately 11,000 industrial workers and visitors in Xuwei New District. For the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2022 and 2023, operating income generated from the Group's port industrial park supporting services was RMB658.3 million, RMB2,516.0 million, RMB2,316.2 million, RMB1,946.8 million and RMB677.9 million, respectively, representing 9.6 per cent., 21.1 per cent., 14.3 per cent., 25.8 per cent. and 7.4 per cent. of the Group's operating income.

Business Description

The following table sets forth a breakdown of the operating income by sub-segment of the Group's port industrial park supporting services business for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2020		2021		2022		2022		2023	
	Amount (audited)	Per cent. of total	Amount (audited)	Per cent. of total	Amount (audited)	Per cent. of total	Amount reviewed)	Per cent. of total	Amount (reviewed)	Per cent. of total
	(RMB in million, except for percentages)									
Charter business	191.8	29.1	143.8	5.7	161.7	7.0	103.5	5.3	73.3	10.8
Advertisement and exhibition	3.9	0.6	4.6	0.2	9.7	0.4	2.3	0.1	1.5	0.2
Property management	22.3	3.4	76.3	3.0	137.0	5.9	61.1	3.1	82.0	12.1
Catering service	49.5	7.5	54.6	2.2	62.4	2.7	27.2	1.4	27.8	4.1
Supermarket retail	–	–	33.1	1.3	5.5	0.2	132.1	6.8	–	–
Consulting service	1.1	0.2	26.2	1.0	18.2	0.8	3.6	0.2	14.4	2.1
Event planning	–	–	1.3	0.1	2.2	0.1	0.1	0.0	3.1	0.5
Commercial housing sales	170.5	25.9	17.3	0.7	241.2	10.4	144.8	7.4	13.7	2.0
Loan service business	–	–	0.2	0.0	–	–	–	–	–	–
Land reclamation	219.2	33.3	2,158.5	85.8	1,678.3	72.5	1,472.3	75.6	462.1	68.2
Total	658.3	100.0	2,516.0	100.0	2,316.2	100.0	1,946.8	100.0	677.9	100.0

Advertisement and exhibition

The Group carries out its advertisement and exhibition business through a subsidiary of the Guarantor, Jiangsu Fangyang Culture and Art Troupe Co., Ltd. (江蘇方洋文化藝術團有限公司). Jiangsu Fangyang Culture Communication Co., Ltd. is currently the only professional advertising company in the Xuwei New District, and is mainly responsible for the advertising business, including exhibitions and billboard production. With the development of the newly established industrial park and the enterprises entering the industrial park, the advertising business has a great growth potential.

Property management

The Group carries out its property management business through a subsidiary of the Guarantor, Jiangsu Yunhu Asset Management Co., Ltd. (江蘇雲湖資產管理有限公司). Its property management business mainly includes property management, road lamp management and maintenance and municipal maintenance. It is expected that the Group's property management business will generate stable operating cash flow for the Group along with the increase of the number of enterprises of the industrial parks in Lianyungang Xuwei New District.

Catering service

The Group conducts its catering service business through its subsidiary, Jiangsu Fangyang Modern Service Industry Group Co., Ltd. (江蘇雲湖現代服務產業集團有限公司) (previously named as Jiangsu Fangyang Modern Service Group Co., Ltd. (江蘇方洋現代服務產業集團有限公司)).

Consulting

The consulting business mainly includes business management consulting, economic information consulting, corporate planning, market research, technology development, technology transfer, technical consultation and technical service.

Land reclamation

The Group ceased to conduct primarily land development since 2015. The Group returns the land use rights of its idle land or the land which are not fully developed to the land department of the Lianyungang XND Management Committee who will purchase the land use rights at a price determined by the assets evaluation organisation appointed by the land department of the Lianyungang XND Management Committee. For the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2022 and 2023, operating income generated from the Group's land reclamation business was RMB219.2 million, RMB2,158.5 million, RMB1,678.3 million, RMB1,472.3 million and RMB462.1 million, respectively, representing 3.2 per cent., 18.1 per cent., 10.4 per cent., 19.5 per cent. and 5.0 per cent. of the Group's operating income for the same periods.

Miscellaneous

The Group also undertakes other business operations, including financial leasing business, loan services, supplying electric power and others. For the years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2022 and 2023, operating income generated from the Group's miscellaneous business was RMB1,025.9 million, RMB811.3 million, RMB696.4 million, RMB254.2 million and RMB69.7 million, respectively, representing 14.9 per cent., 6.8 per cent., 4.3 per cent., 3.4 per cent. and 0.8 per cent. of the Group's operating income for the same periods.

Operational Process

The Group's operational process primarily involves project identification, financing, design management, on-site management, project monitoring, quality control and project completion.

Project Identification

The Group relies on the Lianyungang XND Management Committee to identify and propose new projects for the Group to undertake. The Group will then evaluate the project feasibility and investment budget, taking into the account the scale and costs of such project.

Financing

The financing arrangements for each project are arranged by the Group's financing department. For each project, the Group will discuss with banks and determine a proper financing arrangement with the relevant bank. All proposals for any financing arrangements will be reviewed and approved by the Group's senior management. The Group's sources of financing include financial support from the Lianyungang XND Management Committee, the Lianyungang Municipal Government, the Jiangsu Provincial Government and the State Council, bonds issuances and bank loans.

Design Management

The Group's general office is primarily responsible for managing project designs. For each project, the Group will typically engage a professional design company to prepare the feasibility study, design the project and supervise the execution of such design. The selection of the professional design company is based on a tendering and bidding process whereby the Group takes into consideration various factors such as the reputation and track record of the design company, the timeframe and quality requirements for the project as well as the price and design plan proposed by the design company.

On-site Management

The Group appoints a project manager to facilitate communication and coordinate the relationships between designers, contractors, supervision companies and the government. The project manager prepares and submits a monthly progress report to a manager in charge of the project.

Monitoring of Project Construction

The Group typically supervises the construction work performed by the contractors by on-site examination on a regular basis. The Lianyungang Xuwei New District Planning and Construction Bureau will perform the final assessment and inspection of the project to determine whether the project could be accepted.

The actual progress of each project is monitored based on a monthly construction report. Contractors are required to complete their work according to the agreed schedule. No incentives are provided to contractors for completing their work prior to the agreed schedule. However, contractors who fail to meet the schedule may be liable for damages to the Group.

Quality Control

The Group provides a project quality assurance certificate whenever they enter into a project agreement. The quality management of a project is monitored by an independent third party who will provide project reports to the Group which will include information on a project's construction quality and progress.

Completion

Upon project completion, the government will inspect the project and check the quality of the completed works. The Group will retain five per cent. of the contractual fees from the contractors to cover the costs of any maintenance works to be undertaken during the maintenance period.

Risk Management

The Group has established a risk management committee to ensure compliance with regulatory requirements and to implement risk control measures to lower operational and investment risks. The risk management system covers different aspects of the Group's operations, including budget management, guarantee management, remuneration management, safety production, subsidiaries management, investment and financing management, and connected transaction, information disclosure and incidents management. Each level and department of the Group is well informed of the Group's internal control and risk management policies. The systematic approach adopted by the Group has helped the Group to manage its business in a disciplined manner.

Occupational Safety and Environmental Protection

The Group has adopted a comprehensive work safety system to ensure employee safety. The Group has established safety protocols and also implemented guidelines setting out the responsibilities of safety officers. The safety officer is involved in the planning and implementation of each project to ensure that safety objectives are met and plays a key role in monitoring the effectiveness of the safety measures, educating project members on the safety requirements, handling any infractions, ensuring safety records are properly kept and managing onsite safety and emergency incidents. The Group believes that it is in compliance in all material respects with applicable safety regulations.

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

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 and affordable housing construction business, the Group generally purchases insurance for its fixed assets, such as its key equipment, stock and office buildings. The Group also purchases pension insurance, unemployment insurance and medical insurance for its employees according to the relevant PRC laws and regulations. The Group maintains insurance coverage in amounts that it believes are commensurate with its risk of loss and industry practice. Consistent with what the Group believes to be customary practice in the PRC, it does not carry any business interruption insurance, key-man insurance or insurance covering potential environmental damage claims. Such 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.

Employees

As at 30 June 2023, the Group had approximately 1,500 employees. In accordance with the applicable regulations of local governments in regions where the Group has business operations, the Group makes contributions to the pension contribution plan, medical insurance, unemployment insurance, maternity insurance and personal injury insurance. The amount of contributions is based on the specified percentages of employees' aggregate salaries as required by relevant PRC authorities. The Group also makes contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, the Group provides annual bonuses and supplemental commercial insurance policies to employees. The Group enters into an employment contract with each of its employees in accordance with applicable PRC laws. Such contracts include provisions on wages, vacation, employee benefits, training programmes, health and safety, confidentiality obligations and grounds for termination.

Legal Proceedings

The Group is from time to time involved in disputes and legal proceedings arising in the ordinary course of its business. See "*Risk Factors — Risks Relating to the Group's Business — The Group may be subject to disputes, legal, regulatory or other proceedings*".

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

PRC LAWS AND REGULATION

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

Main Regulatory Authorities and Contents of Supervision

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

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

Major Laws and Regulations

Safe Registration in relation to Cross-Border Security

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

On 12 May 2014, SAFE issued the Provisions on Foreign Exchange Administration of Cross-border Security (跨境擔保外匯管理規定) and the Implementation Guidelines for the Foreign Exchange Administration of Cross-border Security (跨境擔保外匯管理操作指引) (collectively the "SAFE Circular 29"), which became effective on 1 June 2014. According to the SAFE Circular 29: (i) cross-border security refers to the security provided by a security provider to a creditor under a written and

legally binding agreement or instrument under which the security provider undertakes to fulfil relevant payment obligations in accordance with the security agreement, which may result in cross-border receipt and payment of funds or cross-border transfer of asset ownership and other transactions of international receipt and payment. Based on the places of registration of the parties to the cross-border security transactions, cross-border security shall be divided into three types, namely “Neibaowaidai” (內保外貸), “Waibaoneidai” (外保內貸) and “Other forms of cross-border security” (其他形式的跨境擔保). In particular, Neibaowaidai refers to the cross-border security transaction under which the security provider is registered in the PRC, while both the debtor and the creditor are registered outside the PRC; (ii) provision of guarantees by PRC non-financial institution for offshore bond issuance by offshore entities constitutes transaction of “Neibaowaidai”, and the PRC non-financial institution as the guarantor shall, register such cross-border security with SAFE within 15 working days after the execution of the guarantee; (iii) the proceeds of loans or bonds under the “Neibaowaidai” structure shall be used for the relevant expenses in the normal course of business of the foreign debtor, and shall not be used to support the foreign debtor to engage in transactions other than the normal course of business, to arbitrage any trade with fictitious transaction background, to carry out other forms of speculative transactions, or to directly or indirectly remit proceeds back to PRC by way of security investment; (iv) the proceeds of loans or bonds under the “Neibaowaidai” structure shall not be repatriated onshore and used in the PRC; (v) where “Neibaowaidai” is provided to secure the repayment obligations of an offshore entity under its offshore bond issuance, the offshore issuer shall be directly or indirectly owned by the PRC domestic institutions and the proceeds from the offshore bond issuance shall be applied to the overseas investment projects which are associated with the PRC domestic institutions in terms of equity interest and the relevant overseas institutions or projects shall have obtained or completed approvals, registrations, records or confirmations from or with the relevant PRC domestic authorities in charge of administration of overseas investment; and (vi) in case of performance of the “Neibaowaidai” which has been duly registered with SAFE, the PRC non-financial institution as the guarantor, may make the payment in relation to the performance of the “Neibaowaidai” under the registered “Neibaowaidai” at its own discretion, and shall de-register the “Neibaowaidai” and perform registration formalities in relation to its creditor rights against the offshore debtor arising out of the performance of the “Neibaowaidai”. On 26 January 2017, SAFE issued the Circular on Further Promoting the Reform of Foreign Exchange Administration and Improving the Genuineness and Compliance Review and Verification Process (關於進一步推進外匯管理改革完善真實合規性審核的通知) (“**SAFE Circular 3**”), which eases certain restrictions on the use of proceeds raised under a “Neibaowaidai” structure and generally allows the proceeds raised under a “Neibaowaidai” structure to be repatriated onshore and used in the PRC by way of loans and equity investments. The second series of the Policy Q&As in relation to the SAFE Circular 3 (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知(匯發[2017]3號)政策問答(第二期)), “**Policy Q&As in relation to the Circular 3**”) published by SAFE on its official website on 27 April 2017 further clarified that, for offshore bond issuance by offshore entities which is secured by PRC onshore guarantees, the restrictions on the use of proceeds as mentioned in sub-paragraph (iii) and sub-paragraph (v) above still apply despite of SAFE Circular 3. However, in practice, application or exemption of such restrictions on the use of proceeds as mentioned in sub-paragraph (v) above to certain extent remains subject to SAFE’ discretion on a case by case basis.

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

Regulation on Fiscal Debts of Local Governments

In accordance with Guidance on Further Strengthening Adjustment of Credit Structure to Promote Fast and Smooth Development of National Economy (中國人民銀行、中國銀行業監督管理委員會關於進一步加強信貸結構調整促進國民經濟平穩較快發展的指導意見) issued jointly by PBOC and 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, the Notice on Strengthening the Administration of Local Government Financing Vehicles (國務院關於加強地方政府融資平台公司管理有關問題的通知) (“**Circular 19**”) and the Notice on Further Regulating Issuance of Bonds by Local Government Financing Vehicles (關於進一步規範地方政府投融資平台公司發行債券行為有關問題的通知) (“**Circular 2881**”) were 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 platforms. In accordance with Circular 2881, the level of indebtedness of local governments will impact a financing platform’s issuance of enterprise bonds.

On 21 September 2014, the State Council released Circular 43. Circular 43 aims at regulating the financing system of local government. In accordance with Circular 43, financing platforms shall no longer serve the fiscal financing functions nor incur new government debts. In accordance with the old Budget Law which took effect in 1995 (the “**Old Budget Law**”), local governments shall not issue bonds directly. On 31 August 2014, National People’s Congress adopted the newly amended Budget Law of the PRC (the “**New Budget Law**”), which became effective on 1 January 2015 and was further amended on 29 December 2018. Public interest projects may be funded by the government through issuing government bonds, since the New Budget Law empowers local governments to issue government bonds, and public interest projects with income generated, such as city infrastructure construction, may be operated independently by social investors or jointly by the government and social investors through the establishment of special purpose companies. Social investors or such special purpose companies shall invest in accordance with market-oriented principles and may be funded by, among other market-oriented approaches, bank loans, enterprise bonds, project revenue bonds and asset-backed securitisation. Social investors or the special purpose companies shall bear the obligation to pay off such debts and the government shall not be liable for any of the social investors’ or special purpose companies’ debts. Circular 43 also sets forth the general principles of dealing with existing debts of financing platforms. Based on the auditing results of such debts run by the local governments, the existing debts that should be repaid by the local governments shall be identified, reported to State Council for approval, and then included in the budget plan of local governments.

On 11 May 2015, Opinion on the Proper Solution of the Follow-up Financing Issues for Projects under Construction of Financing Platform of Local Governments issued jointly by the Ministry of Finance of the PRC, 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台公司在建項目後續融資問題的意見) (“**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 relevant regulations by competent investment authorities before the date when the Circular 43 was promulgated.

Regulation on the Issuance of Foreign Bonds

On 14 September 2015, the NDRC issued the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) (“**NDRC Circular 2044**”), which became effective on the same date. In order to encourage the use of low-cost capital in the international capital markets in promoting investment and steady growth and to facilitate cross-border financing, the NDRC Circular abolishes the case-by-case quota review and approval system for the issuance of foreign debts by PRC enterprises.

From 10 February 2023, the NDRC Circular 2044 was superseded by the NDRC Circular 56. Similar to the requirement under the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with a maturity term of one year or longer with the NDRC prior to the issue of the securities and obtain a certificate of review and

registration of enterprise borrowing of foreign debts (企業借用外債審核登記證明) (the “**review and registration certificate**”). According to the NDRC Circular 56, the enterprises are required to file with NDRC the requisite information and documents of the relevant issues through the NDRC Online Reporting System within ten PRC working days after the completion of the issue of the securities and to report the foreign debts borrowing information of the securities through the NDRC Online Reporting System within ten PRC working days after the expiration of the validity of the review and registration certificate obtained from the NDRC. In addition, so long as any of such securities issued remain outstanding, such enterprise should report through the NDRC Online Reporting System the information on the use of proceeds, plan and arrangement of payment of interest and principal and key operating and financial indicators, among other matters within five PRC working days before the end of January and the end of July during each year. In case of any material circumstance which may adversely affect the enterprises’ due performance of its debts, the enterprises are required to report to the NDRC and take proper measures to control risks.

Regulation on the Agency Construction

On 16 November 2004, the Ministry of Construction published the “Pilot Measures for the Administration of Construction Projects” (建設工程項目管理試行辦法) (the “**Pilot Measures**”), which became effective on 1 December 2004. The Pilot Measures provides for stipulations with regard to the carrying out of management activities for construction projects in the PRC. According to the Pilot Measures, project management enterprises shall possess one or more qualifications such as project inspection, design, construction, supervision, cost consultancy, invitation for tender agency, etc. The owner of construction projects can choose project management enterprises by public tender or other methods, and shall sign agency contract with the chosen project management enterprise in writing. Where project inspection enterprises, design enterprises and supervision enterprises, etc., undertake the roles of management as well as project inspection, design and supervision (within its scope of qualification) for the same construction project at the same time, those enterprises shall be chosen through public tender if required by the relevant laws and regulations. Construction enterprises shall not engage in both project management and project construction for the same project.

The Jiangsu Provincial Development and Reform Commission, the Jiangsu Provincial Department of Finance and the Jiangsu Provincial Department of Construction jointly published and implemented the “Provisional Stipulations on the Agency Construction Model for Provincial Government-Invested Projects of Jiangsu Province” (江蘇省省級政府投資項目代建制暫行規定) on 28 December 2006. The stipulations are formulated in accordance with “The State Council’s Decision Regarding Reforms to the Investment System” (國務院關於投資體制改革的決定) for the purpose of establishing a restraint mechanism for investment liability for government-invested projects, to achieve segregation of project construction and project management, and lower investment costs. The agency construction model for government-invested projects is implemented on a pilot and step-by-step basis. The agency construction model refers to the system whereby the government selects specialised project management enterprises (the “**Agency Construction Enterprises**”) through methods such as public tender, who shall be responsible for the investment and management of the project and the management of the construction of the project, and the project shall be delivered to the relevant entity for use after completion. During the construction period, the Agency Construction Enterprises shall carry out agency construction according to the stipulations of the contract by financing the construction of the project. In Jiangsu Province, the agency construction model shall be adopted for non-profit generating projects with a total investment of more than RMB10 million with provincial fiscal budget or projects with more than 30 per cent. of total investment funded by governmental financing funds, or projects with more than RMB5 million of provincial fiscal budget or governmental financing funds, save for those where national security or state secrets are involved. The agency construction projects can adopt two different models including whole-process agency construction and construction-stage agency construction.

Agency Construction Enterprises shall have:

- (a) separate legal person status;
- (b) the organisational structure, management capability, technical personnel and management personnel necessary for the management of project construction;
- (c) one or more qualifications in the areas of design, supervision, project consultancy, overall construction contracting, real estate development that are necessary based on the size of the agency construction project.

Pursuant to the “Provisional Measures for the Administration of Lianyungang Municipal-level Government-invested Projects” (市政府關於印發連雲港市市本級政府投資項目管理暫行辦法) promulgated on 30 March 2009, the Lianyungang Development and Reform Commission shall be the overall management authority for government-invested projects, and shall be responsible for arranging the backlog and planning of government-invested projects. It shall carry out whole-process management over the construction of government-invested projects; monitor the execution of government-invested plans according to law; and report to the Lianyungang Municipal Government. The project construction entity or Agency Construction Enterprise (collectively, the “**Project Entity**”) shall report to relevant authorities such as the Lianyungang Development and Reform Commission, in a timely and accurate manner, on the construction status and execution problem of the project. Based on the approved annual government investment plan, the municipal finance authorities shall be responsible for preparing and issuing the budget for government-invested projects, managing the budget, capital and financial activities of government-invested projects, examining the budget and final accounting of government-invested projects, and reviewing and approving the final auditing results of the completed projects. It shall also be responsible for participating in the early-stage verification of the project, participating in the public tender and tendering work of the project, and carrying out whole-process tracking, examination, supervision and management over the construction project. The municipal audit authorities shall carry out audit and supervision over the government-invested projects according to law, in the areas of the execution of estimates, execution of the annual budget and annual final accounting, and final accounting upon project completion. As for other competent industry authorities, they shall carry out management and supervision over government-invested projects in accordance with their own duties. With respect to government-invested projects, the Lianyungang Development and Reform Commission shall state expressly when approving the project proposal or feasibility report that whether the relevant project shall adopt the agency construction model, and the Agency Construction Enterprise shall be selected and determined by methods such as public tender.

Qualification of Construction Enterprises

In accordance with the Construction Law of the People’s Republic of China (中華人民共和國建築法) amended by Standing Committee of the National People’s Congress (the “**SCNPC**”) on 23 April 2019 and became effective on the same date, Regulations on Qualification Management of Construction Enterprises (建築業企業資質管理規定) amended by MOHURD on 22 December 2018 and became effective on the same day. Detailed Rules of Regulations on Qualification Management and Implementing Opinions of Qualification Standard of Construction Enterprises (建築業企業資質管理規定和資質標準實施意見) amended by MOHURD on 16 January 2020 and became effective on the same date, Criterion for Qualification of Construction Enterprises (建築業企業資質標準) amended by MOHURD on 14 October 2016 which became effective on 1 November 2016, and Criterion for Premium Qualification of Construction General Contracting Enterprises (施工總承包企業特級資質標準) issued by MOC on 13 March 2007 and became effective on the same date, Provisions on the Management of Survey and Design Qualification of Construction Projects (建設工程勘察設計資質管理規定) amended by MOHURD on 22 December 2018 which became effective on the same day, Detailed Rules of Provisions on the Management of Survey and Design Qualification of Construction Projects (建設工程勘察設計資質管理

規定實施意見) amended by MOC on 16 June 2016 and became effective on the same date, Provisions on Qualification Management of Project Supervision Enterprises (工程監理企業資質管理規定) amended by MOC on 22 December 2018 and became effective on the same date, Detailed Rules of Provisions on Qualification Management of Project Supervision Enterprises (工程監理企業資質管理規定實施意見) amended by MOC on 16 June 2016 and became effective on the same date, as well as other relevant laws and regulations, enterprises engaging in the business of construction, survey, design and supervision of construction projects may only carry out construction activities within the scope of their qualification grade certificates.

In accordance with the Regulations on Qualification Management of Construction Enterprises, construction enterprises shall apply for their qualifications according to their assets, professionals, projects completed, and technical equipment. Qualifications of construction enterprises include the qualification of general contractor, the qualification of professional contractor and the qualification of construction labour service.

Any enterprise that has obtained the qualification of a general contractor may enter into a contract to undertake general contracting work for the whole project or main works. The enterprise undertaking the general contracting work may carry out the whole construction project by itself or subcontract the work other than the main work or the labour service to other construction enterprises that have requisite qualifications.

Any enterprise that has obtained the qualification of a professional contractor may undertake the professional work subcontracted by the general contractor or the professional work contracted by a construction unit. A professional contracting enterprise may carry out construction by itself or subcontract the labour service work to a labour service enterprise that has the corresponding qualification.

Bidding and Tendering Management

Bidding and tendering of various construction projects have been provided in the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法) amended by the SCNPC on 27 December 2017 which became effective on 28 December 2017, Regulation on the Implementation of the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法實施條例) promulgated by State Council on 20 December 2011 which became effective on 1 February 2012 and was amended on 1 March 2017, 19 March 2018 and 2 March 2019, Measures for the Construction Bidding and Tendering of Construction Projects (工程建設項目施工招標投標辦法) jointly amended 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 on 1 May 2013 which became effective on the same date, Administrative Measures for the Bidding and Tendering of Design of Construction Projects (建築工程設計招標投標管理辦法) amended by MOC on 24 January 2017 and became effective 1 May 2017 and Administrative Measures for the Bidding and Tendering of Housing Construction and Municipal Infrastructure Work (房屋建築和市政基礎設施工程施工招標投標管理辦法) amended on 28 September 2018 and further amended on 13 March 2019.

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

The process of bidding and tendering consists of five stages including bid invitation, tendering, bid opening, bid evaluation and bid award. The principle of openness, fairness and equal competition shall be

followed in the bidding and tendering for construction project contracting, and the contractor shall be chosen after evaluation. After the contractor is determined, the tenderee shall issue the notification to the successful bidder. The notification is legally binding on both the tenderee and the bid winner.

In accordance with the Bidding and Tendering Law of the People's Republic of China and Measures for the Construction Bidding and Tendering of Construction Projects, if any project that shall undergo bidding as required by law fails to go through the bidding process, or the items subject to bidding are broken up into pieces or the bidding requirement is otherwise evaded, the relevant administrative supervision department shall order rectification within a specified period, and may impose a fine of not less than 5‰ but not more than 10‰ of the project contract amount. For projects using the state-owned funds in whole or in part, the project approval authority may suspend the implementation of the project or suspend the fund appropriation, and impose punishment on the person direct in charge of the entity or other person directly liable. Further, in accordance with the provisions of the Interpretations of the Supreme People's Court on Issues of Law Application during the Trial of Construction Contracts for Building Projects I (最高人民法院關於審理建設工程施工合同糾紛案件適用法律問題的解釋(一)) issued by the Supreme People's Court on 25 December 2020 and became effective on 1 January 2021, if any project that is required to undergo a bidding process fails to go through the bidding process or the bid award is invalid, the construction contract for building projects shall become invalid.

Quality Management

Laws and regulations on project quality mainly include Construction Law of the People's Republic of China, Regulation on Quality Management of Construction Projects (建設工程質量管理條例) amended by the State Council on 7 October 2017 and further amended on 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 MOHURD on 1 April 2021 and became effective on the same date, Measures for the Administration of Quality Warranty Funds of Construction Projects (建設工程品質保證金管理辦法) amended jointly by MOHURD and MOF on 20 June 2017 and became effective on 1 July 2017, Administrative Measures for Completion Acceptance Record of Building Construction and Municipal Infrastructure Projects (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) issued by MOHURD on 19 October 2009 and became effective on the same date, Measures for Quality Warranty of Building Construction Projects (房屋建築工程質量保修辦法) issued by MOC on 30 June 2000 and became effective on the same date and Measures for Completion (Delivery) Acceptance of Highway Works (公路工程竣(交)工驗收辦法) promulgated by MOT on 31 March 2004 and became effective on 1 October 2004, and its Implement which is promulgated on 1 May 2010.

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

Work Safety Management

Major laws and regulations on work safety during the project contracting process include Work Safety Law of the People's Republic of China (中華人民共和國安全生產法) promulgated by the SCNPC on 29 June 2002 which became effective on 1 November 2002, and amended on 10 June 2021 whose amendment became effective on 1 September 2021, Regulation on Work Safety Management of Construction Projects (建設工程安全生產管理條例) promulgated by State Council on 24 November 2003 which became effective on 1 February 2004, Regulation on Work Safety Licences (安全生產許可證條例) by State Council on 13 January 2004 and became effective on the same date, and amended on 29 July 2014 which amendment became effective on the same date. Interim Regulation of Penalty and Fine on Regulation on Work Safety Accident Report and Investigation (生產安全事故罰款處罰規定(試行)) promulgated by State Council on 12 July 2007 which became effective on the same date, and amended on 2 April 2015

which amendment became effective on 1 May 2015, and Administrative Provisions on Work Safety Licences of Construction Enterprises (建築施工企業安全生產許可證管理規定) issued by MOC on 5 July 2004 and became effective on the same date and amended on 22 January 2015.

In accordance with the Work Safety Law of the People's Republic of China, Regulation on Work Safety Licences and other related regulations, the state implements the work safety license system to construction enterprises. Any enterprise failing to obtain the work safety license shall not carry out production activity. In accordance with the Regulation on Work Safety Management of Construction Projects, all the building, surveying, designing, construction and supervision units shall be responsible for the work safety of construction projects. For general contracting projects, the general contractor shall assume full responsibility for the work safety of the construction site, and the subcontractor shall be jointly liable for the work safety of the subcontracted portions of work.

Environmental Protection Management

Major laws and regulations on environmental protection during the project construction process include the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) amended by SCNPC on 24 April 2014 which became effective on 1 January 2015, Law on Environmental Impact Assessment of the People's Republic of China (中華人民共和國環境影響評價法) promulgated by SCNPC on 28 October 2002 and lastly amended on 29 September 2019 and became effective on the same date, and 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 by State Council on 16 July 2017 and became effective on 1 October 2017.

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

Qualification of a Real Estate Developer

Under the Provisions on Administration of Qualifications of Real Estate Developers (房地產開發企業資質管理規定) promulgated by MOC on 16 November 1993 and amended on 2 March 2022 whose amendment became effective on the same date, a real estate developer must apply for a qualification classification certificate. An enterprise may not engage in the development and operation of properties without a qualification classification certificate for real estate development. MOHURD is in charge of monitoring the qualifications of all real estate developers within the PRC, and local real estate development authorities at or above the county level are in charge of monitoring the qualifications of local real estate developers.

Engaging in real estate development and operation by a developer without obtaining the required provisional or formal qualification certificate, or by overstepping its qualification class, may result in a fine ranging from RMB50,000 to RMB100,000. If the developer fails to rectify within the specified time limit, the authorities shall revoke the qualification certificate, and submit the matters to administrative authorities for industry and commerce for the revocation of the business license. Pursuant to the Provisions on Administration of Qualifications, the qualification of a real estate developer should be annually inspected.

Labour

Employment Contracts

The Labour Contract Law (勞動合同法), promulgated by the SCNPC 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 SCNPC on 28 October 2010 and amended on 29 December 2018 whose amendment became effective on the same date, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), promulgated by the State Council on 22 January 1999 and amended on 24 March 2019 whose amendment became effective on the same date, 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 Regarding Overseas Investment, Financing and Acquisition Activities

NDRC Supervision

Pursuant to the Measures for the Administration of Overseas Investment of Enterprises (No. 11 of NDRC) (企業境外投資管理辦法) issued by the NDRC on 26 December 2017 and effective as of 1 March 2018, projects subject to approval are sensitive projects to be carried out by investors either directly or through overseas enterprises controlled thereby and the approval authority is NDRC. Projects subject to filing are non-sensitive projects directly carried out by investors, namely the non-sensitive projects involving the direct investment of assets and equities or the provision of financing or guarantees. For a project requiring filing, the authority in charge of filing is (i) NDRC, if the investor is a centrally administered enterprise (a centrally administered financial enterprise or an enterprise directly subordinate to the administration by the State Council or its subordinate organ, the same below); (ii) NDRC, if the investor is a local enterprise and the amount of Chinese investment is USD0.3 billion or above; and (iii) the provincial development and reform authority at the place where the investor is registered, if the investor is a local enterprise and the amount of Chinese investment is less than USD0.3 billion.

Pursuant to NDRC Circular 56, which was promulgated by the NDRC and became effective on 10 February 2023, where domestic enterprises, overseas enterprises controlled by them or their overseas branches issue foreign debts, which are debt instruments of no less than one year of tenor that are denominated in domestic currency or foreign currency with the capital repaid and interest paid as agreed, the enterprises shall apply to the NDRC for dealing with the formalities of record-filing and registration

before issuance. The NDRC shall decide to accept it or not within five working days upon the receipt of the application and provide the Examination and Registration Certification of Issuance of Foreign Debts by Enterprises within three months after acceptance. In accordance with the NDRC Circular 56, such enterprises shall (a) within 10 working days after the completion of the issue of the securities, file with NDRC the requisite information and documents about issuing foreign debts through the network system; (b) within 10 working days after the expiration date of the examination registration certificate (企業借用外債審核登記證明) obtained from the NDRC, file with NDRC the requisite information and documents about issuing foreign debts through the network system; (c) so long as any of the securities issued remains outstanding, within five working days before the end of January and July in each year, file with NDRC the requisite information and documents through the network system; and (d) so long as any of the securities issued remains outstanding, file the requisite information and documents and take measures in accordance with the NDRC Circular 56 upon the occurrence of any material event that may affect the enterprises' due performance of its obligations under any of the securities issued. As the NDRC Circular 56 is newly published, certain detailed aspects of its interpretation and application remain subject to further clarification.

MOFCOM Supervision

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

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

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

MOFCOM or the provincial department of commerce shall accept the filing and issue the Enterprise Overseas Investment Certificate within three working days of receipt of such filing form.

The investing enterprise must carry out the investment within two years of the date of the relevant Enterprise Overseas Investment Certificate, otherwise such certificate will automatically become invalid

and a new filing or verification application has to be made by the investing enterprise. In addition, if any item specified in such certificate is changed, the investing enterprise shall make the change of registration at MOFCOM or the provincial department of commerce (as the case may be).

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

Foreign Exchange Administration

On 19 May 2014, the SAFE promulgated the Cross-Border Security Provisions which took effect on 1 June 2014 and superseded a series of regulations previously issued by the SAFE and brought substantial changes to the current cross-border security regime.

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

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

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

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors

The board of directors of the Guarantor (the “**Board**”) consists of seven members, including the chairman and five other directors who are appointed by the Lianyungang XND Management Committee and one employee director who is elected by and amongst the employees. The board of directors determines major matters of the Guarantor (such as operating plans, investment proposals and annual budget) and is primarily responsible for implementing the decisions of and reporting to the Lianyungang XND Management Committee.

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

Name	Year of birth	Position
Mr. Yan Hongmin (閆紅民)	1970	Chairman of the Board, Secretary of the Party Committee, Legal representative
Mr. An Tao (安濤)	1976	Director, President
Mr. Cao Hongtao (曹泓濤)	1977	Director
Mr. Lin Hongjun (林洪軍)	1988	Director
Mr. Zhao Jiandong (趙建東)	1981	External Director
Mr. Song Chunfei (宋春飛)	1984	External Director
Mr. Liu Yucheng (劉玉成)	1978	Employee Director

Mr. Yan Hongmin (閆紅民) has been the chairman of the board, the secretary of the Party Committee and the legal representative of the Guarantor since February 2011. Mr. Yan previously served as a designer of Mine Design Institute of the Ministry of Chemical Industry (化工礦山設計院), a mid-level manager of Huadong Electronics Engineering Co., Ltd. (華東電子工程公司), a deputy head of the Shangqiu Huaiyang District Construction Bureau (商丘市睢陽區建設局), a deputy chief engineer of the Lianyungang Municipal Planning and Design Institute (連雲港市規劃市政設計院), a deputy director and the director of the Chief Engineers’ Office of the Lianyungang XND Management Committee (連雲港市徐圩新區管委會總工辦) and the Chief Engineers’ Office of the Lianyungang High-tech Industrial Development Zone Management Committee (連雲港市高新技術產業開發區管委會總工辦), and an assistant to the president, a vice president and a director of the Guarantor. Mr. Yan holds a bachelor’s degree.

Mr. An Tao (安濤) has been a director of the Guarantor since January 2016 and the president of the Guarantor since January 2022. Mr. An previously served as a clerk of the Finance Working Office of the Lianyungang Municipal Government (連雲港市政府金融工作辦公室), a clerk and a deputy director clerk of the Xuwei New District Finance Bureau (徐圩新區財政局), a deputy director clerk and a deputy head of the National East-Central-West Regional Cooperation Demonstration Region Finance Bureau (國家東中西區域合作示範區財政局) and the head of the Regional Cooperation Bureau of the National East-Central-West Regional Cooperation Demonstration Region (國家東中西區域合作示範區區域合作局). Mr. An holds a master’s degree.

Mr. Cao Hongtao (曹泓濤) has been a director of the Guarantor since July 2020. Mr. Cao previously served as a clerk of the Inspectors’ Office of the Lianyungang Municipal Government (連雲港市政府辦公室督察處), a clerk and a deputy director clerk of the Xuwei New District Investment Service Centre (徐圩新區投資服務中心), a deputy director clerk and the director clerk of the National East-Central-West Regional Cooperation Demonstration Region Investment Service Centre (國家東中西區域合作示範區投資服務中心). Mr. Cao holds a master’s degree.

Mr. Lin Hongjun (林洪軍) has been a director of the Guarantor since June 2023. Mr. Lin is also the chairman of the board of directors of Jiangsu Xianghe Agricultural Development Co., Ltd. (江蘇香河農業開發有限公司). He previously served as an administrative assistant to the Corporate Planning

Department and Party Committee Department, an assistant to the general manager, a deputy general manager and the general manager of the Human Resources Department of the Guarantor, an administrative assistant to the Party and Government Office of the Lianyungang XND District Management Committee (連雲港徐圩新區管委會黨政辦公室) and the project director of Xuwei Lake Petrochemical Base Service Area (徐圩湖石化基地服務區). Mr. Lin holds a master's degree.

Mr. Zhao Jiandong (趙建東) has been an external director of the Guarantor since October 2022. Mr. Zhao previously served as an assistant accountant to Jiangsu Shenghong Chemical Fiber Co., Ltd. (江蘇盛虹化纖有限公司), an accountant in charge of Suzhou Suzhen Thermal Power Co., Ltd. (蘇州蘇震熱電有限公司) and a finance manager of Jiangsu Zhonglu Technology Development Co., Ltd. (江蘇中鱸科技發展股份有限公司), a vice president of Shenghong Petrochemical Group Co., Ltd. (盛虹石化集團有限公司). Mr. Zhao holds a bachelor's degree.

Mr. Song Chunfei (宋春飛) has been a director of the Guarantor since October 2022. Mr. Song is also an assistant to the president of Jiangsu Yangjing Petrochemical Group Co., Ltd. (江蘇洋井石化集團有限公司). He previously served as a finance manager of Lianyungang SINOTRANS Bonded Logistics Co., Ltd. (連雲港中外運保稅物流有限公司) and the booking centre of SINOTRANS Landbridge Transportation Co., Ltd. (中國外運陸橋運輸有限公司), a project manager of the finance department of Jiangsu Fangyang Logistics Co., Ltd. (連雲港徐圩港口物流有限公司), the chairman of the board of directors of Lianyungang Yunhai Financial Leasing Co., Ltd. (連雲港雲海融資租賃有限公司) and the general manager of the Investment and Operation Department of the Guarantor. Mr. Song holds a bachelor's degree.

Mr. Liu Yucheng (劉玉成) has been a director an employee director of the Guarantor since May 2021. Mr. Liu is also the chairman of the board of directors of Lianyungang Hongyang Thermal Power Co., Ltd. (連雲港虹洋熱電有限公司). He previously served as a team director of Lianyungang Traffic Engineering Consulting Supervision Co., Ltd. (連雲港市交通工程諮詢監理有限公司), the director representative of Lianyungang Keli Construction Supervising Co., Ltd. (連雲港市科力建設監理有限公司), a senior assistant to the General Organization Department of the Lianyungang XND Management Committee (連雲港徐圩新區管委會綜合協調部) and the Planning and Construction Department of the Lianyungang XND Management Committee (連雲港徐圩新區管委會規劃建設部), the chief of the Safety Supervision Station of the Lianyungang XND Management Committee (連雲港徐圩新區管委會質量安全監督站), the general manager of Lianyungang Yunsu Trading Co., Ltd. (連雲港雲蘇貿易有限公司) and a deputy general manager of the Engineering Management Department, the general manager of the Supervision and Audit Department and a supervisor of the Guarantor. Mr. Liu holds a bachelor's degree.

Supervisors

The board of supervisors consists of five members, including three supervisors who are appointed by the Lianyungang XND Management Committee and two employee supervisors who are elected by and amongst the employees. The term lasts three years, which is renewable upon re-election and reappointment. The Lianyungang XND Management Committee also appoints one member of the board of supervisors to be the chairman.

The board of supervisors is responsible for (1) monitoring the Guarantor's financial matters; (2) overseeing the actions of the board of directors and the senior management of the Guarantor; (3) moving to dismiss directors or senior managers who have failed to meet the standards of behaviour required by relevant PRC laws; and (4) claiming for compensation when a director or a senior manager acts against the best interest of the Guarantor.

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

Name	Year of birth	Position
Zhang Yonghui (張永慧)	1975	Chairman of the board of supervisors
Zhao Bailu (趙白露)	1985	Supervisor
Chen Haiping (陳海萍)	1974	Supervisor
Xia Ruichen (夏瑞辰)	1978	Employee Supervisor
Zhao Liyuan (趙莉媛)	1984	Employee Supervisor

Ms. Zhang Yonghui (張永慧) has been the chairman of the board of supervisors since December 2018. Ms. Zhang previously worked at the Heilongjiang Province Fourth Highway Engineering Section (黑龍江省第四公路工程處) and served as a budgeter of Jiangsu Haitong Construction Engineering Co., Ltd. (江蘇海通建設工程有限公司) and a budgeter and the director of the engineering department of Lianyungang Municipal Engineering Co., Ltd. (連雲港市市政工程有限公司). Ms. Zhang holds a bachelor's degree.

Ms. Zhao Bailu (趙白露) has been a supervisor of the Guarantor since August 2021. Ms. Zhao is also the director of the supervision and audit department of Jiangsu Yangjing Petrochemical Group Co., Ltd. (江蘇洋井石化集團有限公司). She previously served as an accountant and a financing specialist of the finance department of Yihai (Lianyungang) Grain and Oil Industry Co., Ltd. (益海(連雲港)糧油工業有限公司), a senior administrative assistant to the Audit Office of the Lianyungang XND Management Committee (連雲港徐圩新區管委會審計辦公室) and a deputy general manager of the Supervision and Audit Department and the Finance Department of the Guarantor. Ms. Zhao holds a master's degree.

Ms. Chen Haiping (陳海萍) has been a supervisor of the Guarantor since June 2023. Ms. Chen is also the head of the National East-Central-West Regional Cooperation Demonstration Region Finance Bureau (國家東中西區域合作示範區財政局). She previously served as the chief accountant of the finance department of Lianyungang Water Supply Co., Ltd. (連雲港市自來水公司), a finance manager of the Lianyungang Branch of Bohai Property Insurance Co., Ltd. (渤海財產保險股份有限公司連雲港分公司), a senior manager of the finance department of Xuwei Development and Construction Co., Ltd. (徐圩開發建設有限公司), a deputy general manager and the general manager of the Finance Department and a deputy secretary to the supervision committee of the Guarantor and the chairman of the board of directors of Jiangsu Fangyang Energy Technology Co., Ltd. (江蘇方洋能源科技有限公司). Ms. Chen holds a bachelor's degree.

Mr. Xia Ruichen (夏瑞辰) has been an employee supervisor of the Guarantor since April 2021. Mr. Xia previously served as an administrative assistant of the Lianyungang Xuwei New District Social Affairs Bureau (連雲港徐圩新區社會事業局) and Investment Promotion Bureau I (連雲港徐圩新區招商一局), a manager of the Lianyungang Xuwei New District Community Workstation (連雲港徐圩新區社區工作站) and a deputy manager of the Lianyungang Xuwei New District Party and Group Work Department (連雲港徐圩新區黨群工作部). Mr. Xia holds a bachelor's degree.

Ms. Zhao Liyuan (趙莉媛) has been an employee supervisor of the Guarantor since April 2021. Ms. Zhao is also the deputy director of the Union Committee of the Guarantor. She previously worked at the Party Committee Department, the Supervision and Audit Department and the Office of the Guarantor. Ms. Zhao holds a bachelor's degree.

Senior Management

The Guarantor currently has one president. The president is appointed by and reported to the board of directors. The president is primarily responsible for (1) implementing the decision of the board of directors regarding the management and operation of the Guarantor; (2) implementing the Guarantor's annual business and investment plans; (3) setting up the corporate governance structure of the Guarantor and drafting detailed corporate regulations; and (4) appointing and dismissing other senior management.

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

Name	Year of birth	Position
An Tao (安濤)	1976	Director, President
He Feng (何烽)	1982	Vice President
Yu Fuzhong (于富忠)	1984	Vice President
Li Dong (李棟)	1983	Vice President
Liu Mingguang (劉明光)	1984	Assistant to the president
Zheng Dashuang (鄭大雙)	1982	Assistant to the president

Mr. An Tao (安濤) has been a director of the Guarantor since January 2016 and the president of the Guarantor since January 2022. For Mr. An’s biography, see “Directors” above.

Mr. He Feng (何烽) has been a vice president of the Guarantor since September 2020. Mr. He previously served as the chief designer of Lianyungang Port Engineering Design and Research Institute (連雲港港口工程設計研究院), the general manager of the engineering department of Lianyungang Suhai Investment Co., Ltd. (連雲港蘇海投資有限公司), a deputy general manager of Jiangsu Fangyang Construction Investment Co., Ltd. (江蘇方洋建設投資有限公司), the general manager of the Contract Management Department of the Guarantor, a deputy general manager of Jiangsu Yangjing Petrochemical Group Co., Ltd. (江蘇洋井石化集團有限公司) and the chairman of the board of directors of Lianyungang Xuwei Port Investment Group Co., Ltd. (連雲港徐圩港口投資集團有限公司). Mr. He holds a bachelor’s degree.

Mr. Yu Fuzhong (于富忠) has been a vice president of the Guarantor since March 2018. Mr. Yu previously served as a staff member of Lianyungang Municipal Government Beijing Office (連雲港市政府駐京辦), a senior assistant to the Development and Construction Department of Lianyungang Xuwei New District (連雲港徐圩新區開發建設指揮部), a deputy director and the director of the Reception Office of the Lianyungang XND Management Committee (連雲港徐圩新區管委會接待辦), the director of the Innovation Centre of the Guarantor, the director of the Party Committee Department and an assistant to the president of the Guarantor and a deputy general manager of Jiangsu Yangjing Petrochemical Group Co., Ltd. (江蘇洋井石化集團有限公司). Mr. Yu holds a bachelor’s degree.

Mr. Li Dong (李棟) has been a vice president of the Guarantor since April 2023. Mr. Li previously worked at Zhenjiang Yangzhong Branch of Agricultural Bank of China (中國農業銀行鎮江市揚中支行) and Jiangsu Tianhua Dapeng Accountants’ Office (江蘇天華大彭會計師事務所) and served as the director of the Xuwei New District Finance Bureau (徐圩新區財政局) and a supervisor of the Guarantor. Mr. Li holds a bachelor’s degree.

Mr. Liu Mingguang (劉明光) has been an assistant to the president since March 2021. Mr. Liu is also the chairman of the board of directors of Lianyungang Xuwei Urban Construction Engineering Co., Ltd. (連雲港徐圩城建工程有限公司). Mr. Liu previously served as a project manager of Wuhan Wuda Jucheng Reinforcement Industry Co., Ltd. (武漢武大巨成加固實業有限公司), an assistant to the general manager of the Contract Management Department of the Guarantor and the general manager of Jiangsu Xianghe Agricultural Development Co., Ltd. (江蘇香河農業開發有限公司). Mr. Liu holds a master’s degree.

Mr. Zheng Dashuang (鄭大雙) has been an assistant to the president since June 2022. Mr. Zheng previously served as an operation director of China Sports Industry Group Co., Ltd. (中體產業集團股份有限公司), a project manager of Zhongchengxin Group Co., Ltd. (中誠信集團), the general manager of Beijing Fangyang Management Consulting Co., Ltd. (北京方洋管理諮詢有限公司), a deputy general manager of Jiangsu Fangyang Technology Investment Development Co., Ltd. (江蘇方洋科技投資發展有限公司) and the chairman of the board of directors of Lianyungang Fangyang Intelligent Technology Co., Ltd. (連雲港方洋智能科技有限公司) and Lianyungang Xuwei Urban Construction Engineering Co., Ltd. (連雲港徐圩城建工程有限公司). Mr. Zheng holds a bachelor’s degree.

Corporate Governance

The Guarantor has established and implemented a corporate governance structure, comprising sixteen departments and offices, reporting directly to the president and the board of directors, respectively. They are the Auditing Committee, the Investment Decision Committee, the Board of Directors' Office, the Party Committee Department, the Group Office, the Finance Department, the Engineering Department, the Investment and Operation Department, the Contract Management Department, the Human Resources Department, the Asset Management Department, the Corporate Planning Department, the Safety and Environmental Protection Department, Fangyang Management College, the Supervision and Audit Department and the Union Committee. The primary duties of these sixteen departments and offices are set forth as follows:

- Auditing Committee is primarily responsible for supervising and implementing the Guarantor's internal auditing policies, auditing the Guarantor's financial information, fulfilling disclosure requirements, communicating with outside auditors and dealing with any complaints relating to financial improprieties.
- Investment Decision Committee is primarily responsible for reviewing the annual investment plan of material projects and the fixed asset investment projects of the Guarantor.
- Board of Directors' Office is primarily responsible for coordinating between different departments and offices of the Guarantor, overseeing the proper execution of the resolutions and decisions of the board of directors, summarising industry insights and managerial updates for the board's reference, liaising with the subsidiaries with respect to their reporting duties to the Guarantor, administering the board meetings and communicating with the directors and supervisors on behalf of the board.
- Party Committee Department is primarily responsible for Party building, organizing activities for Party members, constructing Party organization, supervising and assessment.
- Group Office is primarily responsible for coordinating and supervising daily administrative work, assisting the management in an event of materiality or emergency, drafting, undertaking secretarial works, organizing Group events and meetings, managing public relations and media coverage and arranging reception, logistics, security and attendance matters.
- Finance Department is primarily responsible for establishing and implementing the financial plans and policies of the Guarantor, establishing and improving the Guarantor's financial management system, preparing financial reports, assisting other departments in assessing and evaluating projects, securing the safe and effective application of funds and overseeing the financial matters of the subsidiaries.
- Engineering Department is primarily responsible for managing key annual construction projects, pre-screening applicant contractors, supervising the tendering process, previewing the construction contracts, applying for subsidies, undertaking preliminary evaluation of completed projects and budgets and final accounts and submitting periodic reports to the management of the Guarantor.
- Investment and Operation Department is primarily responsible for maintaining and expanding financing channels of the Guarantor, controlling financing costs, establishing financing plans according to market conditions and the strategic plans of the Guarantor and conducting research.
- Contract Management Department is primarily responsible for establishing a standardised contract management and tendering process, overseeing the sale and purchase agreements of key equipment and raw materials and managing the negotiation of material commercial terms.

- Human Resources Department is primarily responsible for undertaking recruitment, internal trainings and appraisals and establishing and implementing the Guarantor's human resources policies.
- Asset Management Department is primarily responsible for managing the tangible assets of the Guarantor including office appliances and equipment, making relevant rules and maintaining relevant records.
- Corporate Planning Department is primarily responsible for internal and external communications and policy research on state-owned enterprise reform and industry development.
- Safety and Environmental Protection Department is primarily responsible for implementing and enforcing safety and environmental protection regulations, inspecting the safety protection materials and facilities, providing training to staffs on safety measures and promoting safe and environmental protection with other departments.
- Fangyang Management College is primarily responsible for training company employees, research on business development and cultivating innovation talents.
- Supervision and Audit Department is primarily responsible for disciplinary supervision, improving Party conduct and upholding integrity, and internal audit.
- Union Committee is primarily responsible for representing workers and organising meetings for the workers in the Group, coordinating and participating in the mediation of labour disputes, supervising the implementation of the labour law and collecting, managing and utilising funds and properties of the union.

In addition, the Guarantor has established several effective internal control systems, including cash and cash equivalents management system, financing management system, budget management system, internal control system, connected transactions management system, investment management system, guarantee management system, human resources system, safety production system, information disclosure system, emergency response system, finance management system and short-term capital emergency system.

EXCHANGE RATE INFORMATION

The People's Bank of China sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi with reference to a basket of currencies in the market during the prior day. 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. 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 interbank foreign exchange spot 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. On 20 June 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate and on 16 April 2012, the band was expanded to 1.0 per cent. The band was further expanded to 2.0 per cent. on 14 March 2014. 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 (the "CFETS") 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. From 1 January 2017, according to the sampling rule of "CNY versus FX currency pair listed on CFETS", CFETS will add 11 currencies newly listed on CFETS in 2016 and the number of basket currencies will increase from 13 to 24. Following the gradual appreciation against U.S. dollar in 2017, Renminbi experienced a recent depreciation in value against U.S. dollar followed by a fluctuation in 2018 and early 2019. On 5 August 2019, the PBOC set the Renminbi's daily reference rate above RMB7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

The following table sets forth the exchange rate of the Renminbi against the U.S. dollar for the periods presented.

	Noon Buying Rate⁽¹⁾			
	Period End	Average⁽²⁾	High	Low
	(RMB per U.S.\$1.00)			
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7350	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020	6.5250	6.8874	7.1681	6.5208
2021	6.3726	6.4508	6.5716	6.3435
2022	6.8972	6.7290	7.3048	6.3084
2023				
July	7.1426	7.1863	7.2500	7.1340
August	7.2582	7.2486	7.2985	7.1651
September	7.2960	7.2979	7.3430	7.2606
October	7.3166	7.3071	7.3171	7.2948
November	7.1360	7.2226	7.3175	7.1300
December	7.0999	7.1402	7.1765	7.0999
2024				
January (through 19 January)	7.1931	7.1688	7.1961	7.1426

Notes:

1. Exchange rates between Renminbi and U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.
2. Annual averages have been calculated from month-end rate. Monthly averages have been calculated using the average of the daily rates during the relevant 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 lastly amended and effective on 29 December 2018 and the Individual Income Tax Law of the PRC lastly amended and effective on 1 January 2019 (“**IIT Law**”), and their implementation rules respectively, an income tax is imposed on the interests by way of withholding in respect of the Bonds, paid by the Issuer (if such interests are regarded as income derived from sources within the PRC under the EIT Law or the IIT Law (as the case may be)) to non-resident Bondholders, including non-resident enterprises and non-resident individuals. The current rates of such income tax are 20 per cent. (for non-resident individuals) and 10 per cent. (for non-resident enterprises) of the gross amount of the interest. However, the tax so charged on interests paid on the Bonds to non-resident Bondholders who or which are residents of Hong Kong (including enterprise holders and individual holders) as defined under the Arrangement between the PRC and Hong Kong for Purpose of the Avoidance of Double Taxation will be 7 per cent. of the gross amount of the interest pursuant to the arrangement between the PRC and Hong Kong and relevant interpretation of the arrangement formulated by the SAT.

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of 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.

In addition, in the event that the Guarantor is required to discharge its obligations under the Guarantee of the Bonds, the Guarantor will be obliged to withhold PRC enterprise income tax at the rate of 10 per cent. in respect of payments to non-PRC resident enterprise Bondholders and at a rate of 20 per cent. In respect of payments to non-PRC resident individual Bondholders, subject to the application of any relevant income tax treaty that the PRC has entered into, on the payments of interest made by it under the Guarantee of the Bonds to non-PRC resident enterprise Bondholders as such interest payment obligations will be regarded as being derived from sources within the PRC. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non-PRC resident enterprise Bondholders. Nevertheless, repayment of the principal will not be subject to PRC withholding tax.

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**”), whose first amendment effective on 11 July 2017 and whose second amendment effective on 1 April 2019, which confirms that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by and be subject to VAT.

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

Further, the payments of the interest and other interest like earnings may be subject to VAT at the rate of 6 per cent. in the event that the Guarantor is required to discharge its obligations under the Guarantee of the Bonds. In addition, under such an interpretation Bondholders could become subject to local levies at approximately 12 per cent. of the VAT payment and consequently, the combined rate of VAT and local levies payable on interest due to Bondholders could be up to 6.72 per cent..

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.

British Virgin Islands Taxation

Payments of interest and principal on the Bonds will not be subject to taxation in the British Virgin Islands and no withholding will be required on the payment of interest and principal to any holder of the Bonds nor will gains derived from the disposal of the Bonds be subject to British Virgin Islands income or corporation tax, provided that the payments are made to persons who are not resident in the British Virgin Islands.

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

If neither the Issuer nor any subsidiary holds an interest in real estate in the British Virgin Islands, no stamp duty is payable in respect of the issue of the Bonds or on an instrument of transfer in respect of the Bonds.

There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to the Issuer.

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, will promise to pay to the holder of the Bonds represented by the Global Certificate on the Maturity Date the amount payable upon redemption under the Terms and Conditions of the Bonds in respect of the Bonds represented by this Global Certificate and 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 of the Bonds, save that the calculation of interest will be made in respect of the total aggregate amount of the Bonds represented by the Global Certificate, together with such other sums and additional amounts (if any) as may be payable under the Terms and Conditions of the Bonds, in accordance with the Terms and Conditions of the Bonds.

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

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

Notices

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

Transfers

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

Cancellation

Cancellation of any Bond represented by the Global Certificate by the Issuer following its redemption or purchase by the Issuer, the Guarantor or any of their respective Subsidiaries will be effected by a 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 held.

Bondholder's Redemption

The Bondholder's redemption option in Condition 7(c) of the Terms and Conditions of the Bonds 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 that Condition.

Issuer's Redemption

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

Trustee's Powers

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

SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

The Guarantor's Audited Financial Statements have been prepared in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain modifications which reflect China's unique circumstances and environment. The following is a general summary of certain differences between PRC GAAP and IFRS on recognition and presentation as applicable to the Guarantor. The differences identified below are limited to those differences that are appropriate to the Guarantor's consolidated financial statements. Since the summary is not meant to be exhaustive, there is no assurance that the summary below is complete. The Guarantor has not prepared a complete reconciliation of the consolidated financial information and related footnote disclosure between PRC GAAP and IFRS and has not quantified such differences. Had any such quantification or reconciliation been undertaken by the Guarantor, other potentially significant accounting and disclosure differences may have been required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant projects ongoing that could affect future comparisons such as this one. Finally, no attempt has been made to identify future differences between PRC GAAP and IFRS that may affect the financial information as a result of transactions 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, investors must rely upon their own examination of the Guarantor, the terms of the offering and other disclosure contained herein. Investors should consult their own professional advisers for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

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 and Guarantor have entered into a subscription agreement with the Joint Lead Managers dated 29 January 2024 (the “**Subscription Agreement**”) pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to, 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.

	Principal amount of the Bonds to be subscribed
	U.S.\$
Huatai Financial Holdings (Hong Kong) Limited	38,000,000
Haitong International Securities Company Limited	8,000,000
CLSA Limited.	8,000,000
Industrial Bank Co., Ltd. Hong Kong Branch	8,000,000
Shanghai Pudong Development Bank Co., Ltd. Singapore Branch	8,000,000
China International Capital Corporation Hong Kong Securities Limited	8,000,000
China Securities (International) Corporate Finance Company Limited	8,000,000
Shenwan Hongyuan Securities (H.K.) Limited.	8,000,000
China Credit International Securities Co., Limited.	8,000,000
TFI Securities and Futures Limited	8,000,000
CEB International Capital Corporation Limited.	8,000,000
CMBC Securities Company Limited.	8,000,000
CNCB (Hong Kong) Capital Limited	8,000,000
Tai Fung Bank Limited.	8,000,000
Fosun International Securities Limited	8,000,000
Total	150,000,000

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 us.

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 agent of the Issuer or the Guarantor. 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 and the Guarantor 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 and the Guarantor 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 or the Guarantor 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, or affiliates of the Issuer or the Guarantor for their own account. 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 or affiliates of the Issuer or the Guarantor 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 or the Guarantor 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.

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

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct — Important Notice to CMIs (including private banks): This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

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

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

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

to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMI's should not place "X-orders" into the order book.

CMI's should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMI's (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMI's (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Joint Lead Managers in control of the order book should consider disclosing order book updates to all CMI's.

When placing an order for the Bonds, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks that do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private Banks should be aware that placing an order on a "principal" basis may require the Joint Lead Managers to apply the "proprietary orders" requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMI's (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- the name of each underlying investor;
- a unique identification number for each investor;
- whether an underlying investor has any "Associations" (as used in the SFC Code);
- whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);
- whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: dcm@htsc.com

To the extent information being disclosed by CMI's and investors is personal and/or confidential in nature, CMI's (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to the OCs; (B) that they have obtained the necessary consents from the underlying investors to disclose such information to the OCs. By submitting an order and providing such information to the OCs, each CMI (including private bank) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMI's that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Joint Lead Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMI's (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary

consents have been obtained). In such event, other CMI(s) (including private banks) are required to provide the relevant Joint Lead Manager(s) with such evidence within the timeline requested.

General

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

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

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

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Hong Kong

Each of the Joint Lead Managers has represented, warranted and 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 registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead Managers has represented, warranted and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each of the Joint Lead Managers has represented, warranted and 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.

Macau

The Bonds have not been and will not be promoted, distributed, sold or delivered in Macau, or any document relating to the Bonds be distributed or circulated in Macau, except under the terms of and in compliance with the Macau Financial System Act and Guidelines no. 009/B/2019-DSB/AMCM and any other laws in Macau that may apply to the offer and sale of the Bonds in Macau. The Bonds have not been and will not be registered or otherwise authorised for public offer under the Financial System Act of Macau and Guidelines no. 009/B/2019-DSB/AMCM, thus may not be offered or sold in Macau, unless such offer is made by Macau licensed entities according to the Macau Financial System Act and upon their communication to the Macau Monetary Authority and the MOX, in observation of the guidelines and recommendations issued by the Macau local regulatory authority from time to time.

British Virgin Islands

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

GENERAL INFORMATION

- Clearing System:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 275156981, the ISIN XS2751569810 and the Legal Entity Identifier 3003006OCTRJFKKI9E83.
- Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by resolutions of the sole director of the Issuer passed on 11 January 2024. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the entry into and performance of its obligations under the Deed of Guarantee, the Trust Deed and the Agency Agreement. The giving of the Guarantee was authorised by a resolution of the board of directors of the Guarantor passed on 27 June 2023 and a resolution of the shareholder of the Guarantor passed on 8 July 2023.
- No Material and Adverse Change:** There has been no material adverse change, or any development or event likely to involve a prospective change, in the condition (financial or otherwise), prospects, properties, results of operations, business or general affairs of the Issuer, the Guarantor or the Group since 30 June 2023.
- Litigation:** As at the date of this Offering Circular, none of the Issuer, the Guarantor or any other member of the Group is involved in any litigation or arbitration proceedings that the Issuer or Guarantor believes are material in the context of the Bonds and the giving of the Guarantee, and so far as the Issuer and the Guarantor are aware, no such proceedings are pending. To the best knowledge of the Issuer or the Guarantor (after due and careful enquiry), no such litigation or arbitration proceedings are threatened.
- Available Documents:** So long as any of the Bonds is outstanding, copies of the following documents will be available for inspection (free of charge to the Bondholders and at the Issuer's expense) from the Issue Date during usual business hours at the registered office of the Issuer and, in the case of last three documents mentioned below, at all reasonable times during normal business hours (being 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 place of business of the Trustee (being at the date of this Offering Circular at 3/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong) and at the specified office of the Principal Paying Agent from time to time, in each case following prior written request and proof of holding and identity to the satisfaction of the Trustee of, as the case may be, the Principal Paying Agent:
 - the Trust Deed;
 - the Deed of Guarantee; and
 - the Agency Agreement.
- Financial Statements:** The Audited Financial Statements have been audited by Suya Jincheng, and the Reviewed Financial Statements have been reviewed by Suya Jincheng, which are included elsewhere in this Offering Circular, as stated in its reports appearing herein.
- Listing of Bonds:** Application will be made to the SEHK for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on 6 February 2024.

Application has been made to the MOX for the listing of the Bonds by way of debt issues to MOX Professional Investors only and such permission is expected to become effective on or about 6 February 2024. Admission to the listing of the Bonds on the MOX shall not be taken as an indication of the merits of the Issuer or the Bonds.

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Note: Pages F-93, F-198 and F-300 attached hereto are in Chinese and are copies of the business licence of Suya Jincheng.

Jiangsu Fangyang Group Co., Ltd.

Review Report

SYJCCPA R(2023) No.001

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Translation of a report originally issued in Chinese based on our work performed in accordance with the audit regulations in force in China. In the event of a discrepancy, the Chinese-language version prevails.

Review REPORT

To the shareholders of Directors of Jiangsu Fangyang Group Co., Ltd.:

We have reviewed the accompanying financial statements of Jiangsu Fangyang Group Co., Ltd. (hereinafter referred to as the "Fangyang Group"), which comprise the consolidated balance sheet and balance sheet as at June 30, 2023, and its related semi-year consolidated income statement and income statement, consolidated cash flow statement and cash flow statement, consolidated statement of changes in owners' equity and statement of changes in owners' equity, and notes to the financial statements. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the Chinese Auditing Standards No.2101—Engagements to Review Financial Statement issued by the Chinese Institute of Certified Public Accountants. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provided less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements were not prepared in accordance with Accounting Standards for Business Enterprises, and present fairly, in all material aspects, the financial position of Fangyang Group as of June 30, 2023 and the results of its operations and its cash flows for the semi-year then ended.

Suya Jincheng Certified Public Accountants LLP
Lianyungang, China



Certified Public Accountant of China



Certified Public Accountant of China



Date: August 20, 2023

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Suya Jincheng Certified Public Accountants LLP
7 Floor, Guotou Building,
Tongguan South Road 69#, Lianyungang, China
Tel: 86 518 85488979 Fax: 86 518 85484089

Translation of a report originally issued in Chinese based on our work performed in accordance with the audit regulations in force in China. In the event of a discrepancy, the Chinese-language version prevails.

Review REPORT

To the shareholders of Directors of Jiangsu Fangyang Group Co., Ltd.:

We have reviewed the accompanying financial statements of Jiangsu Fangyang Group Co., Ltd. (hereinafter referred to as the "Fangyang Group"), which comprise the consolidated balance sheet and balance sheet as at June 30, 2023, and its related semi-year consolidated income statement and income statement, consolidated cash flow statement and cash flow statement, consolidated statement of changes in owners' equity and statement of changes in owners' equity, and notes to the financial statements. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

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Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements were not prepared in accordance with Accounting Standards for Business Enterprises, and present fairly, in all material aspects, the financial position of Fangyang Group as of June 30, 2023 and the results of its operations and its cash flows for the semi-year then ended.

Suya Jincheng Certified Public Accountants LLP

Lianyungang, China

Certified Public Accountant of China

Certified Public Accountant of China

Date: August 20, 2023



Jiangsu Fangyang Group Co., Ltd.

Consolidated Balance Sheet

As at June 30, 2023

Monetary Unit: RMB

Assets	Note	Balance as at June 30, 2023	Balance as at December 31, 2022
Current assets:			
Cash and cash equivalents	1	9,692,339,221.66	10,685,193,235.61
Financial assets held for trading			
Derivative financial assets			
Notes receivable	2	12,121,036.46	2,801,146.45
Accounts receivable	3	23,140,939,746.89	22,228,834,631.23
Accounts receivable financing	4	5,955,700.00	88,668,095.99
Prepayment	5	164,993,744.69	230,111,591.70
Other receivables	6	2,810,987,464.43	2,760,557,283.03
Inventories	7	2,706,709,086.58	3,083,106,183.34
Contract assets	8	269,939,732.27	35,731,864.84
Assets held for sale			
Non-current assets due within one year			
Other current assets	9	159,842,267.39	142,646,194.12
Total current assets		38,963,828,000.37	39,257,650,226.31
Non-current assets:			
Investment in debt instruments	10	62,066,825.20	62,066,825.20
Investment in other debt instruments			
Long-term receivables	11	2,286,089,750.24	2,285,801,583.57
Long-term equity investments	12	4,568,595,190.13	4,586,151,787.33
Investment in other equity instruments			
Other non-current financial assets	13	3,575,866,315.00	3,525,156,315.00
Investment property	14	22,838,941,642.20	23,242,240,000.00
Fixed assets	15	16,258,699,007.43	10,749,656,514.62
Construction in progress	16	16,349,157,151.61	18,332,247,588.93
Productive biological assets			
Oil and gas assets			
Right of use assets	17	56,424,344.92	61,192,599.42
Intangible assets	18	2,234,315,716.91	2,037,699,707.74
Development expenditure			
Goodwill			
Long-term deferred expenses	19	37,788,999.67	44,777,878.39
Deferred tax assets	20	19,835,704.65	20,839,524.25
Other non-current assets	21	135,675,587.00	240,102,697.05
Total non-current assets		68,423,456,234.96	65,187,933,021.50
Total assets		107,387,284,235.33	104,445,583,247.81

Jiangsu Fangyang Group Co., Ltd.

Consolidated Balance Sheet (Cont.)

As at June 30, 2023

Monetary Unit: RMB

Liabilities and owners' equity	Note	Balance as at June 30, 2023	Balance as at December 31, 2022
Current liabilities:			
Short-term loans		5,298,849,181.57	6,128,122,840.75
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payables		3,079,681,895.97	3,787,374,970.50
Accounts payables		3,238,291,606.81	2,125,374,094.00
Receipts in advance			
Contract liabilities		387,607,378.64	262,605,439.99
Employee benefits payable		9,289,843.18	16,813,997.38
Taxes payable		67,908,531.27	39,090,749.29
Other payables		945,294,992.16	1,203,252,777.11
Liabilities held for sale			
Non-current liabilities due within one year		6,698,433,429.46	5,563,962,242.55
Other current liabilities		3,711,369,579.06	4,206,371,346.19
Total current liabilities		23,436,726,438.12	23,332,968,457.76
Non-current liabilities:			
Long-term loans		34,138,290,253.49	32,494,665,509.78
Bonds payable		8,184,009,966.78	9,201,363,102.04
Including: preferred stock			
sustainable debt			
Lease liabilities		72,495,686.55	70,842,913.91
Long-term payables		1,713,952,091.76	2,044,434,123.89
Provision			
Deferred revenue		600,112,129.22	605,199,248.23
Deferred tax liabilities		3,454,054,935.49	3,457,509,722.99
Other non-current liabilities			
Total non-current liabilities		48,162,915,063.29	47,874,014,620.84
Total liabilities		71,599,641,501.41	71,206,983,078.60
Owners' equity (or shareholders' equity)			
Share capital		8,570,000,000.00	8,570,000,000.00
Other equity instruments		1,500,000,000.00	
Including: preferred stock			
sustainable debt		1,500,000,000.00	
Capital reserves		6,185,840,229.51	5,247,879,685.57
Less: Treasury shares			
Other comprehensive income		2,904,748,013.42	2,907,673,725.92
Special reserves		1,410,267.04	205,565.42
Surplus reserves		669,950,611.68	669,950,611.68
General risk preparedness			
Undistributed profits		5,921,045,987.07	6,267,444,304.56
Total equity attributable to owners of the parent company		25,752,995,108.72	23,663,153,893.15
Non-controlling interests		10,034,647,625.20	9,575,446,276.06
Total owners' equity (or shareholders' equity)		35,787,642,733.92	33,238,600,169.21
Total liabilities and owners' equity		107,387,284,235.33	104,445,583,247.81

Jiangsu Fangyang Group Co., Ltd.

Consolidated Income Statement

For the semi-year ended June 30, 2023

Monetary Unit: RMB

Item	Note	2023 (Jan-Jun)	2022 (Jan-Jun)
1. Total operating income		9,203,889,595.67	7,552,769,644.34
Less: Operating costs		8,021,492,503.80	6,229,125,295.47
Taxes and surcharge		47,163,786.72	39,166,699.64
Selling and distribution expenses		17,510,474.37	12,968,162.92
Administrative expenses		328,825,849.74	238,507,014.24
Research and development expenses		60,008,789.33	26,882,795.53
Financial expenses		411,380,580.86	282,351,563.27
Including: interest expense		463,092,410.49	246,250,828.86
interest income		225,036,598.36	109,871,101.43
Add: Other income		11,542,244.56	79,503,975.19
Investment income ("-" for losses)		3,671,805.24	2,913,318.52
Including: income from investment in associates and joint ventures			
Income from derecognition of financial assets measured at amortized cost ("-" for losses)			241,218.52
Net exposure to hedging gains ("-" for loss)			
Gains from changes in fair value ("-" for losses)		-9,918,200.00	-433,546,249.22
Credit impairment loss ("-" for losses)		5,575,278.40	-245,498.75
Impairment loss of assets			
Gains from disposal of assets ("-" for losses)		1,261,520.20	224,537.57
2. Operating profits ("-" for losses)		329,640,259.25	372,618,196.58
Add: Non-operating income		8,799,845.58	1,041,639.93
Less: Non-operating expenses		14,623,170.72	2,171,287.44
3. Total profits before tax ("-" for total losses)		323,816,934.11	371,488,549.07
Less: Income tax expenses		68,013,902.46	-94,520,820.74
4. Net profit ("-" for net loss)		255,803,031.65	466,009,369.81
Classification by operating continuity:			
Net profit from continuing operation ("-" for losses)		255,803,031.65	466,009,369.81
Net profit from discontinued operation ("-" for losses)			
Classification by owners:			
Attributable to owners of the parent company		96,601,682.51	439,138,124.99
Attributable to non-controlling interests		159,201,349.14	26,871,244.82
5. Net of income tax effect of other comprehensive income		-2,925,712.50	-127,192,437.50
(1) Net of income tax effect of other comprehensive income attributable to owners of the parent company		-2,925,712.50	-127,192,437.50
A. Other comprehensive income items which will not be reclassified subsequently to profit or loss			
a. Remeasurement of changes in defined benefit plans			
b. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
c. Changes in fair value of other equity instrument investments			
d. Changes in fair value of enterprise's own credit risk			
B. Other comprehensive income items which will be reclassified subsequently to profit or loss		-2,925,712.50	-127,192,437.50
a. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss			
b. Changes in fair value of other debt investments			
c. Amount of financial assets reclassified into other comprehensive income			
d. Provision for credit impairment of other debt investments			
e. The effective hedging portion of gains or losses arising from cash flow hedging instruments			
f. Translation differences arising on translation of foreign currency financial statements			
g. Others		-2,925,712.50	-127,192,437.50
(2) Net of income tax effect of other comprehensive income attributable to non-controlling interests			
6. Total comprehensive income		252,877,319.15	338,816,932.31
Total comprehensive income attributable to owners of the parent company		93,675,970.01	311,945,687.49
Total comprehensive income attributable to non-controlling interests		159,201,349.14	26,871,244.82
7. Earnings per share			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Jiangsu Fangyang Group Co., Ltd.

Consolidated Cash Flows Statement

For the semi- year ended June 30, 2023

Monetary Unit: RMB

Item	Note	2023 (Jan-Jun)	2022 (Jan-Jun)
1. Cash flows from operating activities			
Cash received from sale of goods and rendering of services		9,116,789,642.13	4,481,887,100.04
Refunds of taxes and surcharges		160,241,308.81	582,335,011.69
Cash received from other operating activities		1,155,040,692.36	1,584,228,774.98
Sub-total of cash inflows from operating activities		10,432,071,643.30	6,648,450,886.71
Cash paid for goods purchased and services received		8,160,519,127.49	5,265,932,259.08
Cash paid to and on behalf of employees		405,510,744.28	334,623,677.26
Cash paid for taxes and surcharges		146,736,900.73	85,345,236.52
Cash paid for other operating activities		1,237,919,204.90	1,226,678,955.32
Sub-total of cash outflows from operating activities		9,950,685,977.40	6,912,580,128.18
Net cash flows from operating activities		481,385,665.90	-264,129,241.47
2. Cash flows from investing activities			
Cash received from disposal of investments		2,565,000,000.00	
Cash received from returns on investments		3,684,020.61	4,338,713.59
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		874,516.00	304,725.09
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities			
Sub-total of cash inflows from investing activities		2,569,558,536.61	4,643,438.68
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		1,250,303,134.01	2,593,122,943.28
Cash paid for investments		2,647,274,000.00	2,094,630,300.00
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities			
Sub-total of cash outflows from investing activities		3,897,577,134.01	4,687,753,243.28
Net cash flows from investing activities		-1,328,018,597.40	-4,683,109,804.60
3. Cash flows from financing activities			
Cash received from investors		1,232,630,300.00	259,470,300.00
Including: cash received by subsidiaries from investments by non-controlling shareholders		300,000,000.00	
Cash received from borrowings		12,129,200,000.00	17,354,938,928.40
Cash received from bonds issue		1,500,000,000.00	1,450,000,000.00
Cash received from other financing activities		1,500,000,000.00	
Sub-total of cash inflows from financing activities		16,361,830,300.00	19,064,409,228.40
Cash repayments of borrowings		13,589,612,514.85	9,460,243,193.26
Cash paid for distribution of dividends and profits or payment of interest		1,866,756,508.64	1,270,151,031.99
Including: dividends and profits paid to non-controlling shareholders by subsidiaries			
Cash paid for other financing activities		32,745,967.87	900,830,726.71
Sub-total of cash outflows from financing activities		15,489,114,991.36	11,631,224,951.96
Net cash flows from financing activities		872,715,308.64	7,433,184,276.44
4. Effect of foreign exchange rate changes on cash and cash equivalents		334,871.01	3,645,230.23
5. Net increase/(decrease) in cash and cash equivalents		26,417,248.15	2,489,590,460.60
Add: balance of cash and cash equivalents at the beginning of the period		5,662,914,007.81	7,578,867,676.36
6. Balance of cash and cash equivalents at the end of the period		5,689,331,255.96	10,068,458,136.96

Jiangsu Fangyang Group Co., Ltd.
Consolidated Statement of Changes in Shareholders' Equity
For the semi-year ended June 30, 2023

Monetary Unit: RMB

Item	2023 (Jan-Jun)										Total shareholders' equity		
	Equity attributable to owners of the parent company												
	Share capital	Preferred stock	Other equity instruments		Capital reserve	Minus: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve		Undistributed profit	Minority equity
		Sustainable debt	Others										
1. Balance as at the end of last year	8,570,000,000.00				5,247,879,685.57		2,907,673,725.92	205,565.42	669,950,611.68		6,267,444,304.56	9,575,446,276.06	33,238,600,169.21
Add: adjustments for changes in accounting policies													
Adjustments for correction of accounting errors in prior year													
Merger of enterprises under the same control													
Others													
2. Balance as at the beginning of the current year	8,570,000,000.00				5,247,879,685.57		2,907,673,725.92	205,565.42	669,950,611.68		6,267,444,304.56	9,575,446,276.06	33,238,600,169.21
3. Increases/decreases in equity for the year ("+" for increases)					937,960,543.94		-2,925,712.50	1,204,701.62			-346,398,317.49	459,201,349.14	2,549,042,564.71
(1) Total comprehensive income							-2,925,712.50				96,601,682.51	459,201,349.14	552,877,319.15
(2) Capital contributed or decreased by owners					937,960,543.94								937,960,543.94
a. Capital contributions by owners					937,960,543.94								937,960,543.94
b. Capital contributions by other equity instruments holders													
c. Amounts of share-based payments recognized in owners' equity													
d. Others													
(3) Profit distribution													
a. Appropriation of surplus reserves													
b. Appropriation of general risk reserve													
c. Profit distributed to owners (or shareholders)													
d. Others													
(4) Internal carry-forward of owners' equity													
a. Conversion of capital reserves into paid-in capital (or share capital)													
b. Conversion of surplus reserves into paid-in capital (or share capital)													
c. Surplus reserves offsetting losses													
d. Change of Defined Benefit Plan transferred to retained earnings													
e. Other comprehensive income carried forward to retained earnings													
f. Others													
(5) General risk reserve													
a. Appropriation for the period													
b. Use for the period													
4. Balance as at the end of the current year	8,570,000,000.00				6,185,840,229.51		2,904,748,013.42	1,410,267.04	669,950,611.68		5,921,045,987.07	10,034,647,625.20	35,787,642,733.92

Jiangsu Fangyang Group Co., Ltd.

Balance Sheet

As at June 30, 2023

Monetary Unit: RMB

Assets	Note	Balance as at June 30, 2023	Balance as at December 31, 2022
Current assets:			
Cash and cash equivalents		3,334,738,175.01	5,668,197,477.25
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable		16,206,025,328.91	15,396,662,179.12
Accounts receivable financing			
Prepayment		37,885,570.87	44,587,164.42
Other receivables		2,264,126,275.19	2,058,337,581.76
Inventories		335,860,216.49	371,509,597.12
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		11,452,365.05	23,415,783.05
Total current assets		22,190,087,931.52	23,562,709,782.72
Non-current assets:			
Investment in debt instruments			
Investment in other debt instruments			
Long-term receivables		2,276,034,712.96	2,275,746,546.29
Long-term equity investments		16,806,652,783.27	16,414,990,806.71
Investment in other equity instruments			
Other non-current financial assets		3,543,716,315.00	3,493,716,315.00
Investment property		15,901,431,900.00	15,901,431,900.00
Fixed assets		4,099,549,982.33	4,165,636,866.31
Construction in progress		5,701,165,786.26	5,350,425,829.93
Productive biological assets			
Oil and gas assets			
Right of use assets			
Intangible assets		708,464,059.69	715,027,695.03
Development expenditure			
Goodwill			
Long-term deferred expenses		798,986.66	1,597,973.30
Deferred tax assets		5,311,754.70	5,311,754.70
Other non-current assets			
Total non-current assets		49,043,126,280.87	48,323,885,687.27
Total assets		71,233,214,212.39	71,886,595,469.99

Jiangsu Fangyang Group Co., Ltd.

Balance Sheet (Cont.)

As at June 30, 2023

Monetary Unit: RMB

Liabilities and owners' equity	Note	Balance as at June 30, 2023	Balance as at December 31, 2022
Current liabilities:			
Short-term loans		1,588,000,000.00	2,411,673,659.18
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payables		967,059,559.29	1,303,539,631.22
Accounts payables		791,063,065.95	724,005,161.80
Receipts in advance			
Contract liabilities		136,249,801.84	109,288,784.49
Employee benefits payable		218,634.34	153,512.07
Taxes payable		912,935.95	230,518.03
Other payables		25,403,272,462.89	26,290,605,228.84
Liabilities held for sale			
Non-current liabilities due within one year		1,561,338,520.26	2,161,491,124.42
Other current liabilities		3,700,000,000.00	4,193,375,408.22
Total current liabilities		34,148,114,980.52	37,194,363,028.27
Non-current liabilities:			
Long-term loans		7,196,400,000.00	6,878,592,292.00
Bonds payable		7,108,990,526.92	6,670,030,898.20
Including: preferred stock			
sustainable debt			
Lease liabilities			
Long-term payables		11,655,421.37	22,909,802.23
Provision			
Deferred revenue		118,128,755.38	119,172,838.72
Deferred tax liabilities		2,486,221,749.24	2,486,221,749.24
Other non-current liabilities			
Total non-current liabilities		16,921,396,452.91	16,176,927,580.39
Total liabilities		51,069,511,433.43	53,371,290,608.66
Owners' equity (or shareholders' equity)			
Share capital		8,570,000,000.00	8,570,000,000.00
Other equity instruments		1,500,000,000.00	
Including: preferred stock			
sustainable debt		1,500,000,000.00	
Capital reserves		3,854,623,406.71	2,921,993,106.71
Less: Treasury shares			
Other comprehensive income		1,806,184,700.88	1,806,184,700.88
Special reserves			
Surplus reserves		669,950,611.68	669,950,611.68
General risk preparedness			
Undistributed profits		3,762,944,059.69	4,547,176,442.06
Total owners' equity (or shareholders' equity)		20,163,702,778.96	18,515,304,861.33
Total liabilities and owners' equity		71,233,214,212.39	71,886,595,469.99

Jiangsu Fangyang Group Co., Ltd.

Income Statement

For the semi-year ended June 30, 2023

Monetary Unit: RMB

Item	Note	2023 (Jan-Jun)	2022 (Jan-Jun)
1. Total operating income		740,707,507.94	1,480,572,456.56
Less: Operating costs		604,046,644.81	1,000,962,439.03
Taxes and surcharge		16,701,240.35	15,724,714.00
Selling and distribution expenses		382,033.96	
Administrative expenses		191,663,433.10	149,668,209.86
Research and development expenses			
Financial expenses		272,305,149.29	285,071,357.27
Including: interest expense		390,183,683.02	314,032,772.18
interest income		187,837,486.23	89,876,932.87
Add: Other income		2,802,614.48	71,715,696.89
Investment income ("-" for losses)			2,298,100.00
Including: income from investment in associates and joint ventures			
Income from derecognition of financial assets measured at amortized cost ("-" for losses)			
Net exposure to hedging gains ("-" for loss)			
Gains from changes in fair value ("-" for losses)			-101,251,849.22
Credit impairment loss ("-" for losses)			
Impairment loss of assets			
Gains from disposal of assets ("-" for losses)			
2. Operating profits ("-" for losses)		-341,588,379.09	1,907,684.07
Add: Non-operating income		350,109.40	34,720.16
Less: Non-operating expenses		-5,887.32	2,000,000.40
3. Total profits before tax ("-" for total losses)		-341,232,382.37	-57,596.17
Less: Income tax expenses			-25,312,962.31
4. Net profit ("-" for net loss)		-341,232,382.37	25,255,366.14
Classification by operating continuity:		-341,232,382.37	25,255,366.14
Net profit from continuing operation ("-" for losses)			
5. Net of income tax effect of other comprehensive income			-3,244,460.00
(1) Other comprehensive income items which will not be reclassified subsequently to profit or loss			
a. Remeasurement of changes in defined benefit plans			
b. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
c. Changes in fair value of other equity instrument investments			
d. Changes in fair value of enterprise's own credit risk			
(2) Other comprehensive income items which will be reclassified subsequently to profit or loss			-3,244,460.00
a. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss			
b. Changes in fair value of other debt investments			
c. Amount of financial assets reclassified into other comprehensive income			
d. Provision for credit impairment of other debt investments			
e. The effective hedging portion of gains or losses arising from cash flow hedging instruments			
f. Translation differences arising on translation of foreign currency financial statements			
g. Other			-3,244,460.00
6. Total comprehensive income		-341,232,382.37	22,010,906.14
7. Earnings per share			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Jiangsu Fangyang Group Co., Ltd.

Cash Flows Statement

For the semi-year ended June 30, 2023

Monetary Unit: RMB

Item	Note	2023 (Jan-Jun)	2022 (Jan-Jun)
1. Cash flows from operating activities			
Cash received from sale of goods and rendering of services		48,348,250.28	11,960,499.19
Refunds of taxes and surcharges			
Cash received from other operating activities		7,898,431,645.20	17,731,179,979.54
Sub-total of cash inflows from operating activities		7,946,779,895.48	17,743,140,478.73
Cash paid for goods purchased and services received		267,254,100.08	1,998,840,158.40
Cash paid to and on behalf of employees		76,421,324.89	77,068,598.61
Cash paid for taxes and surcharges		20,181,112.04	30,932,494.35
Cash paid for other operating activities		7,523,385,892.89	11,058,162,248.47
Sub-total of cash outflows from operating activities		7,887,242,429.90	13,165,003,499.83
Net cash flows from operating activities		59,537,465.58	4,578,136,978.90
2. Cash flows from investing activities			
Cash received from disposal of investments		1,315,000,000.00	9,676.96
Cash received from returns on investments			3,701,113.97
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities			
Sub-total of cash inflows from investing activities		1,315,000,000.00	3,710,790.93
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		348,240,665.08	50,936,190.00
Cash paid for investments		1,670,000,000.00	2,428,630,300.00
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities			
Sub-total of cash outflows from investing activities		2,018,240,665.08	2,479,566,490.00
Net cash flows from investing activities		-703,240,665.08	-2,475,855,699.07
3. Cash flows from financing activities			
Cash received from investors		932,630,300.00	250,630,300.00
Cash received from borrowings		3,827,000,000.00	6,525,888,928.40
Cash received from other financing activities		1,500,000,000.00	
Sub-total of cash inflows from financing activities		6,259,630,300.00	6,776,519,228.40
Cash repayments of borrowings		6,385,851,547.51	5,665,878,794.34
Cash paid for distribution of dividends and profits or payment of interest		958,024,952.00	565,537,059.83
Cash paid for other financing activities			
Sub-total of cash outflows from financing activities		7,343,876,499.51	6,231,415,854.17
Net cash flows from financing activities		-1,084,246,199.51	545,103,374.23
4. Effect of foreign exchange rate changes on cash and cash equivalents		9.21	-0.54
5. Net increase/(decrease) in cash and cash equivalents		-1,727,949,389.80	2,647,384,653.52
Add: balance of cash and cash equivalents at the beginning of the period		2,617,511,312.92	1,970,725,066.51
6. Balance of cash and cash equivalents at the end of the period		889,561,923.12	4,618,109,720.03

Jiangsu Fangyang Group Co., Ltd.

Statement of Changes in Shareholders' Equity

For the semi-year ended June 30, 2023

Monetary Unit: RMB

Item	2023 (Jan-Jun)							Total shareholders' equity					
	Share capital		Other equity instruments			Capital reserve	Minus: treasury stock		Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit
	Preferred stock	Sustainable debt	Others										
1. Balance as at the end of last year	8,570,000,000.00				2,921,993,106.71			1,806,184,700.88		669,950,611.68		4,547,176,442.06	18,515,304,861.33
Add: adjustments for changes in accounting policies													
Adjustments for correction of accounting errors in prior year													
Others													
2. Balance as at the beginning of the current year	8,570,000,000.00				2,921,993,106.71			1,806,184,700.88		669,950,611.68		4,547,176,442.06	18,515,304,861.33
3. Increases/decreases in equity for the year ("-" for decreases)					932,630,300.00							-784,232,382.37	1,648,397,917.63
(1) Total comprehensive income					1,500,000,000.00							-341,232,382.37	1,158,767,617.63
(2) Capital contributed or decreased by owners													932,630,300.00
a. Capital contributions by owners													932,630,300.00
b. Capital contributions by other equity instruments holders													
c. Amounts of share-based payments recognized in owners' equity													
d. Others													
(3) Profit distribution												-443,000,000.00	-443,000,000.00
a. Appropriation of surplus reserves													
b. Appropriation of general risk reserve													
c. Profit distributed to owners (or shareholders)													
d. Others													
(4) Internal carry-forward of owners' equity													
a. Conversion of capital reserves into paid-in capital (or share capital)													
b. Conversion of surplus reserves into paid-in capital (or share capital)													
c. Surplus reserves offsetting losses													
d. Change of Defined Benefit Plan transferred to retained earnings													
e. Other comprehensive income carried forward to retained earnings													
f. Others													
(5) Special reserves													
a. Appropriation for the period													
b. Use for the period													
4. Balance as at the end of the current year	8,570,000,000.00				3,854,623,406.71			1,806,184,700.88		669,950,611.68		3,762,944,059.69	20,163,702,778.96

JIANGSU FANGYANG GROUP CO., LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE SEMI-YEAR ENDED JUNE 30, 2023

(All amounts are expressed in CNY unless otherwise stated)

I. Company Profile

1. Company Overview

The predecessor of Jiangsu Fangyang Group Co., Ltd. (hereinafter referred to as "Fangyang Group" or the "Company") was Xuwei Development and Construction Co., Ltd. In Lianyungang, which was established with the investment of Lianyungang Municipal People's government. It was registered with Lianyungang Administration for Industry and Commerce on April 24, 2009, with the unified social credit code of 913207006891584562.

Type of company: limited liability company (state-owned sole proprietorship). The shareholder is the Lianyungang Municipal People's Government. On August 11, 2021, the company's registered capital was changed from CNY 8.0 billion to CNY11.0 billion), and the paid-in capital is CNY 8.57 billion.

Legal representative: Yan Hongmin. The company's domicile: Industrial Service Center, 66 Xuwei Avenue, Xuwei New District, Lianyungang City

Business scope of the Company: industrial investment; port shoreline development; construction project management; property management, municipal engineering, landscaping engineering, earth and stone engineering, industrial and civil construction engineering, steel structure engineering, foundation and basic engineering, interior and exterior decoration Engineering construction; self-operated and agent import and export business of various commodities and technologies with an exception of goods and technologies that are restricted or prohibited by the state; warehousing services; house leasing; house repair; construction materials, sales of metal materials; underground integrated pipeline network and gallery Construction and operation management; properties development and sales. (subject to the approval of the project, approved by the relevant departments to carry out business activities before).

2. Consolidated Financial Statement Scope

The scope of consolidation of the Company's consolidated financial statements is based on control, and all subsidiaries are included in the consolidation scope of the consolidated financial statements.

The change of scope of consolidated statements is shown in the following table:

2.1 The business entities that are newly incorporated into the scope of the merger:

Company name	Obtaining Method
Lianyungang Lianhe Real Estate Co., Ltd	acquisition
Jiangsu Fangyang New Energy Investment Co., Ltd	acquisition

II. Basis of preparation of financial statements

1. Base preparation

The Company prepares its financial statements on a going concern basis, and recognizes and measures its accounting items in compliance with the Accounting Standards for Business Enterprises—Basic Standards and various concrete accounting standards, and other relevant provisions on the basis of actual transactions and events.

2. Continuous operation

The company's management believes that the company has the ability to continue to operate at least 12 months since the end of the final period.

III. Significant Accounting Policies, Accounting Estimates

1. Statement on compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises and truly and completely reflect the Company's financial position, operating results, cash flows and other related information for the reporting period.

2. Accounting period

The accounting year of the Company is from January 1 to December 31 in calendar year.

3. Functional currency

The Company adopts CNY as functional currency.

4. Accounting treatment methods for business combination under and not under common control

4.1 Accounting treatment method for business combination under common control

Business combination under common control is accounted for under pooling of interest method.

Assets and liabilities obtained by the Company through business combination under common control shall be measured at the book value as stated in the consolidated financial statements of the ultimate controlling party at combination date; the initial investment cost of long-term equity investments in the individual financial statements shall be the absorbing party's share of the carrying amount of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party. The differences between initial investment cost of long-term equity investments and consideration of the combination (including cash paid, non-cash assets transferred, the liabilities incurred or assumed or the aggregate face value of the share issued) shall be adjusted to capital reserve (stock premium or capital premium). If the capital reserve (stock premium or capital premium) is insufficient to offset, offset surplus reserve and undistributed profit in turn.

4.2 Accounting treatment method for business combination not under common control

The Company accounts for business combination not under common control under purchase method.

- a) All the net identifiable assets, liabilities or contingent liabilities obtained by the Company through business combination not under common control shall be measured based on the fair values of assets paid, liabilities incurred or assumed and the equity securities issued as consideration for combination on the acquisition date, and differences between their fair values and book values shall be included in the current profit and loss.
- b) The cost of acquisition shall be respectively determined for the following conditions;
 - i. Business combination of a transaction implementation, the combination cost shall be the sum of the fair values of the assets given, the liabilities incurred or assumed and the equity securities issued by the Company in exchange for the control on the acquisition date, and contingent considerations meeting the recognition conditions. The combination cost is the initial investment costs of long-term equity investments in individual financial statements.
 - ii. Business combination through multiple transactions step by step to realized, the combination cost shall be the sum of the fair value measurement on the acquisition of the equity investment that holding before the acquisition date and cost of all the new investment on the acquisition date. Long-term equity investment cost in individual financial statements shall be the sum of the book value of the equity investment that holding before the acquisition date and cost of all the new investment on the acquisition date. Except for a single transaction.
- c) The Company, on the acquisition date, allocates the combination costs between the identifiable assets and liabilities acquired

- i. All assets of the acquiree obtained by the Company through business combination(not limited to those that have been recognized by the acquiree), other than intangible assets, shall be separately recognized and measured at fair value when the future economic benefits arising thereafter are expected to flow into the Company and the fair value can be reliably measured.
 - ii. Intangible assets of the acquiree obtained by the Company through business combination shall be separately recognized and measured at fair value when their fair values can be reliably measured.
 - iii. All liabilities of the acquiree obtained by the Company through business combination, other than contingent liabilities, shall be separately recognized and measured at fair value when fulfillment of relevant obligations are expected to bring future economic benefits to the Company and the fair value can be reliably measured.
 - iv. Contingent liabilities of the acquiree obtained by the Company through business combination shall be separately recognized as liabilities and measured at fair value when their fair values can be reliably measured.
 - v. When the Company allocates the cost of business combination and recognizes the identifiable assets and liabilities acquired through combination, it shall not include any goodwill and deferred income taxes that have been recognized by the acquiree before the business combination.
- d) Treatment of the difference between the business combination costs and the fair value of net identifiable asset acquired from the acquiree through combination
- i. The Company shall recognize the difference of the combination costs in excess of the fair value of the net identifiable asset acquired from the acquiree through combination as goodwill.
 - ii. The Company shall recognize the difference of the combination costs in short of the fair value of the net identifiable asset acquired from the acquiree through combination according to the following provisions:
 - 1) Review the measurement of fair values of all the identifiable assets, liabilities and contingent liabilities acquired from the acquiree and the combination costs;
 - 2) After the review, if the combination costs are still in short of the fair value of the net identifiable asset acquired from the acquiree through combination, include the difference in the current profit and loss.

4.3. Treatment of relevant expenses arising from the Company's business combination

- a) Relevant expenses directly arising from the business combination of the Company (including the expenses for audit, legal services, evaluation and consultation or other intermediary costs for business combination) shall be included in the current profit and loss when they are incurred.
- b) Commissions, fees and other expenses paid on issuance of bonds and undertaking of other debts for the business combination shall be included in the initial measurement amount of debt securities.
 - i. Where the bonds are issued at discount or par value, that part of expenses will increase the amount of the discount;
 - ii. Where the bonds are issued at premium, that part of expenses will decrease the amount of the premium.
- c) Fees, commissions, and other transaction expenses paid on issuance of equity securities as combination consideration in the business combination shall be included in the initial measurement amount of equity securities.
 - i. Where the equity securities are issued at premium, that part of expenses shall be deducted from capital reserves (stock premium);
 - ii. Where the equity securities are issued at par value or discount, that part of expenses shall be deducted from the retained earnings.

5. Preparation of consolidated financial statements

5.1 Consistency of accounting policies and accounting period

All the subsidiaries within the consolidation scope of consolidated financial statements shall adopt the same accounting policies and accounting periods as those of the Company. If the accounting policies or accounting periods of a subsidiary are different from those of the Company, the financial statements of the subsidiary, upon preparation of consolidated financial statements, shall be adjusted according to the accounting policies and accounting periods of the Company.

5.2 Preparation method of consolidated financial statements

The consolidated financial statements are based on the financial statements of the Company and its subsidiaries, and are prepared by the parent company according to other relevant information after the adjustment to long-term equity investments in subsidiaries under the equity method and the elimination of effects of the internal transactions between the Company and its subsidiaries and between the subsidiaries on the consolidated financial statement.

5.3 Reflection of excess losses incurred to a subsidiary in the consolidated financial statements

In the consolidated financial statements, where the current losses undertaken by the parent company are in excess of its share of owners' equity in the subsidiary at the beginning of the period, the balance shall reduce the owners' equity (retained earnings) of the parent company; where the current losses undertaken by a subsidiary's non-controlling interests exceed their share of owners' equity in the subsidiary at the beginning of the period, the balance shall reduce the non-controlling interests.

5.4 Changes in number of subsidiaries during the reporting period

a) Acquisition of subsidiaries during the reporting period

i. Treatment of acquiring subsidiaries from business combination under common control during the reporting period

During the reporting period, if the Company acquires subsidiaries from the business combination under common control, the beginning balance in the consolidated balance sheet shall be adjusted. The income, expenses and profits of the newly acquired subsidiaries from the beginning to the end of the reporting period shall be included in the consolidated income statement. The cash flows of the newly acquired subsidiaries from the beginning to the end of the reporting period shall be included in the consolidated statement of cash flows.

ii. Treatment of acquiring subsidiaries from business combination not under common control during the reporting period

During the reporting period, if the Company acquires subsidiaries from the business combination not under common control, the beginning balance in the consolidated balance sheet shall not be adjusted. The income, expenses and profits of the newly acquired subsidiaries from the acquisition date to the end of the reporting period shall be included in the consolidated income statement. The cash flows of the newly acquired subsidiaries from the acquisition date to the end of the reporting period shall be included in the consolidated statement of cash flows.

b) Treatment of disposing subsidiaries during the reporting period

During the reporting period, if the Company disposes subsidiaries, the beginning balance in the consolidated balance sheet shall not be adjusted. The income, expenses and profits of the newly disposed subsidiaries from the beginning to the disposal date shall be included in the consolidated income statement. The cash flows from the beginning to the disposal date shall be included in the consolidated statement of cash flows.

6. Cash and cash equivalents

The term "cash" refers to cash on hand and unrestricted bank deposit and other cash and cash equivalents.

The term "cash equivalents" refers to short-term (maturing within three months from acquisition) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

7. Foreign currency transactions and translation of foreign currency statements

7.1 Accounting method of foreign currency transactions

a) Initial recognition of foreign currency transactions

For foreign currency transactions incurred, the Company converts the amount in foreign currency into the amount in functional currency at the spot exchange rate (middle rate) announced by the People's Bank of China on the transaction date. Among them, for foreign currency exchange occurred or transaction involving foreign currency exchange, the Company converts at the exchange rate actually adopted on the transaction date.

b) Adjustment or settlement on the balance sheet date or settlement date

On the balance sheet date or the settlement date, the Company handles foreign currency monetary items and foreign currency non-monetary items separately in accordance with the following methods:

i. Accounting principles for handling foreign currency monetary items

For foreign currency monetary items, on the balance sheet date or the settlement date, the Company converts them by using the spot exchange rate (middle rate) prevailing on the balance sheet date or settlement date, and adjusts the amount in functional currency of foreign currency monetary items in respect of the difference arising from exchange rate fluctuations, which shall be treated as exchange difference at the same time. Among them, the exchange differences arising from foreign currency borrowings relating to the acquisition, construction or production of assets eligible for capitalization shall be included in the costs of assets eligible for capitalization; other exchange differences shall be included in the current financial expenses.

ii. Accounting principles for handling foreign currency non-monetary items

- 1) For foreign currency non-monetary items measured at historical cost, the Company shall convert them at the spot exchange rate (middle rate) prevailing on the transaction date, with their amounts in functional currency remaining unchanged and no exchange differences incurred.
- 2) For an inventory that is measured at the lower of its costs or its net realizable values, if the net realizable value is determined in foreign currency, the Company, when determining the value of the inventory at the end of the period, shall firstly convert the net realizable value into functional currency and then compare it with the inventory cost reflected in functional currency.
- 3) Non-monetary items measured at fair value that is reflected in foreign currency at the end of the period, the Company shall firstly translate the foreign currency into the amount in functional currency at the spot exchange rate on the date when the fair value is determined, and then compare it with the original functional currency amount. Difference between the translated functional currency amount and the original functional currency amount is treated as profit or loss from changes in fair value (including changes in exchange rate) and is recognized in current profit and loss.

8. Financial instruments

Financial instruments are the financial asset, financial liability or (equity) instrument will be recognised when the Company became one of the parties under a contract.

8.1 Classification of financial instruments

a) Classification of financial assets

According to the company's business model of managing financial assets and the characteristics of contract cash flow of financial assets, financial assets are classified into the following three categories: financial assets measured at amortised cost; financial assets measured at fair value through other comprehensive income (including financial assets directly designated to be measured at fair value through other comprehensive income) ("FVOCI"); and financial assets measured at fair value through the current profit or loss ("FVTPL").

b) Classification of financial liabilities

The Company classifies the financial liabilities into the following two categories: financial liabilities measured at FVTPL (including financial liabilities held for trading and financial liabilities directly designated to be at FVTPL); and financial liabilities measured at amortized cost.

8.2 Recognition basis and measurement method of financial instruments

a) Recognition basis of financial instruments

When the Company becomes a party to a financial instrument, it shall recognize a financial asset or financial liability.

b) Measurement method of financial instruments

i. Financial assets

Financial assets are measured at fair value upon initial recognition. For financial assets at FVTPL, relevant transaction costs are directly recognised in profit or loss for the period. For other categories of financial assets, relevant transaction costs are included in the amount initially recognised. Accounts receivable or notes receivable arising from sales of goods or rendering services and without significant financing component or the company decided not to consider financing elements for less than one year are initially recognised based on the amount of consideration expected to be entitled to receive.

1) Financial assets measured at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method after initial recognition. Gains/losses on financial assets that are measured at amortised cost and are not a part of any hedging relationship shall be recognised in profit or loss when the financial asset is derecognised or reclassification or amortised using the effective interest method or recognized the impairment allowance.

2) Financial assets at FVOCI

These assets are subsequently measured at fair value after initial recognition. Except impairment, foreign exchange gains and losses, interest income calculated using the effective interest method are recognised in profit or loss; other gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are transferred to profit or loss.

In addition, the company designated some non-tradable equity instruments as financial assets at FVOCI; the company shall recognise the relevant dividend income of such financial assets into the current profit and loss, and recognise the change of fair value in other comprehensive income. On derecognition, the accumulated gains/losses previously recognized in other comprehensive income shall be transferred to retained earnings and not be recognised in current profit and loss.

3) Financial assets at FVTPL

The Company classifies the financial assets into financial assets at FVTPL except for financial assets measured at amortized cost or financial assets at FVOCI as mentioned above. In addition, the company may designate some financial assets as financial assets at FVTPL upon the initial recognition to eliminate or significantly reduce accounting mismatch. For such financial assets, the company adopts the fair value for subsequent measurement, and changes in fair value are recognized in the profit or loss for the current period.

ii. Financial liabilities

Financial liabilities shall be classified into financial liabilities measured at FVTPL upon initial recognition and other financial liabilities. For financial liabilities measured at FVTPL, relevant transaction costs are directly recognized in the current profit and loss, and the relevant transaction costs of other financial liabilities are recognized in the initial recognition amount.

1) Financial liabilities measured at FVTPL

Financial liabilities held for trading (including derivatives of financial liabilities) shall be subsequently measured at the fair value. Except for those related to hedge accounting, changes in the fair value shall be recognized in the profit or loss of the current period. For financial liabilities designated to be at FVTPL, fair value changes caused by the Company's own credit risk changes which is recognised in other comprehensive income, when the liability is derecognition, the accumulated change in its fair value caused by the change in its own credit risk recognized in other comprehensive income is transferred to retained earnings, the remaining changes of fair value is

record in profit of loss. If the above treatment of the impact of the change in the credit risk of such financial liabilities will cause or expand the accounting mismatch in the profit and loss, the company will record all the gains/losses of such financial liabilities (including the amount affected by fair value changes in enterprise's own credit risk) into the current profit and loss.

2) Financial liabilities measured at amortized cost

Except financial liabilities that arise when a transfer of a financial assets does not qualify for derecognition or when the continuing involvement approach applies security contract are classified as financial liabilities measured by amortized cost, or financial subsequently measurement at amortized cost, and record the profits or losses guarantee contracts recognition or amortization into the current profit and loss.

8.3 Financial assets transfer

If the Company transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, the Company derecognises the financial asset, the rights and obligations arising or retained in the transfer shall be separately recognized as its assets or liabilities; if the Company retains substantially all the risks and rewards of ownership of the financial asset, it continues to recognise the transferred financial assets. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it is accounted for as follows: if the Company has not retained control, it derecognises the financial asset, the rights and obligations arising or retained in the transfer shall be separately recognized as its assets or liabilities; and if the Company has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes the relevant liability.

Where transfer of financial assets qualify for derecognition entirety, the difference between the following two amounts will be included into current profit or loss: The book value measured at the date of derecognition; and The sum of the consideration for the derecognition part and the portion of derecognition corresponding to the accumulated amount of the changes in fair value originally and directly included in OCI (involving the situation where the financial asset transferred is a debt instrument investment measured at fair value and recognized in other comprehensive income). The Company transferred the partial transfer of financial assets which qualify for derecognition, the overall carrying amount of the transferred financial asset shall be apportioned according to their respective relative fair value between the portion of derecognition and the remaining.

8.4 Derecognition of financial liabilities

If the current obligation of the financial liability (or part thereof) has been discharged, the company shall remove financial liability (or part thereof), and the company shall recognize the difference between its book value and the consideration paid (including any non-cash assets transferred or liabilities assumed) in the current profit and loss.

8.5 Offsetting of financial assets and liabilities

Financial assets and financial liabilities shall be shown separately in the balance sheet and shall not be offset against each other. If the following conditions are met at the same time, the net value offset each other after amount listed in the balance sheet:

The company has offset the confirmed amount of legal rights of financial assets and financial liabilities, and this kind of legal rights is the executable; and

The company plans to net or cash at the same time when the financial assets and liquidation of the financial liability.

If the transfer of financial assets does not meet the conditions for derecognition, the transferor shall not offset the transferred financial assets and related liabilities.

8.6 Equity instruments

Equity instruments are contracts that prove ownership of the residual interest in the company's assets after deducting all liabilities. The issuance (including refinancing), repurchase, sale or cancellation of the equity instruments of the company shall be treated as changes in the equity. The company does not recognize changes in the fair value of equity instruments, and the transaction fees related to the equity transactions shall be deducted from the equity. Where the equity instrument of the company distributes dividends during the term of its existence, it shall be treated as profit distribution, and the total amount of

shareholders' equity will not be affected by the stock dividends issued.

8.7 Method for determining the fair value of financial assets and financial liabilities

Where there is an active market for a financial instrument, the company shall determine its fair value by quoting in the active market. Where there is no active market for the financial instrument, the company shall determine its fair value by means of valuation technology. In valuation, the company uses valuation techniques applicable in the current situation and supported by sufficient available data and other information to select input values consistent with the characteristics of assets or liabilities considered by market participants in transactions of related assets or liabilities, and gives priority to relevant observable input values as far as possible. Use unobservable inputs only when relevant observable inputs cannot be obtained or are impracticable to obtain.

Upon initial recognition, the fair value of financial assets or financial liabilities is determined by the quoted price of the same assets or liabilities in the active market or other valuation technology that only uses observable market data, the Company defers the difference between the fair value and the transaction price. After initial recognition, the Company recognizes the deferred difference as gain or loss in the corresponding accounting period according to the changes of a certain factor in the corresponding accounting period.

8.8 Impairment of Financial Assets

Based on the expected credit losses ("ECL"), the Company shall recognise the impairment loss on financial assets measured at amortized cost, debt instrument investment at FVOCI.

a) The approach of recognition loss allowance for ECL

Considering the reasonable and valid information such as past events, current conditions and forecast of future economic conditions, and weighted by the risk of default, the Company calculates the probability weighted amount of the present value of the difference between the cash flow receivable under the contract and the expected cash flow to be received, and recognise the ECL.

i. General approach

The Company assess whether the credit risk of financial instruments in different stages at each reporting date has increased significantly. If the financial instruments' credit risk have not increased significantly after initial recognition, it will be included in phase 1, and the Company measures the loss allowance for those instruments at an amount equal to 12-month ECL; if the financial instruments' credit risk have increased significantly but without objective evidence for impairment after initial recognition, it will be included in phase 2, and the Company measures the loss allowance of those instruments at an amount equal to lifetime ECL; if the financial asset that is evidently credit-impaired after initial recognition, it will be included in phase 3, and the Company measures the loss allowance of those financial instruments at an amount equal to lifetime ECL. For financial instruments with low credit risk on the balance sheet date (e.g.fixed deposits in commercial banks with higher credit rating, financial instruments with external credit rating above "investment grade"), the Company assumes that the credit risk has not increased significantly since the initial recognition and chooses to measure the loss allowance according to the ECL in the next 12 months.

ii. Simplified approach

For accounts receivable, contract assets and notes receivable related to revenues, the Company does not include the significant financing component or does not consider the financing components in contracts less than one year, it will measure the loss allowance according to the ECL of the whole duration.

b) Criteria for determining whether credit risk has increased significantly subsequent to the initial recognition

If the probability of default of a financial asset in lifetime as determined on the balance sheet date is significantly higher than the probability of default in lifetime as determined at the initial recognition, the credit risk of the financial asset increases significantly.

No matter what method the Company is applied to evaluate whether credit risk has increased significantly, it usually inferred that the credit risk of the financial instrument has increased significantly if the contract payments are more than 30 days past due, unless the Company can get the reasonable and valid information at reasonable cost to evidence that the credit risk of the financial instrument has not increased significantly since the initial recognition.

Except in special cases, the Company shall use the change of default risk in the next 12 months as a reasonable estimate of the change of default risk in lifetime to determine whether the credit risk has increased significantly to the initial recognition

c) Approach of assessing expected credit risk on a portfolio basis and determine basis

The company evaluates credit risk individually for the credit risk of significantly different notes receivable, accounts receivable and other receivables with the following characteristics. Such as: accounts receivable in dispute with the other party or involving litigation or arbitration; notes receivable, accounts receivable that have shown clear signs that the debtor is likely to be unable to meet repayment obligations.

When it is impossible to evaluate the ECL information of an individual financial asset at a reasonable cost, the Company divides the receivables into several portfolio according to the credit risk characteristics, and calculates the ECL on collective basis. The basis for determining the portfolio is as following:

Account name	Portfolio Name	Approach of assessing expected credit risk
notes receivable	Portfolio 1: Bank acceptance bill Portfolio	The management evaluates that such funds has low credit risk, and does not provision for bad debts.
	Portfolio 2: Commercial acceptance bill Portfolio	The Company referees to the historical credit loss experience, and combines the current situation and the forecast of the future situation, through the default risk exposure and the expected credit loss rate throughout the duration to estimate ECL.
Account receivable	Portfolio 1: Overdue aging combination	The Company referees to the historical credit loss experience, and combines the current situation and the forecast of future economic situation, it forms a comparison table between overdue ages of accounts receivable and the life time expected credit loss rate to estimate ECL.
	Portfolio 2: Government parties	The management evaluates that such funds has low credit risk , and does not provision for bad debts.
	Portfolio 3: Related parties	The management evaluates that such funds has low credit risk , and does not provision for bad debts.
Contract assets	Contract assets portfolio	The Company referees to the historical credit loss experience, and combines the current situation and the forecast of the future situation, through the default risk exposure and the expected credit loss rate throughout the duration to estimate ECL.

The Company shall take the provision or transfer the loss into the current profit and loss. For the debt instrument investment measured at fair value through other comprehensive income, the Company shall adjust other comprehensive income while recording the impairment loss or gain into the current profit and loss.

9. Inventories

9.1 Classification of inventories

Inventories are classified as: raw materials, low-cost consumables, products in process, goods in stock, engineering construction, development products and development costs in the process of development, etc.

9.2 Measurement method of dispatched inventories

Materials and stock commodities are accounted for by using the weighted average method or the individual identification method.

9.3 Basis to determine net realizable values of inventories and method of provision for diminution in value of inventories

a) Determination basis of net realizable values of inventories

- i. In normal operation process, for merchandise inventories held directly for sale, including stock commodities (finished goods) and materials for sale, their net realizable values are determined at their estimated selling prices minus their estimated selling expenses and relevant taxes and

surcharges.

- ii. For the inventory of processed materials, in the normal production and operation process, the estimated price of the finished product is subtracted from the estimated cost, estimated sales cost and the amount of related taxes and fees to be incurred at the time of completion, and the net realizable value is determined.
 - iii. For inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities of inventories specified in the sales contracts are less than the quantities held by the Company, the net realizable value of the excess portion of inventories shall be based on general selling prices.
 - iv. The materials held for production shall be measured at cost if the net realizable value of the finished products is higher than the cost. If a decline in the value of materials shows that the net realizable value of the finished products is lower than the cost, the materials shall be measured at the net realizable value.
- b) Provision for diminution in value of inventory

Provisions for diminution in value of inventory are made at the lower of costs or net realizable values on a single basis.

- i. Provisions for diminution in value of inventory are made at the lower of costs or net realizable values on a single basis.
- ii. For inventories that have large quantities but low value, the Company provides for diminution in value of inventory on a category basis.
- iii. For inventories that are related to product ranges produced and sold in the same district or used for the same or similar ultimate purpose and are difficult to be measured separately from other inventories, the Company provides for diminution in value of inventory on a consolidation basis.

9.4 Inventory system

The Company adopts perpetual inventory system and takes physical inventory counts on a regular basis.

9.5 Amortization method of revolving materials

a) Amortization method of low-cost consumables:

Low-cost consumables are amortized in full at once.

b) Amortization method of packaging materials

Packing materials are amortized in full at once when fetched for use by the Company.

10. Contract assets

Contract assets represent the Company's right to consideration in exchange for goods or services that the Company has transferred to a customer that is conditional on something other than the passage of time. Contract assets main include guarantee and unsettled portion of finished project. A contract asset and a contract liability relating to the same contract are represented on a net basis after offsetting, while that relating to different contract should not be offset.

The measurement and assessment ECL of contract assets refer to Note8.8.

11. Assets held for sale and discontinued operations

11.1 Assets held for sale

a) Scope of held for sale

Held for sale include individual asset and disposal group.

Disposal group is a group of assets that are disposed as a whole through sales or other ways in one transaction and liabilities directly related to these assets delivered in the transaction.

b) Recognition criteria of held for sale

The Company recognizes its component (or non-current asset) that satisfies the following conditions as assets held for sale:

- i. The assets (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups); and
- ii. Its sale must be highly probable. The Company has already made a decision to dispose the component and has a commitment from the purchaser, the transfer will be completed within one year. If it requires shareholders' approval or supervisors' approval according to regulations, it has already received approval from the general meeting of stockholders or relative authority institution.

c) Accounting treatment and presentation of assets held-for-sale

The non-current asset (or disposal group) is first classified as held for sale, the Company should measure the non-current assets or assets and liabilities made up of disposal group in accordance with relevant accounting standards.

When the Company measure a non-current asset (or disposal group) held for sale initially or re-measure at balance sheet date subsequently, the impairment loss should be recognized if the book value is higher than fair value less costs to sell at the amount of the difference of these two in profit and loss, the provision for assets held for sale need to be recognized at the same time. For the impairment of disposal group, should write off goodwill if existing, and then write down the related assets proportionally. Depreciation or amortization should cease for the non-current asset held for sale.

No matter the asset is classified as individual asset held for sale or asset belonging to disposal group, the asset is presented as current assets under "assets held for sale" item; liabilities related to the asset transferred in the disposal group held for sale is presented as current liabilities under "liabilities held for sale" item in the balance sheet.

The company is committed to a sale plan involving loss of control of subsidiary shall classify all the assets and liabilities of that subsidiary held for sale in consolidated balance sheets when the above criteria are met, regardless of whether the Company retain a non-controlling interests in its former subsidiary after the sale. In the balance sheets of parent company the investment should be classified as held for sale in full.

11.2 Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and meets one of the follow conditions:

- a) It represents either a separate major line of business or a geographical area of operations;
- b) It is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- c) It is a subsidiary acquired exclusively with aim to resale

12. Long-term equity investments

12.1 Recognition of the initial investment costs of long-term equity investments

- a) For long-term equity investments from business combinations, the initial investment cost shall be recognized in accordance with accounting treatment methods for business combination under and not under common control which are in the item 3 of the note 4.
- b) Except for the long-term equity investments arising from business combinations, those obtained by other means shall recognize their initial investment costs in accordance with the following provisions:
 - i. For the long-term equity investments acquired by cash paid, the initial investment cost shall be the actual purchase price has been paid. Initial investment cost also includes those costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment.

- ii. For the long-term equity investments acquired by the issue of equity securities, the initial investment cost shall be the fair value of the equity securities issued. If the fair value of the long-term equity investment obtained is more reliable than equity securities issued, the initial investment cost shall be the fair value of the long-term equity investment made by the investors. The cost directly attributable to the issue of equity securities, including fees, commissions, etc., write-downs premium price of the issue, if premium price of the issue is insufficient, write-downs surplus reserve and undistributed profit in turn. For the long-term equity investments acquired by the issue of debt securities, reference through the issuance of equity securities..
- iii. For long-term equity investments obtained by debt restructuring, the Company recognizes the fair value of shares of debt-for-equity swap as the initial investment costs.
- iv. For long-term equity investments obtained by non-monetary assets exchange, under the condition that an exchange of non-monetary assets is of commerce nature and the fair value of assets exchanged can be reliably measured, non-monetary assets traded in is initially stated at the fair value of the assets traded out, unless there is conclusive evidence indicating that the fair value of the assets traded in is more reliable; if the above conditions are not satisfied, initial investment costs of long-term equity investments traded in shall be recognized at the book value of the assets traded out and the relevant taxes and surcharges payable.

Expenses, taxes and other necessary expenses incurred to the Company and that are directly related to the obtaining of long-term equity investments shall be recognized as the initial investment costs of long-term equity investments.

For long-term equity investments obtained by the Company by any means, cash dividends or profits declared but not yet distributed in the actual payments or the consideration actually paid for the investment shall be separately accounted as dividends receivable and shall not constitute the costs of long-term equity investments.

12.2 Subsequent measurement and recognition of gains and losses of long-term equity investments

a) Long-term equity investments measured under the cost method

- i. Long-term equity investments that can control the investee, which are long-term equity investments in subsidiaries, are measured under the cost method.
- ii. For long-term equity investments accounted at the cost method, except cash dividends or profits declared but not yet distributed which are included in the actual payments or the consideration actually paid for the investment, the cash dividends or profits declared by the investee shall be recognized as the investment income irrespective of net profits realized by the investee before investment or after investment.

b) Long-term equity investments measured under the equity method

- i. For the long-term equity investment which has joint control or significant influence over the investee, the equity method is adopted for accounting.
- ii. For long-term equity investments measured at the equity method, if the initial investment costs are higher than the investor's attributable share of the fair value of the investee's identifiable net assets, no adjustment will be made to the initial costs of the long-term equity investments; if the initial investment costs are lower than the investor's attributable share of the fair value of the investee's identifiable net assets, the difference shall be recognized in current profit and loss and at the same time the adjustment will be made to the initial costs of the long-term equity investments.
- iii. After obtaining the long-term equity investments, the Company shall, according to the shares of net profits and losses realized by the investee that shall be enjoyed or borne by the Company, recognize the profit and loss on the investments and adjust the book value of the long-term equity investments. When recognizing the net profits and losses of the investee that the Company shall enjoy or bear, the Company shall make a recognition and calculation based on the net book profits and losses of the investee after appropriate adjustments. However, where the Company is unable to obtain the relevant information due to failure to reasonably determine the fair value of the investee's identifiable assets, minor difference between the investee's identifiable assets and

the book value thereof or other reasons, the profits or losses on the investments shall be directly calculated and recognized based on the net book profits and losses of the investee. The Company shall calculate the part distributed from cash dividends or profits declared by the investee and correspondingly reduce the book value of the long-term equity investments.

When recognizing the income from investments in associates and joint ventures, the Company shall write off the part of incomes from internal unrealized transactions between the Company and associates and joint ventures which are attributable to the Company and recognize the profit and loss on investments on such basis. Where the losses on internal transactions between the Company and the investee fall into the scope of losses on assets impairment, full amounts of such losses shall be recognized. Profit and loss from internal unrealized transactions between the Company's subsidiaries included into the combination scope and associates and joint ventures shall be written off according to the above principles and the profit and loss on investments there from shall be recognized on such basis.

When the share of net loss of the investee attributable to the Company is recognized, it is treated in the following sequence: Firstly, write off the book value of the long-term equity investments; where the book value of the long-term equity investments is insufficient to cover the loss, investment losses are recognized to the extent that book value of long-term equity which form net investment in the investee in other substances and the book value of long-term receivables shall be written off; after all the above treatments, if the Company still assumes additional obligation according to investment contracts or agreements, the obligation expected to be assumed should be recognized as provision and included into the investment loss in the current period. If the investee is profitable in subsequent accounting periods, the Company shall treat the loss in reverse order against that described above after deducting unrecognized share of loss: i.e. write down the book value of the recognized provision, then restore the book value of long-term interests which substantially form net investments in the investee, then restore the book value of long-term investments, and recognize investment income at the same time.

12.3 Basis for judgment of common control or significant influence over the investee

a) Basis for judgment of common control over investee

Common control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities of an arrangement usually include selling and purchasing of goods or services, managing financial assets, acquiring or disposing of assets, researching and developing activities and financing activities. A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement. The parties have rights to the assets, and obligations for the liabilities, relating to the arrangement, which is a joint operation, but not a joint venture.

b) Basis for judgment of significant influence over investee

The term 'significant influence' refers to the power to participate in decision-making on the financial and operating policies of the investee, but with no control or joint control over the formulation of these policies. Where the Company is able to exert significant influence over the investee, the investee is its associate.

13. Investment property

13.1 Scope of investment property

Investment property is the property that is held to earn rent or capital appreciation or both and can be measured and sold separately. The company's investment property includes buildings already rent, land use right already rent, and land use right held for appreciation and then sold.

13.2 Recognition of investment property

Investment property can be recognized when satisfying the following conditions at the same time:

- a) It is probable that the economic benefits relevant to the investment property will flow into the Company.
- b) The cost of the investment property can be measured reliably

13.3 Subsequent measurement of investment property using fair value model

a) Basis of using fair value model for subsequent measurement

If there is solid evidence suggests that the investment property acquired can be measured at fair value continuously and reliably, the Company can use fair value model for subsequent measurement.

The Company can use fair value model for subsequent measurement when satisfying the following conditions at the same time:

i. There is an active real estate transaction market at the place where the investment property is located.

ii. The company can get price and other relevant information of congener or similar real estate transaction market, so as to make reasonable estimates of the fair value of investment property.

b) Determination of fair value of investment property

i. When the current market price of congeneric or similar real estate market is available, the Company determines the fair value of investment property, referring to the current market price (market public quote) of congener or similar real estate in the active market.

ii. When the current market price of congeneric or similar real estate market is unavailable, the Company reasonably estimates the fair value of investment property, referring to the latest transaction price of congeneric or similar real estate in the active market, and considering transaction conditions, transaction date, location and other factors, or based on the present value of the rent gain and relevant cash flow in the future estimated.

Congeneric or similar buildings are buildings that are located in the same geographical position and geographical environment and have same or similar nature and structure type at the same or similar aging degree and use state. Congeneric or similar land use rights are those who are in the same location area and are in the same or similar geographical environment at the same or similar use state.

iii. For the investment property measured at fair value model, the Company does not provide depreciation or amortization. Adjust its book value based on the fair value of investment property at the balance sheet date, the difference between the fair value and book value through current profit or loss.

14. Fixed assets

14.1 Recognition and measurement of fixed assets

Fixed assets refer to tangible assets held for the purpose of producing commodities, providing services, renting or business management with useful life exceeding one accounting year. Fixed assets are recognized when the following criteria are satisfied simultaneously:

- a) It is probable that the economic benefits relating to the fixed assets will flow into the Company;
- b) The cost of the fixed assets can be measured reliably.

14.2 Depreciation of all fixed assets

- a) Except for the fixed assets that have been fully depreciated but are still in use and the land, the Company makes provisions for depreciation of all fixed assets.
- b) Depreciation of fixed assets of the Company is provided for on a straight-line basis from the month immediately following the month when they reach the working condition for their intended use. The depreciation amount and depreciation rate shall be calculated and recognized according to the category, estimated useful lives and estimated net residual value rate of fixed assets and respectively included into the costs of the relevant assets or the current profit and loss by purpose.
- c) Category, estimated useful lives, estimated net residual value rate and annual depreciation rate of fixed assets are listed as follows:

Category of fixed assets	Estimated useful lives (years)	Estimated residual value rate (%)	Annual depreciation rate (%)
Buildings	20-40	5	2.37-4.75
Machinery and equipment	10	5	9.50
Vehicle	4	5	23.75
Office and electronic equipment	3	5	31.67
Pipe gallery pipe network	30	5	3.16
Other equipment	5-50	5	1.90-19.00

When making provision for impairment on fixed assets, the Company shall recalculate the depreciation rate and depreciation amount according to the book value, the estimated net residual value rate and useful lives of the fixed assets.

On the balance sheet date, the Company reviews the estimated useful life, estimated net residual value rate and depreciation method of the fixed assets. If there is any change, they shall be treated as changes in accounting estimate.

- d) Fixed assets renovation costs eligible for capitalization in fixed assets during the two renovations or remaining useful life, whichever is the shorter period, is depreciated separately using the straight line method.

15. Construction in progress

15.1 Category

Construction in progress is accounted on individual project basis.

15.2 Criteria of conversion of construction in progress into fixed assets

The book entry values of the fixed assets are stated at total expenditures incurred before construction in progress reaches the working condition for their intended use. For self-operating projects, total expenditures are measured according to the expenditures of direct materials, direct labor, direct measurement mechanical construction costs and other expenditures; for contracting projects, total expenditures are measured according to project costs payable and other expenditures. Borrowing costs incurred before the projects that are undertaking with borrowing costs reach working condition for their intended use and meeting the condition for capitalization shall be capitalized and included into the costs of construction in progress.

For construction in progress that has reached working condition for intended use but for which the completion of settlement has not been handled, it shall be transferred into fixed assets at the estimated value according to the project budget, construction price or actual cost, etc. from the date when it reaches the working condition for intended use and the fixed assets shall be depreciated in accordance with the Company's policy on fixed asset depreciation; adjustment shall be made to the estimated value based on the actual cost after the completion of settlement is handled, but depreciation already provided will not be adjusted.

16. Borrowing costs

16.1 Scope

The Company's borrowing costs include interest thereon, amortization of discounts or premiums, ancillary expenses and exchange differences incurred from foreign currency borrowings, etc.

16.2 Recognition principles of capitalization of borrowing costs

The borrowing costs incurred to the Company and directly attributable to the acquisition and construction or production of assets eligible for capitalization should be capitalized and recorded into relevant asset costs; other borrowing costs should be recognized as costs according to the amount

incurred and be included into the current profit and loss.

Assets eligible for capitalization include fixed assets, investment properties, inventories and other assets which may reach the working condition for their intended use or sale by acquisition and construction or production activities for quite long time.

16.3 Recognition of capitalization period of borrowing costs

a) Recognition of commencement of capitalization of borrowing costs

Borrowing costs may be capitalized when asset disbursements have already been incurred, borrowing costs have already been incurred and the acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have already been started. Among which, asset disbursements include those incurred by cash payment, the transfer of non-cash assets or the undertaking of interest-bearing debts for acquiring and constructing or producing assets eligible for capitalization.

b) Recognition of period of capitalization suspension of borrowing costs

If the acquisition and construction or production activities of assets eligible for capitalization are interrupted abnormally and this condition lasts for more than three months, the capitalization of borrowing costs should be suspended. The borrowing costs incurred during interruption are charged to profit or loss for the current period, and the capitalization of borrowing costs continues when the acquisition and construction or production activities of the asset resume. If the interruption is necessary for the acquisition and construction or production to prepare the assets for their intended use or sale, the capitalization of borrowing costs should continue.

c) Recognition of period of capitalization cessation of borrowing costs

Capitalization of borrowing costs should cease when the acquired and constructed or produced assets eligible for capitalization have reached the working condition for their intended use or sale. Borrowing costs incurred after the assets eligible for capitalization have reached the working condition for their intended use or sale should be recognized as the current profit and loss when they incur.

If all parts of the acquired and constructed or produced assets are completed, each part may be used or sold externally in the process of continuous construction of other parts and the necessary acquisition or production activities have been substantially completed to make the part of assets reach the working condition for their intended use or sale, the capitalization of borrowing costs related to the part of assets should be ceased; if all parts of the acquired and constructed or produced assets are completed but the assets cannot be used or sold externally until overall completion, the capitalization of borrowing costs should cease at the time of overall completion of the said assets.

16.4 Recognition of capitalized amounts of borrowing costs

a) Recognition of capitalized amounts of interest on borrowing costs

During the period of capitalization, capitalized amount of the interest of each accounting period (including amortization of discounts or premiums) shall be recognized according to the following provisions:

- i. As for special borrowings borrowed for acquiring and constructing or producing assets eligible for capitalization, borrowing costs of special borrowing actually incurred in the current period less the interest income of the loans unused and deposited in bank or return on temporary investment should be recognized as the capitalization amount of borrowing costs.
- ii. As for general borrowings used for acquiring and constructing or producing assets eligible for capitalization, the interest of general borrowings to be capitalized should be calculated by multiplying the weighted average of asset disbursements of the part of accumulated asset disbursements in excess of special borrowings by the capitalization rate of used general borrowings. The capitalization rate is calculated by weighted average interest rate of general borrowings.
- iii. Where there are discounts or premiums on borrowings, the amounts of interest for each accounting period should be adjusted taking account of amortizable discount or premium

amounts for the period by effective interest method.

- iv. During the period of capitalization, the capitalized amount of interest of each accounting period shall not exceed the current actual interest of the relevant borrowings.
- b) Recognition of capitalized amounts of auxiliary expenses of borrowings
- i. Auxiliary expenses incurred from special borrowings before the acquired or constructed assets eligible for capitalization reach the working condition for their intended use or sale should be capitalized when they incur and charged to the costs of assets eligible for capitalization; those incurred after the acquired or constructed assets eligible for capitalization reach the working condition for their intended use or sale should be recognized as costs according to the amounts incurred when they incur and charged to the current profit or loss.
 - ii. Auxiliary expenses incurred from general borrowings shall be recognized as costs according to the amounts incurred when they occur and included in the current profit and loss.
- c) Recognition of capitalized amount of exchange differences

During the period of capitalization, exchange differences incurred from the principal and interest of special foreign currency borrowings should be capitalized and included in the costs of the assets eligible for capitalization.

17. Right of use assets

Right of use assets refers to the right of the company as the lessee to use the leased assets during the lease term.

On the beginning date of the lease term, the company recognizes the right to use assets and lease liabilities for leases other than short-term leases and low value asset leases, and recognizes depreciation expenses and interest expenses respectively during the lease term. The company shall record the lease payment amount of short-term lease and low-value asset lease into the relevant asset cost or current profit and loss by using the straight-line method or other systematic and reasonable methods in each period of the lease term.

17.1 Initial measurement

On the beginning date of the lease term, the company initially measures the right to use assets according to the cost. The cost includes the following four items: ① the initial measurement amount of lease liabilities; ② For the lease payment paid on or before the beginning of the lease term, if there is lease incentive, the relevant amount of lease incentive enjoyed shall be deducted; ③ The initial direct expenses incurred are the incremental costs incurred in reaching the lease; ④ The costs expected to occur for dismantling and removing the leased assets, restoring the site where the leased assets are located or restoring the leased assets to the state agreed in the lease terms, except those incurred for the production of inventories.

17.2 Subsequent measurement

a) Measurement basis

After the beginning date of the lease term, the company adopts the cost model for subsequent measurement of the right to use assets, that is, the right to use assets are measured at cost less accumulated depreciation and accumulated impairment losses.

If the company remeasures the lease liabilities in accordance with the relevant provisions of the lease standards, the book value of the right to use assets shall be adjusted accordingly.

b) Depreciation of right of use assets

From the beginning of the lease term, the company accrues depreciation for the right of use assets. The right of use assets shall be depreciated from the month when the lease term begins. The amount of depreciation accrued shall be included in the cost of relevant assets or current profits and losses according to the purpose of the right of use assets. When determining the depreciation method of right of use assets, the company adopts the straight-line method to depreciate the right of use assets

according to the expected consumption mode of economic benefits related to the right of use assets. If the right of use asset is impaired, the company will conduct subsequent depreciation according to the book value of the right of use asset after deducting the impairment loss. The depreciation period of right of use assets is calculated according to the lease term.

Category of fixed assets	Estimated useful lives (years)	Annual depreciation rate (%)
Buildings	8.42	11.87

Note: When determining the depreciation life of the right of use assets, the company shall follow the following principles: if the ownership of the leased assets can be reasonably determined at the expiration of the lease term, depreciation shall be accrued within the remaining service life of the leased assets; If it is impossible to reasonably determine that the ownership of the leased asset can be obtained at the expiration of the lease term, depreciation shall be accrued within the lease term or the remaining service life of the leased asset, whichever is shorter. If the remaining service life of the right of use asset is shorter than the first two, depreciation shall be accrued within the remaining service life of the right of use asset.

18. Intangible assets

18.1 Initial measurement

a) Initial measurement of intangible assets purchased

Costs of intangible assets purchased include purchase price, related tax and expenses and other expenditure that can be distributed to the asset directly to reach its expected use. If payment of the purchase price of intangible assets can be deferred and exceeds normal credit conditions, the purchase has the nature of finance in fact and cost of the intangible asset shall be determined on the basis of present value of the purchase price. The difference between the amount actually paid and the present value of the purchase price should be recorded into current profit or loss other than those should be capitalized during the credit period.

b) Initial measurement of internally researched and developed intangible assets

Costs of internally researched and developed intangible assets shall be recognized according to the total expenses during the period after the assets are eligible for capitalization and before they reach the intended purpose and the expenses that have been included in the previous periods shall no longer be adjusted.

Expenses on the research phase of internally researched and developed intangible assets shall be included in the current profit and loss when they incur; those on the development phase ineligible for capitalization shall be included in the current profit and loss; those eligible for capitalization shall be recognized as intangible assets. If it is unable to distinguish expenditure on the research phase and expenditure on development phase, the research and development expenditures shall be all included in the current profit and loss.

18.2 Subsequent measurement of intangible assets

The useful lives of intangible assets are analyzed on acquisition. Intangible assets obtained by the Company are divided into intangible assets with limited useful lives and intangible assets with indefinite useful lives.

a) Subsequent measurement of intangible assets with limited useful lives

The intangible assets with limited useful lives are amortized on a straight-line basis when they reach intended use over their useful lives with no residual value reserved. Amortizations of intangible assets are usually recorded into the current profit and loss; where the economic benefits of an intangible asset are realized by the products or other assets produced there from, the amortizations are recorded into the costs of the relevant assets.

Category, estimated useful life, estimated net residual value rate and annual amortization rate of intangible assets are shown below:

Category of intangible assets	Estimated useful life (years)	Estimated net residual value rate (%)	Annual amortization rate (%)
Land use right	30-70	0	1.43-3.33
Right to use sea area	50	0	2
Software	3-10	0	10-33.33
Others (coal equivalent index)		0	Amortization according to consumption after use

The useful lives and amortization methods of intangible assets at the end of the current year are not different from previous estimates after review.

b) Subsequent measurement of intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are not amortized in the holding period.

18.3 Estimates of useful lives of intangible assets

- a) For intangible assets from any contractual right or other statutory rights, their useful lives shall be recognized according to the period no more than that of the contractual or other statutory rights; when the contractual right or other statutory rights contract is extended due to renewal of contracts and there is evidence that the renewal of the Company does not need large costs, the renewal period shall be included into the useful lives.
- b) Where the contract or the law fails to specify the useful lives, the Company integrates situations in all aspects and determine the period of intangible assets that can bring economic benefits for the Company by hiring the relevant experts to demonstrate or comparing with the situation of the industry as well as referring to the Company's historical experience or otherwise.
- c) If it is still unable to reasonably determine that intangible assets may bring economic benefits for the Company according to the above methods, the intangible assets are taken as intangible assets with indefinite useful lives.

18.4 Specific criteria for classifying the research phase and the development phase of an internal research and development project

According to the actual situation of the research and development, the Company classifies the research and development project into that on the research phase and that on the development phase.

a) Research stage

Research stage is the stage when creative and planned investigations and research activities are conducted to acquire and understand new scientific or technological knowledge.

b) Development stage

Development stage is the stage when the research achievements or other knowledge are applied to a plan or design, prior to the commercial production or use, so as to produce any new or substantially improved material, device or product.

Expenditure of an internal research and development project on the research phase shall be included in current profit and loss when it occurs.

18.5 Specific criteria for qualifying expenditure on the development phase for capitalization

Expenditure on the development phase of an internal research and development project shall be recognized as intangible assets only when the following conditions are simultaneously satisfied:

- a) It is technically feasible to finish intangible assets for use or sale;
- b) It is intended to finish and use or sell the intangible assets;

- c) The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets themselves or the intangible assets will be used internally;
- d) It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources;
- e) The expenditure attributable to the intangible asset during its development phase can be measured reliably.

18.6 Treatment of land use right

- a) The land use right obtained by the Company is usually recognized as intangible assets, but the purpose of the land use right is changed to be used for earning rent or increasing capital, it shall be transferred to investment property.
- b) For plants and other buildings developed and constructed by the Company, the relevant land use right and buildings shall be treated separately.
- c) Payments for externally purchased land and buildings are distributed between the value of buildings and the land use right; those difficult to be distributed shall be all taken as fixed assets.

19. Non-current assets impairment

If there are impairment indicators of long-term equity investment, investment property measured at cost model, fixed assets, construction in progress, intangible assets with indefinite useful lives and other long-term assets at balance sheet date, impairment test should be performed. If the result of impairment test shows that recoverable amount is less than its book value, the difference should be provided for impairment and recorded into impairment loss. The recoverable amount is the higher of fair values less costs of disposal and the present values of the future cash flows expected to be derived from the asset. Provision for impairment is calculated and recognized on the basis of individual asset. If recoverable amount of individual asset is difficult to be estimated, the Company should recognize the recoverable amount of the asset group which the individual asset belongs to. Asset group is the minimum asset group which can generate cash inflow separately.

The Company should perform impairment test for goodwill and intangible assets with indefinite life at least at each year end, no matter whether there is impairment indicator.

20. Long-term deferred expenses

20.1 Scope

Long-term deferred expenses refer to various expenses which have been already incurred but will be born in this period and in the future with an amortization period of over 1 year (exclusive).

20.2 Initial measurement of long-term deferred expenses

Long-term deferred expenses shall be initially measured according to the actual costs incurred.

20.3 Amortization of long-term deferred expenses

Long-term deferred expenses are amortized using the straight-line method over the beneficial period.

21. Contract liabilities

Contractual liabilities refer to the obligations of the company 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 collection right before the company transfers the goods to the customer, the company will list the received or receivable as contract liabilities at the earlier of the actual payment and due payment by the customer. The contract assets and contract liabilities under the same contract are presented in net amount, and the contract assets and contract liabilities under different contracts are not offset.

22. Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

22.1 Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that fall due within 12 months from the end of the period in which the employees provide their services.

Short-term benefits including: wages, bonuses, allowances and subsidies, welfare, medical insurance, work injury insurance, maternity insurance and other social insurance, housing funds, labor union funds, employee education funds, short-term compensated absences, short-term profit-sharing plan, non-monetary benefits and other short-term remuneration.

Short-term benefits should be recognized as an employee provides his services to the entity. The benefit will normally be treated as an expense, and a liability should be recognized for any unpaid balance at the year-end.

22.2 Post-employment benefits - defined contribution plans

Contributions such as the basic pension insurance, unemployment insurance, annuity payment and so on are paid by the entity for workers according to the relevant regulations. The entity should recognize contributions payable as an expense or associated costs of assets in the period in which the employee provides services. A liability should be recognized where contributions arise in relation to an employee's service, but remain unpaid at the period end.

22.3 Termination benefits

Termination benefits, are employee benefits payable on the termination of employment, through voluntary redundancy or as a result of a decision made by the employer to terminate employment before the normal retirement date. Termination benefits are recognized as an expense when the entity is committed to either:

- a) When companies cannot unilaterally withdraw termination benefits due to termination of employment or layoff proposal provided.
- b) Enterprise recognizes termination benefits involving the restructuring payment of costs or expenses related to the time.

22.4 Other long-term employee benefits

Other long-term employee benefits, are defined as employee benefits except short-term employee benefits, post-employment benefits and termination benefits etc. During the reporting period, costs of other long-term employee benefits are recognized as an integral part of the following:

- a) The service costs.
- b) Net interest of net liabilities or net assets of other long-term employee benefits.
- c) Changes arising from remeasured net liabilities or net assets of other long-term employee benefits.

To simplify the related accounting treatment, the total net amount is recognized into profit or loss or associated costs of assets.

23. Lease liabilities

23.1 Initial measurement

The company initially measures the lease liabilities according to the present value of the unpaid lease payments at the beginning of the lease term.

a) Lease payments

Lease payment refers to the amount paid by the company to the lessor in connection with the right to use the leased assets during the lease term, including: ① fixed payment and substantial fixed payment. If there is lease incentive, the amount related to lease incentive shall be deducted; ② The amount of variable lease payments depending on the index or ratio, which is determined at the initial

measurement according to the index or ratio on the beginning date of the lease term; ③ When the company reasonably determines that it will exercise the purchase option, the exercise price of the purchase option; ④ The lease term reflects the amount to be paid when the company will exercise the option to terminate the lease; ⑤ The amount expected to be paid according to the residual value of the guarantee provided by the company.

b) Discount rate

When calculating the present value of lease payments, the company adopts the interest rate embedded in the lease as the discount rate. If the embedded interest rate of the lease cannot be determined, the incremental loan interest rate shall be used as the discount rate. The incremental loan interest rate refers to the interest rate that the company must pay to borrow funds with similar mortgage conditions during similar periods in order to obtain assets close to the value of use right assets under similar economic environment. Based on the bank loan interest rate and considering relevant factors, the company obtains the incremental loan interest rate.

23.2 Subsequent measurement

After the beginning date of the lease term, the company makes subsequent measurement of the lease liability according to the following principles: ① when confirming the interest of the lease liability, increase the book amount of the lease liability; ② When paying the lease payment, reduce the carrying amount of the lease liability; ③ When the lease payment changes due to revaluation or lease change, the book value of the lease liability shall be remeasured.

After the beginning date of the lease term, in case of the following circumstances, the company shall re measure the book value of the lease liability according to the present value of the changed lease payment, and adjust the book value of the right to use asset accordingly. If the book value of the right of use asset has been reduced to zero, but the lease liability still needs to be further reduced, the company shall record the remaining amount into the current profit and loss.

- a) Changes in the actual fixed payment amount;
- b) The expected payable amount of guarantee residual value changes;
- c) The index or ratio used to determine the lease payment changes;
- d) Changes in the evaluation results or actual exercise of the purchase option, renewal option or termination option;

The interest expense of each period during the lease term shall be included in the current profits and losses, except those that should be capitalized.

24. Estimated liabilities

24.1 Recognition of estimated liabilities

When the obligations related with external security matters, pending litigation or arbitration, product quality assurance, loss of contracts, restructuring and other meet the following three conditions are confirmed as estimated liabilities:

- a) The obligation is a present obligation of the company
- b) The fulfillment of this obligation is likely to lead to outflow of economic benefits
- c) The amount of the obligation can be reliably measured

24.2 Measurement

Amount of estimated liabilities are measured at the best estimate of the expenditure for contingent liabilities.

- a) There is a continuous range of expenditure required and the likelihood of various outcomes within the same possibility, the best estimate is determined according to the median within the range.
- b) In other cases, the best estimate is treated separately in the following situations:

- i. Contingent matters relating to individual projects, confirmed with the amount most likely to be.
- ii. Contingent matters involve several items, calculated in accordance with all possible outcomes and associated probabilities.

25. Recognition of revenue

25.1 The principal of revenue recognition and measurement

a) The principal of revenue recognition.

The Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. At the inception of the contract, the Company should assess the goods or services that have been promised to the customer, and identify as a performance obligation, and then judge the performance obligation is satisfied over time or at a point in time, and then recognise the revenue when each performance obligation is satisfied by transferring a promised good or services to a customer .

b) The principle of measurement of revenue

Where a contract has multiple performance obligations, the Company allocates the transaction price to the performance obligations in the contract reference to their relative stand-alone selling prices of each distinct goods or service at the inception of the contract, and then measures the revenue with the transaction price allocated. When determine the transaction price, the Company may consider variable amount, existing of significant financing component, non-monetary amount and due to customer amount etc, and assume that goods or service will be transferred to a customer as promised in the existing contract and the contract will not be canceled, renewed or changed.

25.2 Specific revenue recognition policies

The company mainly sells goods, belonging to the performance obligation at a certain time point. The recognition of product sales revenue shall meet the following conditions: the company has delivered the product to the customer in accordance with the contract, the customer has obtained the control over the relevant goods, the payment for goods has been recovered or the collection voucher has been obtained, and the relevant economic benefits are likely to flow in.

The provision of construction and installation services by the company belongs to the performance obligation to be performed within a certain period of time. The performance progress of the services shall be determined according to the proportion of the cost incurred in the estimated total cost, and the revenue shall be recognized according to the performance progress. If the performance schedule cannot be reasonably determined, and the costs incurred by the company are expected to be compensated, the revenue shall be recognized according to the amount of costs incurred until the performance schedule can be reasonably determined.

The specific accounting policies related to the main activities to obtain income are described as follows:

Project construction income: the income shall be recognized by the percentage of completion method on the balance sheet date.

Sales of goods: Sales of goods with customers usually include only the performance obligations of the transferred goods. Revenue is recognized at the time when the customer obtains the control right over the relevant goods: the current collection right of the goods, the transfer of the main risks and rewards of the ownership of the goods, the transfer of the legal ownership of the goods, the transfer of the physical assets of the goods, and the customer's acceptance of the goods.

Sales revenue of steam, electricity and tap water: the sales revenue is recognized after the control of the product has been transferred to the buyer. Generally, it refers to the revenue recognized when the steam, electricity and tap water are transmitted to the customer.

Sewage treatment income: the income shall be recognized according to the settlement volume of sewage treatment and the settlement price of sewage treatment services, or according to other circumstances agreed in the agreement

Provision of labor services: the group provides property management and other labor services externally, and the revenue is recognized within a period of time according to the progress of the completed labor services. Among them, the progress of the completed labor services is determined according to the output indicators of the actually provided services.

26. Contract cost

Contract cost is divided into contract performance cost and contract acquisition cost.

The cost incurred by the company for the performance of the contract is recognized as an asset when the following conditions are met:

- a) The cost is directly related to a current or expected contract.
- b) The cost increases the resources used by the company to fulfill its performance obligations in the future.
- c) The cost is expected to be recovered.

If the incremental cost incurred by the company to obtain the contract is expected to be recovered, it shall be recognized as the contract acquisition cost as an asset.

The assets related to the contract cost are amortized on the same basis as the recognition of the income from goods or services related to the assets; However, if the amortization period of contract acquisition cost does not exceed one year, the company will record it into the current profit and loss when it occurs.

If the book value of the assets related to the contract cost is higher than the difference between the following two items, the company will withdraw the impairment provision for the excess part and recognize it as asset impairment loss:

- a) The residual consideration expected to be obtained due to the transfer of goods or services related to the asset;
- b) The estimated cost to be incurred for the transfer of the relevant goods or services.

In case of subsequent reversal of the above asset impairment provision, the book value of the asset after reversal shall not exceed the book value of the asset on the reversal date assuming that the impairment provision is not withdrawn.

27. Government grants

27.1 Types of government grants

Government grants are monetary assets and non-monetary assets acquired free of charge by the Company from the government, including government grants related to assets and government grants related to income.

27.2 Recognition principles of government grants

Government grants are recognized when all the following conditions are met:

- a) The Company can meet the attached conditions for the government grants;
- b) The Company can receive the grants.

27.3 Measurement of government grants

- a) If a government grant is a monetary asset, it shall be measured in the light of the received or receivable amount.

- b) If a government grant is a non-monetary asset, it shall be measured at its fair value; and if its fair value cannot be obtained in a reliable way, it shall be measured at a nominal amount (a nominal amount is CNY 1).

27.4 Accounting treatment method of government grants

- a) The government grants related to assets shall be written off the book value of the related assets at the time of acquisition, or recognized as deferred income. Government grants measured as deferred income, allocated evenly over the useful lives of the relevant assets, and included in the current profit or loss. Government grants measured at the nominal amount shall be directly included in current profit and loss.
- b) Government grants related to income shall be separately handled according to the following circumstances:
 - i. If government grants related to income are used to compensate the Company's relevant expenses or losses in future periods, such government grants should be recognized as deferred income on acquisition and be included into the current profit and loss during the period of recognition of the relevant expenses or written off the related costs.
 - ii. If government grants related to income are used to compensate the Company's relevant expenses or losses incurred, such government grants are directly included into the current profit and loss on acquisition or written off the related costs.
- c) For the government grants which include the assets related part and the income related part at the same time, if it can be divided into different parts to carry on the accounting treatment separately; if it is difficult to distinguish, the whole is classified as the government grants related to the income.
- d) Government grants related to the daily operation of the company, in accordance with the economic nature of the business, shall be accounted for other income or written off related costs. Government grants which have nothing to do with the daily activities of the enterprise shall be included in the non-operating income. If the department of finance dispenses the interest fund directly to the company, the interest fund shall be offset related borrowing costs.
- e) Recognized government grants required to be refunded shall be handled according to the following circumstances:
 - i. If there is related deferred income, the book value of relevant deferred income is written down and the exceeding part is recorded in the current profit and loss.
 - ii. If there is no related deferred income, the exceeding part is directly included in the current profit and loss.

28. Deferred tax assets and deferred tax liabilities

The Company adopts the balance sheet liability method to account for income tax.

28.1 Recognition of deferred tax assets or deferred tax liabilities

- a) The Company recognizes its tax base on acquisition of assets and liabilities. On the balance sheet date, the Company analyzes and compares the book value of the assets and liabilities and the tax base. If there are temporary differences in book value of the assets and liabilities and the tax base, under the circumstance that the temporary differences incur in the current period and meet the recognition criteria, the Company shall respectively recognize taxable temporary differences or deductible temporary differences as deferred tax liability or deferred tax assets.
- b) Recognition basis of deferred tax assets
 - i. Deferred tax assets incurred from deductible temporary differences are recognized to the extent that they shall not exceed the taxable income probably obtained in future periods to be against the deductible temporary difference. In determining the taxable income probably obtained in future periods, including the taxable income from normal production and operation activities in future periods and the increase of taxable income due to the reversal of taxable temporary differences during the period of reversal of deductible temporary differences.

- ii. For deductible losses and tax credits that can be carried forward to the next years, the Company is likely to recognize the corresponding deferred tax assets to the extent that the assets shall not exceed the taxable income in the future for deducting deductible losses and tax credits and that are probably obtained by the Company.
 - iii. On the balance sheet date, the Company reviews the book value of deferred tax assets. If it is probably unable to obtain sufficient taxable income in the future period to offset the benefits of the deferred tax assets, the Company shall write down the book value of the deferred tax assets; when it is probable to obtain sufficient taxable income, the write-downs shall be reversed.
- c) Recognition basis of deferred tax liabilities

The Company recognizes the current and previous taxable temporary differences payable but unpaid as deferred tax liabilities. But they exclude temporary differences arising from goodwill, transactions which are formed other than from business combinations and neither affect the accounting profits nor affect taxable income at the time of occurrence.

28.2 Measurement of deferred tax assets or deferred tax liabilities

- a) On the balance sheet date, the deferred tax assets and deferred tax liabilities are measured at the applicable tax rate during the period of expected recovery of the assets or liquidation of the liabilities in accordance with the provisions of the tax law.
- b) Where the applicable tax rate changes, the Company remeasures deferred tax assets and deferred tax liabilities recognized, except for those incurred in transactions or events directly recognized in the owner's equity, of which the effect shall be included in the income tax expenses in the current period when the rate changes.
- c) When the Company measures the deferred tax assets and deferred tax liabilities, the tax rate and tax base in consistent with the expected recovery of assets or liquidation of liabilities shall be adopted.
- d) Deferred tax assets and deferred tax liabilities of the Company shall not be discounted.

29. Leasing (accounting treatment of the lessor)

29.1 Accounting treatment of operating lease

The company includes the assets used as operating leases in the relevant items of the balance sheet according to the nature of the assets. The company capitalizes the initial direct expenses related to the operating lease to the cost of the leased object asset, and includes them in the current profit and loss by stages on the same recognition basis as the rental income during the lease term. During each period of the lease term, the company adopts the straight-line method to recognize the lease receipts from operating leases as rental income. For the fixed assets in the operating lease assets, the company adopts the depreciation policy of similar assets to accrue depreciation; Other operating lease assets are amortized using a systematic and reasonable method. The company's variable lease payments related to operating leases that are not included in the lease receipts are included in the current profits and losses when they actually occur.

In case of any change in the operating lease, the company shall treat it as a new lease for accounting since the effective date of the change, and the amount of advance receipts or lease receivables related to the lease before the change shall be regarded as the amount of receipts of the new lease.

29.2 Accounting treatment of finance lease

On the beginning date of the lease term, the company recognizes the financial lease receivables according to the net amount of the lease investment (the sum of the unguaranteed residual value and the present value of the lease receipts not received on the beginning date of the lease term discounted according to the lease embedded interest rate), and terminates the recognition of the financial lease assets. During each period of the lease term, the company calculates and recognizes interest income at a fixed periodic interest rate. The amount of variable lease payments obtained by the company that are not included in the measurement of net lease investment, if linked to the future performance or use of assets, shall be included in the current profits and losses when actually incurred.

If there is a change in the financial lease and the following conditions are met at the same time, the company will treat the change as a separate lease for accounting treatment: ① the change expands the lease scope by increasing the use right of one or more leased assets; ② The increased consideration is equivalent to the amount of the separate price for the expansion of the lease scope adjusted according to the conditions of the contract

29. Other major accounting policies and accounting estimates

No.

30. Adjustments for changes in major accounting policies and accounting estimates

No.

IV. Taxation

1. Major tax types and tax rates

Tax type	Taxation Basis	Tax rate
Value-added tax	Output tax - deductible input tax	Confirm the corresponding tax rate according to taxable items
City construction tax	taxable flow tax	7%,
Education fee additional tax	taxable flow tax	5%
Income tax	taxable flow tax	25%
Property tax	The tax base of self use housing is 70% of the original value of the property, The tax base of rental property is the rental income of real estate	Self use housing 1.2%, rental 12%

There are taxpayers implementing different enterprise income tax rates, the tax rates are as follows:

Name of tax payer	Income tax rate
Lianyungang Hongyang Thermal Power Co., Ltd	15%
Jiangsu Fangyang Energy Technology Co., Ltd	15%

Note:

- a) According to the notice issued by the Ministry of Finance and the State Administration of Taxation on the issuance of the "Catalogue of VAT Preferential Catalogues for Comprehensive Utilization of Resources and Labor Services" (Cai Shui [2015] No. 78), the subsidiary of Jiangsu Fangyang Water Co., Ltd. Revenue that meets the technical requirements stipulated in the Pollutant Discharge Standards of Urban Sewage Treatment Plants (GB18918-2002) or meets the direct discharge limits in the corresponding national or local water pollutant discharge standards is subject to VAT and is refunded by 70% Tax incentives.
- b) The holding subsidiary Jiangsu Fangyang Water Co., Ltd., in accordance with Article 27 of the "Enterprise Income Tax Law of the People's Republic of China"(Decree of the President of the People's Republic of China [2007] No. 63),"Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China"(Decree of the State Council of the People 's Republic of China [2007] No.512) Article 88,“Notice of the National Development and Reform Commission of the State Administration of Taxation of the Ministry of Finance on Promulgating the Catalogue of Preferential Corporate Income Tax for Environmental Protection, Energy Conservation and Water Saving Items (Trial)” [2009] No.166), “Notice of the State Administration of Taxation of the Ministry of Finance on Issues Concerning Preferential Policies on Corporate Income Tax on Public Infrastructure Items and Environmental Protection, Energy Saving and Water Saving Items”(Cai shui [2012] No. 10) The income specified in Water Item is exempted from corporate income tax from the first year to the third year, and the corporate income tax is halved from the fourth

to sixth years from the tax year of the first production and operation income of the Item. This matter has been filed and approved by Lianyungang Local Taxation Bureau Liandi Shuiyishuitong (2018) No.6163 and Liandi Shuiyishuitong (2018)No.6167.

- c) Jiangsu Fangyang Energy Technology Co., Ltd, a subsidiary of the Company, was granted a High-tech Enterprise Certificate (Certificate No.GR201932001810) by the Department of Science &Technology of Jiangsu Province, Department of Finance of Jiangsu Province, the State Taxation Bureau of Jiangsu Province on 7 November 2019. The certificate is valid for three years. Enjoy the preferential tax policies for high-tech enterprises such as levying enterprise income tax at the tax rate of 15%, plus deduction of R & D expenses, accelerated depreciation of fixed assets, exemption of qualified technology transfer income and reduction of enterprise income tax.

V. Notes to the Main Items of the Financial Statements (All amounts are stated in CNY unless otherwise stated)

1. Cash

Items	6/30/2023	12/31/2022
Cash on hand	69,130.60	73,550.61
Cash in bank	7,640,560,972.78	8,381,068,336.11
Other monetary funds	2,051,709,118.28	2,304,051,348.89
Total	9,692,339,221.66	10,685,193,235.61

Including: Other monetary fund details are as follow

Items	6/30/2023	12/31/2022
Deposit for Bank acceptance bill	2,031,218,523.23	2,289,744,441.18
L / C deposit	19,598,649.87	13,469,895.75
Performance bond	805,000.00	805,000.00
Time deposit interest		32,011.96
Others	86,945.18	
Total	2,051,709,118.28	2,304,051,348.89

2. Notes receivable

2.1 Classification of notes receivable

Items	6/30/2023	12/31/2022
Bank acceptance bill	12,121,036.46	2,801,146.45
Commercial acceptance bill		
Total	12,121,036.46	2,801,146.45

2.2 As of June 30, 2023, the pledge of notes receivable was zero.

2.3 As of June 30, 2023, notes transferred to accounts receivable by the company due to the issuer's failure to perform at the end of the period: None

3. Accounts receivable

3.1 Disclosed by bad debt accrual method

Category	6/30/2023				
	Book Balance	Proportion (%)	Provision for bad debt	Provision Proportion (%)	Book Value
Accounts receivables with significant single amount and tested for impairment individually	22,644,931.63	0.10	11,322,465.82	50.00	11,322,465.81
Accounts receivables tested for impairment on a portfolio basis	23,140,359,317.30	99.90	10,742,036.22	0.05	23,129,617,281.08
portfolios of non-related parties	1,820,200,470.72	7.86	10,742,036.22	0.59	1,809,458,434.50
portfolios of government parties	21,229,420,582.82	91.65			21,229,420,582.82
portfolios of related parties	90,738,263.76	0.39			90,738,263.76
Total	23,163,004,248.93	100.00	22,064,502.04	0.10	23,140,939,746.89

Continued on the table

Category	12/31/2022				
	Book Balance	Proportion (%)	Provision for bad debt	Provision Proportion (%)	Book Value
Accounts receivables with significant single amount and tested for impairment individually	22,644,931.63	0.10	11,322,465.82	50.00	11,322,465.81
Accounts receivables tested for impairment on a portfolio basis	22,232,269,480.04	99.90	14,757,314.62	0.07	22,217,512,165.42
portfolios of non-related parties	2,355,174,914.69	10.58	14,757,314.62	0.63	2,340,417,600.07
portfolios of government parties	19,794,713,226.61	88.95			19,794,713,226.61
portfolios of related parties	82,381,338.74	0.37			82,381,338.74
Total	22,254,914,411.67	100.00	26,079,780.44	0.12	22,228,834,631.23

Accounts receivables with significant single amount and tested for impairment individually at Dec 31,2021

Company name	6/30/2023			
	Book Balance	Provision for bad debt	Provision Proportion (%)	Reason for withdrawal
Jiangsu Baotong Nickel Industry Co., Ltd	22,644,931.63	11,322,465.82	50	Debt paying assets obtained through litigation
Total	22,644,931.63	11,322,465.82	50	

In the portfolio, accounts receivable for which bad debt provision is withdrawn by overdue aging analysis method:

Overdue aging	6/30/2023			12/31/2022		
	Book balance	Bad debt provision	Accrual proportion%	Book balance	Bad debt provision	Accrual proportion%
Not overdue	1,756,808,166.16			2,323,682,190.68		
Within 1 year	43,693,449.12	2,184,672.46	5.00	12,292,746.93	614,637.34	5.00
1-2 year	10,087,736.20	1,008,773.62	10.00	571,180.36	57,118.04	10.00
2-3 year	227,735.21	45,547.04	20.00	1,305,946.58	261,189.32	20.00
3-4 year	12,213.76	6,106.88	50.00	113,034.00	56,517.00	50.00
Over 4 year	9,371,170.27	7,496,936.22	80.00	17,209,816.14	13,767,852.92	80.00
Total	1,820,200,470.72	10,742,036.22	0.59	2,355,174,914.69	14,757,314.62	0.63

Bad debt provision

Items	12/31/2022	Changes in current period			6/30/2023
		Increase	Merger increase	Reversal	
Accounts receivable	26,079,780.44		1,560,000.00	5,575,278.40	22,064,502.04

3.3 Top five entities with the largest balances of the accounts receivable

Company name	6/30/2023	Aging	Proportion in the total (%)
Management Committee of National East, West, central and Regional Cooperation Demonstration Zone	21,207,293,120.81	1- 5 year	91.56
Shenghong Petrochemical Group Co., Ltd	799,501,442.63	Within 1 year	3.45
Shenghong Refining and Chemical (Lianyungang) Co., Ltd	480,998,974.34	Within 1 year	2.08
Jiangsu Silbon Petrochemical Co., Ltd	85,105,058.44	Within 1 year	0.37
Jiangsu Xianghe Agricultural Development Co., Ltd	72,074,112.90	Within 1 year	0.31
Total	22,644,972,709.12		97.77

4. Accounts receivable financing

Items	6/30/2023	12/31/2022
Bank acceptance	5,955,700.00	88,668,095.99
Total	5,955,700.00	88,668,095.99

5. Advances to suppliers

5.1 Aging analysis

Aging	6/30/2023		12/31/2022	
	Amount	%	Amount	%
Within 1 year	138,371,919.48	83.87	202,528,269.96	88.01

Aging	6/30/2023		12/31/2022	
	Amount	%	Amount	%
1-2 year	3,188,035.60	1.93	6,841,253.02	2.97
2-3 year	3,636,132.82	2.20	1,768,418.95	0.77
Over 3 year	19,797,656.79	12.00	18,973,649.77	8.25
Total	164,993,744.69	100.00	230,111,591.70	100.00

5.2 Top five entities with the largest balances of prepayments

Company name	Amount	Aging	Proportion in the total (%)
Lianyungang power supply branch of State Grid Jiangsu Electric Power Co., Ltd	41,027,063.24	Within 1 year	24.87
Wuxi Communications Construction Engineering Group Co., Ltd.	17,621,843.34	Over 3 year	10.68
China Chemical Engineering 14th Construction Co., Ltd	6,208,656.99	Within 1 year	3.76
Lianyungang Changqing Industrial Technology Co., Ltd	5,288,458.73	Within 1 year	3.21
China Energy Construction Group Jiangsu Electric Power Design Institute Co., Ltd	4,049,176.34	Within 1 year	2.45
Total	74,195,198.64		44.97

6. Other receivables

Items	6/30/2023	12/31/2022
Interests receivable		
Dividends receivable		
Other receivables	2,810,987,464.43	2,760,557,283.03
Total	2,810,987,464.43	2,760,557,283.03

6.1 Other receivables

a) Classification of other receivables by nature

Nature of payment	6/30/2023	12/31/2022
Security deposit	399,875,945.84	133,062,328.54
Loans and advances	2,152,953,897.95	2,373,512,244.50
Government receivables	303,885,289.07	301,745,893.75
Other receivables	11,727,571.69	9,692,056.36
Book balance sub-total	2,868,442,704.55	2,818,012,523.15
Less: Bad debt provision	57,455,240.12	57,455,240.12
Net value	2,810,987,464.43	2,760,557,283.03

c) Top five entities with the largest balances of the account receivables

Company name	Business content	Amount	Aging	Proportion in the total (%)
Suzhou Suzhen Thermal Power Co., Ltd	Loan	978,566,600.00	2-3year	34.11
Lianyungang Xuwei Medical Management Co., Ltd	Advance payment	750,953,897.95	Within 1 year 15,353,897.9; 1-2year 735,600,000.00	26.18
Lianyungang Zhangwei Enterprise Comprehensive	Advance payment	351,000,000.00	1-2year	12.24

Company name	Business content	Amount	Aging	Proportion in the total (%)
Service Co., Ltd				
Water Affairs Bureau of Xuwei New District, Lianyungang	Government receivables	244,719,732.00	3-4year 32,296,920.00; Over 5 year 212,422,812.00	8.53
Lianyungang Property Management Center	Advance payment	90,338,190.74	Within 1 year	3.15
Total		2,415,578,420.69		84.21

7. Inventories

Items	6/30/2023			12/31/2022		
	Cost	Provision for inventory write-down	Net value	Cost	Provision for inventory write-down	Net value
Raw materials	205,091,690.25		205,091,690.25	335,933,191.81		335,933,191.81
Finished goods	67,605,267.08		67,605,267.08	60,640,509.44		60,640,509.44
Circulation material	1,594,720.32		1,594,720.32	1,999,631.82		1,999,631.82
Contract performance cost	217,269,231.22		217,269,231.22	530,944,665.94		530,944,665.94
development cost	2,215,148,177.71		2,215,148,177.71	2,153,588,184.33		2,153,588,184.33
Total	2,706,709,086.58		2,706,709,086.58	3,083,106,183.34		3,083,106,183.34

8. Contract assets

8.1 Categories of Contract assets

Items	6/30/2023			12/31/2022		
	Book balance	Provision for inventory write-down	Book value	Book balance	Provision for inventory write-down	Book value
Engineering construction	269,939,732.27		269,939,732.27	35,731,864.84		35,731,864.84
Total	269,939,732.27		269,939,732.27	35,731,864.84		35,731,864.84

9. Other current assets

Items	6/30/2023	12/31/2022
Input VAT allowances	159,841,691.39	141,893,893.12
Prepaid corporate income tax		752,301.00
Prepaid other taxes	576.00	
Total	159,842,267.39	142,646,194.12

10. Investment in debt instruments

10.1 Categories of Investment in debt instruments

Items	6/30/2023			12/31/2022		
	Book balance	Provision for inventory write-down	Book value	Book balance	Provision for inventory write-down	Book value
JQ Securities (Hong Kong) Limited	62,066,825.20		62,066,825.20	62,066,825.20		62,066,825.20

Items	6/30/2023			12/31/2022		
	Book balance	Provision for inventory write-down	Book value	Book balance	Provision for inventory write-down	Book value
Total	62,066,825.20		62,066,825.20	62,066,825.20		62,066,825.20

10.2 Important debt investment at the end of the period

Items	6/30/2023				12/31/2022			
	Face value	Coupon rate	Actual rate of interest	Date of expiry	Face value	Coupon rate	Actual rate of interest	Date of expiry
JQ Securities (Hong Kong) Limited	62,066,825.20	5.3%	5.3%	2024.3.24	62,066,825.20	5.3%	5.3%	2024.3.24
Total	62,066,825.20				62,066,825.20			

11. Long-term receivables

11.1 Categories of Long-term receivables

Item	6/30/2023			12/31/2022		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Others	2,286,089,750.24		2,286,089,750.24	2,285,801,583.57		2,285,801,583.57
Total	2,286,089,750.24		2,286,089,750.24	2,285,801,583.57		2,285,801,583.57

11.2 Details of Long-term receivables

Items	6/30/2023	12/31/2022
Inferior funds of industrial fund collective fund trust plan of AVIC Trust Co., Ltd	440,000,000.00	440,000,000.00
Tianqi (2016) No. 356 Fangyang Group Industrial Fund collective fund trust plan	1,846,089,750.24	1,845,801,583.57
Total	2,286,089,750.24	2,285,801,583.57

12. Long-term equity investment

Investee	12/31/2022	Changes in Current Period								6/30/2023	Closing Balance of provision for impairment
		Increase	Decrease	Profit or loss recognized under equity method	Adjustments of other comprehensive income	Other changes in equity	Cash divided or profit declared	Provision for impairment	Other		
(1) Joint Venture											
(2) Associated Enterprise											
Jiangsu Fangyang Energy Investment Co., Ltd	16,166,547.60										16,166,547.60
China Energy Conservation (Lianyungang) clean technology development Co., Ltd	75,835,065.90										75,835,065.90
Jiangsu Xianghe Agricultural Development Co., Ltd	993,526,718.85										993,526,718.85
Jiangsu Yangjing Petrochemical Group Co., Ltd	1,110,651,033.96										1,110,651,033.96
Lianyungang Jiuyang Environmental Technology Co., Ltd	57,906,351.78										57,906,351.78
Lianyungang milkewei chemical supply chain Co., Ltd	22,200,737.05										22,200,737.05
Jiangsu fangyangmuge New Energy Technology Co., Ltd	17,556,597.20			-3,576.29						-17,553,020.91	
Lianyungang Xianghe Landscape Engineering Co., Ltd	93,679,807.13										93,679,807.13
Jiangsu Fanghua Real Estate Development Co., Ltd	2,717,733.96										2,717,733.96

Investee	12/31/2022	Changes in Current Period								6/30/2023	Closing Balance of provision for impairment
		Increase	Decrease	Profit or loss recognized under equity method	Adjustments of other comprehensive income	Other changes in equity	Cash divided or profit declared	Provision for impairment	Other		
Lianyungang Hongyang port storage and Transportation Co., Ltd	46,194,433.39									46,194,433.39	
Jiangsu Yangjing Industrial Investment Co., Ltd	2,149,716,760.51									2,149,716,760.51	
Subtotal	4,586,151,787.33			-3,576.29					-17,553,020.91	4,568,595,190.13	
Total	4,586,151,787.33			-3,576.29					-17,553,020.91	4,568,595,190.13	

13. Other non-current financial assets

Items	6/30/2023	12/31/2022
Financial assets classified as financial assets measured at fair value and whose changes are included in current profits and losses	3,575,866,315.00	3,525,156,315.00
Including: Debt instrument investment		
Equity instrument investment	3,575,866,315.00	3,525,156,315.00
Total	3,575,866,315.00	3,525,156,315.00

14. Investment properties

14.1 Investment property using fair value model

Item	Properties and buildings	Land use rights	Total
1. 12/31/2022	1,554,433,700.00	21,687,806,300.00	23,242,240,000.00
2.Changes the current period			
Add: Purchase		770,642.20	770,642.20
Transfer from intangible assets			
Income from changes in fair value			
Increase from business combination			
Less: Disposal		404,069,000.00	404,069,000.00
Other transfer out			
Loss from changes in fair value			
Decrease from business combination			
3. 6/30/2023	1,554,433,700.00	21,284,507,942.20	22,838,941,642.20

15. Fixed assets

15.1 Category

Items	6/30/2023	12/31/2022
Fixed Assets	16,258,699,007.43	10,749,656,514.62
Disposal of fixed assets		
Total	16,258,699,007.43	10,749,656,514.62

15.2 Details of Fixed Assets

Item	Buildings	Machinery and equipment	Vehicle	Office and electronic equipment	Pipe gallery pipe network	Others	Total
I. Original cost of fixed assets							
1. Opening Balance	3,596,270,218.65	2,352,834,258.91	97,538,988.15	112,950,051.86	225,541,341.21	2,753,619,634.24	9,138,754,493.02
2. Increase in current period	2,052,311,146.08	533,775,915.22	11,337,729.67	116,440,140.26	272,790,097.13	23,157,345.24	3,009,812,373.60
(1) External purchase	131,303,352.34	31,819,891.59	11,337,729.67	46,545,560.28		23,157,345.24	244,163,879.12
(2) Transfer from construction in progress	1,921,007,793.74	501,956,023.63		69,894,579.98	272,790,097.13		2,765,648,494.48
3. Decrease in current period	77,672,605.15	12,745,952.73	2,085,536.27	4,733,795.49		5,843,875.54	103,081,765.18
(1) Disposal or scrap	61,816,917.12	12,745,952.73	2,085,536.27	4,733,795.49		5,843,875.54	87,226,077.15
(2) Others	15,855,688.03						15,855,688.03
4. Closing Balance	5,570,908,759.58	2,873,864,221.40	106,791,181.55	224,656,396.63	498,331,438.34	2,770,933,103.94	12,045,485,101.44
II. Accumulated depreciation							
1. Opening Balance	374,876,723.04	519,440,283.89	32,987,283.56	58,523,390.40	22,475,709.41	66,298,666.59	1,074,602,056.89
2. Increase in current period	173,195,356.19	137,916,074.57	19,088,122.88	31,113,767.83	11,625,039.83	57,152,357.13	430,090,718.43
(1) Provision	173,195,356.19	137,916,074.57	19,088,122.88	31,113,767.83	11,625,039.83	57,152,357.13	430,090,718.43
3. Decrease in current period	4,799,062.49	1,722,954.17	1,921,713.74	1,106,649.16		707,563.83	10,257,943.39
(1) Disposal or scrap	4,799,062.49	1,722,954.17	1,921,713.74	1,106,649.16		707,563.83	10,257,943.39
4. Closing Balance	543,273,016.74	655,633,404.29	50,153,692.70	88,530,509.07	34,100,749.24	122,743,459.89	1,494,434,831.93
III. Impairment provision							
1. Opening Balance							
2. Increase in current period							
3. Decrease in current period							
4. Closing Balance							
IV. Carrying Amount							
1. Closing carrying amount	5,027,635,742.84	2,218,230,817.11	56,637,488.85	136,125,887.56	464,230,689.10	2,648,189,644.05	10,551,050,269.51
2. Opening carrying amount	3,221,393,495.61	1,833,393,975.02	64,551,704.59	54,426,661.46	203,065,631.80	2,687,320,967.65	8,064,152,436.13

Item	12/31/2022	Increase	Decrease	6/30/2023
I. Original cost of fixed assets	12,609,170,944.67	5,918,076,333.99	30,244,022.21	18,497,003,256.45
Including: Buildings	5,117,864,794.76	2,552,675,959.86	3,408,808.14	7,667,131,946.48
Machinery and equipment	3,555,609,737.76	3,313,191,524.42	17,840,414.72	6,850,960,847.46
Vehicle	119,781,399.77	13,604,081.41	3,756,230.03	129,629,251.15
Office and electronic equipment	259,355,977.15	20,072,382.52	4,422,553.87	275,005,805.80
Pipe gallery pipe network	775,094,369.73	17,341,772.28		792,436,142.01
Others	2,781,464,665.50	1,190,613.50	816,015.45	2,781,839,263.55
II. Accumulated depreciation	1,859,514,430.05	394,388,435.21	15,598,616.24	2,238,304,249.02
Including: Buildings	576,709,987.81	238,804,211.67	2,256,175.10	813,258,024.38
Machinery and equipment	847,839,517.12	81,517,156.70	6,172,976.77	923,183,697.05
Vehicle	58,947,820.90	13,091,453.78	2,791,978.25	69,247,296.43
Office and electronic equipment	126,642,726.05	22,361,308.06	3,886,425.00	145,117,609.11
Pipe gallery pipe network	64,316,172.15	10,179,825.62		74,495,997.77
Others	185,058,206.02	28,434,479.38	491,061.12	213,001,624.28
III. Closing Balance	10,749,656,514.62			16,258,699,007.43
Including: Buildings	4,541,154,806.95			6,853,873,922.10
Machinery and equipment	2,707,770,220.64			5,927,777,150.41
Vehicle	60,833,578.87			60,381,954.72
Office and electronic equipment	132,713,251.10			129,888,196.69
Pipe gallery pipe network	710,778,197.58			717,940,144.24
Others	2,596,406,459.48			2,568,837,639.27
IV. Impairment provision				
IV. Carrying Amount	10,749,656,514.62			16,258,699,007.43
Including: Buildings	4,541,154,806.95			6,853,873,922.10
Machinery and equipment	2,707,770,220.64			5,927,777,150.41
Vehicle	60,833,578.87			60,381,954.72
Office and electronic equipment	132,713,251.10			129,888,196.69
Pipe gallery pipe network	710,778,197.58			717,940,144.24
Others	2,596,406,459.48			2,568,837,639.27

16. Construction in progress

16.1 Category

Items	6/30/2023	12/31/2022
construction in progress	16,339,406,518.59	18,322,768,077.59
Construction supplies	9,750,633.02	9,479,511.34
Total	16,349,157,151.61	18,332,247,588.93

16.2 Main construction in progress

Name of project	12/31/2022	Increase	Decrease	6/30/2023
Resource Procurement Center	459,466,102.56	34,109,349.08	616,743.16	492,958,708.48
Yunhu Community Neighborhood Center (Phase I) [Talent Apartment]	463,052,724.23	10,466,600.30	2,627,495.41	470,891,829.12
Yunhu Community Neighborhood Center (Phase II)	461,140,553.94	81,389,440.69	15,882,808.67	526,647,185.96
Yunhu Community Service Center [S226 Provincial Road Service Area]	54,638,770.43	5,568,516.00	459,785.74	59,747,500.69
Yunhu Business Center	10,898,177.25			10,898,177.25
Yunhu Business Core Area Plot 16 Project	278,667,986.48	44,716,263.61	3,476,844.26	319,907,405.83
Yunhu Restaurant Project Engineering	32,106,399.38			32,106,399.38
Emergency Rescue Command Center	78,329,821.65	9,490,340.03	47,657.59	87,772,504.09
Emergency Rescue Training Base Project	151,164,462.71	7,699,635.67	158,864,098.38	
Xuwei New Area Special Railway Project and Port Area Tudi Road Special Line	23,911,592.69	163,883,599.77	13,276,317.35	174,518,875.11
Xuwei New Area Smart Kitchen Food R&D Technology Park Project	65,498,023.34	9,945,721.57		75,443,744.91
Xuwei New Area Zhihui Bay Business Center (Phase I Project) Project	116,474,889.24	10,758,568.41		127,233,457.65
Xuwei New Area Zhihui Bay Lakeside Park (Zone A)	34,018,727.24	30,248.00	2,497.54	34,046,477.70
Xuwei New Area Reclaimed Water Plant Phase II Project	52,754,165.01	42,999,146.29	2,009,892.56	93,743,418.74
Xuwei New Area Emergency Isolation Dormitory and Supporting Engineering Project	152,008,554.58	2,896,347.01	7,480.89	154,897,420.70
Xuwei New Area Sewage Treatment Plant and External Supporting Pipeline Network Phase I Project	72,402,542.29			72,402,542.29
Xuwei New Area Petrochemical Base Tank Farm Fire Pipeline Project	64,570,116.49	207,987.00	11,772.85	64,766,330.64
Xuwei New Area Agricultural Products Traceability Cold Chain Logistics Service Demonstration Base Project	84,684,865.63	100,785,962.72	8,297,953.87	177,172,874.48
Xuwei New Area Coal Logistics Reserve Base	655,047,363.21	159,938,025.81	11,084,735.94	803,900,653.08
Xuwei New Area Port Business Service Center Project	273,758,613.13	71,843,747.87	2,833,785.49	342,768,575.51
Xuwei New Area Environmental Sanitation Operation Management Center	77,588,398.44	1,819,414.41		79,407,812.85
High salt wastewater treatment project in Xuwei New Area	39,610.02	5,247,307.38	-25,536.97	5,312,454.37
Xuwei New Area Second Water Plant Phase III and Advanced Treatment Project	80,784,664.68	88,501,786.31	2,882,879.76	166,403,571.23
Xuwei New Area Second Water Plant and Supporting Pipeline Network Phase I Project	1,273,221.34	29,057.34	-375,458.68	1,677,737.36
Xuwei New Area Underground Comprehensive Pipe Gallery	1,359,545,941.29	70,039,276.74	4,577,871.29	1,425,007,346.74
Xuwei New Area 1 # Renewable Energy Station	21,477,015.04	2,867,193.44		24,344,208.48
Upgrading, Transformation, and Ecological Purification Project of Xuwei Sewage Treatment Plant	3,610,118.29	7,827.41	-148,775.22	3,766,720.92
Xuwei Water Treatment Plant and External Supporting Water Supply Pipeline Network Phase I Project [Water Plant, Sewage Plant]	247,235,111.86			247,235,111.86
Sea area usage fee for the 2 # storage yard project of Xuwei Port Area's first port general cargo	13,109,366.68	10,869,716.68		23,979,083.36
Xuwei Port Area First Harbor Basin Phase II Project	419,197,836.36	9,365,815.74		428,563,652.10
Xuwei Port Area Second Harbor Pool Phase I Project	453,953,345.55	10,216,852.35		464,170,197.90
Demonstration Zone Comprehensive Bonded Zone	147,527,080.84	417,705.90	32,169.11	147,912,617.63

Name of project	12/31/2022	Increase	Decrease	6/30/2023
Petrochemical Temporary Project Department [Petrochemical Industrial Park]	27,228,986.02			27,228,986.02
Petrochemical Base Construction Workers' Living Camp (Phase I and Phase II) Project	8,545,822.86	6,944,578.43		15,490,401.29
Ruiqiao Concrete Mixing Plant (Phase II) Project	6,060,457.88	-99,879.42	2,049.74	5,958,528.72
Pier Berth - Phase I Project of Multipurpose Berth in Xuwei Port Area Second Harbor Basin	206,859,164.51	33,156,942.54	1,587,526.49	238,428,580.56
Lianyungang Comprehensive Bonded Zone (Xuwei Area) Phase II Project	133,430,218.24	22,788,860.92	405,622.41	155,813,456.75
Lianyungang Petrochemical Base Chemical High Salt Wastewater Treatment Project (Phase I)	21,187,110.17	30,553,242.53	51,740,352.70	
Third Party Treatment Project for Industrial Wastewater in Lianyungang Petrochemical Base	2,736,636.98	140,475,751.50	11,058,677.84	132,153,710.64
Lianyungang Port Xuwei New Area Phase I Project 2 # Finished Product Storage Yard	21,343,121.33	1,841,693.70	152,066.45	23,032,748.58
Standard Factory Building of Energy Conservation and Environmental Protection Technology Park (Phase I)	9,030,850.76			9,030,850.76
Hongyang cogeneration project	4,263,512,244.72	1,248,846,136.61	5,406,230,706.78	106,127,674.55
G3 floor of public rental housing	35,439,586.69	1,455,317.36	120,163.82	36,774,740.23
Public rental housing phase III	612,459,740.58	46,364,210.97	924,637.24	657,899,314.31
Public rental housing phase II	127,962,925.11	17,377,155.73	69,426.44	145,270,654.40
Industrial Neighborhood Center Service Supporting Area	264,002,561.51	5,509,008.60	332,310.80	269,179,259.31
port engineering	3,635,109,633.44	169,503,688.26	8,747,016.27	3,795,866,305.43
Dry bulk cargo transportation trestle	534,893,662.94	39,691,710.29	2,115,367.47	572,470,005.76
Multimodal Transport Center (Phase II)	110,990,182.41	4,409,870.33	215,265.86	115,184,786.88
Block 1, Cultural and Creative Street, Zhihui Bay, Phase I of Residential Plot 60	9,249,072.00	15,290,923.91	1,247,640.36	23,292,355.55
220kV Kongqiao Transmission and Transformation Project	47,167,750.43	15,763,931.00	1,290,011.12	61,641,670.31
Other sporadic projects	1,257,855,295.28	1,527,490,741.47	580,338,722.30	2,205,007,314.45
Total	18,322,768,077.59	4,310,848,974.19	6,294,210,533.19	16,339,406,518.59

16.3 Construction supplies

Item	6/30/2023			12/31/2022		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Project material - specific materials	1,121,741.73		1,121,741.73	1,379,766.07		1,379,766.07
Project material - specific equipment	8,628,891.29		8,628,891.29	8,099,745.27		8,099,745.27
Total	9,750,633.02		9,750,633.02	9,479,511.34		9,479,511.34

17. Right of use assets

Item	Buildings	Total
I. Original book value of intangible assets		
1. Opening Balance	80,265,617.42	80,265,617.42
2. Increase in current period		
3. Decrease in current period		
4. Closing Balance	80,265,617.42	80,265,617.42
II. Accumulated amortization of intangible assets		

Item	Buildings	Total
1.Opening Balance	19,073,018.00	19,073,018.00
2.Increase in current period	4,768,254.50	4,768,254.50
(1)Provision	4,768,254.50	4,768,254.50
3.Decrease in current period		
Closing Balance	23,841,272.50	23,841,272.50
III. Provision for fixed asset impairment		
IV.Net value of intangible assets		
Closing Book Value	56,424,344.92	56,424,344.92
Opening Book Value	61,192,599.42	61,192,599.42

18. Intangible asset

Item	Land use rights	Right to use sea areas	Software	Others	Total
I. Original book value of intangible assets					
1.Opening Balance	1,888,378,487.69	149,335,133.00	23,503,107.53	96,215,286.98	2,157,432,015.20
2.Increase in current period	194,686,390.29	242,095.49	18,990,882.11	29,698.94	213,949,066.83
(1)External purchase	194,686,390.29	242,095.49	1,817,722.82	29,698.94	196,775,907.54
(2)Other			17,173,159.29		17,173,159.29
3.Decrease in current period					
(1)Disposal					
(2)Other					
4.Closing Balance	2,083,064,877.98	149,577,228.49	42,493,989.64	96,244,985.92	2,371,381,082.03
II. Accumulated amortization of intangible assets					
1.Opening Balance	86,680,541.38	23,290,849.09	9,536,328.86	224,588.13	119,732,307.46
2.Increase in current period	13,619,209.12	1,775,800.37	1,731,824.25	206,223.92	17,333,057.66
(1)Provision	13,619,209.12	1,775,800.37	1,731,824.25	206,223.92	17,333,057.66
3.Decrease in current period					
Closing Balance	100,299,750.50	25,066,649.46	11,268,153.11	430,812.05	137,065,365.12
III. Provision for fixed asset impairment					
IV.Net value of intangible assets					
Closing Book Value	1,982,765,127.48	124,510,579.03	31,225,836.53	95,814,173.87	2,234,315,716.91
Opening Book Value	1,801,697,946.31	126,044,283.91	13,966,778.67	95,990,698.85	2,037,699,707.74

19. Long-term prepaid assets

Item	12/31/2022	Increase	Decrease		6/30/2023
			Amortization	Others	
Decoration fee	15,841,626.82	1,546,137.19	3,185,969.69		14,201,794.32
Water stable mixing plant project	7,648,666.41	4,572,501.69	139,549.06	10,389,331.18	1,692,287.86
Bathroom renovation cost	42,952.69		10,308.66		32,644.03
Service fee for Class B design qualification in the construction industry	880,503.12		176,100.66		704,402.46

Item	12/31/2022	Increase	Decrease		6/30/2023
			Amortization	Others	
Financing service fees	11,657,008.83		619,863.01		11,037,145.82
Other	8,707,120.52	3,370,985.15	2,259,602.72		9,818,502.95
Mechanical and Electrical Level 2 Qualification of Construction General Contracting		408,888.89	106,666.66		302,222.23
Total	44,777,878.39	9,898,512.92	6,498,060.46	10,389,331.18	37,788,999.67

20. Deferred income tax assets

20.1 Details of recognized deferred income tax assets

Items	6/30/2023		12/31/2022	
	Temporary differences	Deferred income tax assets	Temporary differences	Deferred income tax assets
Bad debt provision	79,519,742.16	19,835,704.65	83,535,020.56	20,839,524.25
Total	79,519,742.16	19,835,704.65	83,535,020.56	20,839,524.25

20.2 Details of recognized deferred income tax liabilities

Items	6/30/2023		12/31/2022	
	Temporary differences	Deferred income tax liabilities	Temporary differences	Deferred income tax liabilities
Changes in fair value of Investment property	13,816,219,742.03	3,454,054,935.49	13,830,038,892.03	3,457,509,722.99
Total	13,816,219,742.03	3,454,054,935.49	13,830,038,892.03	3,457,509,722.99

21. Other non-current assets

Items	6/30/2023	12/31/2022
Prepayment for house and equipment	135,675,587.00	240,102,697.05
Total	135,675,587.00	240,102,697.05

22. Short-term loan

Items	6/30/2023	12/31/2022
Credit loans	340,649,181.57	535,649,181.57
Mortgage loan	770,000,000.00	1,530,000,000.00
Guaranteed loans	3,733,200,000.00	3,601,800,000.00
Pledge loan	455,000,000.00	456,500,000.00
Accrued interest		4,173,659.18
Total	5,298,849,181.57	6,128,122,840.75

23. Notes payable

Category	6/30/2023	12/31/2022
Bank acceptances	3,079,681,895.97	3,737,374,970.50
Commercial acceptance bill		50,000,000.00
Total	3,079,681,895.97	3,787,374,970.50

24. Accounts payable

24.1 Aging presentation of accounts payable

Aging	6/30/2023		12/31/2022	
	Amount	%	Amount	%
Within 1 year	2,920,595,157.49	90.19	1,472,007,114.92	69.25

Aging	6/30/2023		12/31/2022	
	Amount	%	Amount	%
1-2 year	214,315,997.96	6.62	381,704,090.32	17.96
2-3 year	102,303,457.96	3.16	256,871,763.47	12.09
Over 3 year	1,076,993.40	0.03	14,791,125.29	0.70
Total	3,238,291,606.81	100.00	2,125,374,094.00	100.00

24.2 Top five entities with the largest balances of accounts payable

Company name	Relationship with the Company	Amount	Aging	Proportion in the total (%)
China Energy Construction Group Anhui Electric Power Design and Research Institute Co., Ltd	Non related party	876,589,345.33	Within 1 year	27.07
Hongwei (Lianyungang) Fine Chemicals Co., Ltd	Non related party	291,302,146.76	Within 1 year	9.00
Lianyungang Shenzhou New Energy Co., Ltd	Non related party	134,564,225.65	Within 1 year	4.16
Zhejiang Wuchan Environmental Protection Energy Co., Ltd	Non related party	114,234,717.59	Within 1 year	3.53
Nantong Hongya Construction Engineering Co., Ltd	Non related party	64,578,050.00	Within 1 year	1.99
Total		1,481,268,485.33		45.75

25. Contract liabilities

Category	6/30/2023	12/31/2022
Trade payables	387,607,378.64	262,605,439.99
Total	387,607,378.64	262,605,439.99

26. Employee benefits payable

26.1 General situation

Items	12/31/2022	Increase	Decrease	6/30/2023
Short-term employee benefits	16,498,390.98	402,317,710.94	409,694,534.47	9,121,567.45
Post-employment benefits	315,606.40	42,569,498.34	42,716,829.01	168,275.73
Termination benefits				
Other benefits due in 1 year				
Total	16,813,997.38	444,887,209.28	452,411,363.48	9,289,843.18

26.2 Short-term employee benefits

Item	12/31/2022	Increase	Decrease	6/30/2023
Wages, bonuses, allowances and subsidies	14,566,340.66	321,186,901.67	327,280,087.22	8,473,155.11
Employees' welfare	435.00	23,592,510.03	23,591,400.03	1,545.00
Social insurance premiums	16,947.36	15,603,289.02	15,611,464.08	8,772.30
including: Medical insurance premium	15,943.68	12,833,234.38	12,841,058.74	8,119.32
Work-related injury insurance premium	2,701.77	1,310,758.47	1,311,109.17	2,351.07
Maternity insurance premium	-1,698.09	1,459,296.17	1,459,296.17	-1,698.09
Housing funds	624,170.58	34,989,794.76	35,547,449.82	66,515.52
Trade union expenditures and employee education funds	1,294,794.90	4,498,586.47	5,217,504.33	575,877.04
Short-term paid absences				

Item	12/31/2022	Increase	Decrease	6/30/2023
Short-term paid absences profit-sharing plan				
Other short-term employee benefits	-4,297.52	2,446,628.99	2,446,628.99	-4,297.52
Total	16,498,390.98	402,317,710.94	409,694,534.47	9,121,567.45

26.3 Defined contribution plans

Defined contribution plans item	12/31/2022	Increase	Decrease	6/30/2023
Basic endowment insurance premium	45,214.16	34,713,319.54	34,727,146.00	31,387.70
Unemployment insurance premium	11,608.24	1,597,093.00	1,509,285.21	99,416.03
Payment of annuity	258,784.00	6,259,085.80	6,480,397.80	37,472.00
Total	315,606.40	42,569,498.34	42,716,829.01	168,275.73

27. Taxes and dues payable

Items	6/30/2023	12/31/2022
Value added tax	1,784,597.50	12,522,336.01
City construction tax	891,830.42	1,046,416.94
Education fee additional tax	381,407.00	448,464.34
Local education fee additional tax	330,239.05	337,204.11
Land use tax	447,640.55	754,689.61
Urban real estate tax	1,709,268.70	2,304,899.44
Income tax	60,167,499.51	19,087,233.22
Stamp tax	106,978.74	836,210.43
Individual income tax	2,089,069.80	1,126,071.02
Resource tax		627,224.17
Total	67,908,531.27	39,090,749.29

28. Other payables

28.1 Category

Items	6/30/2023	12/31/2022
Interests payable		
Dividends payable		
Other payables	945,294,992.16	1,203,252,777.11
Total	945,294,992.16	1,203,252,777.11

28.1 Other payables

a) Aging presentation of other payables

Aging	6/30/2023		12/31/2022	
	Amount	%	Amount	%
Within 1 year	104,816,911.04	11.09	132,719,678.34	11.02
1-2 year	3,019,748.72	0.32	218,981,682.66	18.20
2-3 year	382,101,949.76	40.42	389,799,956.38	32.40
Over 3 year	455,356,382.64	48.17	461,751,459.73	38.38
Total	945,294,992.16	100.00	1,203,252,777.11	100.00

b) Classification of other receivables by nature

Nature of payment	6/30/2023	12/31/2022
Current account	750,631,031.29	1,076,744,827.86
Deposit and security deposit	116,057,066.81	100,844,576.18
Withholding and payment	18,128,305.94	20,887,560.65
Other	60,478,588.12	4,775,812.42
Total	945,294,992.16	1,203,252,777.11

c) Top five entities with the largest balances of other payables

Company name	Relationship with the Company	Amount	Aging	Proportion in the total (%)
Lianyungang Port Group Co., Ltd	Non related party	777,879,751.15	2-3 year 381,801,326.65, over 3 year 396,078,424.50	82.29
Jiangsu Xianghe Agricultural Development Co., Ltd	Related party	72,220,931.41	Within 1 year	7.64
Lianyungang Port Holding Group Xuwei Co., Ltd	Non related party	56,630,766.21	Over 3 year	5.99
Zhejiang Longyao Petrochemical Co., Ltd	Non related party	20,000,000.00	Within 1 year	2.12
Jiangsu Yangjing Petrochemical Trading Co., Ltd	Non related party	10,000,000.00	Within 1 year	1.06
Total		936,731,448.77		99.10

29. Non-current liabilities due within one year

Item	6/30/2023	12/31/2022
Long-term loans due within one year	3,647,946,434.51	3,464,722,922.22
Bond payable due within one year	2,241,515,000.00	1,209,410,437.51
Long-term payable due within one year	808,971,994.95	889,828,882.82
Total	6,698,433,429.46	5,563,962,242.55

30. Other current liabilities

Items	6/30/2023	12/31/2022
Output tax to be transferred	11,369,579.06	12,995,937.97
Phase III Short Term Corporate Bond of Jiangsu Fangyang Group Co., Ltd. in 2022	1,000,000,000.00	1,000,000,000.00
Phase IV Short Term Corporate Bond of Jiangsu Fangyang Group Co., Ltd. in 2022		520,000,000.00
Phase II Short Term Corporate Bond of Jiangsu Fangyang Group Co., Ltd. in 2022	1,000,000,000.00	1,000,000,000.00
Trust plan		300,000,000.00
Trust plan		300,000,000.00
Phase I Short Term Corporate Bond of Jiangsu Fangyang Group Co., Ltd. in 2022		500,000,000.00
Phase I Short Term Corporate Bond of Jiangsu Fangyang Group Co., Ltd. in 2022		500,000,000.00
Phase II Ultra Short Term Financing Bonds of Jiangsu Fangyang Group Co., Ltd. in 2023	500,000,000.00	
Phase I Ultra Short Term Financing Bonds of Jiangsu Fangyang Group Co., Ltd. in 2023	650,000,000.00	
Phase I Short Term Corporate Bond of Jiangsu Fangyang Group Co., Ltd. in 2023	550,000,000.00	
Accrued interest		73,375,408.22

Items	6/30/2023	12/31/2022
Total	3,711,369,579.06	4,206,371,346.19

31. Long-term loan

Items	6/30/2023	12/31/2022
Credit loans	3,810,317,000.00	3,985,817,000.00
Mortgage loan	18,884,395,000.00	19,020,673,000.00
Guaranteed loans	13,188,503,050.00	11,760,061,140.00
Pledge loan	1,903,021,638.00	1,168,000,000.00
Accrued interest		24,837,292.00
Sub-total	37,786,236,688.00	35,959,388,432.00
Less: long term loans due within one year	3,647,946,434.51	3,464,722,922.22
Total	34,138,290,253.49	32,494,665,509.78

32. Bonds payable

32.1 Bonds payable exhibit by item

Items	6/30/2023	12/31/2022
2020 Phase I debt financing plan of Jiangsu Fangyang Group Co., Ltd. (Huishang bank)	993,051,360.41	991,535,774.70
2020 Special bond of Jiangsu Fangyang Group Co., Ltd. for the construction of phase I urban underground comprehensive pipe gallery (Orient Securities)	798,294,996.79	797,979,135.59
2020 Phase I medium term note of Jiangsu Fangyang Group Co., Ltd. (Bank of Nanjing)		499,464,781.76
2020 Phase II medium term note of Jiangsu Fangyang Group Co., Ltd. (Minsheng Bank)		547,268,334.06
2021 Phase I medium term note of Jiangsu Fangyang Group Co., Ltd. (Bank of Nanjing)	499,553,533.41	499,381,419.77
2021 Phase I non-public directional debt financing instrument of Jiangsu Fangyang Group Co., Ltd. (Bank of Jiangsu)		499,945,655.75
2021 Phase II medium term note of Jiangsu Fangyang Group Co., Ltd. (Minsheng Bank)	498,488,344.15	497,736,905.15
2021 phase II non-public directional debt financing instrument of Jiangsu Fangyang Group Co., Ltd. (China CITIC Bank)	597,950,470.60	597,040,843.86
2022 Phase I non-public issuance of corporate bonds of Jiangsu Fangyang Group Co., Ltd. (Orient Securities)	996,868,745.33	996,785,555.75
2022 Phase I debt financing plan of Jiangsu Fangyang Group Co., Ltd.	499,050,189.90	500,222,291.27
2022 Phase I medium term note of Jiangsu Fangyang Group Co., Ltd.	548,918,074.95	550,207,365.82
2022 phase I non-public directional debt financing instrument of Jiangsu Fangyang Group Co., Ltd.	600,440,356.83	600,151,260.11
2021 Phase I financial direct financing tool of Lianyungang Xuwei Port Investment Group Co., Ltd. (Bank of Nanjing)	50,000,000.00	50,000,000.00
2021 Phase I overseas USD bond of China Fangyang Trading Co., Ltd. (Haitong international securities)	1,077,450,470.61	1,039,957,888.05
2021 Phase II overseas USD bond of China Fangyang Trading Co., Ltd. (Haitong international securities)	1,079,083,969.25	1,041,374,315.79
2022 Phase I financial direct financing tool of Jiangsu Fangyang Water Service Co., Ltd. (Everbright Bank)	200,000,000.00	200,000,000.00
2022 Phase I financial direct financing tool of Lianyungang Xuwei Port Investment Group Co., Ltd. (Nanjing Bank)	50,000,000.00	50,000,000.00

Items	6/30/2023	12/31/2022
2022 Phase II financial direct financing tool of Lianyungang Xuwei Port Investment Group Co., Ltd.. (Nanjing Bank)	50,000,000.00	50,000,000.00
2022 Phase III financial direct financing tool of Lianyungang Xuwei Port Investment Group Co., Ltd.. (Nanjing Bank)	50,000,000.00	50,000,000.00
2022 Phase V financial direct financing tool of Lianyungang Xuwei Port Investment Group Co., Ltd.. (Nanjing Bank)	100,000,000.00	100,000,000.00
2023 Phase I Medium Term Note	500,111,151.74	
2023 Phase I Green Corporate Bond of Jiangsu Fangyang Group Co., Ltd.	698,510,362.55	
2023 Phase II Green Corporate Bond of Jiangsu Fangyang Group Co., Ltd.	300,076,181.28	
Accrued interest	237,676,758.98	251,722,012.12
Subtotal	10,425,524,966.78	10,410,773,539.55
Less: Bond payable due within one year	2,241,515,000.00	1,209,410,437.51
Total	8,184,009,966.78	9,201,363,102.04

Items	Face value (100 million yuan)	Issue date	Bond duration	Issue amount (100 million yuan)	12/31/2020 Balance	Current issue	Amortization of excess discount	Current repayment	Other	6/30/2023 Balance
2020 Phase I debt financing plan of Jiangsu Fangyang Group Co., Ltd. (Huishang bank)	10	20201218	5year	10	991,535,774.70		-1,515,585.71			993,051,360.41
2020 Special bond of Jiangsu Fangyang Group Co., Ltd. for the construction of phase I urban underground comprehensive pipe gallery (Orient Securities)	8	20200908	7year	8	797,979,135.59		-315,861.20			798,294,996.79
2020 Phase I medium term note of Jiangsu Fangyang Group Co., Ltd. (Bank of Nanjing)	5	20200317	3year	5	499,464,781.76		-535,218.24	500,000,000.00		
2020 Phase II medium term note of Jiangsu Fangyang Group Co., Ltd. (Minsheng Bank)	5.50	20200527	5year	5.50	547,268,334.06		-2,731,665.94	550,000,000.00		
2021 Phase I medium term note of Jiangsu Fangyang Group Co., Ltd. (Bank of Nanjing)	5.00	202100304	3year	5.00	499,381,419.77		-172,113.64			499,553,533.41
2021 Phase I non-public directional debt financing instrument of Jiangsu Fangyang Group Co., Ltd. (Bank of Jiangsu)	5.00	20210406	2year	5.00	499,945,655.75		-54,344.25	500,000,000.00		
2021 Phase II medium term note of Jiangsu Fangyang Group Co., Ltd. (Minsheng Bank)	5.00	20211008	3year	5.00	497,736,905.15		-751,439.00			498,488,344.15

Items	Face value (100 million yuan)	Issue date	Bond duration	Issue amount (100 million yuan)	12/31/2020 Balance	Current issue	Amortization of excess discount	Current repayment	Other	6/30/2023 Balance
2021 phase II non-public directional debt financing instrument of Jiangsu Fangyang Group Co., Ltd. (China CITIC Bank)	6.00	20210108	3year	6.00	597,040,843.86		-909,626.74			597,950,470.60
2022 Phase I non-public issuance of corporate bonds of Jiangsu Fangyang Group Co., Ltd. (Orient Securities)	10.00	20220690	3year	10.00	996,785,555.75		-83,189.58			996,868,745.33
2022 Phase I debt financing plan of Jiangsu Fangyang Group Co., Ltd.	5.00	20220715	3year	5.00	500,222,291.27		1,172,101.37			499,050,189.90
2022 Phase I medium term note of Jiangsu Fangyang Group Co., Ltd.	5.50	202280101	3year	5.50	550,207,365.82		1,289,290.87			548,918,074.95
2022 phase I non-public directional debt financing instrument of Jiangsu Fangyang Group Co., Ltd.	6.00	20229027	3year	6.00	600,151,260.11		-289,096.72			600,440,356.83
2021 Phase I financial direct financing tool of Lianyungang Xuwei Port Investment Group Co., Ltd. (Bank of Nanjing)	0.50	20211216	2year	0.50	50,000,000.00					50,000,000.00
2021 Phase I overseas USD bond of China Fangyang Trading Co., Ltd. (Haitong international securities)	USD1.5	20210322	3year	USD1.5	1,039,957,888.05		-667,582.56		36,825,000.00	1,077,450,470.61

Items	Face value (100 million yuan)	Issue date	Bond duration	Issue amount (100 million yuan)	12/31/2020 Balance	Current issue	Amortization of excess discount	Current repayment	Other	6/30/2023 Balance
2021 Phase II overseas USD bond of China Fangyang Trading Co., Ltd. (Haitong international securities)	USD1.5	20211110	3year	USD1.5	1,041,374,315.79		-884,653.46		36,825,000.00	1,079,083,969.25
2022 Phase I financial direct financing tool of Jiangsu Fangyang Water Service Co., Ltd. (Everbright Bank)	2.00	202200325	2year	0.50	200,000,000.00					200,000,000.00
2022 Phase I financial direct financing tool of Lianyungang Xuwei Port Investment Group Co., Ltd.. (Nanjing Bank)	0.50	20221007	2year	0.50	50,000,000.00					50,000,000.00
2022 Phase II financial direct financing tool of Lianyungang Xuwei Port Investment Group Co., Ltd.. (Nanjing Bank)	0.50	20221206	2year	0.50	50,000,000.00					50,000,000.00
2022 Phase III financial direct financing tool of Lianyungang Xuwei Port Investment Group Co., Ltd.. (Nanjing Bank)	0.50	20221208	2year	0.50	50,000,000.00					50,000,000.00
2022 Phase V financial direct financing tool of Lianyungang Xuwei Port Investment Group Co., Ltd.. (Nanjing Bank)	1.00	20220426	2year	1.00	100,000,000.00					100,000,000.00
2023 Phase I Medium Term Note	5.00	20230307	3year	5.00		500,000,000.00	-111,151.74			500,111,151.74
2023 Phase I Green Corporate Bond of Jiangsu Fangyang Group	7.00	20230329	2year	7.00		700,000,000.00	1,489,637.45			698,510,362.55

Items	Face value (100 million yuan)	Issue date	Bond duration	Issue amount (100 million yuan)	12/31/2020 Balance	Current issue	Amortization of excess discount	Current repayment	Other	6/30/2023 Balance
Co., Ltd.										
2023 Phase II Green Corporate Bond of Jiangsu Fangyang Group Co., Ltd.	3.00	20230620	2year	3.00		300,000,000.00	-76,181.28			300,076,181.28
Accrued interest					251,722,012.12					237,676,758.98
Subtotal					10,410,773,539.55	1,500,000,000.00	-5,146,680.37	1,550,000,000.00	73,650,000.00	10,425,524,966.78
Less: Bond payable due within one year					1,209,410,437.51					2,241,515,000.00
Total					9,201,363,102.04	1,500,000,000.00	-5,146,680.37	1,550,000,000.00	73,650,000.00	8,184,009,966.78

33. Lease liabilities

Items	12/31/2022	Increase	Decrease	6/30/2023
Lease payments	83,018,157.46			83,018,157.46
Less: Unconfirmed financing costs	12,175,243.55		1,652,772.64	10,522,470.91
Total	70,842,913.91		-1,652,772.64	72,495,686.55

34. Long-term payable

34.1 Category

Items	6/30/2023	12/31/2022
Long-term payable	1,632,479,235.93	1,959,031,024.12
Long-term employee benefits payable		
Special payable	81,472,855.83	85,403,099.77
Total	1,713,952,091.76	2,044,434,123.89

34.2 Long-term payable

Items	6/30/2023	12/31/2022
Finance lease payable	2,519,817,872.05	3,015,677,317.54
Financial leasing - unrecognized financing costs	-78,366,641.17	-166,817,410.60
Subtotal	2,441,451,230.88	2,848,859,906.94
Less: long term accounts payable due within one year	808,971,994.95	889,828,882.82
Total	1,632,479,235.93	1,959,031,024.12

34.3 Special payable

Items	12/31/2022	Increase	Decrease	6/30/2023
Special fund for mining environment control of xizoushan phase II project	56,473,208.40			56,473,208.40
Special funds for Comprehensive Bonded Zone	28,479,891.37		5,330,243.94	23,149,647.43
Research and development of key technologies for reducing pollution, reducing carbon emissions, and enhancing efficiency in the sewage treatment industry, as well as comprehensive demonstration of dual carbon funding		300,000.00		300,000.00
Special funds for port informatization	450,000.00	1,100,000.00		1,550,000.00
Total	85,403,099.77	1,400,000.00	5,330,243.94	81,472,855.83

35. Deferred Incomes

Items	12/31/2020	Increase	Included in current profits and losses or offset related costs	6/30/2023
Public rental housing phase II	16,362,500.00		425,000.00	15,937,500.00
Yunhu Community Neighborhood Center Phase II Construction Project	2,600,000.00			2,600,000.00
Waterworks, sewage treatment plants	28,272,402.72		619,083.34	27,653,319.38

Items	12/31/2020	Increase	Included in current profits and losses or offset related costs	6/30/2023
2021 Provincial Ecological Environment Protection Special Fund - Lianyungang Petrochemical Base Chemical High Salt Wastewater Treatment Project (Phase I)	4,805,555.54		194,444.46	4,611,111.08
2021 Provincial Ecological Environment Protection Special Fund - Xuwei Sewage Treatment Plant Upgrading and Renovation Project	4,373,406.80		147,444.90	4,225,961.90
2021 Municipal Pollution Prevention and Control Fund - Xuwei Sewage Treatment Plant Upgrading and Renovation Project	3,827,927.20		129,054.60	3,698,872.60
2022 Pollution Control and Energy Conservation and Carbon Reduction Special Fund (Pollution Control Direction) - Lianyungang Petrochemical Base Chemical High Salt Wastewater Treatment Project (Phase I)	19,740,740.74		777,777.78	18,962,962.96
Improvement and renovation of water supply quality in Dongxin Farm	6,894,700.90		117,523.32	6,777,177.58
Subsidy for Dongxin Farm Water Supply Quality Improvement and Renovation Project	21,448,941.32		369,809.34	21,079,131.98
2019 Provincial Environmental Protection Guidance Fund for the Third Party Treatment Project of Industrial Wastewater in Lianyungang Petrochemical Base	6,861,749.00		253,688.22	6,608,060.78
Special funds for ecological civilization construction in 2020	34,390,718.08		1,206,961.38	33,183,756.70
2019 Provincial Environmental Protection Guidance Fund for High Salt Wastewater Treatment Project in Xuwei New Area	20,252,706.04		672,970.50	19,579,735.54
Multimodal Transport Center Project	383,333.33			383,333.33
Loan discount for multimodal transportation center project	3,000,000.00			3,000,000.00
Lianyungang Comprehensive Bonded Zone (Block 1) Phase II Project	5,000,000.00			5,000,000.00
Xuwei New Area Underground Comprehensive Pipe Gallery	89,916,666.67			89,916,666.67
Xuwei New Area Multimodal Transport Center Phase II Project	5,000,000.00			5,000,000.00
Xuwei New Area Coal Logistics Reserve Base	90,000,000.00			90,000,000.00
Xuwei New Area Agricultural Products Traceability Cold Chain Logistics Service Demonstration Base Project	22,000,000.00			22,000,000.00
Special funds for the development of modern service industry	5,728,000.00		456,000.00	5,272,000.00
Continental Bridge Exhibition Center	150,000.00			150,000.00
Shantytown renovation project	11,040,000.00			11,040,000.00

Items	12/31/2020	Increase	Included in current profits and losses or offset related costs	6/30/2023
Emergency Rescue Command Center	14,116,208.33		405,250.00	13,710,958.33
Payment for epidemic prevention materials and equipment	2,295,057.66		872,111.17	1,422,946.49
Refund of sea area use right fee	186,738,633.90			186,738,633.90
Oil and gas chemical supply chain trading system project		1,560,000.00		1,560,000.00
Total	605,199,248.23	1,560,000.00	6,647,119.01	600,112,129.22

Note: Details of government grants are shown in Notes V-56. Government grants.

36. Paid-in capital

Items	12/31/2022		Increase	Decrease	6/30/2023	
	Amount	%			Amount	%
Lianyungang Municipal People's Government	8,570,000,000.00	100.00			8,570,000,000.00	100.00
Total	8,570,000,000.00	100.00			8,570,000,000.00	100.00

37. Other equity instruments

Financial instruments issue the public	12/31/2022	Increase	Decrease	6/30/2023e
	Book value	Book value	Book value	Book value
Perpetual bond		1,500,000,000.00		1,500,000,000.00
Total		1,500,000,000.00		1,500,000,000.00

38. Capital surplus

Items	6/30/2023	Increase	Decrease	6/30/2023
Transfer of funds	3,572,275,113.91	932,630,300.00		4,504,905,413.91
Other capital surplus	1,675,604,571.66	5,330,243.94		1,680,934,815.60
total	5,247,879,685.57	937,960,543.94		6,185,840,229.51

39. Other Comprehensive Incomes

Item	Opening Balance	Current Period					Closing Balance
		Amount in current period before income tax	Less: Previously recognized in other comprehensive income transferred to profit or loss	Less: income tax	Amount attribute to parent company after tax	Amount attribute to non-controlling shareholders after tax	
1. Other comprehensive incomes that cannot be reclassified into the profit and loss							
Include: Recalculate the defined benefit plan liabilities and net change in net assets							
Share of profit or loss that under the equity method investees cannot reclassify into other profit and loss							
Changes in fair value of other equity instrument investments							
2. Other consolidate incomes that will be reclassified into profit and loss	2,907,673,725.92		3,900,950.00	-975,237.50		-2,925,712.50	2,904,748,013.42
Include: share of profit or loss that under the equity method investees will reclassify into profit and loss							
Effective part of profit and loss of cash flow hedging							

Item	Opening Balance	Current Period					Closing Balance
		Amount in current period before income tax	Less: Previously recognized in other comprehensive income transferred to profit or loss	Less: income tax	Amount attribute to parent company after tax	Amount attribute to non-controlling shareholders after tax	
Changes in initial fair value of investment real estate	2,907,673,725.92		3,900,950.00	-975,237.50		-2,925,712.50	2,904,748,013.42
Translation differences in foreign currency financial statements							
Other comprehensive Income Total	2,907,673,725.92		3,900,950.00	-975,237.50		-2,925,712.50	2,904,748,013.42

40. Special reserves

Items	12/31/2022	Increase	Decrease		6/30/2023
			Expenses	Transferred to accumulated depreciation	
Safety production cost	205,565.42	9,057,088.30	7,852,386.68		1,410,267.04
Total	205,565.42	9,057,088.30	7,852,386.68		1,410,267.04

41. Surplus reserve

Items	12/31/2022	Increase	Decrease	6/30/2023
Statutory accumulation reserve	669,950,611.68			669,950,611.68
Total	669,950,611.68			669,950,611.68

42. Undistributed profit

Items	6/30/2023
Beginning balance before adjustment	6,267,444,304.56
Adjustment for beginning balance(increase+,decrease-)	
Beginning balance after adjustment	6,267,444,304.56
Plus: net profit attributable to owners of the parent company for the current period	96,601,682.51
Less: Withdrawal of statutory surplus reserves	
Common Stock dividends payable	443,000,000.00
Ending balance	5,921,045,987.07

43. Operating revenue

43.1 Sales and other operating income

Items	2023 (Jan-Jun)		2022 (Jan-Jun)	
	Revenue	Cost	Revenue	Cost
Main operations	9,135,078,809.48	7,957,362,777.58	7,524,237,701.57	6,202,372,206.44
Other operations	68,810,786.19	64,129,726.22	28,531,942.77	26,753,089.03
Total	9,203,889,595.67	8,021,492,503.80	7,552,769,644.34	6,229,125,295.47

43.2 Main operations (disclosure by branch line of business)

Items	2023 (Jan-Jun)		2022 (Jan-Jun)	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Engineering construction	1,201,386,877.07	1,002,294,980.62	1,232,589,325.85	1,002,472,123.46
Management and maintenance	76,056,908.12	57,278,713.55	61,078,909.19	96,770,346.45
Raw water sales	568,805.23	529,779.89	6,305,598.41	4,798,106.39
Industrial sewage treatment	310,871,047.79	205,259,430.46	170,262,174.37	105,388,018.64
Tap water sales	17,526,694.39	14,168,658.08	18,679,235.53	19,633,979.24
Industrial water sales	86,982,944.84	38,275,828.86	45,085,951.18	22,634,733.08
Steam sales	3,121,836,663.97	2,648,695,185.12	985,019,738.29	995,487,671.87
Electricity sales	2,459,966,695.40	2,266,794,177.12	641,352,133.71	578,372,546.42
Power operation and maintenance	3,975,536.72	3,454,187.48		
Commodity sales	1,106,412,938.10	1,071,508,787.12	2,169,358,953.04	2,135,247,562.93
Loading and unloading	40,674,662.57	30,807,420.71	18,753,076.18	12,596,436.60
Storage and stockpiling	1,228,402.52	2,700,493.09	1,690,600.80	734,903.59

Items	2023 (Jan-Jun)		2022 (Jan-Jun)	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Port administration	4,019,142.07	6,623,465.60	949,486.29	2,046,617.98
Logistics transportation	24,770,437.43	21,627,006.88	635,048.51	406,333.26
Charter business	73,284,182.89	36,121,991.15	103,461,078.90	77,054,952.96
Advertising exhibition	1,468,872.17	1,625,747.32	2,250,262.20	2,152,951.15
Estate management	82,007,594.08	79,475,024.32	61,118,663.47	61,485,938.81
Catering and service	27,832,275.84	30,043,418.47	27,206,023.74	28,676,644.68
Supermarket retail			132,082,024.52	114,655,144.83
Consulting service	14,409,775.72	8,563,703.80	3,552,998.93	940,251.39
Event planning	3,149,183.97	643,571.30	75,471.70	31,007.50
Commercial housing sales	13,660,516.95	13,995,586.81	144,801,363.22	141,992,653.42
Land reclamation	462,079,500.00	416,522,881.60	1,472,264,700.00	601,411,633.78
Other main businesses	909,151.64	352,738.23	225,664,883.54	197,381,648.01
Total	9,135,078,809.48	7,957,362,777.58	7,524,237,701.57	6,202,372,206.44

43.3 Other operations

Items	2023 (Jan-Jun)		2022 (Jan-Jun)	
	Other operating revenue	Other operating cost	Other operating revenue	Other operating cost
Electricity income	1,376,027.74	360,689.2	679,991.73	784,197.53
Others	67,434,758.45	63,769,037.02	27,851,951.04	25,968,891.50
Total	68,810,786.19	64,129,726.22	28,531,942.77	26,753,089.03

44. Taxes and surcharge

Items	2023 (Jan-Jun)	2022 (Jan-Jun)
Resource tax	703,033.52	1,318,587.80
Land Value Increment Tax	925,805.63	153,480.65
Urban real estate tax	17,689,662.84	11,861,440.43
Vehicle and vessel usage tax	28,721.78	17,709.31
Land use tax	14,687,160.57	15,113,785.74
Stamp tax	9,321,105.24	6,528,871.03
City construction tax	1,094,912.83	2,096,037.62
Education fee additional tax	469,025.26	856,617.43
Local education fee additional tax	312,683.50	565,585.72
Environmental protection tax	1,931,675.55	654,583.91
Total	47,163,786.72	39,166,699.64

45. Financial expenses

Items	2023 (Jan-Jun)	2022 (Jan-Jun)
Interest expenses	463,092,410.49	246,250,828.86
Including: interest expense of lease liabilities	1,652,772.64	1,852,560.73
Less: Interest income	225,036,598.36	109,871,101.43
Finance Discount		
Add: Exchange loss	77,604,494.11	101,955,048.35
Add: Commission	28,021,514.89	27,756,609.15
Add: Bill discount expense		

Items	2023 (Jan-Jun)	2022 (Jan-Jun)
Add:Cash discount		
Add:Others	67,698,759.73	16,260,178.34
Total	411,380,580.86	282,351,563.27

46. Other income

Items	2023 (Jan-Jun)	2022 (Jan-Jun)
Government subsidy	10,331,368.91	79,313,199.39
Value added tax deduction	933,147.26	
Refund of handling charges for withholding individual income tax	277,728.39	190,775.80
Total	11,542,244.56	79,503,975.19

47. Investment income

Sources of investment income	2023 (Jan-Jun)	2022 (Jan-Jun)
Investment income from disposing long-term equity investments	2,685.38	
Investment income of financial products	3,669,119.86	2,913,318.52
Total	3,671,805.24	2,913,318.52

48. Gains from changes in fair value

Items	2023 (Jan-Jun)	2022 (Jan-Jun)
Investment real estate measured by fair value	-9,918,200.00	-433,546,249.22
Total	-9,918,200.00	-433,546,249.22

49. Credit impairment loss ("-" for losses)

Items	2023 (Jan-Jun)	2022 (Jan-Jun)
Bad debt loss of accounts receivable	5,575,278.40	-147,755.19
Bad debt loss of other receivables		-97,743.56
Total	5,575,278.40	-245,498.75

50. Gains from disposal of assets

Items	2023 (Jan-Jun)	2022 (Jan-Jun)
Gains or losses from disposal of fixed assets	1,261,520.20	224,537.57
Gains or losses from disposal of Intangible assets		
Total	1,261,520.20	224,537.57

51. Non-operating income

Items	2023 (Jan-Jun)	2022 (Jan-Jun)
Government subsidies unrelated to daily activities of enterprises	51,500.00	
Net income from fines	7,597,068.88	593,327.60
Others	1,151,276.70	448,312.33
Total	8,799,845.58	1,041,639.93

52. Non-operating expenses

Items	2023 (Jan-Jun)	2022 (Jan-Jun)
Loss on disposal of non current assets	14,083,675.85	25,441.93
Donation expenses	2,400.00	2,007,622.60

Items	2023 (Jan-Jun)	2022 (Jan-Jun)
Fine expenditure		107,410.58
Others	537,094.87	30,812.33
Total	14,623,170.72	2,171,287.44

53. Income tax

Items	2023 (Jan-Jun)	2022 (Jan-Jun)
Current income tax according to the Income Tax Law	69,099,632.86	13,927,116.26
Deferred income tax adjustment	-1,085,730.40	-108,447,937.00
Total	68,013,902.46	-94,520,820.74

VI. Changes in Consolidated Scope

1. Establishment of subsidiaries No.

The acquisition of Lianyungang Lianhe Real Estate Co., Ltd. and Jiangsu Fangyang New Energy Investment Co., Ltd. in this period is included in the scope of consolidated financial statements.

VII. Interests in Other Entities

1. Interests in Subsidiaries

1.1. Group Composition:

No.	Name of Subsidiary	Grade	Registration Place	Operation Site	Business Nature	Paid-in capital	Share-holding Ratio (%)		Acquisition Manner
							direct	indirect	
1	Jiangsu Fangyang Logistics Co., Ltd	1	Lianyungang	Lianyungang	Domestic freight forwarders;international freight forwarders;domestic shipping agents; (excludinghazardous chemicals) are housing services, loading and unloadingservices; car, machinery andequipment leasing, etc.	215,868.00	76.84		Investment
2	Jiangsu Fangyang Car Rental Service Co., Ltd	2	Lianyungang	Lianyungang	Automobile. mechanical equipment,house leasing; second-hand car intermediary services; automobiles,auto parts and accessories,stone, wood, steel, mineral products, metalmaterials, environmental protection materials, construction materials,chemical products (except hazardous chemicals), chemical fertilizers and fertilizers sales of raw materials (except hazardous chemicals); general cargo transportation; domestic waterway cargo transportation, etc.	1,193.05		100.00	Investment
3	Lianyungang Silk Road International Trade Co., Ltd	2	Lianyungang	Lianyungang	Self-operated and agent import and export business of all kinds of commodities and technologies (except for products restricted or prohibited by the state); pre-packaged food and bulk food wholesale and retail; wholesale of textiles, mineral products, construction materials, cotton yarn products ;Primary processing of vegetables, fresh agricultural products (meat, eggs), etc.	5,000.00		100.00	Investment
4	Jiangsu Fangyang Water Service Co., Ltd	1	Lianyungang	Lianyungang	Provide centralized water supply services in the areas approved by relevant departments; operation management of water treatment facilities; water investment, construction and management; water supply and drainage technology consulting , technology development, technical services; technical services and technologies for water supply and drainage pipeline network equipment surveys and water leak detection consultation; water supply and drainage engineering construction, etc.	197,997.80	100.00		Investment

No.	Name of Subsidiary	Grade	Registration Place	Operation Site	Business Nature	Paid-in capital	Share-holding Ratio (%)		Acquisition Manner
							direct	indirect	
5	Lianyungang Xuwei Construction Engineering Co., Ltd	2	Lianyungang	Lianyungang	Municipal engineering, highway engineering, electromechanical engineering, electrical and automation engineering, steel structure engineering, housing construction engineering, earthwork engineering, waterway engineering, landscaping engineering, greening maintenance engineering, road cleaning, garbage removal, urban and road lighting engineering Construction and maintenance, etc.	4,000.00		100.00	Investment
6	Jiangsu Fangyang environmental monitoring Co., Ltd	2	Lianyungang	Lianyungang	Environmental testing; water quality testing; water treatment materials testing; construction engineering testing; environmental protection facility operation and maintenance; environmental technology consulting services, etc.	1,000.00		100.00	Investment
7	Jiangsu Fangyang Modern Service Industry Group Co., Ltd	1	Lianyungang	Lianyungang	Property management services; creative design of product packaging; design, production, agency, and publication of various domestic advertisements; logistics park construction; energy- saving environmental protection technology research and development; tourism item development; hotel management consulting, etc.	41,298.49	70.65		Investment
8	Lianyungang Fangyang Commercial Management Co., Ltd	2	Lianyungang	Lianyungang	Catering services; catering management; hotel management services; food sales; primary processing of agricultural products; conference and exhibition services; food science and technology research services; house leasing, etc.	484.00		100.00	Investment
9	Lianyungang Suiyuan Catering Management Co., Ltd	3	Lianyungang	Lianyungang	Hotel management; conference services; corporate marketing planning; catering services; food sales, etc.	200.00		100.00	Investment
10	Lianyungang Yunfan Property Service Co., Ltd	2	Lianyungang	Lianyungang	Property management services; labor dispatch operations; building exterior wall cleaning; housekeeping services; parking lot management services; conference services; venue leasing, etc.	500.00		100.00	Investment
11	Jiangsu Fangyang Culture Communication Co., Ltd	2	Lianyungang	Lianyungang	Culture and art communication and exchange; stage art modeling planning; art performance planning; film and television planning consultation; brand culture promotion planning; design, production, agency, and publishing various domestic advertisements; conference and exhibition services; cultural event planning, etc.	1,101.00	100.00		Investment

No.	Name of Subsidiary	Grade	Registration Place	Operation Site	Business Nature	Paid-in capital	Share-holding Ratio (%)		Acquisition Manner
							direct	indirect	
12	Lianyungang Yunhu Trading Co., Ltd	2	Lianyungang	Lianyungang	Daily necessities, cosmetics, leather goods, toys, clothing, shoes and hats, clothing and apparel, needle textiles, textile raw materials, office supplies, stationery, kitchen supplies, hardware and electrical appliances, arts and crafts, chemical products, electronic products, communications wholesale and sales of equipment, electronic computers and accessories, electromechanical equipment and accessories, etc.	1,350.00		100.00	Investment
13	Lianyungang Continental Bridge International Conference Center Co., Ltd	2	Lianyungang	Lianyungang	Catering services for large restaurants (including cold dishes, cakes with decorations, seafood with raw food); accommodation services; conferences, exhibition services; cultural and art exchange activities planning; corporate marketing activities planning; business services; retail of prepackaged food and bulk food; cigarette retail ; Textile sales; handicraft sales, etc.	37,000.00		100.00	Investment
14	Beijing Fangyang Management Consulting Co., Ltd	1	Beijing	Beijing	Business management consulting; economic information consulting; business planning; conference services; undertaking exhibition and display activities; market research; technology development, technology transfer, technology consulting, technology services; investment management, asset management, etc.	1,500.00	100.00		Investment
15	China Fangyang Trading (Hong Kong) Co., Ltd	1	Hongkong	Hongkong		200.00	100.00		Investment
16	Lianyungang Yunhai Financial Leasing Co., Ltd	2	Lianyungang	Lianyungang	Financial leasing business; leasing business; purchase of leased property from domestic and abroad; disposal and maintenance of residual value of leased property; leasing transaction consultation, etc.	119,521.64	44.00	56.00	Investment
17	Lianyungang Yuntai Port Logistics Development Co., Ltd	2	Lianyungang	Lianyungang	Road transportation, storage, loading and unloading services of general cargo; sale of chemical products (except hazardous chemicals), chemical fertilizers, stone materials, wood, steel products, mineral products (except coal and its products), metal materials, environmental protection materials, construction materials	63,836.61		100.00	Investment
18	Lianyungang Yunyu Industrial Development Co., Ltd	3	Lianyungang	Lianyungang	Production of precast concrete parts; wholesale of mineral products (except coal and its products), building materials and chemical products (except hazardous chemicals); self-operated and agent import and export business of various commodities and technologies, etc.	50,000.00		60.00	Investment

No.	Name of Subsidiary	Grade	Registration Place	Operation Site	Business Nature	Paid-in capital	Share-holding Ratio (%)		Acquisition Manner
							direct	indirect	
19	Lianyungang Xuwei Port Investment Group Co., Ltd	1	Lianyungang	Lianyungang	Wharf construction engineering construction; port infrastructure development; industrial investment; construction of municipal public works, highway engineering, bridge engineering, earthwork engineering, landscaping engineering; construction materials, metal materials, environmental protection materials, coal, chemical products (except dangerous goods) sales ; Mechanical equipment leasing; House leasing; warehousing services; loading and unloading services; domestic freight forwarding; international freight forwarding; domestic shipping agent; dangerous chemicals business (operating according to the approved item), etc.	329,536.36	65.964		Investment
20	Lianyungang Xuwei Port Public Engineering Construction Co., Ltd	2	Lianyungang	Lianyungang	Wharf construction engineering construction; port infrastructure development; public facilities engineering, construction engineering, architectural decoration engineering, landscape engineering, electromechanical equipment installation engineering, security engineering, earthwork engineering, steel structure engineering, indoor hydropower installation engineering construction, etc.	9,500.00		100.00	Investment
21	Lianyungang Xuwei port liquid chemical terminal Co., Ltd	2	Lianyungang	Lianyungang	Port operations other than dangerous goods (operating under license); construction of terminal construction projects; development of port infrastructure; sales of construction materials and metal materials	50,000.00		100.00	Investment
22	Jiangsu Fangyang Industrial Investment Co., Ltd	1	Lianyungang	Lianyungang	Operation of ports other than dangerous goods (operation according to license items); Construction of wharf construction works; Port infrastructure development; Sales of building materials and metal materials	100,000.00	75.00		Investment
23	Lianyungang Xuwei Port Supply Chain Service Co., Ltd	2	Lianyungang	Lianyungang	Operation of ports other than dangerous goods (operation according to license items); Construction of wharf construction works; Port infrastructure development; Sales of building materials and metal materials	600.00		100.00	Investment
24	Lianyungang Xuwei Port Shipping Service Co., Ltd	2	Lianyungang	Lianyungang	Port operation and ship port service; International shipping agency; Domestic shipping agency.	900.00		90	Investment

No.	Name of Subsidiary	Grade	Registration Place	Operation Site	Business Nature	Paid-in capital	Share-holding Ratio (%)		Acquisition Manner
							direct	indirect	
25	Jiangsu Fangyang Construction Investment Co., Ltd	1	Lianyungang	Lianyungang	Construction Item Investment; Industrial Investment; Housing Construction Engineering, Architectural Decoration Engineering, Mechanical and Electrical Equipment Installation Engineering, Waterproof and Anticorrosive Thermal Insulation Engineering, Fire Fighting Engineering, Liting Equipment Installation Engineering, Building Curtain Wall Engineering, Municipal Engineering, Steel Structure Engineering, Foundation and Foundation Engineering, Earthwork construction etc.	201,710.00	100.00		Investment
26	Lianyungang Ruiqiao Concrete Co., Ltd	2	Lianyungang	Lianyungang	Pre-mixing of commercial concrete; production of precast concrete parts	7,000.00		86.11	Investment
27	Lianyungang Xuwei Construction Engineering Co., Ltd	2	Lianyungang	Lianyungang	Construction labor subcontracting; All kinds of engineering construction activities; Construction professional operation, etc	5,000.00		100.00	Investment
28	Lianyungang Suhai Investment Co., Ltd	1	Lianyungang	Lianyungang	Properties development and management; industrial investment; infrastructure construction investment; asset management; warehousing; international freight forwarding; domestic freight forwarding, etc.	40,000.00	60.00		Investment
29	Jiangsu Fangyang Intelligent Technology Co., Ltd	1	Lianyungang	Lianyungang	Information technology research and development, consulting, service, promotion, transfer; computer information system integration; computer software and hardware development, sales, maintenance; informational item design, consulting, etc.	8,500.00	100.00		Investment
30	Lianyungang Hongyang Thermal Power Co., Ltd	1	Lianyungang	Lianyungang	thermal power generation; steam sales; sales of ash, chemical raw materials and chemical products (except hazardous chemicals); thermal power generation infrastructure development, construction, etc.	348,000.00	50.00		Investment
31	Lianyungang Hongyang Industrial Co., Ltd	2	Lianyungang	Lianyungang	Trade agent; building materials wholesale; general equipment repair; other water treatment, utilization and distribution	1,000.00		50.00	Investment
32	Jiangsu Donggang Energy Investment Co., Ltd	2	Lianyungang	Lianyungang	Power supply; power technology, technology research and development, technical consulting, technical service technology promotion, technology transfer of power distribution system; design and construction of communication engineering and power engineering, etc.	35,000.00		40.00	Investment

No.	Name of Subsidiary	Grade	Registration Place	Operation Site	Business Nature	Paid-in capital	Share-holding Ratio (%)		Acquisition Manner
							direct	indirect	
33	Jiangsu Fangyang Energy Technology Co., Ltd	1	Lianyungang	Lianyungang	New energy technology research and development; electricity sales services; sales of hot water and steam; investment in electricity, heating, and gas items; investment in distribution networks, heating pipes, and gas pipes, etc.	41,944.28	100.00		Investment
34	Jiangsu Fangyang Construction Engineering Management Co., Ltd	1	Lianyungang	Lianyungang	Design, construction and maintenance of road and bridge projects, municipal greening projects, industrial civil construction projects, electromechanical equipment installation projects, water conservancy projects, inland river dredging projects, item management, consulting services, supervision, etc.	5,263.00	100.00		Investment
35	Jiangsu Fangyang Human Resource Management Co., Ltd	1	Lianyungang	Lianyungang	Domestic professional intermediary; labor dispatch operation; entrusted recruitment; non-degree professional skills training; human resource management consulting; human resource evaluation; education consulting service; outdoor sports activity planning and organization; business information consulting; cultural and art exchange activity planning and organization; conference exhibition services; venue leasing	480.00	100.00		Investment
36	Lianyungang Xuwei Municipal Engineering Co., Ltd	1	Lianyungang	Lianyungang	Construction and maintenance of municipal public works, earthwork, foundation and foundation engineering, bridge engineering, road engineering, landscaping engineering; steel structure engineering construction; installation and maintenance of electromechanical equipment, etc.	10,819.66	50.00		Investment
37	Lianyungang Xuwei Environmental Sanitation Service Co., Ltd	2	Lianyungang	Lianyungang	Municipal domestic waste business services; Disposal of urban construction waste	200.00		50.00	Investment
38	Lianyungang Xuwei Sanitation Service Co., Ltd	2	Lianyungang	Lianyungang	Inspection and testing services	1,481.22		50.00	Investment
39	Lianyungang Xuwei Vehicle Inspection Service Co., Ltd	2	Lianyungang	Lianyungang	Fire protection technical services; Fire fighting equipment sales	100.00		50.00	Investment

2. Interests in Joint Ventures or Associates

2.1 Important Joint Ventures or Associates

Name of Joint Venture/Associate	Operation Site	Registration Place	Business Nature	Shareholding Proportion		Accounting Method
				Direct	Indirect	
Jiangsu Yangjing Petrochemical Group Co., Ltd	Lianyungang	Lianyungang	Port operation	24.4444		Equity method
Jiangsu Xianghe Agricultural Development Co., Ltd	Lianyungang	Lianyungang	Crop planting	40.00		Equity method

2.2 Key financial information of important joint ventures

Items	6/30/2023/ 2023 (Jan-Jun)		12/31/2020 / 2022 (Jan-Jun)	
	Yangjing	Xianghe	Yangjing	Xianghe
Current assets	6,806,529,932.60	302,432,435.57	3,864,513,324.39	210,705,805.64
Non-current assets	9,977,651,205.44	1,489,652,181.00	5,307,880,151.67	1,247,268,459.41
Total assets	16,784,181,138.04	1,792,084,616.57	9,172,393,476.06	1,457,974,265.05
Current liabilities	4,066,127,806.84	275,772,537.75	2,384,768,654.63	159,107,712.09
Non-current liabilities	5,867,787,036.58	405,749,500.00	2,666,940,987.71	210,943,500.00
Total liabilities	9,933,914,843.42	681,522,037.75	5,051,709,642.34	370,051,212.09
Non-controlling interests	2,811,191,970.37		1,012,900,704.44	
Total equity attributable to owners of the parent company	4,039,074,324.25	1,110,562,578.82	3,107,783,129.28	1,087,923,052.96
Share of net assets calculated by shareholding ratio	987,327,484.12	444,225,031.53	689,617,076.39	435,169,221.18
Adjustment items				
Including: Goodwill				
Unrealized profit of internal transaction				
Others			336,908,161.47	524,704,669.96
Book value of equity investment in joint venture	1,062,947,199.86	959,972,998.30	1,026,525,237.86	959,873,891.14
Fair value of equity investment with public offer				
Operating income	3,793,870,600.67	92,931,525.48	1,024,542,392.48	38,550,750.60
Net profit	56,981,850.86	247,767.91	14,158,918.91	5,926,003.90
Other comprehensive income				
Total comprehensive income	56,981,850.86	247,767.91	14,158,918.91	5,926,003.90
Dividends received from joint ventures in the current period				

VIII. Related Parties and Related Party Transactions

1. The Parent Company of the Company

Name of parent company	Registration Place	Business nature	Shareholding Proportion (%)	Voting rights (%)
Lianyungang Municipal People's Government			100.00	100.00

2. Subsidiaries of the Company:

For details please see Note VII.1.

3. Joint Venture and Associate of the Company

For details please see Note VII.3.

4. Other related party

Name of other related party	Relationship with the Company
Jiangsu Yangjing Petrochemical Group Co., Ltd	Holding 29.35% shares of modern service group
Suzhou Suzhen Thermal Power Co., Ltd	Holding 50% shares of the subsidiary Hongyang thermal power company

Name of other related party	Relationship with the Company
Lianyungang Industrial Investment Group Co., Ltd	Holding 40% shares of the subsidiary Suhai investment company
Guoneng Jiangsu new energy technology development Co., Ltd	Holding 35.71% shares of the subsidiary Donggang energy company

5. Related Party Transactions

5.1 Lease of related parties

The company is the lessor

Name of lessee	Types of leased assets	Lease income recognized in 2021	Lease income recognized in 2020
Jiangsu Yangjing Petrochemical Group Co., Ltd	Asset leasing	1,622,558.19	9,253,102.32

5.2. Related party guarantee

The company guarantees for related parties:

No	Guarantee holder	Amount of guarantee (Ten thousand yuan)	Guarantee period
1	Jiangsu Xianghe Agricultural Development Co., Ltd	18,000.00	2019.06.25-2028.06.24
2		3,000.00	2020.12.30-2030.12.30
3		20,000.00	2021.03.24-2033.03.23
4	Lianyungang Zhangwei Energy Investment Co., Ltd	6,000.00	2019.11.26-2024.11.26
5	China Energy Conservation (Lianyungang) clean technology development Co., Ltd	15,200.00	2017.06.08-2028.09.08
6	Jiangsu Yangjing Petrochemical Group Co., Ltd	8,400.00	2017.12.22-2025.06.21
7		14,000.00	2018.12.12-2028.02.11
8		33,000.00	2019.08.21-2029.08.21
9		28,000.00	2019.06.21-2032.06.20
10		20,000.00	2019.09.24-2023.09.24
11		9,000.00	2021.04.25-2022.04.25
12		5,000.00	2021.05.31-2022.05.31
13		5,500.00	2021.06.07-2022.06.07
14		5,000.00	2021.06.28-2022.06.28
15		10,000.00	2021.06.10-2022.06.10
16		12,000.00	2020.09.01-2022.08.31
17		7,000.00	2020.10.29-2023.10.30
18		8,000.00	2021.05.31-2022.05.31
19		1,000.00	2021.05.31-2022.05.30
20		10,000.00	2021.06.25-2022.06.15
22	10,000.00	2021.10.11-2022.10.10	
21	Lianyungang Hongyang port storage and Transportation Co., Ltd	20,000.00	2021.12.15-2033.12.14

The related party guarantees the company:

No	Guarantor	Guarantee holder	Amount of guarantee (Ten thousand yuan)	Guarantee period
1	Jiangsu Yangjing Petrochemical Group Co., Ltd	Fangyang Logistics	9,000.00	2021.06.25-2022.06.25
2	Jiangsu Yangjing Petrochemical Group Co., Ltd	Fangyang Group	7,000.00	2020.10.29-2022.10.29
3	Jiangsu Yangjing Petrochemical Group Co., Ltd	Fangyang Group	15,000.00	2021.02.04-2022.02.03
4	Jiangsu Yangjing Petrochemical Group Co., Ltd	Fangyang Group	40,000.00	2020.01.16-2022.01.15

No	Guarantor	Guarantee holder	Amount of guarantee (Ten thousand yuan)	Guarantee period
5	Suzhou Suzhen Thermal Power Co., Ltd	Hongyang thermal power	11,141.16	2017.07.10-2022.01.10
6	Suzhou Suzhen Thermal Power Co., Ltd	Hongyang thermal power	5,672.23	2017.08.15-2022.08.15
7	Suzhou Suzhen Thermal Power Co., Ltd	Hongyang thermal power	5,672.23	2017.08.21-2022.08.15
8	Suzhou Suzhen Thermal Power Co., Ltd	Hongyang thermal power	11,342.19	2018.02.15-2022.11.29
9	Suzhou Suzhen Thermal Power Co., Ltd	Hongyang thermal power	15,000.00	2017.04.27-2022.04.27
	Total		119,827.80	

5.3 Related party fund lending

Related party	12/31/2020	Current borrowing (lending)	Current repayment (recovery)	6/30/2023	Remark
Lending funds					
Jiangsu Yangjing Petrochemical Group Co., Ltd		177,500,000.00	177,500,000.00		
Jiangsu Xianghe Agricultural Development Co., Ltd		410,000,000.00	410,000,000.00		
Suzhou Suzhen Thermal Power Co., Ltd	1,000,000,000.00		21,433,400.00	978,566,600.00	

6.Receivables and Payables of Related Parties

6.1 Receivables

Accounting subjects	Related parties	6/30/2023	12/31/2020
Accounts receivable	Jiangsu Xianghe Agricultural Development Co., Ltd	669,624.42	496,690.99
Accounts receivable	Jiangsu Yangjing Petrochemical Group Co., Ltd	2,904,466.49	11,812,156.49
Accounts receivable	China Energy Conservation (Lianyungang) clean technology development Co., Ltd	794,637.37	503,047.10
Other receivables	Jiangsu Xianghe Agricultural Development Co., Ltd	41,833,400.00	41,803,400.00
Other receivables	Jiangsu Yangjing Petrochemical Group Co., Ltd	1,049,791.79	30,000.00
Other receivables	Suzhou Suzhen Thermal Power Co., Ltd	978,566,600.00	1,000,000,000.00
Other receivables	Lianyungang Xuwei Medical Management Co., Ltd	735,600,000.00	
Other receivables	Jiangsu Fanghua Real Estate Development Co., Ltd	124,500,000.00	
Long-term receivables	Jiangsu Yangjing Petrochemical Group Co., Ltd	75,000,000.00	50,000,000.00

6.2 Payables

Accounting subjects	Related parties	6/30/2023	12/31/2020
Accounts payables	Jiangsu Xianghe Agricultural Development Co., Ltd	6,673,987.11	14,401,769.08
Accounts payables	Lianyungang Industrial Investment Group Co., Ltd	317,170.80	140,329.24
Accounts payables	China Energy Conservation (Lianyungang) clean technology development Co., Ltd	1,910,531.60	
Accounts payables	Lianyungang Jiuyang Environmental Technology Co., Ltd	29,478,883.85	
Accounts payables	Jiangsu Yangjing Petrochemical Group Co., Ltd	2,364,426.18	

Accounting subjects	Related parties	6/30/2023	12/31/2020
Contract liabilities	Jiangsu Yangjing Petrochemical Group Co., Ltd		2,166,586.63
Other payable:	Jiangsu Xianghe Agricultural Development Co., Ltd	54,109.09	7,000.00
Other payable:	Jiangsu Yangjing Petrochemical Group Co., Ltd	200,182.00	16,000.00
Other payable:	Lianyungang Industrial Investment Group Co., Ltd	148,000.00	10,000,000.00
Other payable:	China Energy Conservation (Lianyungang) clean technology development Co., Ltd	7,000.00	7,000.00

IX. Contingencies and Commitment Issues

There is no significant contingencies at June 30, 2023.

X. Post Balance Sheet Event

The Company has no outstanding events occurring after the balance sheet date that require disclosure.

XI. Other Important Information

1. Tenancy

1.1 Lessee information disclosure

Items	Amount
Short term lease expenses included in current profits and losses	
Lease expense of low value assets	
Variable lease payments not included in the measurement of lease liabilities included in current profits and losses	
Income from sublease of right to use assets	
Total cash outflows related to leases	4,941,556.99
Relevant profit and loss from sale leaseback transaction	
Other	

1.2 Qualitative and quantitative information on leasing activities

a) Nature of leasing activities

Leased assets	category	quantity	Lease term	Whether there is renewal option	remark
Pipe rack pipe position	Houses and buildings	1	8.42 year	No	

XII. Notes to the Main Items of the Financial Statements of Parent Company (All currency unit is CNY, except other statements)

1. Accounts receivable

1.1 Disclosed by Aging

Aging	6/30/2023	12/31/2022
Within 1 year	3,228,638,155.47	1,929,755,646.60
1-2 year	1,894,563,083.35	1,842,007,415.83
2-3 year	1,842,001,415.83	1,523,165,077.07
3-4 year	1,523,093,711.94	1,545,665,230.49
4-5 year	1,545,415,496.49	2,478,787,224.65
Over 5 year	2,478,787,224.65	

Aging	6/30/2023	12/31/2022
Book balance sub-total	12,512,499,087.73	9,319,380,594.64
Less: Bad debt provision	53,064.64	78,446.71
Net value	12,512,446,023.09	9,319,302,147.93

1.2 Disclosed by bad debt accrual method

Category	6/30/2023				
	Book Balance	Proportion (%)	Provision for bad debt	Provision Proportion (%)	Book Value
Accounts receivables with significant single amount and tested for impairment individually					
Accounts receivables tested for impairment on a portfolio basis	12,512,499,087.73	100.00	53,064.64		12,512,446,023.09
portfolios of non-related parties	1,134,423.07	0.01	53,064.64	4.68	1,081,358.43
portfolios of government parties	12,477,642,597.50	99.72			12,477,642,597.50
portfolios of related parties	33,722,067.16	0.27			33,722,067.16
Total	12,512,499,087.73	100.00	53,064.64		12,512,446,023.09

Continued on the table

Category	12/31/2020				
	Book Balance	Proportion (%)	Provision for bad debt	Provision Proportion (%)	Book Value
Accounts receivables with significant single amount and tested for impairment individually					
Accounts receivables tested for impairment on a portfolio basis	9,319,380,594.64	100.00	78,446.71		9,319,302,147.93
portfolios of non-related parties	4,814,098.54	0.05	78,446.71	1.63	4,735,651.83
portfolios of government parties	9,277,941,686.06	99.56			9,277,941,686.06
portfolios of related parties	36,624,810.04	0.39			36,624,810.04
Total	9,319,380,594.64	100.00	78,446.71		9,319,302,147.93

In the portfolio, accounts receivable for which bad debt provision is withdrawn by overdue aging analysis method:

Overdue aging	6/30/2023			12/31/2022		
	Book balance	Bad debt provision	Accrual proportion%	Book balance	Bad debt provision	Accrual proportion%
Not overdue	1,020,983.32			4,381,682.41		
Within 1 year	8,122.75	406.14	5.00	6,000.00	300.00	5.00

Overdue aging	6/30/2023			12/31/2022		
	Book balance	Bad debt provision	Accrual proportion%	Book balance	Bad debt provision	Accrual proportion%
1-2 year				71,365.13	7,136.51	10.00
2-3 year				355,051.00	71,010.20	20.00
3-4 year	105,317.00	52,658.50	50.00			
Over 4 year						
Total	1,134,423.07	53,064.64	4.68	4,814,098.54	78,446.71	1.63

Bad debt provision

Items	12/31/2022	Changes in current period			6/30/2023
		Increase	Reversal	Deduct	
Accounts receivable	78,446.71	32,001.24	57,383.31		53,064.64

1.3 Top five entities with the largest balances of the accounts receivable

Company name	6/30/2023	Aging	Proportion in the total (%)
Management Committee of National East, West, central and Regional Cooperation Demonstration Zone	11,424,537,141.14	Within 1 year 2,149,335,201.44、 1-2 year 1,894,563,083.35、 2-3year 1,837,630,018.40、 3-4year 1,520,617,993.81、 4-5ear 1,545,032,659.49、 Over 5year 2,477,358,184.65	91.30
Lianyungang Xuwei Port Investment Group Co., Ltd	22,000,000.00	Within 1 year	0.18
Jiangsu Fangyang Construction Investment Co., Ltd	7,653,000.24	Within 1 year	0.06
Jiangsu Fangyang Modern Service Industry Group Co., Ltd	1,563,398.21	Within 1 year	0.01
Lianyungang Continental Bridge International Conference Center Co., Ltd	1,315,742.70	Within 1 year	0.01
Total	11,457,069,282.29		91.56

2. Other receivables

Items	6/30/2023	12/31/2022
Interests receivable		
Dividends receivable		
Other receivables	2,232,053,610.11	1,312,221,907.97
Total	2,232,053,610.11	1,312,221,907.97

2.1 Other receivables

a) Classification of other receivables by aging

Aging	6/30/2023	12/31/2022
Within 1 year	2,048,194,049.39	870,687,748.26
1-2 year	15,394,139.53	111,442,171.34
2-3 year	78,193,009.94	101,686,472.16

Aging	6/30/2023	12/31/2022
3-4 year	58,936,219.75	10,400,000.00
4-5 year	10,400,000.00	200,290,085.00
Over 5 year	30,614,088.32	30,655,388.32
Book balance sub-total	2,241,731,506.93	1,325,161,865.08
Less: Bad debt provision	9,677,896.82	12,939,957.11
Net value	2,232,053,610.11	1,312,221,907.97

b) Classification of other receivables by nature

Nature of payment	6/30/2023	12/31/2022
Loans and advances	1,210,381,576.56	367,430,990.37
Subsidiaries receivables	908,900,817.09	824,349,134.73
Security deposit	69,659,299.64	74,094,185.64
Other receivables	52,789,813.64	59,287,554.34
Book balance sub-total	2,241,731,506.93	1,325,161,865.08
Less: Bad debt provision	9,677,896.82	12,939,957.11
Net value	2,232,053,610.11	1,312,221,907.97

c) Disclosed by bad debt accrual method

Bad debt provision	Phase I	Phase II	Phase III	Total
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration (no credit impairment)	Expected credit loss for the entire duration (credit impairment has occurred)	
12/31/2022	1,002,191.59	11,937,765.52		12,939,957.11
Opening balance in current period				
—Move to phase II	-363,205.45	363,205.45		
—Move to phase III				
—Back to phase II				
—Back to phase I				
Current increase	556,585.86	363,205.45		919,791.31
Current Reversal		4,181,851.60		4,181,851.60
Current Deduct				
Other changes				
6/30/2023	1,195,572.00	8,482,324.82		9,677,896.82

d) Top five entities with the largest balances of the account receivables

Company name	Business content	Amount	Aging	Proportion in the total (%)
Lianyungang Xuwei Medical Management Co., Ltd	Advance payment	735,600,000.00	Within 1 year	30.13
Lianyungang suhai Investment Co., Ltd	Related parties	716,057,224.34	Within 1 year	29.33
Lianyungang Zhangwei Enterprise Comprehensive Service Co., Ltd	Advance payment	351,000,000.00	Within 1 year	14.38
Jiangsu Fangyong Construction Investment Co., Ltd	Related parties	87,017,052.21	Within 1 year	3.56
Lianyungang Xuwei Urban Construction Engineering Co., Ltd	Related parties	60,804,254.88	Within 1 year	2.49

Company name	Business content	Amount	Aging	Proportion in the total (%)
Total		1,950,478,531.43		79.88

3. Long-term equity investment

Item	6/30/2023			12/31/2020		
	Book balance	Provision for impairment	Book Value	Book balance	Provision for impairment	Book Value
Investment in subsidiary	13,642,861,664.52		13,642,861,664.52	12,190,829,265.53		12,190,829,265.53
Investment in associate, joint venture	2,118,963,291.84		2,118,963,291.84	3,100,860,520.64		3,100,860,520.64
Total	15,761,824,956.36		15,761,824,956.36	15,291,689,786.17		15,291,689,786.17

3.1 Investment in subsidiary

Investee	12/31/2022	Increase	Decrease	6/30/2023	Provision for impairment in the current period	Closing balance of provision for impairment
Jiangsu Fangyang Logistics Co., Ltd	1,482,076,652.90	600,000,000.00		2,082,076,652.90		
Jiangsu Fangyang Water Service Co., Ltd	2,019,978,018.16	170,525,960.39		2,190,503,978.55		
Jiangsu Fangyang Modern Service Industry Group Co., Ltd	388,771,337.39			388,771,337.39		
Jiangsu Fangyang Construction Investment Co., Ltd	3,695,241,104.79	35,856,438.60		3,731,097,543.39		
Jiangsu Fangyang Construction Engineering Management Co., Ltd	50,000,000.00			50,000,000.00		
Jiangsu Fangyang Human Resource Management Co., Ltd	4,800,000.00			4,800,000.00		
Lianyungang Xuwei Urban Construction Engineering Co., Ltd	64,146,618.83			64,146,618.83		
Jiangsu Fangyang Energy Technology Co., Ltd	119,442,828.20	300,000,000.00		419,442,828.20		
Lianyungang Suhai Investment Co., Ltd	240,000,000.00			240,000,000.00		
Lianyungang Hongyang Thermal Power Co., Ltd	1,740,000,000.00			1,740,000,000.00		
Beijing Fangyang Management Consulting Co., Ltd	15,000,000.00			15,000,000.00		
Lianyungang Xuwei Port Investment Group Co., Ltd	1,504,640,000.00			1,504,640,000.00		
Jiangsu Donggang Energy Investment Co., Ltd	225,000,000.00		225,000,000.00			
China Fangyang Trading (Hong Kong) Co., Ltd	2,000,000.00			2,000,000.00		

Investee	12/31/2022	Increase	Decrease	6/30/2023	Provision for impairment in the current period	Closing balance of provision for impairment
Jiangsu Fangyang Intelligent Technology Co., Ltd	196,470,805.26			196,470,805.26		
Lianyungang Yunhai Financial Leasing Co., Ltd	443,261,900.00			443,261,900.00		
Jiangsu Fangyang culture and Art Troupe Co., Ltd		11,010,000.00		11,010,000.00		
Lianyungang Yunyu Industrial Development Co., Ltd		559,640,000.00		559,640,000.00		
Total	12,190,829,265.53	1,677,032,398.99	225,000,000.00	13,642,861,664.52		

3.2 Investment in associate, joint venture

Investee	12/31/2020	Changes in Current Period					6/30/2023
		Increase	Decrease	Profit or loss recognized under equity method	Other changes in equity	Cash divided or profit declared	
(1) Joint Venture							
Subtotal							
(2) Associated Enterprise							
Jiangsu Fangyang Energy Investment Co., Ltd	17,298,602.12			1,558,904.42		-1,712,096.70	17,145,409.84
China Energy Conservation (Lianyungang) clean technology development Co., Ltd	72,941,646.56			5,956,037.28			78,897,683.84
Jiangsu Xianghe Agricultural Development Co., Ltd	959,873,891.14			99,107.16			959,972,998.30
Jiangsu Yangjing Petrochemical Group Co., Ltd	1,051,691,493.80			11,255,706.06			1,062,947,199.86
Lianyungang Shenghong refining and chemical industry fund partnership (limited company)	999,054,887.02		-999,054,887.02				
Subtotal	3,100,860,520.64		-999,054,887.02	18,869,754.92		-1,712,096.70	2,118,963,291.84
Total	3,100,860,520.64		-999,054,887.02	18,869,754.92		-1,712,096.70	2,118,963,291.84

4. Sales and cost of sales

4.1 Sales and other operating income

Items	Year 2021		Year 2020	
	Revenue	Cost	Revenue	Cost
Main operations	2,404,714,497.99	1,887,227,520.53	1,046,461,364.34	957,379,059.77
Other operations	634,430,142.16	593,124,714.06	840,018,671.53	776,687,825.31
Total	3,039,144,640.15	2,480,352,234.59	1,886,480,035.87	1,734,066,885.08

4.2 Main operations (disclosure by branch line of business)

Items	Year 2021		Year 2020	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Engineering construction	1,000,888,552.28	892,103,596.40	817,362,531.43	754,515,633.55
Land consolidation and development			31,602,939.67	26,335,783.06
Management and maintenance			1,604,862.21	
Commodity sales	12,195,929.20	11,353,545.14		
charter business	28,009,303.21	14,588,761.51	35,346,560.16	23,033,942.72
Commercial housing sales	7,492,115.19	6,894,554.02	160,167,112.38	153,007,512.50
Land restorage	1,356,096,900.00	962,257,937.25		
Others	31,698.11	29,126.21	377,358.49	486,187.94
Total	2,404,714,497.99	1,887,227,520.53	1,046,461,364.34	957,379,059.77

4.2 Other operations (disclosure by branch line of business)

Items	Year 2021		Year 2020	
	Other operating revenue	Other operating cost	Other operating revenue	Other operating cost
Electricity income	786,003.60	915,364.28	1,790,158.77	1,798,051.72
Others	633,644,138.56	592,209,349.78	838,228,512.76	774,889,773.59
Total	634,430,142.16	593,124,714.06	840,018,671.53	776,687,825.31

5. Investment income

Item	Year 2021	Year 2020
Investment income from long-term equity investments under costmethod	21,433,400.00	
Investment income from long-term equity investments under equity method	18,869,754.92	10,544,259.76
Investment income from disposal of held to maturity investment	184,249,612.98	
Total	224,552,767.90	10,544,259.76

This report is written in Chinese and in English. Both Versions are originals. In the event of any inconsistency or conflict between the Chinese version and the English version, the Chinese version shall prevail.



营业执照 (副本)

编号 320100000202304170069



扫描二维码登录“国家企业信用信息公示系统”了解更多登记、备案、许可、监管信息。

统一社会信用代码
9132000085046285W (1/10)

名称 苏亚金诚会计师事务所(特殊普通合伙)

类型 特殊普通合伙企业

执行事务合伙人 詹从才 于龙斌

出资额 1350万元整

成立日期 2013年12月02日

主要经营场所 南京市建邺区泰山路159号正太中心大厦A座14-16层



经营范围 审查企业会计报表，出具审计报告；验证企业财务报告，出具验资报告，清算审计报告；代理会计咨询、会计培训（不含国家统一规定的会计从业资格考试培训）；法律、法规允许的其它业务。（依法须经批准的项目，经相关部门批准后方可开展经营活动）

登记机关

2023年 04月 1日

国家企业信用信息公示系统网址: <http://www.gsxt.gov.cn> 国家市场监督管理总局监制

市场主体应当于每年1月1日至6月30日通过国家企业信用信息公示系统报送公示年度报告。



防伪区

Jiangsu Fangyang Group Co., Ltd.

Auditor's Report

SYJCCPA (2023) AUDITING No.047

CPA Firm : Lianyungang branch, Suyajincheng Certified Public
Accountants LLP

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Suya Jincheng Certified Public Accountants LLP
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Translation of a report originally issued in Chinese based on our work performed in accordance with the audit regulations in force in China. In the event of a discrepancy, the Chinese-language version prevails.

AUDITOR'S REPORT

To the shareholders of Directors of Jiangsu Fangyang Group Co., Ltd.:

Opinion

We have audited the financial statements of Jiangsu Fangyang Group Co., Ltd. (hereinafter referred to as the "Fangyang Group"), which comprise the consolidated balance sheet and balance sheet as at December 31, 2022, consolidated income statement and income statement, consolidated cash flow statement and cash flow statement, consolidated statement of changes in owners' equity and statement of changes in owners' equity in 2022; and notes to the financial statements.

In our opinion, the attached financial statements are prepared, in all material respects, in accordance with Accounting Standards for Business Enterprises, present fairly the financial position of Fangyang Group as at 31 December 2022 and its operating results and cash flow in 2022.

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs") for Certified Public Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Fangyang Group in accordance with the Code of Professional Ethics for Certified Public Accountants in China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors of Fangyang Group are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and those Charged with Governance for the Financial Statements



The directors of Fangyang Group are responsible for the preparation of the financial statements that give a true and fair view in accordance with the disclosure requirements of Accounting Standards for Business Enterprises, and designing, implementing and maintaining internal control that is necessary to ensure the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing Fangyang Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate Fangyang Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Fangyang Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 Fangyang Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Fangyang Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Fangyang Group to cease to continue as a going concern.
- 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.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Fangyang Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of Fangyang Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Suya Jincheng Certified Public Accountants LLP

Lianyungang, China



Certified Public Accountant of China



Certified Public Accountant of China



Date: April 17, 2023



Jiangsu Fangyang Group Co., Ltd.

Consolidated Balance Sheet

As at December 31, 2022

Monetary Unit: RMB

Assets	Note	Balance as at December 31, 2022	Balance as at December 31, 2021
Current assets:			
Cash and cash equivalents	1	10,685,193,235.61	12,708,759,572.65
Financial assets held for trading			
Derivative financial assets			
Notes receivable	2	2,801,146.45	36,980,787.15
Accounts receivable	3	22,228,834,631.23	17,423,289,783.65
Accounts receivable financing	4	88,668,095.99	35,188,539.65
Prepayment	5	230,111,591.70	162,764,015.84
Other receivables	6	2,760,557,283.03	2,819,078,540.77
Inventories	7	3,083,106,183.34	3,062,504,074.50
Contract assets	8	35,731,864.84	1,049,868.62
Assets held for sale			
Non-current assets due within one year			
Other current assets	9	142,646,194.12	292,343,596.72
Total current assets		39,257,650,226.31	36,541,958,779.55
Non-current assets:			
Investment in debt instruments	10	62,066,825.20	31,033,412.60
Investment in other debt instruments			
Long-term receivables	11	2,285,801,583.57	3,378,727,000.26
Long-term equity investments	12	4,586,151,787.33	4,576,595,460.18
Investment in other equity instruments			
Other non-current financial assets	13	3,525,156,315.00	3,335,536,015.00
Investment property	14	23,242,240,000.00	21,004,368,200.00
Fixed assets	15	10,749,656,514.62	10,551,050,269.51
Construction in progress	16	18,332,247,588.93	14,160,776,915.97
Productive biological assets			
Oil and gas assets			
Right of use assets	17	61,192,599.42	70,729,108.42
Intangible assets	18	2,037,699,707.74	1,838,250,059.75
Development expenditure			
Goodwill			
Long-term deferred expenses	19	44,777,878.39	31,601,645.61
Deferred tax assets	20	20,839,524.25	18,718,464.07
Other non-current assets	21	240,102,697.05	583,776,879.87
Total non-current assets		65,187,933,021.50	59,581,163,431.24
Total assets		104,445,583,247.81	96,123,122,210.79

Jiangsu Fangyang Group Co., Ltd.

Consolidated Balance Sheet (Cont.)

As at December 31, 2022

Monetary Unit: RMB

Liabilities and owners' equity	Note	Balance as at December 31, 2022	Balance as at December 31, 2021
Current liabilities:			
Short-term loans	22	6,128,122,840.75	5,973,349,182.95
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payables	23	3,787,374,970.50	4,981,308,152.58
Accounts payables	24	2,125,374,094.00	1,587,556,147.60
Receipts in advance			
Contract liabilities	25	262,605,439.99	216,905,592.00
Employee benefits payable	26	16,813,997.38	23,811,349.49
Taxes payable	27	39,090,749.29	17,409,750.55
Other payables	28	1,203,252,777.11	1,035,243,522.34
Liabilities held for sale			
Non-current liabilities due within one year	29	5,563,962,242.55	4,311,014,265.20
Other current liabilities	30	4,206,371,346.19	2,130,880,378.16
Total current liabilities		23,332,968,457.76	20,277,478,340.87
Non-current liabilities:			
Long-term loans	31	32,494,665,509.78	30,487,957,834.54
Bonds payable	32	9,201,363,102.04	7,425,702,270.71
Including: preferred stock			
sustainable debt			
Lease liabilities	33	70,842,913.91	79,162,670.63
Long-term payables	34	2,044,434,123.89	1,857,432,486.56
Provision			
Deferred revenue	35	605,199,248.23	566,681,096.58
Deferred tax liabilities	20	3,457,509,722.99	3,072,120,716.70
Other non-current liabilities			
Total non-current liabilities		47,874,014,620.84	43,489,057,075.72
Total liabilities		71,206,983,078.60	63,766,535,416.59
Owners' equity (or shareholders' equity)			
Share capital	36	8,570,000,000.00	8,570,000,000.00
Other equity instruments			
Including: preferred stock			
sustainable debt			
Capital reserves	37	5,247,879,685.57	4,816,949,106.07
Less: Treasury shares			
Other comprehensive income	38	2,907,673,725.92	3,018,879,351.71
Special reserves	39	205,565.42	
Surplus reserves	40	669,950,611.68	534,784,096.41
General risk preparedness			
Undistributed profits	41	6,267,444,304.56	5,248,951,777.03
Total equity attributable to owners of the parent company		23,663,153,893.15	22,189,564,331.22
Non-controlling interests		9,575,446,276.06	10,167,022,462.98
Total owners' equity (or shareholders' equity)		33,238,600,169.21	32,356,586,794.20
Total liabilities and owners' equity		104,445,583,247.81	96,123,122,210.79

Jiangsu Fangyang Group Co., Ltd. Consolidated Income Statement

For the year ended December 31, 2022

Monetary Unit: RMB

Item	Note	2022 (Jan-Dec)	2021 (Jan-Dec)
1. Total operating income	42	16,191,167,209.23	11,913,303,442.56
Less: Operating costs	42	14,124,969,246.24	10,357,062,060.09
Taxes and surcharge	43	78,271,437.25	87,463,519.19
Selling and distribution expenses	44	27,252,841.63	32,491,784.84
Administrative expenses	45	524,663,073.92	469,293,211.89
Research and development expenses	46	141,435,278.10	65,068,972.51
Financial expenses	47	947,455,753.00	659,120,219.94
Including: interest expense		971,537,569.60	829,805,816.71
interest income		281,662,530.57	228,287,819.96
Add: Other income	48	118,754,236.05	39,336,861.02
Investment income ("-" for losses)	49	37,567,505.18	238,673,530.34
Including: income from investment in associates and joint ventures		21,059,341.12	18,263,856.43
Income from derecognition of financial assets measured at amortized cost ("-" for losses)		2,677,477.57	-161,638.88
Net exposure to hedging gains ("-" for loss)		-	-
Gains from changes in fair value ("-" for losses)	50	1,648,057,250.78	1,724,943,700.00
Credit impairment loss ("-" for losses)	51	-8,616,693.99	-2,343,182.55
Impairment loss of assets		-	-
Gains from disposal of assets ("-" for losses)	52	422,021.19	4,968,637.70
2. Operating profits ("-" for losses)		2,143,303,898.30	2,248,383,220.61
Add: Non-operating income	53	1,709,957.19	2,963,013.11
Less: Non-operating expenses	54	6,890,811.86	883,471.22
3. Total profits before tax ("-" for total losses)		2,138,123,043.63	2,250,462,762.50
Less: Income tax expenses	55	453,142,071.79	441,793,532.99
4. Net profit ("-" for net loss)		1,684,980,971.84	1,808,669,229.51
Classification by operating continuity:			
Net profit from continuing operation ("-" for losses)		1,684,980,971.84	1,808,669,229.51
Net profit from discontinued operation ("-" for losses)			
Classification by owners:			
Attributable to owners of the parent company		1,641,659,042.80	1,801,406,654.87
Attributable to non-controlling interests		43,321,929.04	7,262,574.64
5. Net of income tax effect of other comprehensive income		-79,875,919.22	-154,657,342.15
(1) Net of income tax effect of other comprehensive income attributable to owners of the parent company		-111,205,625.79	-154,657,342.15
A. Other comprehensive income items which will not be reclassified subsequently to profit or loss			
a. Remeasurement of changes in defined benefit plans			
b. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
c. Changes in fair value of other equity instrument investments			
d. Changes in fair value of enterprise's own credit risk			
B. Other comprehensive income items which will be reclassified subsequently to profit or loss		-111,205,625.79	-154,657,342.15
a. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss			
b. Changes in fair value of other debt investments			
c. Amount of financial assets reclassified into other comprehensive income			
d. Provision for credit impairment of other debt investments			
e. The effective hedging portion of gains or losses arising from cash flow hedging instruments			
f. Translation differences arising on translation of foreign currency financial statements			
g. Others		-111,205,625.79	-154,657,342.15
(2) Net of income tax effect of other comprehensive income attributable to non-controlling interests		31,329,706.57	
6. Total comprehensive income		1,605,105,052.62	1,654,011,887.36
Total comprehensive income attributable to owners of the parent company		1,530,453,417.01	1,646,749,312.72
Total comprehensive income attributable to non-controlling interests		74,651,635.61	7,262,574.64
7. Earnings per share			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Jiangsu Fangyang Group Co., Ltd.

Consolidated Cash Flows Statement

For the year ended December 31, 2022

Monetary Unit: RMB

Item	Note	2022 (Jan-Dec)	2021 (Jan-Dec)
1. Cash flows from operating activities			
Cash received from sale of goods and rendering of services		12,422,219,492.93	7,960,582,193.75
Refunds of taxes and surcharges		888,356,306.47	92,133,641.81
Cash received from other operating activities		2,952,290,561.61	2,038,010,411.06
Sub-total of cash inflows from operating activities		16,262,866,361.01	10,090,726,246.62
Cash paid for goods purchased and services received		14,226,974,710.21	8,747,033,067.20
Cash paid to and on behalf of employees		646,468,683.18	524,448,135.80
Cash paid for taxes and surcharges		204,992,439.02	152,584,283.67
Cash paid for other operating activities		672,842,303.75	964,098,218.87
Sub-total of cash outflows from operating activities		15,751,278,136.16	10,388,163,705.54
Net cash flows from operating activities		511,588,224.85	-297,437,458.92
2. Cash flows from investing activities			
Cash received from disposal of investments		5,322,491,686.48	1,499,437,207.07
Cash received from returns on investments		3,656,325.62	42,788,296.51
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		11,746,958.01	19,667,201.53
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities			
Sub-total of cash inflows from investing activities		5,337,894,970.11	1,561,892,705.11
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		6,134,582,325.54	6,695,556,519.33
Cash paid for investments		5,564,653,712.60	2,461,932,425.20
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities		596,880.53	
Sub-total of cash outflows from investing activities		11,699,832,918.67	9,157,488,944.53
Net cash flows from investing activities		-6,361,937,948.56	-7,595,596,239.42
3. Cash flows from financing activities			
Cash received from investors		751,970,300.00	3,784,262,200.00
Including: cash received by subsidiaries from investments by non-controlling shareholders		11,340,000.00	2,000,000,000.00
Cash received from borrowings		23,527,699,490.46	23,826,857,245.00
Cash received from bonds issue		3,095,800,000.00	4,018,295,431.50
Cash received from other financing activities			794,500,000.00
Sub-total of cash inflows from financing activities		27,375,469,790.46	32,423,914,876.50
Cash repayments of borrowings		19,779,024,681.42	19,766,121,195.41
Cash paid for distribution of dividends and profits or payment of interest		3,143,007,837.77	2,640,554,547.60
Including: dividends and profits paid to non-controlling shareholders by subsidiaries			
Cash paid for other financing activities		519,041,216.11	1,893,247,155.07
Sub-total of cash outflows from financing activities		23,441,073,735.30	24,299,922,898.08
Net cash flows from financing activities		3,934,396,055.16	8,123,991,978.42
4. Effect of foreign exchange rate changes on cash and cash equivalents			-23,619,893.87
5. Net increase/(decrease) in cash and cash equivalents		-1,915,953,668.55	207,338,386.21
Add: balance of cash and cash equivalents at the beginning of the period		7,578,867,676.36	7,371,529,290.15
6. Balance of cash and cash equivalents at the end of the period		5,662,914,007.81	7,578,867,676.36

Jiangsu Fangyang Group Co., Ltd.
Consolidated Statement of Changes in Shareholders' Equity

For the year ended December 31, 2022

Monetary Unit: RMB

Item	2022 (Jan-Dec)											Total shareholders' equity	
	Equity attributable to owners of the parent company												
	Share capital	Preferred stock	Sustainable debt	Others	Capital reserve	Minus: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		Minority equity
1. Balance as at the end of last year	8,570,000,000.00				4,816,949,106.07		3,018,879,351.71		534,784,096.41		5,248,951,777.03	10,167,022,462.98	32,356,586,794.20
Add: adjustments for changes in accounting policies													
Adjustments for correction of accounting errors in prior year													
Merger of enterprises under the same control													
Others													
2. Balance as at the beginning of the current year	8,570,000,000.00				4,816,949,106.07		3,018,879,351.71		534,784,096.41		5,248,951,777.03	10,167,022,462.98	32,356,586,794.20
3. Increases/decreases in equity for the year ("-" for decreases)					430,930,579.50		-111,205,625.79	205,565.42	135,166,515.27		1,018,492,527.53	-591,576,186.92	882,013,375.01
(1) Total comprehensive income							-111,205,625.79				1,641,659,042.80	74,651,635.61	1,605,105,052.62
(2) Capital contributed or decreased by owners					430,930,579.50							-666,227,822.53	-235,297,243.03
a. Capital contributions by owners					740,630,300.00							11,340,000.00	751,970,300.00
b. Capital contributions by other equity instruments holders													
c. Amounts of share-based payments recognized in owners' equity													
d. Others					-309,699,720.50							-677,567,822.53	-987,267,243.03
(3) Profit distribution									135,166,515.27		-623,166,515.27		-488,000,000.00
a. Appropriation of surplus reserves									135,166,515.27		-135,166,515.27		
b. Appropriation of general risk reserve													
c. Profit distributed to owners (or shareholders)													-488,000,000.00
d. Others													
(4) Internal carry-forward of owners' equity													
a. Conversion of capital reserves into paid-in capital (or share capital)													
b. Conversion of surplus reserves into paid-in capital (or share capital)													
c. Surplus reserves offsetting losses													
d. Change of Defined Benefit Plan transferred to retained earnings													
e. Other comprehensive income carried forward to retained earnings													
f. Others													
(5) General risk reserve								205,565.42					205,565.42
a. Appropriation for the period								321,120.00					321,120.00
b. Use for the period								115,554.58					115,554.58
4. Balance as at the end of the current year	8,570,000,000.00				5,247,879,685.57		2,907,673,725.92	205,565.42	669,950,611.68		6,267,444,304.56	9,575,446,276.06	33,238,600,169.21

Jiangsu Fangyang Group Co., Ltd.
Consolidated Statement of Changes in Shareholders' Equity

For the year ended December 31, 2022

Monetary Unit: RMB

Item	Equity attributable to owners of the parent company										Minority equity	Total shareholders' equity
	Share capital	Other equity instruments		Capital reserve	Minus: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
		Preferred stock	Sustainable debt									
1. Balance as at the end of last year	7,500,000,000.00			3,425,342,903.71		3,173,536,693.86		411,653,439.12		3,570,675,779.45	10,007,179,498.06	28,088,388,314.20
Add: adjustments for changes in accounting policies												
Adjustments for correction of accounting errors in prior year												
Merger of enterprises under the same control												
Others												
2. Balance as at the beginning of the current year	7,500,000,000.00			3,425,342,903.71		3,173,536,693.86		411,653,439.12		3,570,675,779.45	10,007,179,498.06	28,088,388,314.20
3. Increases/decreases in equity for the year ("-" for decreases)				1,391,606,202.36		-154,657,342.15		123,130,657.29		1,678,275,997.58	159,842,964.92	4,268,198,480.00
(1) Total comprehensive income						-154,657,342.15				1,801,406,654.87	7,262,574.64	1,654,011,887.36
(2) Capital contributed or decreased by owners	1,070,000,000.00			1,391,606,202.36							152,580,390.28	2,614,186,592.64
a. Capital contributions by owners	1,070,000,000.00			714,262,200.00							2,000,000,000.00	3,784,262,200.00
b. Capital contributions by other equity instruments holders												
c. Amounts of share-based payments recognized in owners' equity												
d. Others				677,344,002.36							-1,847,419,609.72	-1,170,075,607.36
(3) Profit distribution								123,130,657.29		-123,130,657.29		
a. Appropriation of surplus reserves								123,130,657.29		-123,130,657.29		
b. Appropriation of general risk reserve												
c. Profit distributed to owners (or shareholders)												
d. Others												
(4) Internal carry-forward of owners' equity												
a. Conversion of capital reserves into paid-in capital (or share capital)												
b. Conversion of surplus reserves into paid-in capital (or share capital)												
c. Surplus reserves offsetting losses												
d. Change of Defined Benefit Plan transferred to retained earnings												
e. Other comprehensive income carried forward to retained earnings												
f. Others												
(5) General risk reserve												
a. Appropriation for the period												
b. Use for the period												
4. Balance as at the end of the current year	8,570,000,000.00			4,816,949,106.07		3,018,879,351.71		534,784,096.41		5,248,951,777.03	10,167,022,462.98	32,356,586,794.20

Jiangsu Fangyang Group Co., Ltd.

Balance Sheet

As at December 31, 2022

Monetary Unit: RMB

Assets	Note	Balance as at December 31, 2022	Balance as at December 31, 2021
Current assets:			
Cash and cash equivalents		5,668,197,477.25	5,278,899,242.58
Financial assets held for trading			
Derivative financial assets			
Notes receivable			50,000.00
Accounts receivable	1	15,396,662,179.12	12,512,446,023.09
Accounts receivable financing			
Prepayment		44,587,164.42	64,100,022.44
Other receivables	2	2,058,337,581.76	2,232,053,610.11
Inventories		371,509,597.12	513,497,157.77
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		23,415,783.05	31,527,899.31
Total current assets		23,562,709,782.72	20,632,573,955.30
Non-current assets:			
Investment in debt instruments			
Investment in other debt instruments			
Long-term receivables		2,275,746,546.29	3,293,671,962.98
Long-term equity investments	3	16,414,990,806.71	15,761,824,956.36
Investment in other equity instruments			
Other non-current financial assets		3,493,716,315.00	3,323,086,015.00
Investment property		15,901,431,900.00	14,613,966,700.00
Fixed assets		4,165,636,866.31	3,854,524,919.53
Construction in progress		5,350,425,829.93	4,467,206,841.29
Productive biological assets			
Oil and gas assets			
Right of use assets			
Intangible assets		715,027,695.03	491,307,702.43
Development expenditure			
Goodwill			
Long-term deferred expenses		1,597,973.30	3,195,946.58
Deferred tax assets		5,311,754.70	2,432,740.36
Other non-current assets			
Total non-current assets		48,323,885,687.27	45,811,217,784.53
Total assets		71,886,595,469.99	66,443,791,739.83

Jiangsu Fangyang Group Co., Ltd.

Balance Sheet (Cont.)

As at December 31, 2022

Monetary Unit: RMB

Liabilities and owners' equity	Note	Balance as at December 31, 2022	Balance as at December 31, 2021
Current liabilities:			
Short-term loans		2,411,673,659.18	3,350,749,182.95
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payables		1,303,539,631.22	2,062,803,102.73
Accounts payables		724,005,161.80	681,982,001.43
Receipts in advance			
Contract liabilities		109,288,784.49	75,298,838.08
Employee benefits payable		153,512.07	2,414,219.56
Taxes payable		230,518.03	208,248.92
Other payables		26,290,605,228.84	22,890,245,370.78
Liabilities held for sale			
Non-current liabilities due within one year		2,161,491,124.42	2,242,601,710.34
Other current liabilities		4,193,375,408.22	2,121,891,166.67
Total current liabilities		37,194,363,028.27	33,428,193,841.46
Non-current liabilities:			
Long-term loans		6,878,592,292.00	8,188,219,834.04
Bonds payable		6,670,030,898.20	5,458,683,496.50
Including: preferred stock			
sustainable debt			
Lease liabilities			
Long-term payables		22,909,802.23	106,916,311.98
Provision			
Deferred revenue		119,172,838.72	121,048,505.40
Deferred tax liabilities		2,486,221,749.24	2,013,491,720.55
Other non-current liabilities			
Total non-current liabilities		16,176,927,580.39	15,888,359,868.47
Total liabilities		53,371,290,608.66	49,316,553,709.93
Owners' equity (or shareholders' equity)			
Share capital		8,570,000,000.00	8,570,000,000.00
Other equity instruments			
Including: preferred stock			
sustainable debt			
Capital reserves		2,921,993,106.71	2,393,071,001.92
Less: Treasury shares			
Other comprehensive income		1,806,184,700.88	1,810,705,126.91
Special reserves			
Surplus reserves		669,950,611.68	534,784,096.41
General risk preparedness			
Undistributed profits		4,547,176,442.06	3,818,677,804.66
Total owners' equity (or shareholders' equity)		18,515,304,861.33	17,127,238,029.90
Total liabilities and owners' equity		71,886,595,469.99	66,443,791,739.83

Jiangsu Fangyang Group Co., Ltd.

Income Statement

For the year ended December 31, 2022

Monetary Unit: RMB

Item	Note	2022 (Jan-Dec)	2021 (Jan-Dec)
1. Total operating income	4	2,903,518,900.72	3,039,144,640.15
Less: Operating costs	4	2,138,940,288.04	2,480,352,234.59
Taxes and surcharge		27,812,843.35	29,594,848.04
Selling and distribution expenses			71,187.73
Administrative expenses		316,044,367.64	273,163,329.49
Research and development expenses			
Financial expenses		642,404,472.72	296,119,611.55
Including: interest expense		991,457,954.93	429,444,995.79
interest income		276,592,634.41	186,397,060.67
Add: Other income		72,973,812.35	4,561,636.37
Investment income ("-" for losses)	5	91,378,021.50	224,552,767.90
Including: income from investment in associates and joint ventures		78,619,088.44	18,869,754.92
Income from derecognition of financial assets measured at amortized cost ("-" for losses)			
Net exposure to hedging gains ("-" for loss)			
Gains from changes in fair value ("-" for losses)		1,896,947,350.78	1,380,945,300.00
Credit impairment loss ("-" for losses)		-11,492,657.34	3,287,442.36
Impairment loss of assets			
Gains from disposal of assets ("-" for losses)		19,657.76	3,877,053.09
2. Operating profits ("-" for losses)		1,828,143,114.02	1,577,067,628.47
Add: Non-operating income		77,512.40	515,195.61
Less: Non-operating expenses		5,191,800.40	218,065.60
3. Total profits before tax ("-" for total losses)		1,823,028,826.02	1,577,364,758.48
Less: Income tax expenses		471,363,673.35	346,058,185.58
4. Net profit ("-" for net loss)		1,351,665,152.67	1,231,306,572.90
Classification by operating continuity:			
Net profit from continuing operation ("-" for losses)			
5. Net of income tax effect of other comprehensive income		-4,520,426.03	-59,839,371.61
(1) Other comprehensive income items which will not be reclassified subsequently to profit or loss			
a. Remeasurement of changes in defined benefit plans			
b. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
c. Changes in fair value of other equity instrument investments			
d. Changes in fair value of enterprise's own credit risk			
(2) Other comprehensive income items which will be reclassified subsequently to profit or loss		-4,520,426.03	-59,839,371.61
a. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss			
b. Changes in fair value of other debt investments			
c. Amount of financial assets reclassified into other comprehensive income			
d. Provision for credit impairment of other debt investments			
e. The effective hedging portion of gains or losses arising from cash flow hedging instruments			
f. Translation differences arising on translation of foreign currency financial statements			
g. Other		-4,520,426.03	-59,839,371.61
6. Total comprehensive income		1,347,144,726.64	1,171,467,201.29
7. Earnings per share			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Jiangsu Fangyang Group Co., Ltd.

Cash Flows Statement

For the year ended December 31, 2022

Monetary Unit: RMB

Item	Note	2022 (Jan-Dec)	2021 (Jan-Dec)
1. Cash flows from operating activities			
Cash received from sale of goods and rendering of services		169,359,128.14	50,024,522.69
Refunds of taxes and surcharges		21,085,070.97	
Cash received from other operating activities		8,821,443,056.89	6,508,251,868.47
Sub-total of cash inflows from operating activities		9,011,887,256.00	6,558,276,391.16
Cash paid for goods purchased and services received		2,695,563,533.61	2,159,626,022.91
Cash paid to and on behalf of employees		125,945,676.05	130,522,168.67
Cash paid for taxes and surcharges		57,580,181.79	52,980,658.07
Cash paid for other operating activities		3,131,447,425.39	2,339,473,666.19
Sub-total of cash outflows from operating activities		6,010,536,816.84	4,682,602,515.84
Net cash flows from operating activities		3,001,350,439.16	1,875,673,875.32
2. Cash flows from investing activities			
Cash received from disposal of investments		4,846,750,933.06	1,268,304,500.00
Cash received from returns on investments		2,411,013.97	1,712,096.70
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		36,000.00	3,877,053.09
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities			
Sub-total of cash inflows from investing activities		4,849,197,947.03	1,273,893,649.79
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		1,325,585,152.69	39,103,102.51
Cash paid for investments		5,618,530,300.00	1,034,262,200.00
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities		577,916.67	
Sub-total of cash outflows from investing activities		6,944,693,369.36	1,073,365,302.51
Net cash flows from investing activities		-2,095,495,422.33	200,528,347.28
3. Cash flows from financing activities			
Cash received from investors		740,630,300.00	1,784,262,200.00
Cash received from borrowings		12,096,251,842.96	10,892,669,920.00
Cash received from other financing activities			
Sub-total of cash inflows from financing activities		12,836,882,142.96	12,676,932,120.00
Cash repayments of borrowings		11,423,850,829.57	11,953,711,134.52
Cash paid for distribution of dividends and profits or payment of interest		1,672,100,083.81	1,364,988,729.63
Cash paid for other financing activities			1,065,704,060.63
Sub-total of cash outflows from financing activities		13,095,950,913.38	14,384,403,924.78
Net cash flows from financing activities		-259,068,770.42	-1,707,471,804.78
4. Effect of foreign exchange rate changes on cash and cash equivalents			-4,649,932.53
5. Net increase/(decrease) in cash and cash equivalents		646,786,246.41	364,080,485.29
Add: balance of cash and cash equivalents at the beginning of the period		1,970,725,066.51	1,606,644,581.22
6. Balance of cash and cash equivalents at the end of the period		2,617,511,312.92	1,970,725,066.51

Jiangsu Fangyang Group Co., Ltd.
Statement of Changes in Shareholders' Equity

For the year ended December 31, 2022

Monetary Unit: RMB

Item	Share capital	Other equity instruments			Capital reserve	Minus: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Total shareholders' equity
		Preferred stock	Sustainable debt	Others								
1. Balance as at the end of last year	8,570,000,000.00				2,393,071,001.92		1,810,705,126.91		534,784,096.41		3,818,677,804.66	17,127,238,029.90
Add: adjustments for changes in accounting policies												
Adjustments for correction of accounting errors in prior year												
Others												
2. Balance as at the beginning of the current year	8,570,000,000.00				2,393,071,001.92		1,810,705,126.91		534,784,096.41		3,818,677,804.66	17,127,238,029.90
3. Increases/decreases in equity for the year ("-" for decreases)					528,922,104.79		-4,520,426.03		135,166,515.27		728,498,637.40	1,388,066,831.43
(1) Total comprehensive income							-4,520,426.03				1,351,665,152.67	1,347,144,726.64
(2) Capital contributed or decreased by owners					528,922,104.79							528,922,104.79
a. Capital contributions by owners					740,630,300.00							740,630,300.00
b. Capital contributions by other equity instruments holders												
c. Amounts of share-based payments recognized in owners' equity												
d. Others					-211,708,195.21							-211,708,195.21
(3) Profit distribution									135,166,515.27		-623,166,515.27	-488,000,000.00
a. Appropriation of surplus reserves									135,166,515.27		-135,166,515.27	
b. Appropriation of general risk reserve												
c. Profit distributed to owners (or shareholders)												
d. Others												
(4) Internal carry-forward of owners' equity												
a. Conversion of capital reserves into paid-in capital (or share capital)												
b. Conversion of surplus reserves into paid-in capital (or share capital)												
c. Surplus reserves offsetting losses												
d. Change of Defined Benefit Plan transferred to retained earnings												
e. Other comprehensive income carried forward to retained earnings												
f. Others												
(5) Special reserves												
a. Appropriation for the period												
b. Use for the period												
4. Balance as at the end of the current year	8,570,000,000.00				2,921,993,106.71		1,806,184,700.88		669,950,611.68		4,547,176,442.06	18,515,304,861.33

Jiangsu Fangyang Group Co., Ltd.
Statement of Changes in Shareholders' Equity
For the year ended December 31, 2022

Monetary Unit: RMB

Item	2021 (Jan-Dec)											
	Share capital	Other equity instruments			Capital reserve	Minus: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Total shareholders' equity
		Preferred stock	Sustainable debt	Others								
1. Balance as at the end of last year	7,500,000,000.00				1,805,098,801.92		1,870,544,498.52		411,653,439.12		2,710,501,889.05	14,297,798,628.61
Add: adjustments for changes in accounting policies												
Adjustments for correction of accounting errors in prior year												
Others												
2. Balance as at the beginning of the current year	7,500,000,000.00				1,805,098,801.92		1,870,544,498.52		411,653,439.12		2,710,501,889.05	14,297,798,628.61
3. Increases/decreases in equity for the year ("-" for decreases)	1,070,000,000.00				587,972,200.00		-59,839,371.61		123,130,657.29		1,108,175,915.61	2,829,439,401.29
(1) Total comprehensive income							-59,839,371.61				1,231,306,572.90	1,171,467,201.29
(2) Capital contributed or decreased by owners	1,070,000,000.00				587,972,200.00							1,657,972,200.00
a. Capital contributions by owners	1,070,000,000.00				714,262,200.00							1,784,262,200.00
b. Capital contributions by other equity instruments holders												
c. Amounts of share-based payments recognized in owners' equity												
d. Others					-126,290,000.00							-126,290,000.00
(3) Profit distribution									123,130,657.29		-123,130,657.29	
a. Appropriation of surplus reserves									123,130,657.29		-123,130,657.29	
b. Appropriation of general risk reserve												
c. Profit distributed to owners (or shareholders)												
d. Others												
(4) Internal carry-forward of owners' equity												
a. Conversion of capital reserves into paid-in capital (or share capital)												
b. Conversion of surplus reserves into paid-in capital (or share capital)												
c. Surplus reserves offsetting losses												
d. Change of Defined Benefit Plan transferred to retained earnings												
e. Other comprehensive income carried forward to retained earnings												
f. Others												
(5) Special reserves												
a. Appropriation for the period												
b. Use for the period												
4. Balance as at the end of the current year	8,570,000,000.00				2,393,071,001.92		1,810,705,126.91		534,784,096.41		3,818,677,804.66	17,127,238,029.90

Jiangsu Fangyang Group Co., Ltd.
Statement of Changes in Shareholders' Equity
For the year ended December 31, 2022

Item	2021 (Jan-Dec)										Monetary Unit: RMB
	Share capital	Other equity instruments		Capital reserve	Minus: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Total shareholders' equity
		Preferred stock	Sustainable debt								
1. Balance as at the end of last year	7,500,000,000.00			1,805,098,801.92		1,870,544,498.52		411,653,439.12		2,710,501,889.05	14,297,798,628.61
Add: adjustments for changes in accounting policies											
Adjustments for correction of accounting errors in prior year											
Others											
2. Balance as at the beginning of the current year	7,500,000,000.00			1,805,098,801.92		1,870,544,498.52		411,653,439.12		2,710,501,889.05	14,297,798,628.61
3. Increases/decreases in equity for the year ("-" for decreases)	1,070,000,000.00			587,972,200.00		-59,839,371.61		123,130,657.29		1,108,175,915.61	2,829,439,401.29
(1) Total comprehensive income						-59,839,371.61				1,231,306,572.90	1,171,467,201.29
(2) Capital contributed or decreased by owners	1,070,000,000.00			587,972,200.00							1,657,972,200.00
a. Capital contributions by owners	1,070,000,000.00			714,262,200.00							1,784,262,200.00
b. Capital contributions by other equity instruments holders											
c. Amounts of share-based payments recognized in owners' equity											
d. Others				-126,290,000.00							-126,290,000.00
(3) Profit distribution								123,130,657.29		-123,130,657.29	
a. Appropriation of surplus reserves								123,130,657.29		-123,130,657.29	
b. Appropriation of general risk reserve											
c. Profit distributed to owners (or shareholders)											
d. Others											
(4) Internal carry-forward of owners' equity											
a. Conversion of capital reserves into paid-in capital (or share capital)											
b. Conversion of surplus reserves into paid-in capital (or share capital)											
c. Surplus reserves offsetting losses											
d. Change of Defined Benefit Plan transferred to retained earnings											
e. Other comprehensive income carried forward to retained earnings											
f. Others											
(5) Special reserves											
a. Appropriation for the period											
b. Use for the period											
4. Balance as at the end of the current year	8,570,000,000.00			2,393,071,001.92		1,810,705,126.91		534,784,096.41		3,818,677,804.66	17,127,238,029.90

JIANGSU FANGYANG GROUP CO., LTD.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

(All amounts are expressed in CNY unless otherwise stated)

I. Company Profile

1. Company Overview

The predecessor of Jiangsu Fangyang Group Co., Ltd. (hereinafter referred to as "Fangyang Group" or the "Company") was Xuwei Development and Construction Co., Ltd. In Lianyungang, which was established with the investment of Lianyungang Municipal People's government. It was registered with Lianyungang Administration for Industry and Commerce on April 24, 2009, with the unified social credit code of 913207006891584562.

Type of company: limited liability company (state-owned sole proprietorship). The shareholder is the Lianyungang Municipal People's Government. On August 11, 2021, the company's registered capital was changed from CNY 8.0 billion to CNY11.0 billion), and the paid-in capital is CNY 8.57 billion.

Legal representative: Yan Hongmin. The company's domicile: Industrial Service Center, 66 Xuwei Avenue, Xuwei New District, Lianyungang City

Business scope of the Company: industrial investment; port shoreline development; construction project management; property management, municipal engineering, landscaping engineering, earth and stone engineering, industrial and civil construction engineering, steel structure engineering, foundation and basic engineering, interior and exterior decoration Engineering construction; self-operated and agent import and export business of various commodities and technologies with an exception of goods and technologies that are restricted or prohibited by the state; warehousing services; house leasing; house repair; construction materials, sales of metal materials; underground integrated pipeline network and gallery Construction and operation management; properties development and sales. (subject to the approval of the project, approved by the relevant departments to carry out business activities before).

2. Consolidated Financial Statement Scope

The scope of consolidation of the Company's consolidated financial statements is based on control, and all subsidiaries are included in the consolidation scope of the consolidated financial statements.

The change of scope of consolidated statements is shown in the following table:

2.1 The business entities that are newly incorporated into the scope of the merger:

Company name	Obtaining Method
Lianyungang Fangyi Asset Management Co., Ltd	Newly established
Lianyungang Fangyang Construction Investment Asset Management Co., Ltd	Newly established
Lianyungang Fangyang Energy Asset Management Co., Ltd	Newly established
Lianyungang Dongshan Asset Management Co., Ltd	Newly established
Lianyungang Petrochemical Industry Base Commodity Trading Service Co., Ltd	Newly established
Lianyungang Fangyang Water Asset Management Co., Ltd	Investment establishment

2.2. The business entities that are not incorporated into the scope of the merger, the structural entities or business entities forming control in the other way:

Company name	Reason
Beijing Fangyang Management Consulting Co., Ltd	Company cancelled

Company name	Reason
Lianyungang Yunyu Industrial Development Co., Ltd	Company cancelled
Lianyungang Xuwei Port Liquid Chemical Terminal Co., Ltd	Company cancelled

Details of the sub companies incorporated into the consolidated financial statements show on “Note VII. Interests in subsidiaries”, changes of consolidated scope see details in “Note VI. Changes in consolidated scope”.

II. Basis of preparation of financial statements

1. Base preparation

The Company prepares its financial statements on a going concern basis, and recognizes and measures its accounting items in compliance with the Accounting Standards for Business Enterprises—Basic Standards and various concrete accounting standards, and other relevant provisions on the basis of actual transactions and events.

2. Continuous operation

The company’s management believes that the company has the ability to continue to operate at least 12 months since the end of the final period.

III. Significant Accounting Policies, Accounting Estimates

1. Statement on compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises and truly and completely reflect the Company's financial position, operating results, cash flows and other related information for the reporting period.

2. Accounting period

The accounting year of the Company is from January 1 to December 31 in calendar year.

3. Functional currency

The Company adopts CNY as functional currency.

4. Accounting treatment methods for business combination under and not under common control

4.1 Accounting treatment method for business combination under common control

Business combination under common control is accounted for under pooling of interest method.

Assets and liabilities obtained by the Company through business combination under common control shall be measured at the book value as stated in the consolidated financial statements of the ultimate controlling party at combination date; the initial investment cost of long-term equity investments in the individual financial statements shall be the absorbing party’s share of the carrying amount of the owners’ equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party. The differences between initial investment cost of long-term equity investments and consideration of the combination(including cash paid, non-cash assets transferred, the liabilities incurred or assumed or the aggregate face value of the share issued) shall be adjusted to capital reserve(stock premium or capital premium). If the capital reserve (stock premium or capital premium) is insufficient to offset, offset surplus reserve and undistributed profit in turn.

4.2 Accounting treatment method for business combination not under common control

The Company accounts for business combination not under common control under purchase method.

- a) All the net identifiable assets, liabilities or contingent liabilities obtained by the Company through business combination not under common control shall be measured based on the fair values of assets

paid, liabilities incurred or assumed and the equity securities issued as consideration for combination on the acquisition date, and differences between their fair values and book values shall be included in the current profit and loss.

- b) The cost of acquisition shall be respectively determined for the following conditions;
 - i. Business combination of a transaction implementation, the combination cost shall be the sum of the fair values of the assets given, the liabilities incurred or assumed and the equity securities issued by the Company in exchange for the control on the acquisition date, and contingent considerations meeting the recognition conditions. The combination cost is the initial investment costs of long-term equity investments in individual financial statements.
 - ii. Business combination through multiple transactions step by step to realized, the combination cost shall be the sum of the fair value measurement on the acquisition of the equity investment that holding before the acquisition date and cost of all the new investment on the acquisition date. Long-term equity investment cost in individual financial statements shall be the sum of the book value of the equity investment that holding before the acquisition date and cost of all the new investment on the acquisition date. Except for a single transaction.
 - c) The Company, on the acquisition date, allocates the combination costs between the identifiable assets and liabilities acquired
 - i. All assets of the acquiree obtained by the Company through business combination(not limited to those that have been recognized by the acquiree), other than intangible assets, shall be separately recognized and measured at fair value when the future economic benefits arising thereafter are expected to flow into the Company and the fair value can be reliably measured.
 - ii. Intangible assets of the acquiree obtained by the Company through business combination shall be separately recognized and measured at fair value when their fair values can be reliably measured.
 - iii. All liabilities of the acquiree obtained by the Company through business combination, other than contingent liabilities, shall be separately recognized and measured at fair value when fulfillment of relevant obligations are expected to bring future economic benefits to the Company and the fair value can be reliably measured.
 - iv. Contingent liabilities of the acquiree obtained by the Company through business combination shall be separately recognized as liabilities and measured at fair value when their fair values can be reliably measured.
 - v. When the Company allocates the cost of business combination and recognizes the identifiable assets and liabilities acquired through combination, it shall not include any goodwill and deferred income taxes that have been recognized by the acquiree before the business combination.
 - d) Treatment of the difference between the business combination costs and the fair value of net identifiable asset acquired from the acquiree through combination
 - i. The Company shall recognize the difference of the combination costs in excess of the fair value of the net identifiable asset acquired from the acquiree through combination as goodwill.
 - ii. The Company shall recognize the difference of the combination costs in short of the fair value of the net identifiable asset acquired from the acquiree through combination according to the following provisions:
 - 1) Review the measurement of fair values of all the identifiable assets, liabilities and contingent liabilities acquired from the acquiree and the combination costs;
 - 2) After the review, if the combination costs are still in short of the fair value of the net identifiable asset acquired from the acquiree through combination, include the difference in the current profit and loss.
- 4.3. Treatment of relevant expenses arising from the Company's business combination
- a) Relevant expenses directly arising from the business combination of the Company (including the expenses for audit, legal services, evaluation and consultation or other intermediary costs for business combination) shall be included in the current profit and loss when they are incurred.

- b) Commissions, fees and other expenses paid on issuance of bonds and undertaking of other debts for the business combination shall be included in the initial measurement amount of debt securities.
 - i. Where the bonds are issued at discount or par value, that part of expenses will increase the amount of the discount;
 - ii. Where the bonds are issued at premium, that part of expenses will decrease the amount of the premium.
- c) Fees, commissions, and other transaction expenses paid on issuance of equity securities as combination consideration in the business combination shall be included in the initial measurement amount of equity securities.
 - i. Where the equity securities are issued at premium, that part of expenses shall be deducted from capital reserves (stock premium);
 - ii. Where the equity securities are issued at par value or discount, that part of expenses shall be deducted from the retained earnings.

5. Preparation of consolidated financial statements

5.1 Consistency of accounting policies and accounting period

All the subsidiaries within the consolidation scope of consolidated financial statements shall adopt the same accounting policies and accounting periods as those of the Company. If the accounting policies or accounting periods of a subsidiary are different from those of the Company, the financial statements of the subsidiary, upon preparation of consolidated financial statements, shall be adjusted according to the accounting policies and accounting periods of the Company.

5.2 Preparation method of consolidated financial statements

The consolidated financial statements are based on the financial statements of the Company and its subsidiaries, and are prepared by the parent company according to other relevant information after the adjustment to long-term equity investments in subsidiaries under the equity method and the elimination of effects of the internal transactions between the Company and its subsidiaries and between the subsidiaries on the consolidated financial statement.

5.3 Reflection of excess losses incurred to a subsidiary in the consolidated financial statements

In the consolidated financial statements, where the current losses undertaken by the parent company are in excess of its share of owners' equity in the subsidiary at the beginning of the period, the balance shall reduce the owners' equity (retained earnings) of the parent company; where the current losses undertaken by a subsidiary's non-controlling interests exceed their share of owners' equity in the subsidiary at the beginning of the period, the balance shall reduce the non-controlling interests.

5.4 Changes in number of subsidiaries during the reporting period

a) Acquisition of subsidiaries during the reporting period

- i. Treatment of acquiring subsidiaries from business combination under common control during the reporting period

During the reporting period, if the Company acquires subsidiaries from the business combination under common control, the beginning balance in the consolidated balance sheet shall be adjusted. The income, expenses and profits of the newly acquired subsidiaries from the beginning to the end of the reporting period shall be included in the consolidated income statement. The cash flows of the newly acquired subsidiaries from the beginning to the end of the reporting period shall be included in the consolidated statement of cash flows.

- ii. Treatment of acquiring subsidiaries from business combination not under common control during the reporting period

During the reporting period, if the Company acquires subsidiaries from the business combination not under common control, the beginning balance in the consolidated balance sheet shall not be adjusted. The income, expenses and profits of the newly acquired subsidiaries from the

acquisition date to the end of the reporting period shall be included in the consolidated income statement. The cash flows of the newly acquired subsidiaries from the acquisition date to the end of the reporting period shall be included in the consolidated statement of cash flows.

b) Treatment of disposing subsidiaries during the reporting period

During the reporting period, if the Company disposes subsidiaries, the beginning balance in the consolidated balance sheet shall not be adjusted. The income, expenses and profits of the newly disposed subsidiaries from the beginning to the disposal date shall be included in the consolidated income statement. The cash flows from the beginning to the disposal date shall be included in the consolidated statement of cash flows.

6. Cash and cash equivalents

The term “cash” refers to cash on hand and unrestricted bank deposit and other cash and cash equivalents.

The term “cash equivalents” refers to short-term (maturing within three months from acquisition) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

7. Foreign currency transactions and translation of foreign currency statements

7.1 Accounting method of foreign currency transactions

a) Initial recognition of foreign currency transactions

For foreign currency transactions incurred, the Company converts the amount in foreign currency into the amount in functional currency at the spot exchange rate (middle rate) announced by the People's Bank of China on the transaction date. Among them, for foreign currency exchange occurred or transaction involving foreign currency exchange, the Company converts at the exchange rate actually adopted on the transaction date.

b) Adjustment or settlement on the balance sheet date or settlement date

On the balance sheet date or the settlement date, the Company handles foreign currency monetary items and foreign currency non-monetary items separately in accordance with the following methods:

i. Accounting principles for handling foreign currency monetary items

For foreign currency monetary items, on the balance sheet date or the settlement date, the Company converts them by using the spot exchange rate (middle rate) prevailing on the balance sheet date or settlement date, and adjusts the amount in functional currency of foreign currency monetary items in respect of the difference arising from exchange rate fluctuations, which shall be treated as exchange difference at the same time. Among them, the exchange differences arising from foreign currency borrowings relating to the acquisition, construction or production of assets eligible for capitalization shall be included in the costs of assets eligible for capitalization; other exchange differences shall be included in the current financial expenses.

ii. Accounting principles for handling foreign currency non-monetary items

1) For foreign currency non-monetary items measured at historical cost, the Company shall convert them at the spot exchange rate (middle rate) prevailing on the transaction date, with their amounts in functional currency remaining unchanged and no exchange differences incurred.

2) For an inventory that is measured at the lower of its costs or its net realizable values, if the net realizable value is determined in foreign currency, the Company, when determining the value of the inventory at the end of the period, shall firstly convert the net realizable value into functional currency and then compare it with the inventory cost reflected in functional currency.

3) Non-monetary items measured at fair value that is reflected in foreign currency at the end of the period, the Company shall firstly translate the foreign currency into the amount in functional currency at the spot exchange rate on the date when the fair value is determined, and then compare it with the original functional currency amount. Difference between the translated functional currency amount and the original functional currency amount is treated as profit or

loss from changes in fair value (including changes in exchange rate) and is recognized in current profit and loss.

8. Financial instruments

Financial instruments are the financial asset, financial liability or (equity) instrument will be recognised when the Company became one of the parties under a contract.

8.1 Classification of financial instruments

a) Classification of financial assets

According to the company's business model of managing financial assets and the characteristics of contract cash flow of financial assets, financial assets are classified into the following three categories: financial assets measured at amortised cost; financial assets measured at fair value through other comprehensive income (including financial assets directly designated to be measured at fair value through other comprehensive income) ("FVOCI"); and financial assets measured at fair value through the current profit or loss ("FVTPL").

b) Classification of financial liabilities

The Company classifies the financial liabilities into the following two categories: financial liabilities measured at FVTPL (including financial liabilities held for trading and financial liabilities directly designated to be at FVTPL); and financial liabilities measured at amortized cost.

8.2 Recognition basis and measurement method of financial instruments

a) Recognition basis of financial instruments

When the Company becomes a party to a financial instrument, it shall recognize a financial asset or financial liability.

b) Measurement method of financial instruments

i. Financial assets

Financial assets are measured at fair value upon initial recognition. For financial assets at FVTPL, relevant transaction costs are directly recognised in profit or loss for the period. For other categories of financial assets, relevant transaction costs are included in the amount initially recognised. Accounts receivable or notes receivable arising from sales of goods or rendering services and without significant financing component or the company decided not to consider financing elements for less than one year are initially recognised based on the amount of consideration expected to be entitled to receive.

1) Financial assets measured at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method after initial recognition. Gains/losses on financial assets that are measured at amortised cost and are not a part of any hedging relationship shall be recognised in profit or loss when the financial asset is derecognised or reclassification or amortised using the effective interest method or recognized the impairment allowance.

2) Financial assets at FVOCI

These assets are subsequently measured at fair value after initial recognition. Except impairment, foreign exchange gains and losses, interest income calculated using the effective interest method are recognised in profit or loss; other gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are transferred to profit or loss.

In addition, the company designated some non-tradable equity instruments as financial assets at FVOCI; the company shall recognise the relevant dividend income of such financial assets into the current profit and loss, and recognise the change of fair value in other comprehensive income. On derecognition, the accumulated gains/losses previously recognized in other comprehensive income shall be transferred to retained earnings and not be recognised in current profit and loss.

3) Financial assets at FVTPL

The Company classifies the financial assets into financial assets at FVTPL except for financial assets measured at amortized cost or financial assets at FVOCI as mentioned above. In addition, the company may designate some financial assets as financial assets at FVTPL upon the initial recognition to eliminate or significantly reduce accounting mismatch. For such financial assets, the company adopts the fair value for subsequent measurement, and changes in fair value are recognized in the profit or loss for the current period.

ii. Financial liabilities

Financial liabilities shall be classified into financial liabilities measured at FVTPL upon initial recognition and other financial liabilities. For financial liabilities measured at FVTPL, relevant transaction costs are directly recognized in the current profit and loss, and the relevant transaction costs of other financial liabilities are recognized in the initial recognition amount.

1) Financial liabilities measured at FVTPL

Financial liabilities held for trading (including derivatives of financial liabilities) shall be subsequently measured at the fair value. Except for those related to hedge accounting, changes in the fair value shall be recognized in the profit or loss of the current period. For financial liabilities designated to be at FVTPL, fair value changes caused by the Company's own credit risk changes which is recognised in other comprehensive income, when the liability is derecognition, the accumulated change in its fair value caused by the change in its own credit risk recognized in other comprehensive income is transferred to retained earnings, the remaining changes of fair value is record in profit of loss. If the above treatment of the impact of the change in the credit risk of such financial liabilities will cause or expand the accounting mismatch in the profit and loss, the company will record all the gains/losses of such financial liabilities (including the amount affected by fair value changes in enterprise's own credit risk) into the current profit and loss.

2) Financial liabilities measured at amortized cost

Except financial liabilities that arise when a transfer of a financial assets does not qualify for derecognition or when the continuing involvement approach applies security contract are classified as financial liabilities measured by amortized cost, or financial subsequently measurement at amortized cost, and record the profits or losses guarantee contracts recognition or amortization into the current profit and loss.

8.3 Financial assets transfer

If the Company transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, the Company derecognises the financial asset, the rights and obligations arising or retained in the transfer shall be separately recognized as its assets or liabilities; if the Company retains substantially all the risks and rewards of ownership of the financial asset, it continues to recognise the transferred financial assets. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it is accounted for as follows: if the Company has not retained control, it derecognises the financial asset, the rights and obligations arising or retained in the transfer shall be separately recognized as its assets or liabilities; and if the Company has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes the relevant liability.

Where transfer of financial assets qualify for derecognition entirety, the difference between the following two amounts will be included into current profit or loss: The book value measured at the date of derecognition; and The sum of the consideration for the derecognition part and the portion of derecognition corresponding to the accumulated amount of the changes in fair value originally and directly included in OCI (involving the situation where the financial asset transferred is a debt instrument investment measured at fair value and recognized in other comprehensive income). The Company transferred the partial transfer of financial assets which qualify for derecognition, the overall carrying amount of the transferred financial asset shall be apportioned according to their respective relative fair value between the portion of derecognition and the remaining.

8.4 Derecognition of financial liabilities

If the current obligation of the financial liability (or part thereof) has been discharged, the company shall remove financial liability (or part thereof), and the company shall recognize the difference between its book value and the consideration paid (including any non-cash assets transferred or liabilities assumed) in the current profit and loss.

8.5 Offsetting of financial assets and liabilities

Financial assets and financial liabilities shall be shown separately in the balance sheet and shall not be offset against each other. If the following conditions are met at the same time, the net value offset each other after amount listed in the balance sheet:

The company has offset the confirmed amount of legal rights of financial assets and financial liabilities, and this kind of legal rights is the executable; and

The company plans to net or cash at the same time when the financial assets and liquidation of the financial liability.

If the transfer of financial assets does not meet the conditions for derecognition, the transferor shall not offset the transferred financial assets and related liabilities.

8.6 Equity instruments

Equity instruments are contracts that prove ownership of the residual interest in the company's assets after deducting all liabilities. The issuance (including refinancing), repurchase, sale or cancellation of the equity instruments of the company shall be treated as changes in the equity. The company does not recognize changes in the fair value of equity instruments, and the transaction fees related to the equity transactions shall be deducted from the equity. Where the equity instrument of the company distributes dividends during the term of its existence, it shall be treated as profit distribution, and the total amount of shareholders' equity will not be affected by the stock dividends issued.

8.7 Method for determining the fair value of financial assets and financial liabilities

Where there is an active market for a financial instrument, the company shall determine its fair value by quoting in the active market. Where there is no active market for the financial instrument, the company shall determine its fair value by means of valuation technology. In valuation, the company uses valuation techniques applicable in the current situation and supported by sufficient available data and other information to select input values consistent with the characteristics of assets or liabilities considered by market participants in transactions of related assets or liabilities, and gives priority to relevant observable input values as far as possible. Use unobservable inputs only when relevant observable inputs cannot be obtained or are impracticable to obtain.

Upon initial recognition, the fair value of financial assets or financial liabilities is determined by the quoted price of the same assets or liabilities in the active market or other valuation technology that only uses observable market data, the Company defers the difference between the fair value and the transaction price. After initial recognition, the Company recognizes the deferred difference as gain or loss in the corresponding accounting period according to the changes of a certain factor in the corresponding accounting period.

8.8 Impairment of Financial Assets

Based on the expected credit losses ("ECL"), the Company shall recognise the impairment loss on financial assets measured at amortized cost, debt instrument investment at FVOCI.

a) The approach of recognition loss allowance for ECL

Considering the reasonable and valid information such as past events, current conditions and forecast of future economic conditions, and weighted by the risk of default, the Company calculates the probability weighted amount of the present value of the difference between the cash flow receivable under the contract and the expected cash flow to be received, and recognise the ECL.

i. General approach

The Company assess whether the credit risk of financial instruments in different stages at each reporting date has increased significantly. If the financial instruments' credit risk have not increased significantly after initial recognition, it will be included in phase 1, and the Company measures the loss allowance for those instruments at an amount equal to 12-month ECL; if the financial instruments' credit risk have increased significantly but without objective evidence for impairment after initial recognition, it will be included in phase 2, and the Company measures the loss allowance of those instruments at an amount equal to lifetime ECL; if the financial asset that is evidently credit-impaired after initial recognition, it will be included in phase 3, and the Company measures the loss allowance of those financial instruments at an amount equal to lifetime ECL. For financial instruments with low credit risk on the balance sheet date (e.g. fixed deposits in commercial banks with higher credit rating,

financial instruments with external credit rating above "investment grade"), the Company assumes that the credit risk has not increased significantly since the initial recognition and chooses to measure the loss allowance according to the ECL in the next 12 months.

ii. Simplified approach

For accounts receivable, contract assets and notes receivable related to revenues, the Company does not include the significant financing component or does not consider the financing components in contracts less than one year, it will measure the loss allowance according to the ECL of the whole duration.

b) Criteria for determining whether credit risk has increased significantly subsequent to the initial recognition

If the probability of default of a financial asset in lifetime as determined on the balance sheet date is significantly higher than the probability of default in lifetime as determined at the initial recognition, the credit risk of the financial asset increases significantly.

No matter what method the Company is applied to evaluate whether credit risk has increased significantly, it usually inferred that the credit risk of the financial instrument has increased significantly if the contract payments are more than 30 days past due, unless the Company can get the reasonable and valid information at reasonable cost to evidence that the credit risk of the financial instrument has not increased significantly since the initial recognition.

Except in special cases, the Company shall use the change of default risk in the next 12 months as a reasonable estimate of the change of default risk in lifetime to determine whether the credit risk has increased significantly to the initial recognition

c) Approach of assessing expected credit risk on a portfolio basis and determine basis

The company evaluates credit risk individually for the credit risk of significantly different notes receivable, accounts receivable and other receivables with the following characteristics. Such as: accounts receivable in dispute with the other party or involving litigation or arbitration; notes receivable, accounts receivable that have shown clear signs that the debtor is likely to be unable to meet repayment obligations.

When it is impossible to evaluate the ECL information of an individual financial asset at a reasonable cost, the Company divides the receivables into several portfolio according to the credit risk characteristics, and calculates the ECL on collective basis. The basis for determining the portfolio is as following:

Account name	Portfolio Name	Approach of assessing expected credit risk
notes receivable	Portfolio 1: Bank acceptance bill Portfolio	The management evaluates that such funds has low credit risk , and does not provision for bad debts.
	Portfolio 2: Commercial acceptance bill Portfolio	The Company referees to the historical credit loss experience, and combines the current situation and the forecast of the future situation, through the default risk exposure and the expected credit loss rate throughout the duration to estimate ECL.
Account receivable	Portfolio 1: Overdue aging combination	The Company referees to the historical credit loss experience, and combines the current situation and the forecast of future economic situation, it forms a comparison table between overdue ages of accounts receivable and the life time expected credit loss rate to estimate ECL.
	Portfolio 2: Government parties	The management evaluates that such funds has low credit risk , and does not provision for bad debts.
	Portfolio 3: Related parties	The management evaluates that such funds has low credit risk , and does not provision for bad debts.
Contract assets	Contract assets portfolio	The Company referees to the historical credit loss experience, and combines the current situation and the forecast of the future situation, through the default risk exposure and the expected credit loss rate throughout the duration to estimate ECL.

The Company shall take the provision or transfer the loss into the current profit and loss. For the debt instrument investment measured at fair value through other comprehensive income, the Company shall adjust other comprehensive income while recording the impairment loss or gain into the current profit and

loss.

9. Inventories

9.1 Classification of inventories

Inventories are classified as: raw materials, low-cost consumables, products in process, goods in stock, engineering construction, development products and development costs in the process of development, etc.

9.2 Measurement method of dispatched inventories

Materials and stock commodities are accounted for by using the weighted average method or the individual identification method.

9.3 Basis to determine net realizable values of inventories and method of provision for diminution in value of inventories

a) Determination basis of net realizable values of inventories

- i. In normal operation process, for merchandise inventories held directly for sale, including stock commodities (finished goods) and materials for sale, their net realizable values are determined at their estimated selling prices minus their estimated selling expenses and relevant taxes and surcharges.
- ii. For the inventory of processed materials, in the normal production and operation process, the estimated price of the finished product is subtracted from the estimated cost, estimated sales cost and the amount of related taxes and fees to be incurred at the time of completion, and the net realizable value is determined.
- iii. For inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities of inventories specified in the sales contracts are less than the quantities held by the Company, the net realizable value of the excess portion of inventories shall be based on general selling prices.
- iv. The materials held for production shall be measured at cost if the net realizable value of the finished products is higher than the cost. If a decline in the value of materials shows that the net realizable value of the finished products is lower than the cost, the materials shall be measured at the net realizable value.

b) Provision for diminution in value of inventory

Provisions for diminution in value of inventory are made at the lower of costs or net realizable values on a single basis.

- i. Provisions for diminution in value of inventory are made at the lower of costs or net realizable values on a single basis.
- ii. For inventories that have large quantities but low value, the Company provides for diminution in value of inventory on a category basis.
- iii. For inventories that are related to product ranges produced and sold in the same district or used for the same or similar ultimate purpose and are difficult to be measured separately from other inventories, the Company provides for diminution in value of inventory on a consolidation basis.

9.4 Inventory system

The Company adopts perpetual inventory system and takes physical inventory counts on a regular basis.

9.5 Amortization method of revolving materials

a) Amortization method of low-cost consumables:

Low-cost consumables are amortized in full at once.

b) Amortization method of packaging materials

Packing materials are amortized in full at once when fetched for use by the Company.

10. Contract assets

Contract assets represent the Company's right to consideration in exchange for goods or services that the Company has transferred to a customer that is conditional on something other than the passage of time. Contract assets main include guarantee and unsettled portion of finished project. A contract asset and a contract liability relating to the same contract are represented on a net basis after offsetting, while that relating to different contract should not be offset.

The measurement and assessment ECL of contract assets refer to Note8.8.

11. Assets held for sale and discontinued operations

11.1 Assets held for sale

a) Scope of held for sale

Held for sale include individual asset and disposal group.

Disposal group is a group of assets that are disposed as a whole through sales or other ways in one transaction and liabilities directly related to these assets delivered in the transaction.

b) Recognition criteria of held for sale

The Company recognizes its component (or non-current asset) that satisfies the following conditions as assets held for sale:

- i. The assets (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups); and
- ii. Its sale must be highly probable. The Company has already made a decision to dispose the component and has a commitment from the purchaser, the transfer will be completed within one year. If it requires shareholders' approval or supervisors' approval according to regulations, it has already received approval from the general meeting of stockholders or relative authority institution.

c) Accounting treatment and presentation of assets held-for-sale

The non-current asset (or disposal group) is first classified as held for sale, the Company should measure the non-current assets or assets and liabilities made up of disposal group in accordance with relevant accounting standards.

When the Company measure a non-current asset (or disposal group) held for sale initially or re-measure at balance sheet date subsequently, the impairment loss should be recognized if the book value is higher than fair value less costs to sell at the amount of the difference of these two in profit and loss, the provision for assets held for sale need to be recognized at the same time. For the impairment of disposal group, should write off goodwill if existing, and then write down the related assets proportionally. Depreciation or amortization should cease for the non-current asset held for sale.

No matter the asset is classified as individual asset held for sale or asset belonging to disposal group, the asset is presented as current assets under "assets held for sale" item; liabilities related to the asset transferred in the disposal group held for sale is presented as current liabilities under "liabilities held for sale" item in the balance sheet.

The company is committed to a sale plan involving loss of control of subsidiary shall classify all the assets and liabilities of that subsidiary held for sale in consolidated balance sheets when the above criteria are met, regardless of whether the Company retain a non-controlling interests in its former subsidiary after the sale. In the balance sheets of parent company the investment should be classified as held for sale in full.

11.2 Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and meets one of the follow conditions:

- a) It represents either a separate major line of business or a geographical area of operations;
- b) It is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- c) It is a subsidiary acquired exclusively with aim to resale

12. Long-term equity investments

12.1 Recognition of the initial investment costs of long-term equity investments

- a) For long-term equity investments from business combinations, the initial investment cost shall be recognized in accordance with accounting treatment methods for business combination under and not under common control which are in the item 3 of the note 4.
- b) Except for the long-term equity investments arising from business combinations, those obtained by other means shall recognize their initial investment costs in accordance with the following provisions:
 - i. For the long-term equity investments acquired by cash paid, the initial investment cost shall be the actual purchase price has been paid. Initial investment cost also includes those costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment.
 - ii. For the long-term equity investments acquired by the issue of equity securities, the initial investment cost shall be the fair value of the equity securities issued. If the fair value of the long-term equity investment obtained is more reliable than equity securities issued, the initial investment cost shall be the fair value of the long-term equity investment made by the investors. The cost directly attributable to the issue of equity securities, including fees, commissions, etc., write-downs premium price of the issue, if premium price of the issue is insufficient, write-downs surplus reserve and undistributed profit in turn. For the long-term equity investments acquired by the issue of debt securities, reference through the issuance of equity securities..
 - iii. For long-term equity investments obtained by debt restructuring, the Company recognizes the fair value of shares of debt-for-equity swap as the initial investment costs.
 - iv. For long-term equity investments obtained by non-monetary assets exchange, under the condition that an exchange of non-monetary assets is of commerce nature and the fair value of assets exchanged can be reliably measured, non-monetary assets traded in is initially stated at the fair value of the assets traded out, unless there is conclusive evidence indicating that the fair value of the assets traded in is more reliable; if the above conditions are not satisfied, initial investment costs of long-term equity investments traded in shall be recognized at the book value of the assets traded out and the relevant taxes and surcharges payable.

Expenses, taxes and other necessary expenses incurred to the Company and that are directly related to the obtainment of long-term equity investments shall be recognized as the initial investment costs of long-term equity investments.

For long-term equity investments obtained by the Company by any means, cash dividends or profits declared but not yet distributed in the actual payments or the consideration actually paid for the investment shall be separately accounted as dividends receivable and shall not constitute the costs of long-term equity investments.

12.2 Subsequent measurement and recognition of gains and losses of long-term equity investments

- a) Long-term equity investments measured under the cost method
 - i. Long-term equity investments that can control the investee, which are long-term equity investments in subsidiaries, are measured under the cost method.
 - ii. For long-term equity investments accounted at the cost method, except cash dividends or profits declared but not yet distributed which are included in the actual payments or the consideration actually paid for the investment, the cash dividends or profits declared by the investee shall be recognized as the investment income irrespective of net profits realized by the investee before investment or after investment.

b) Long-term equity investments measured under the equity method

- i. For the long-term equity investment which has joint control or significant influence over the investee, the equity method is adopted for accounting.
- ii. For long-term equity investments measured at the equity method, if the initial investment costs are higher than the investor's attributable share of the fair value of the investee's identifiable net assets, no adjustment will be made to the initial costs of the long-term equity investments; if the initial investment costs are lower than the investor's attributable share of the fair value of the investee's identifiable net assets, the difference shall be recognized in current profit and loss and at the same time the adjustment will be made to the initial costs of the long-term equity investments.
- iii. After obtaining the long-term equity investments, the Company shall, according to the shares of net profits and losses realized by the investee that shall be enjoyed or borne by the Company, recognize the profit and loss on the investments and adjust the book value of the long-term equity investments. When recognizing the net profits and losses of the investee that the Company shall enjoy or bear, the Company shall make a recognition and calculation based on the net book profits and losses of the investee after appropriate adjustments. However, where the Company is unable to obtain the relevant information due to failure to reasonably determine the fair value of the investee's identifiable assets, minor difference between the investee's identifiable assets and the book value thereof or other reasons, the profits or losses on the investments shall be directly calculated and recognized based on the net book profits and losses of the investee. The Company shall calculate the part distributed from cash dividends or profits declared by the investee and correspondingly reduce the book value of the long-term equity investments.

When recognizing the income from investments in associates and joint ventures, the Company shall write off the part of incomes from internal unrealized transactions between the Company and associates and joint ventures which are attributable to the Company and recognize the profit and loss on investments on such basis. Where the losses on internal transactions between the Company and the investee fall into the scope of losses on assets impairment, full amounts of such losses shall be recognized. Profit and loss from internal unrealized transactions between the Company's subsidiaries included into the combination scope and associates and joint ventures shall be written off according to the above principles and the profit and loss on investments there from shall be recognized on such basis.

When the share of net loss of the investee attributable to the Company is recognized, it is treated in the following sequence: Firstly, write off the book value of the long-term equity investments; where the book value of the long-term equity investments is insufficient to cover the loss, investment losses are recognized to the extent that book value of long-term equity which form net investment in the investee in other substances and the book value of long-term receivables shall be written off; after all the above treatments, if the Company still assumes additional obligation according to investment contracts or agreements, the obligation expected to be assumed should be recognized as provision and included into the investment loss in the current period. If the investee is profitable in subsequent accounting periods, the Company shall treat the loss in reverse order against that described above after deducting unrecognized share of loss: i.e. write down the book value of the recognized provision, then restore the book value of long-term interests which substantially form net investments in the investee, then restore the book value of long-term investments, and recognize investment income at the same time.

12.3 Basis for judgment of common control or significant influence over the investee

a) Basis for judgment of common control over investee

Common control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities of an arrangement usually include selling and purchasing of goods or services, managing financial assets, acquiring or disposing of assets, researching and developing activities and financing activities. A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement. The parties have rights to the assets, and obligations for the liabilities, relating to the arrangement, which is a joint operation, but not a joint venture.

b) Basis for judgment of significant influence over investee

The term 'significant influence' refers to the power to participate in decision-making on the financial and operating policies of the investee, but with no control or joint control over the formulation of these policies. Where the Company is able to exert significant influence over the investee, the investee is its associate.

13. Investment property

13.1 Scope of investment property

Investment property is the property that is held to earn rent or capital appreciation or both and can be measured and sold separately. The company's investment property includes buildings already rent, land use right already rent, and land use right held for appreciation and then sold.

13.2 Recognition of investment property

Investment property can be recognized when satisfying the following conditions at the same time:

- a) It is probable that the economic benefits relevant to the investment property will flow into the Company.
- b) The cost of the investment property can be measured reliably

13.3 Subsequent measurement of investment property using fair value model

a) Basis of using fair value model for subsequent measurement

If there is solid evidence suggests that the investment property acquired can be measured at fair value continuously and reliably, the Company can use fair value model for subsequent measurement.

The Company can use fair value model for subsequent measurement when satisfying the following conditions at the same time:

- i. There is an active real estate transaction market at the place where the investment property is located.
 - ii. The company can get price and other relevant information of congener or similar real estate transaction market, so as to make reasonable estimates of the fair value of investment property.
- b) Determination of fair value of investment property
- i. When the current market price of congeneric or similar real estate market is available, the Company determines the fair value of investment property, referring to the current market price (market public quote) of congener or similar real estate in the active market.
 - ii. When the current market price of congeneric or similar real estate market is unavailable, the Company reasonably estimates the fair value of investment property, referring to the latest transaction price of congeneric or similar real estate in the active market, and considering transaction conditions, transaction date, location and other factors, or based on the present value of the rent gain and relevant cash flow in the future estimated.

Congeneric or similar buildings are buildings that are located in the same geographical position and geographical environment and have same or similar nature and structure type at the same or similar aging degree and use state. Congeneric or similar land use rights are those who are in the same location area and are in the same or similar geographical environment at the same or similar use state.

- iii. For the investment property measured at fair value model, the Company does not provide depreciation or amortization. Adjust its book value based on the fair value of investment property at the balance sheet date, the difference between the fair value and book value through current profit or loss.

14. Fixed assets

14.1 Recognition and measurement of fixed assets

Fixed assets refer to tangible assets held for the purpose of producing commodities, providing services,

renting or business management with useful life exceeding one accounting year. Fixed assets are recognized when the following criteria are satisfied simultaneously:

- a) It is probable that the economic benefits relating to the fixed assets will flow into the Company;
- b) The cost of the fixed assets can be measured reliably.

14.2 Depreciation of all fixed assets

- a) Except for the fixed assets that have been fully depreciated but are still in use and the land, the Company makes provisions for depreciation of all fixed assets.
- b) Depreciation of fixed assets of the Company is provided for on a straight-line basis from the month immediately following the month when they reach the working condition for their intended use. The depreciation amount and depreciation rate shall be calculated and recognized according to the category, estimated useful lives and estimated net residual value rate of fixed assets and respectively included into the costs of the relevant assets or the current profit and loss by purpose.
- c) Category, estimated useful lives, estimated net residual value rate and annual depreciation rate of fixed assets are listed as follows:

Category of fixed assets	Estimated useful lives (years)	Estimated residual value rate (%)	Annual depreciation rate (%)
Buildings	20-40	5	2.37-4.75
Machinery and equipment	10	5	9.50
Vehicle	4	5	23.75
Office and electronic equipment	3	5	31.67
Pipe gallery pipe network	30	5	3.16
Other equipment	5-50	5	1.90-19.00

When making provision for impairment on fixed assets, the Company shall recalculate the depreciation rate and depreciation amount according to the book value, the estimated net residual value rate and useful lives of the fixed assets.

On the balance sheet date, the Company reviews the estimated useful life, estimated net residual value rate and depreciation method of the fixed assets. If there is any change, they shall be treated as changes in accounting estimate.

- d) Fixed assets renovation costs eligible for capitalization in fixed assets during the two renovations or remaining useful life, whichever is the shorter period, is depreciated separately using the straight line method.

15. Construction in progress

15.1 Category

Construction in progress is accounted on individual project basis.

15.2 Criteria of conversion of construction in progress into fixed assets

The book entry values of the fixed assets are stated at total expenditures incurred before construction in progress reaches the working condition for their intended use. For self-operating projects, total expenditures are measured according to the expenditures of direct materials, direct labor, direct measurement mechanical construction costs and other expenditures; for contracting projects, total expenditures are measured according to project costs payable and other expenditures. Borrowing costs incurred before the projects that are undertaking with borrowing costs reach working condition for their intended use and meeting the condition for capitalization shall be capitalized and included into the costs of construction in progress.

For construction in progress that has reached working condition for intended use but for which the completion of settlement has not been handled, it shall be transferred into fixed assets at the estimated

value according to the project budget, construction price or actual cost, etc. from the date when it reaches the working condition for intended use and the fixed assets shall be depreciated in accordance with the Company's policy on fixed asset depreciation; adjustment shall be made to the estimated value based on the actual cost after the completion of settlement is handled, but depreciation already provided will not be adjusted.

16. Borrowing costs

16.1 Scope

The Company's borrowing costs include interest thereon, amortization of discounts or premiums, ancillary expenses and exchange differences incurred from foreign currency borrowings, etc.

16.2 Recognition principles of capitalization of borrowing costs

The borrowing costs incurred to the Company and directly attributable to the acquisition and construction or production of assets eligible for capitalization should be capitalized and recorded into relevant asset costs; other borrowing costs should be recognized as costs according to the amount incurred and be included into the current profit and loss.

Assets eligible for capitalization include fixed assets, investment properties, inventories and other assets which may reach the working condition for their intended use or sale by acquisition and construction or production activities for quite long time.

16.3 Recognition of capitalization period of borrowing costs

a) Recognition of commencement of capitalization of borrowing costs

Borrowing costs may be capitalized when asset disbursements have already been incurred, borrowing costs have already been incurred and the acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have already been started. Among which, asset disbursements include those incurred by cash payment, the transfer of non-cash assets or the undertaking of interest-bearing debts for acquiring and constructing or producing assets eligible for capitalization.

b) Recognition of period of capitalization suspension of borrowing costs

If the acquisition and construction or production activities of assets eligible for capitalization are interrupted abnormally and this condition lasts for more than three months, the capitalization of borrowing costs should be suspended. The borrowing costs incurred during interruption are charged to profit or loss for the current period, and the capitalization of borrowing costs continues when the acquisition and construction or production activities of the asset resume. If the interruption is necessary for the acquisition and construction or production to prepare the assets for their intended use or sale, the capitalization of borrowing costs should continue.

c) Recognition of period of capitalization cessation of borrowing costs

Capitalization of borrowing costs should cease when the acquired and constructed or produced assets eligible for capitalization have reached the working condition for their intended use or sale. Borrowing costs incurred after the assets eligible for capitalization have reached the working condition for their intended use or sale should be recognized as the current profit and loss when they incur.

If all parts of the acquired and constructed or produced assets are completed, each part may be used or sold externally in the process of continuous construction of other parts and the necessary acquisition or production activities have been substantially completed to make the part of assets reach the working condition for their intended use or sale, the capitalization of borrowing costs related to the part of assets should be ceased; if all parts of the acquired and constructed or produced assets are completed but the assets cannot be used or sold externally until overall completion, the capitalization of borrowing costs should cease at the time of overall completion of the said assets.

16.4 Recognition of capitalized amounts of borrowing costs

a) Recognition of capitalized amounts of interest on borrowing costs

During the period of capitalization, capitalized amount of the interest of each accounting period

(including amortization of discounts or premiums) shall be recognized according to the following provisions:

- i. As for special borrowings borrowed for acquiring and constructing or producing assets eligible for capitalization, borrowing costs of special borrowing actually incurred in the current period less the interest income of the loans unused and deposited in bank or return on temporary investment should be recognized as the capitalization amount of borrowing costs.
 - ii. As for general borrowings used for acquiring and constructing or producing assets eligible for capitalization, the interest of general borrowings to be capitalized should be calculated by multiplying the weighted average of asset disbursements of the part of accumulated asset disbursements in excess of special borrowings by the capitalization rate of used general borrowings. The capitalization rate is calculated by weighted average interest rate of general borrowings.
 - iii. Where there are discounts or premiums on borrowings, the amounts of interest for each accounting period should be adjusted taking account of amortizable discount or premium amounts for the period by effective interest method.
 - iv. During the period of capitalization, the capitalized amount of interest of each accounting period shall not exceed the current actual interest of the relevant borrowings.
- b) Recognition of capitalized amounts of auxiliary expenses of borrowings
- i. Auxiliary expenses incurred from special borrowings before the acquired or constructed assets eligible for capitalization reach the working condition for their intended use or sale should be capitalized when they incur and charged to the costs of assets eligible for capitalization; those incurred after the acquired or constructed assets eligible for capitalization reach the working condition for their intended use or sale should be recognized as costs according to the amounts incurred when they incur and charged to the current profit or loss.
 - ii. Auxiliary expenses incurred from general borrowings shall be recognized as costs according to the amounts incurred when they occur and included in the current profit and loss.
- c) Recognition of capitalized amount of exchange differences

During the period of capitalization, exchange differences incurred from the principal and interest of special foreign currency borrowings should be capitalized and included in the costs of the assets eligible for capitalization.

17. Right of use assets

Right of use assets refers to the right of the company as the lessee to use the leased assets during the lease term.

On the beginning date of the lease term, the company recognizes the right to use assets and lease liabilities for leases other than short-term leases and low value asset leases, and recognizes depreciation expenses and interest expenses respectively during the lease term. The company shall record the lease payment amount of short-term lease and low-value asset lease into the relevant asset cost or current profit and loss by using the straight-line method or other systematic and reasonable methods in each period of the lease term.

17.1 Initial measurement

On the beginning date of the lease term, the company initially measures the right to use assets according to the cost. The cost includes the following four items: ① the initial measurement amount of lease liabilities; ② For the lease payment paid on or before the beginning of the lease term, if there is lease incentive, the relevant amount of lease incentive enjoyed shall be deducted; ③ The initial direct expenses incurred are the incremental costs incurred in reaching the lease; ④ The costs expected to occur for dismantling and removing the leased assets, restoring the site where the leased assets are located or restoring the leased assets to the state agreed in the lease terms, except those incurred for the production of inventories.

17.2 Subsequent measurement

a) Measurement basis

After the beginning date of the lease term, the company adopts the cost model for subsequent measurement of the right to use assets, that is, the right to use assets are measured at cost less accumulated depreciation and accumulated impairment losses.

If the company remeasures the lease liabilities in accordance with the relevant provisions of the lease standards, the book value of the right to use assets shall be adjusted accordingly.

b) Depreciation of right of use assets

From the beginning of the lease term, the company accrues depreciation for the right of use assets. The right of use assets shall be depreciated from the month when the lease term begins. The amount of depreciation accrued shall be included in the cost of relevant assets or current profits and losses according to the purpose of the right of use assets. When determining the depreciation method of right of use assets, the company adopts the straight-line method to depreciate the right of use assets according to the expected consumption mode of economic benefits related to the right of use assets. If the right of use asset is impaired, the company will conduct subsequent depreciation according to the book value of the right of use asset after deducting the impairment loss. The depreciation period of right of use assets is calculated according to the lease term.

Category of fixed assets	Estimated useful lives (years)	Annual depreciation rate (%)
Buildings	8.42	11.87

Note: When determining the depreciation life of the right of use assets, the company shall follow the following principles: if the ownership of the leased assets can be reasonably determined at the expiration of the lease term, depreciation shall be accrued within the remaining service life of the leased assets; If it is impossible to reasonably determine that the ownership of the leased asset can be obtained at the expiration of the lease term, depreciation shall be accrued within the lease term or the remaining service life of the leased asset, whichever is shorter. If the remaining service life of the right of use asset is shorter than the first two, depreciation shall be accrued within the remaining service life of the right of use asset.

18. Intangible assets

18.1 Initial measurement

a) Initial measurement of intangible assets purchased

Costs of intangible assets purchased include purchase price, related tax and expenses and other expenditure that can be distributed to the asset directly to reach its expected use. If payment of the purchase price of intangible assets can be deferred and exceeds normal credit conditions, the purchase has the nature of finance in fact and cost of the intangible asset shall be determined on the basis of present value of the purchase price. The difference between the amount actually paid and the present value of the purchase price should be recorded into current profit or loss other than those should be capitalized during the credit period.

b) Initial measurement of internally researched and developed intangible assets

Costs of internally researched and developed intangible assets shall be recognized according to the total expenses during the period after the assets are eligible for capitalization and before they reach the intended purpose and the expenses that have been included in the previous periods shall no longer be adjusted.

Expenses on the research phase of internally researched and developed intangible assets shall be included in the current profit and loss when they incur; those on the development phase ineligible for capitalization shall be included in the current profit and loss; those eligible for capitalization shall be recognized as intangible assets. If it is unable to distinguish expenditure on the research phase and expenditure on development phase, the research and development expenditures shall be all included in the current profit and loss.

18.2 Subsequent measurement of intangible assets

The useful lives of intangible assets are analyzed on acquisition. Intangible assets obtained by the Company are divided into intangible assets with limited useful lives and intangible assets with indefinite useful lives.

a) Subsequent measurement of intangible assets with limited useful lives

The intangible assets with limited useful lives are amortized on a straight-line basis when they reach intended use over their useful lives with no residual value reserved. Amortizations of intangible assets are usually recorded into the current profit and loss; where the economic benefits of an intangible asset are realized by the products or other assets produced there from, the amortizations are recorded into the costs of the relevant assets.

Category, estimated useful life, estimated net residual value rate and annual amortization rate of intangible assets are shown below:

Category of intangible assets	Estimated useful life (years)	Estimated net residual value rate (%)	Annual amortization rate (%)
Land use right	30-70	0	1.43-3.33
Mining rights	3	0	Amortization according to sales volume
Right to use sea area	50	0	2
Software	3-10	0	10-33.33
Others (coal equivalent index)		0	Amortization according to consumption after use

The useful lives and amortization methods of intangible assets at the end of the current year are not different from previous estimates after review.

b) Subsequent measurement of intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are not amortized in the holding period.

18.3 Estimates of useful lives of intangible assets

- For intangible assets from any contractual right or other statutory rights, their useful lives shall be recognized according to the period no more than that of the contractual or other statutory rights; when the contractual right or other statutory rights contract is extended due to renewal of contracts and there is evidence that the renewal of the Company does not need large costs, the renewal period shall be included into the useful lives.
- Where the contract or the law fails to specify the useful lives, the Company integrates situations in all aspects and determine the period of intangible assets that can bring economic benefits for the Company by hiring the relevant experts to demonstrate or comparing with the situation of the industry as well as referring to the Company's historical experience or otherwise.
- If it is still unable to reasonably determine that intangible assets may bring economic benefits for the Company according to the above methods, the intangible assets are taken as intangible assets with indefinite useful lives.

18.4 Specific criteria for classifying the research phase and the development phase of an internal research and development project

According to the actual situation of the research and development, the Company classifies the research and development project into that on the research phase and that on the development phase.

a) Research stage

Research stage is the stage when creative and planned investigations and research activities are conducted to acquire and understand new scientific or technological knowledge.

b) Development stage

Development stage is the stage when the research achievements or other knowledge are applied to a plan or design, prior to the commercial production or use, so as to produce any new or substantially improved material, device or product.

Expenditure of an internal research and development project on the research phase shall be included in current profit and loss when it occurs.

18.5 Specific criteria for qualifying expenditure on the development phase for capitalization

Expenditure on the development phase of an internal research and development project shall be recognized as intangible assets only when the following conditions are simultaneously satisfied:

- a) It is technically feasible to finish intangible assets for use or sale;
- b) It is intended to finish and use or sell the intangible assets;
- c) The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets themselves or the intangible assets will be used internally;
- d) It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources;
- e) The expenditure attributable to the intangible asset during its development phase can be measured reliably.

18.6 Treatment of land use right

- a) The land use right obtained by the Company is usually recognized as intangible assets, but the purpose of the land use right is changed to be used for earning rent or increasing capital, it shall be transferred to investment property.
- b) For plants and other buildings developed and constructed by the Company, the relevant land use right and buildings shall be treated separately.
- c) Payments for externally purchased land and buildings are distributed between the value of buildings and the land use right; those difficult to be distributed shall be all taken as fixed assets.

19. Non-current assets impairment

If there are impairment indicators of long-term equity investment, investment property measured at cost model, fixed assets, construction in progress, intangible assets with indefinite useful lives and other long-term assets at balance sheet date, impairment test should be performed. If the result of impairment test shows that recoverable amount is less than its book value, the difference should be provided for impairment and recorded into impairment loss. The recoverable amount is the higher of fair values less costs of disposal and the present values of the future cash flows expected to be derived from the asset. Provision for impairment is calculated and recognized on the basis of individual asset. If recoverable amount of individual asset is difficult to be estimated, the Company should recognize the recoverable amount of the asset group which the individual asset belongs to. Asset group is the minimum asset group which can generate cash inflow separately.

The Company should perform impairment test for goodwill and intangible assets with indefinite life at least at each year end, no matter whether there is impairment indicator.

20. Long-term deferred expenses

20.1 Scope

Long-term deferred expenses refer to various expenses which have been already incurred but will be born in this period and in the future with an amortization period of over 1 year (exclusive).

20.2 Initial measurement of long-term deferred expenses

Long-term deferred expenses shall be initially measured according to the actual costs incurred.

20.3 Amortization of long-term deferred expenses

Long-term deferred expenses are amortized using the straight-line method over the beneficial period.

21. Contract liabilities

Contractual liabilities refer to the obligations of the company 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 collection right before the company transfers the goods to the customer, the company will list the received or receivable as contract liabilities at the earlier of the actual payment and due payment by the customer. The contract assets and contract liabilities under the same contract are presented in net amount, and the contract assets and contract liabilities under different contracts are not offset.

22. Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

22.1 Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that fall due within 12 months from the end of the period in which the employees provide their services.

Short-term benefits including: wages, bonuses, allowances and subsidies, welfare, medical insurance, work injury insurance, maternity insurance and other social insurance, housing funds, labor union funds, employee education funds, short-term compensated absences, short-term profit-sharing plan, non-monetary benefits and other short-term remuneration.

Short-term benefits should be recognized as an employee provides his services to the entity. The benefit will normally be treated as an expense, and a liability should be recognized for any unpaid balance at the year-end.

22.2 Post-employment benefits - defined contribution plans

Contributions such as the basic pension insurance, unemployment insurance, annuity payment and so on are paid by the entity for workers according to the relevant regulations. The entity should recognize contributions payable as an expense or associated costs of assets in the period in which the employee provides services. A liability should be recognized where contributions arise in relation to an employee's service, but remain unpaid at the period end.

22.3 Termination benefits

Termination benefits, are employee benefits payable on the termination of employment, through voluntary redundancy or as a result of a decision made by the employer to terminate employment before the normal retirement date. Termination benefits are recognized as an expense when the entity is committed to either:

- a) When companies cannot unilaterally withdraw termination benefits due to termination of employment or layoff proposal provided.
- b) Enterprise recognizes termination benefits involving the restructuring payment of costs or expenses related to the time.

22.4 Other long-term employee benefits

Other long-term employee benefits, are defined as employee benefits except short-term employee benefits, post-employment benefits and termination benefits etc. During the reporting period, costs of other long-term employee benefits are recognized as an integral part of the following:

- a) The service costs.

- b) Net interest of net liabilities or net assets of other long-term employee benefits.
- c) Changes arising from remeasured net liabilities or net assets of other long-term employee benefits.

To simplify the related accounting treatment, the total net amount is recognized into profit or loss or associated costs of assets.

23. Lease liabilities

23.1 Initial measurement

The company initially measures the lease liabilities according to the present value of the unpaid lease payments at the beginning of the lease term.

a) Lease payments

Lease payment refers to the amount paid by the company to the lessor in connection with the right to use the leased assets during the lease term, including: ① fixed payment and substantial fixed payment. If there is lease incentive, the amount related to lease incentive shall be deducted; ② The amount of variable lease payments depending on the index or ratio, which is determined at the initial measurement according to the index or ratio on the beginning date of the lease term; ③ When the company reasonably determines that it will exercise the purchase option, the exercise price of the purchase option; ④ The lease term reflects the amount to be paid when the company will exercise the option to terminate the lease; ⑤ The amount expected to be paid according to the residual value of the guarantee provided by the company.

b) Discount rate

When calculating the present value of lease payments, the company adopts the interest rate embedded in the lease as the discount rate. If the embedded interest rate of the lease cannot be determined, the incremental loan interest rate shall be used as the discount rate. The incremental loan interest rate refers to the interest rate that the company must pay to borrow funds with similar mortgage conditions during similar periods in order to obtain assets close to the value of use right assets under similar economic environment. Based on the bank loan interest rate and considering relevant factors, the company obtains the incremental loan interest rate.

23.2 Subsequent measurement

After the beginning date of the lease term, the company makes subsequent measurement of the lease liability according to the following principles: ① when confirming the interest of the lease liability, increase the book amount of the lease liability; ② When paying the lease payment, reduce the carrying amount of the lease liability; ③ When the lease payment changes due to revaluation or lease change, the book value of the lease liability shall be remeasured.

After the beginning date of the lease term, in case of the following circumstances, the company shall re measure the book value of the lease liability according to the present value of the changed lease payment, and adjust the book value of the right to use asset accordingly. If the book value of the right of use asset has been reduced to zero, but the lease liability still needs to be further reduced, the company shall record the remaining amount into the current profit and loss.

- a) Changes in the actual fixed payment amount;
- b) The expected payable amount of guarantee residual value changes;
- c) The index or ratio used to determine the lease payment changes;
- d) Changes in the evaluation results or actual exercise of the purchase option, renewal option or termination option;

The interest expense of each period during the lease term shall be included in the current profits and losses, except those that should be capitalized.

24. Estimated liabilities

24.1 Recognition of estimated liabilities

When the obligations related with external security matters, pending litigation or arbitration, product quality assurance, loss of contracts, restructuring and other meet the following three conditions are confirmed as estimated liabilities:

- a) The obligation is a present obligation of the company
- b) The fulfillment of this obligation is likely to lead to outflow of economic benefits
- c) The amount of the obligation can be reliably measured

24.2 Measurement

Amount of estimated liabilities are measured at the best estimate of the expenditure for contingent liabilities.

- a) There is a continuous range of expenditure required and the likelihood of various outcomes within the same possibility, the best estimate is determined according to the median within the range.
- b) In other cases, the best estimate is treated separately in the following situations:
 - i. Contingent matters relating to individual projects, confirmed with the amount most likely to be.
 - ii. Contingent matters involve several items, calculated in accordance with all possible outcomes and associated probabilities.

25. Recognition of revenue

25.1 The principal of revenue recognition and measurement

- a) The principal of revenue recognition.

The Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. At the inception of the contract, the Company should assess the goods or services that have been promised to the customer, and identify as a performance obligation, and then judge the performance obligation is satisfied over time or at a point in time, and then recognise the revenue when each performance obligation is satisfied by transferring a promised good or services to a customer .

- b) The principle of measurement of revenue

Where a contract has multiple performance obligations, the Company allocates the transaction price to the performance obligations in the contract reference to their relative stand-alone selling prices of each distinct goods or service at the inception of the contract, and then measures the revenue with the transaction price allocated. When determine the transaction price, the Company may consider variable amount, existing of significant financing component, non-monetary amount and due to customer amount etc, and assume that goods or service will be transferred to a customer as promised in the existing contract and the contract will not be canceled, renewed or changed.

25.2 Specific revenue recognition policies

The company mainly sells goods, belonging to the performance obligation at a certain time point. The recognition of product sales revenue shall meet the following conditions: the company has delivered the product to the customer in accordance with the contract, the customer has obtained the control over the relevant goods, the payment for goods has been recovered or the collection voucher has been obtained, and the relevant economic benefits are likely to flow in.

The provision of construction and installation services by the company belongs to the performance obligation to be performed within a certain period of time. The performance progress of the services shall be determined according to the proportion of the cost incurred in the estimated total cost, and the revenue shall be recognized according to the performance progress. If the performance schedule cannot be reasonably determined, and the costs incurred by the company are expected to be compensated, the revenue shall be recognized according to the amount of costs incurred until the performance schedule can be reasonably determined.

The specific accounting policies related to the main activities to obtain income are described as follows:

Project construction income: the income shall be recognized by the percentage of completion method on the balance sheet date.

Sales of goods: Sales of goods with customers usually include only the performance obligations of the transferred goods. Revenue is recognized at the time when the customer obtains the control right over the relevant goods: the current collection right of the goods, the transfer of the main risks and rewards of the ownership of the goods, the transfer of the legal ownership of the goods, the transfer of the physical assets of the goods, and the customer's acceptance of the goods.

Sales revenue of steam, electricity and tap water: the sales revenue is recognized after the control of the product has been transferred to the buyer. Generally, it refers to the revenue recognized when the steam, electricity and tap water are transmitted to the customer.

Sewage treatment income: the income shall be recognized according to the settlement volume of sewage treatment and the settlement price of sewage treatment services, or according to other circumstances agreed in the agreement

Provision of labor services: the group provides property management and other labor services externally, and the revenue is recognized within a period of time according to the progress of the completed labor services. Among them, the progress of the completed labor services is determined according to the output indicators of the actually provided services.

26. Contract cost

Contract cost is divided into contract performance cost and contract acquisition cost.

The cost incurred by the company for the performance of the contract is recognized as an asset when the following conditions are met:

- a) The cost is directly related to a current or expected contract.
- b) The cost increases the resources used by the company to fulfill its performance obligations in the future.
- c) The cost is expected to be recovered.

If the incremental cost incurred by the company to obtain the contract is expected to be recovered, it shall be recognized as the contract acquisition cost as an asset.

The assets related to the contract cost are amortized on the same basis as the recognition of the income from goods or services related to the assets; However, if the amortization period of contract acquisition cost does not exceed one year, the company will record it into the current profit and loss when it occurs.

If the book value of the assets related to the contract cost is higher than the difference between the following two items, the company will withdraw the impairment provision for the excess part and recognize it as asset impairment loss:

- a) The residual consideration expected to be obtained due to the transfer of goods or services related to the asset;
- b) The estimated cost to be incurred for the transfer of the relevant goods or services.

In case of subsequent reversal of the above asset impairment provision, the book value of the asset after reversal shall not exceed the book value of the asset on the reversal date assuming that the impairment provision is not withdrawn.

27. Government grants

27.1 Types of government grants

Government grants are monetary assets and non-monetary assets acquired free of charge by the Company from the government, including government grants related to assets and government grants related to income.

27.2 Recognition principles of government grants

Government grants are recognized when all the following conditions are met:

- a) The Company can meet the attached conditions for the government grants;
- b) The Company can receive the grants.

27.3 Measurement of government grants

- a) If a government grant is a monetary asset, it shall be measured in the light of the received or receivable amount.
- b) If a government grant is a non-monetary asset, it shall be measured at its fair value; and if its fair value cannot be obtained in a reliable way, it shall be measured at a nominal amount (a nominal amount is CNY 1).

27.4 Accounting treatment method of government grants

- a) The government grants related to assets shall be written off the book value of the related assets at the time of acquisition, or recognized as deferred income. Government grants measured as deferred income, allocated evenly over the useful lives of the relevant assets, and included in the current profit or loss. Government grants measured at the nominal amount shall be directly included in current profit and loss.
- b) Government grants related to income shall be separately handled according to the following circumstances:
 - i. If government grants related to income are used to compensate the Company's relevant expenses or losses in future periods, such government grants should be recognized as deferred income on acquisition and be included into the current profit and loss during the period of recognition of the relevant expenses or written off the related costs.
 - ii. If government grants related to income are used to compensate the Company's relevant expenses or losses incurred, such government grants are directly included into the current profit and loss on acquisition or written off the related costs.
- c) For the government grants which include the assets related part and the income related part at the same time, if it can be divided into different parts to carry on the accounting treatment separately; if it is difficult to distinguish, the whole is classified as the government grants related to the income.
- d) Government grants related to the daily operation of the company, in accordance with the economic nature of the business, shall be accounted for other income or written off related costs. Government grants which have nothing to do with the daily activities of the enterprise shall be included in the non-operating income. If the department of finance dispenses the interest fund directly to the company, the interest fund shall be offset related borrowing costs.
- e) Recognized government grants required to be refunded shall be handled according to the following circumstances:
 - i. If there is related deferred income, the book value of relevant deferred income is written down and the exceeding part is recorded in the current profit and loss.
 - ii. If there is no related deferred income, the exceeding part is directly included in the current profit and loss.

28. Deferred tax assets and deferred tax liabilities

The Company adopts the balance sheet liability method to account for income tax.

28.1 Recognition of deferred tax assets or deferred tax liabilities

- a) The Company recognizes its tax base on acquisition of assets and liabilities. On the balance sheet date, the Company analyzes and compares the book value of the assets and liabilities and the tax base. If there are temporary differences in book value of the assets and liabilities and the tax base, under the circumstance that the temporary differences incur in the current period and meet the recognition criteria, the Company shall respectively recognize taxable temporary differences or deductible temporary differences as deferred tax liability or deferred tax assets.
- b) Recognition basis of deferred tax assets
 - i. Deferred tax assets incurred from deductible temporary differences are recognized to the extent that they shall not exceed the taxable income probably obtained in future periods to be against the deductible temporary difference. In determining the taxable income probably obtained in future periods, including the taxable income from normal production and operation activities in future periods and the increase of taxable income due to the reversal of taxable temporary differences during the period of reversal of deductible temporary differences.
 - ii. For deductible losses and tax credits that can be carried forward to the next years, the Company is likely to recognize the corresponding deferred tax assets to the extent that the assets shall not exceed the taxable income in the future for deducting deductible losses and tax credits and that are probably obtained by the Company.
 - iii. On the balance sheet date, the Company reviews the book value of deferred tax assets. If it is probably unable to obtain sufficient taxable income in the future period to offset the benefits of the deferred tax assets, the Company shall write down the book value of the deferred tax assets; when it is probable to obtain sufficient taxable income, the write-downs shall be reversed.
- c) Recognition basis of deferred tax liabilities

The Company recognizes the current and previous taxable temporary differences payable but unpaid as deferred tax liabilities. But they exclude temporary differences arising from goodwill, transactions which are formed other than from business combinations and neither affect the accounting profits nor affect taxable income at the time of occurrence.

28.2 Measurement of deferred tax assets or deferred tax liabilities

- a) On the balance sheet date, the deferred tax assets and deferred tax liabilities are measured at the applicable tax rate during the period of expected recovery of the assets or liquidation of the liabilities in accordance with the provisions of the tax law.
- b) Where the applicable tax rate changes, the Company remeasures deferred tax assets and deferred tax liabilities recognized, except for those incurred in transactions or events directly recognized in the owner's equity, of which the effect shall be included in the income tax expenses in the current period when the rate changes.
- c) When the Company measures the deferred tax assets and deferred tax liabilities, the tax rate and tax base in consistent with the expected recovery of assets or liquidation of liabilities shall be adopted.
- d) Deferred tax assets and deferred tax liabilities of the Company shall not be discounted.

29. Leasing (accounting treatment of the lessor)

29.1 Accounting treatment of operating lease

The company includes the assets used as operating leases in the relevant items of the balance sheet according to the nature of the assets. The company capitalizes the initial direct expenses related to the operating lease to the cost of the leased object asset, and includes them in the current profit and loss by stages on the same recognition basis as the rental income during the lease term. During each period of the lease term, the company adopts the straight-line method to recognize the lease receipts from operating leases as rental income. For the fixed assets in the operating lease assets, the company adopts the depreciation policy of similar assets to accrue depreciation; Other operating lease assets are amortized using a systematic and reasonable method. The company's variable lease payments related to operating leases that are not included in the lease receipts are included in the current profits and losses when they actually occur.

In case of any change in the operating lease, the company shall treat it as a new lease for accounting since the effective date of the change, and the amount of advance receipts or lease receivables related to the lease before the change shall be regarded as the amount of receipts of the new lease.

29.2 Accounting treatment of finance lease

On the beginning date of the lease term, the company recognizes the financial lease receivables according to the net amount of the lease investment (the sum of the unguaranteed residual value and the present value of the lease receipts not received on the beginning date of the lease term discounted according to the lease embedded interest rate), and terminates the recognition of the financial lease assets. During each period of the lease term, the company calculates and recognizes interest income at a fixed periodic interest rate. The amount of variable lease payments obtained by the company that are not included in the measurement of net lease investment, if linked to the future performance or use of assets, shall be included in the current profits and losses when actually incurred.

If there is a change in the financial lease and the following conditions are met at the same time, the company will treat the change as a separate lease for accounting treatment: ① the change expands the lease scope by increasing the use right of one or more leased assets; ② The increased consideration is equivalent to the amount of the separate price for the expansion of the lease scope adjusted according to the conditions of the contract

30. Other major accounting policies and accounting estimates

No.

31. Adjustments for changes in major accounting policies and accounting estimates

31.1 Changes in accounting policies

On December 30, 2021, the Ministry of Finance issued Interpretation No. 15 of the Accounting Standards for Business Enterprises (Cai Kuai [2021] No. 35), which stipulates that "accounting treatment for the sale of products or by-products produced by enterprises before or during the research and development process of fixed assets to the public" and "judgment on loss contracts" shall be implemented from January 1, 2022. Our company shall commence implementation from the specified date.

On November 30, 2022, the Ministry of Finance issued Interpretation No. 16 of the Accounting Standards for Business Enterprises (Cai Kuai [2022] No. 31), which stipulates that "accounting treatment for the income tax impact of dividends related to financial instruments classified as equity instruments by issuers" and "accounting treatment for enterprises to modify cash settled share-based payments to equity settled share-based payments" shall be implemented from the date of publication. Our company shall commence implementation from the specified date.

31.2 Changes in accounting estimates

There were no adjustments for changes in major accounting estimates in the reporting period.

IV. Taxation

1. Major tax types and tax rates

Tax type	Taxation Basis	Tax rate
Value-added tax	Output tax - deductible input tax	Confirm the corresponding tax rate according to taxable items
City construction tax	taxable flow tax	7%
Education fee additional tax	taxable flow tax	5%
Income tax	taxable flow tax	25%
Property tax	The tax base of self use housing is 70% of the original value of the	Self use housing 1.2%, rental 12%

Tax type	Taxation Basis	Tax rate
	property, The tax base of rental property is the rental income of real estate	

There are taxpayers implementing different enterprise income tax rates, the tax rates are as follows:

Name of tax payer	Income tax rate
Lianyungang Hongyang Thermal Power Co., Ltd	15%
Jiangsu Fangyang Energy Technology Co., Ltd	15%
Jiangsu Fangyang Water Service Co., Ltd	15%

Note:

- a) According to the notice issued by the Ministry of Finance and the State Administration of Taxation on the issuance of the "Catalogue of VAT Preferential Catalogues for Comprehensive Utilization of Resources and Labor Services" (Cai Shui [2015] No. 78), the subsidiary of Jiangsu Fangyang Water Service Co., Ltd. Revenue that meets the technical requirements stipulated in the Pollutant Discharge Standards of Urban Sewage Treatment Plants (GB18918-2002) or meets the direct discharge limits in the corresponding national or local water pollutant discharge standards is subject to VAT and is refunded by 70% Tax incentives.
- b) In accordance with Article 27 of the "Enterprise Income Tax Law of the People's Republic of China"(Decree of the President of the People's Republic of China [2007] No. 63),"Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China"(Decree of the State Council of the People 's Republic of China [2007] No.512) Article 88, Catalogue of Enterprise Income Tax Preferential Policies for Environmental Protection, Energy Conservation and Water Conservation Projects (2021 Edition) and Catalogue of Enterprise Income Tax Preferential Policies for Comprehensive Utilization of Resources (2021 Edition) (Announcement No. 36 of the Ministry of Finance, State Administration of Taxation, Development and Reform Commission, Ministry of Ecology and Environment, 2021) , “Notice of the State Administration of Taxation of the Ministry of Finance on Issues Concerning Preferential Policies on Corporate Income Tax on Public Infrastructure Items and Environmental Protection, Energy Saving and Water Saving Items”(Cai shui [2012] No. 10) The income specified in Water Item is exempted from corporate income tax from the first year to the third year, and the corporate income tax is halved from the fourth to sixth years from the tax year of the first production and operation income of the Item.
- c) Jiangsu Fangyang Energy Technology Co., Ltd, a subsidiary of the Company, was granted a High-tech Enterprise Certificate (Certificate No.GR202132009740) by the Department of Science &Technology of Jiangsu Province, Department of Finance of Jiangsu Province, the State Taxation Bureau of Jiangsu Province on 30 November 2021. The certificate is valid for three years. Enjoy the preferential tax policies for high-tech enterprises such as levying enterprise income tax at the tax rate of 15%, plus deduction of R & D expenses, accelerated depreciation of fixed assets, exemption of qualified technology transfer income and reduction of enterprise income tax.
- d) Jiangsu Fangyang Energy Technology Co., Ltd, a subsidiary of the Company, was granted a High-tech Enterprise Certificate (Certificate No.GR202232003308) by the Department of Science &Technology of Jiangsu Province, Department of Finance of Jiangsu Province, the State Taxation Bureau of Jiangsu Province on 12 October 2022. The certificate is valid for three years. Enjoy the preferential tax policies for high-tech enterprises such as levying enterprise income tax at the tax rate of 15%, plus deduction of R & D expenses, accelerated depreciation of fixed assets, exemption of qualified technology transfer income and reduction of enterprise income tax.
- e) Jiangsu Fangyang Water Service Co., Ltd, was granted a High-tech Enterprise Certificate (Certificate No.GR202232000799) by the Department of Science &Technology of Jiangsu Province, Department of Finance of Jiangsu Province, the State Taxation Bureau of Jiangsu Province on 12 October 2022. The certificate is valid for three years. Enjoy the preferential tax policies for high-tech enterprises such as levying enterprise income tax at the tax rate of 15%, plus deduction of R & D expenses, accelerated depreciation of fixed assets, exemption of qualified technology transfer income and

reduction of enterprise income tax.

V. Notes to the Main Items of the Financial Statements (All amounts are stated in CNY unless otherwise stated)

1. Cash

Items	12/31/2022	1/1/2022
Cash on hand	73,550.61	48,713.38
Cash in bank	8,381,068,336.11	10,068,967,767.67
Other monetary funds	2,304,051,348.89	2,639,743,091.60
Total	10,685,193,235.61	12,708,759,572.65

Including: Other monetary fund details are as follow

Items	12/31/2022	1/1/2022
Deposit for Bank acceptance bill	2,289,744,441.18	2,636,250,031.40
L / C deposit	13,469,895.75	3,436,185.20
Performance bond	805,000.00	
Time deposit interest	32,011.96	56,875.00
Total	2,304,051,348.89	2,639,743,091.60

Note: Due to pledge restrictions, the amount of the fixed deposit certificate is 2,718,227,878.91 yuan.

2. Notes receivable

2.1 Classification of notes receivable

Items	12/31/2022	1/1/2022
Bank acceptance bill	2,801,146.45	36,980,787.15
Commercial acceptance bill		
Total	2,801,146.45	36,980,787.15

2.2 As of December 31, 2022, the pledge of notes receivable was zero.

2.3 As of December 31, 2022, Notes receivable endorsed or discounted by the company at the end of the period and not yet due on the balance sheet date

Items	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance	622,802,008.44	
Bank acceptance	622,802,008.44	

2.4 As of December 31, 2022, the company is not due to the issuer's inability to perform the contract and will turn the notes to accounts receivable

3. Accounts receivable

3.1 Disclosed by Aging

Aging	12/31/2022	1/1/2022
Within 1 year	7,685,731,104.87	7,685,796,792.94
1-2 year	4,825,094,997.55	2,054,978,019.34
2-3 year	2,054,978,019.34	2,010,587,841.66

Aging	12/31/2022	1/1/2022
3-4 year	2,010,587,841.66	1,592,181,024.47
4-5 year	1,592,181,024.47	1,591,408,659.49
Over 5 year	4,086,341,423.78	2,517,697,061.69
Book balance sub-total	22,254,914,411.67	17,452,649,399.59
Less: Bad debt provision	26,079,780.44	29,359,615.94
Net value	22,228,834,631.23	17,423,289,783.65

3.2 Disclosed by bad debt accrual method

Category	12/31/2022				
	Book Balance	Proportion (%)	Provision for bad debt	Provision Proportion (%)	Book Value
Accounts receivables with significant single amount and tested for impairment individually	22,644,931.63	0.10	11,322,465.82	50.00	11,322,465.81
Accounts receivables tested for impairment on a portfolio basis	22,232,269,480.04	99.90	14,757,314.62	0.07	22,217,512,165.42
portfolios of non-related parties	2,355,174,914.69	10.58	14,757,314.62	0.63	2,340,417,600.07
portfolios of government parties	19,794,713,226.61	88.95			19,794,713,226.61
portfolios of related parties	82,381,338.74	0.37			82,381,338.74
Total	22,254,914,411.67	100.00	26,079,780.44	0.12	22,228,834,631.23

Continued on the table

Category	12/31/2021				
	Book Balance	Proportion (%)	Provision for bad debt	Provision Proportion (%)	Book Value
Accounts receivables with significant single amount and tested for impairment individually	22,644,931.63	0.13	11,322,465.82	50.00	11,322,465.81
Accounts receivables tested for impairment on a portfolio basis	17,430,004,467.96	99.87	18,037,150.12	0.10	17,411,967,317.84
portfolios of non-related parties	1,873,853,429.02	10.74	18,037,150.12	0.96	1,855,816,278.90
portfolios of government parties	15,551,782,310.66	89.11			15,551,782,310.66
portfolios of related parties	4,368,728.28	0.03			4,368,728.28
Total	17,452,649,399.59	100.00	29,359,615.94	0.17	17,423,289,783.65

Accounts receivables with significant single amount and tested for impairment individually at Dec 31,2022

Company name	12/31/2022				
	Book Balance	Provision for bad debt	Provision	Proportion (%)	Reason for withdrawal
Jiangsu Baotong Nickel Industry Co., Ltd	22,644,931.63	11,322,465.82	50		Debt paying assets obtained through litigation
Total	22,644,931.63	11,322,465.82	50		

In the portfolio, accounts receivable for which bad debt provision is withdrawn by overdue aging analysis method:

Overdue aging	12/31/2022			1/1/2022		
	Book balance	Bad debt provision	Accrual proportion%	Book balance	Bad debt provision	Accrual proportion%
Not overdue	2,323,682,190.68			1,841,714,647.84		
Within 1 year	12,292,746.93	614,637.34	5.00	4,540,959.89	227,048.00	5.00
1-2 year	571,180.36	57,118.04	10.00	1,463,518.78	146,351.87	10.00
2-3 year	1,305,946.58	261,189.32	20.00	1,006,096.20	201,219.24	20.00
3-4 year	113,034.00	56,517.00	50.00	8,800,113.50	4,400,056.75	50.00
Over 4 year	17,209,816.14	13,767,852.92	80.00	16,328,092.81	13,062,474.26	80.00
Total	2,355,174,914.69	14,757,314.62	0.63	1,873,853,429.02	18,037,150.12	0.96

Bad debt provision

Items	1/1/2022	Changes in current period			12/31/2022
		Increase	Reversal	Deduct	
Accounts receivable	29,359,615.94	2,798,699.94	6,078,535.44		26,079,780.44

3.3 Top five entities with the largest balances of the accounts receivable

Company name	12/31/2022	Aging	Proportion in the total (%)
Management Committee of National East, West, central and Regional Cooperation Demonstration Zone	19,758,217,525.09	Within 1 year 6,136,081,651.90 / 1-2 year 3,919,821,309.29/ 2-3year 2,016,564,030.83/ 3-4year 2,010,490,064.46/ 4-5year 159,218,1024.47/ Over 5 year4,083,079,444.14	88.78
Shenghong Petrochemical Group Co., Ltd	1,123,838,358.65	Within 1 year	5.05
Shenghong Refining and Chemical (Lianyungang) Co., Ltd	579,599,704.32	Within 1 year	2.60
Jiangsu Silbon Petrochemical Co., Ltd	131,767,079.22	Within 1 year	0.59
Pengchen special new materials Co., Ltd	84,881,022.01	Within 1 year	0.38
Total	21,678,303,689.29		97.40

4. Accounts receivable financing

Items	12/31/2022	1/1/2022
Bank acceptance	88,668,095.99	35,188,539.65
Total	88,668,095.99	35,188,539.65

5. Advances to suppliers

5.1 Aging analysis

Aging	12/31/2022		1/1/2022	
	Amount	%	Amount	%
Within 1 year	202,528,269.96	88.01	125,902,646.36	77.35
1-2 year	6,841,253.02	2.97	14,745,436.20	9.06
2-3 year	1,768,418.95	0.77	2,047,968.10	1.26
Over 3 year	18,973,649.77	8.25	20,067,965.18	12.33
Total	230,111,591.70	100.00	162,764,015.84	100.00

5.2 Top five entities with the largest balances of prepayments

Company name	Amount	Aging	Proportion in the total (%)
Lianyungang power supply branch of State Grid Jiangsu Electric Power Co., Ltd	47,807,605.16	Within 1 year	20.78
Wuxi Communications Construction Engineering Group Co., Ltd.	17,621,843.34	Over 3 year	7.66
China Energy Construction Group Jiangsu Electric Power Design Institute Co., Ltd	10,420,719.76	Within 1 year	4.53
China Chemical Engineering 14th Construction Co., Ltd	6,208,656.99	Within 1 year	2.70
Nantong Suyuan Hengxuan Electric Co., Ltd	5,768,672.56	Within 1 year	2.51
Total	87,827,497.81		38.18

6. Other receivables

Items	12/31/2022	1/1/2022
Interests receivable		
Dividends receivable		
Other receivables	2,760,557,283.03	2,819,078,540.77
Total	2,760,557,283.03	2,819,078,540.77

6.1 Other receivables

a) Classification of other receivables by aging

Aging	12/31/2022	1/1/2022
Within 1 year	227,888,924.75	1,215,662,304.33
1-2 year	1,183,175,378.19	1,102,749,580.48
2-3 year	994,259,533.95	142,389,140.97
3-4 year	59,336,035.28	79,685,603.35
4-5 year	39,649,080.08	222,846,172.00
Over 5 year	313,703,570.90	101,304,450.27
Book balance sub-total	2,818,012,523.15	2,864,637,251.40
Less: Bad debt provision	57,455,240.12	45,558,710.63
Net value	2,760,557,283.03	2,819,078,540.77

b) Classification of other receivables by nature

Nature of payment	12/31/2022	1/1/2022
Security deposit	133,062,328.54	73,896,777.63
Loans and advances	2,373,512,244.50	2,347,848,176.56
Government receivables	301,745,893.75	249,246,161.00
Other receivables	9,692,056.36	193,646,136.21
Book balance sub-total	2,818,012,523.15	2,864,637,251.40
Less: Bad debt provision	57,455,240.12	45,558,710.63
Net value	2,760,557,283.03	2,819,078,540.77

c) Disclosed by bad debt accrual method

Bad debt provision	Phase I	Phase II	Phase III	Total
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration (no credit impairment)	Expected credit loss for the entire duration (credit impairment has occurred)	
1/1/2022	1,230,122.13	9,328,588.50	35,000,000.00	45,558,710.63
Opening balance in current period				
—Move to phase II	-22,226.14	22,226.14		
—Move to phase III				
—Back to phase II				
—Back to phase I				
Current increase	1,199,197.06	10,740,457.53		11,939,654.59
Current Reversal	9,124.00	34,001.10		43,125.10
Current Deduct				
Other changes				
12/31/2022	2,397,969.05	20,057,271.07	35,000,000.00	57,455,240.12

d) Bad debt provision

Items	1/1/2022	Changes in current period			12/31/2022
		Increase	Reversal	Deduct	
Other receivables	45,558,710.63	11,939,654.59	43,125.10		57,455,240.12

e) Top five entities with the largest balances of the account receivables

Company name	Business content	Amount	Aging	Proportion in the total (%)
Suzhou Suzhen Thermal Power Co., Ltd	Loan	978,566,600.00	2-3year	34.73
Lianyungang Xuwei Medical Management Co., Ltd	Advance payment	743,643,400.00	Within 1 year 8,043,400, 1-2 year 735,600,000	26.39
Lianyungang Zhangwei Enterprise Comprehensive Service Co., Ltd	Advance payment	351,000,000.00	1-2 year	12.46
Water Affairs Bureau of Xuwei New District, Lianyungang	Government receivables	244,719,732.00	3-4 year 32,296,920.00;	8.68

Company name	Business content	Amount	Aging	Proportion in the total (%)
			Over 5 year 212,422,812.00	
Lianyungang Property Management Center	Deposit	57,267,792.26	Within 1 year	2.03
Total		2,375,197,524.26		84.29

7. Inventories

7.1 Categories of Inventory

Items	12/31/2022			1/1/2022		
	Cost	Provision for inventory write-down	Net value	Cost	Provision for inventory write-down	Net value
Materials in transit				3,917,242.96		3,917,242.96
Raw materials	335,933,191.81		335,933,191.81	126,434,003.76		126,434,003.76
Production costs	60,640,509.44		60,640,509.44	67,948,626.34		67,948,626.34
Finished goods	1,999,631.82		1,999,631.82	1,061,304.40		1,061,304.40
Circulation material	530,944,665.94		530,944,665.94	527,809,848.11		527,809,848.11
Contract performance cost	2,153,588,184.33		2,153,588,184.33	2,335,333,048.93		2,335,333,048.93
development cost	3,083,106,183.34		3,083,106,183.34	3,062,504,074.50		3,062,504,074.50
Total				3,917,242.96		3,917,242.96

Notes: The capitalized interest in the ending balance of inventory is 152,584,504.12yuan.

8. Contract assets

8.1 Categories of Contract assets

Items	12/31/2022			1/1/2022		
	Book balance	Provision for inventory write-down	Book value	Book balance	Provision for inventory write-down	Book value
Engineering construction	35,731,864.84		35,731,864.84	1,049,868.62		1,049,868.62
Total	35,731,864.84		35,731,864.84	1,049,868.62		1,049,868.62

9. Other current assets

Items	12/31/2022	1/1/2022
Input VAT allowances	141,893,893.12	292,218,719.36
Prepaid corporate income tax	752,301.00	
Contract acquisition cost		124,877.36
Total	142,646,194.12	292,343,596.72

10. Investment in debt instruments

10.1 Categories of Investment in debt instruments

Items	12/31/2022			1/1/2022		
	Book balance	Provision for inventory write-down	Book value	Book balance	Provision for inventory write-down	Book value
JQ Securities (Hong Kong) Limited	62,066,825.20		62,066,825.20	31,033,412.60		31,033,412.60
Total	62,066,825.20		62,066,825.20	31,033,412.60		31,033,412.60

10.2 Important debt investment at the end of the period

Items	12/31/2022				1/1/2022			
	Face value	Coupon rate	Actual rate of interest	Date of expiry	Face value	Coupon rate	Actual rate of interest	Date of expiry
JQ Securities (Hong Kong) Limited	62,066,825.20	5.3%	5.3%	2024.3.24	31,033,412.60	5.3%	5.3%	2024.3.24
Total	62,066,825.20				31,033,412.60			

11. Long-term receivables

11.1 Categories of Long-term receivables

Item	12/31/2022			1/1/2022		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Finance lease				75,000,000.00		75,000,000.00
Others	2,285,801,583.57		2,285,801,583.57	3,303,727,000.26		3,303,727,000.26
Total	2,285,801,583.57		2,285,801,583.57	3,378,727,000.26		3,378,727,000.26

11.2 Details of Long-term receivables

Items	12/31/2022	1/1/2022
Inferior funds of industrial fund collective fund trust plan of AVIC Trust Co., Ltd	440,000,000.00	440,000,000.00
Inferior funds of structured collective funds trust plan of AVIC Trust Co., Ltd		185,055,037.28
Tianqi (2016) No. 356 Fangyang Group Industrial Fund collective fund trust plan	1,845,801,583.57	1,835,168,629.62
Tianqi (2016) No. 7 Fangyang group structured collective fund trust plan		843,503,333.36
Jiangsu Yangjing Petrochemical Group Co., Ltd		75,000,000.00
Total	2,285,801,583.57	3,378,727,000.26

12. Long-term equity investment

Investee	1/1/2022	Changes in Current Period								12/31/2022	Closing Balance of provision for impairment
		Increase	Decrease	Profit or loss recognized under equity method	Adjustments of other comprehensive income	Other changes in equity	Cash dividend or profit declared	Provision for impairment	Other		
(1) Joint Venture											
(2) Associated Enterprise											
Jiangsu Fangyang Energy Investment Co., Ltd	17,145,409.84			424,151.73			-1,403,013.97			16,166,547.60	
China Energy Conservation (Lianyungang) clean technology development Co., Ltd	78,897,683.84			-3,062,617.94						75,835,065.90	
Jiangsu Xianghe Agricultural Development Co., Ltd	959,972,998.30			33,553,720.55						993,526,718.85	
Jiangsu Yangjing Petrochemical Group Co., Ltd	1,062,947,199.86			47,703,834.10						1,110,651,033.96	
Lianyungang Jiuyang Environmental Technology Co., Ltd	57,597,420.54			308,931.24						57,906,351.78	
Lianyungang milkewei chemical supply chain Co., Ltd	22,500,000.00			-299,262.95						22,200,737.05	
Jiangsu fangyangmuge New Energy Technology Co., Ltd	16,731,347.80			825,249.40						17,556,597.20	
Lianyungang Xianghe Landscape Engineering Co., Ltd	141,803,400.00			-48,123,592.87						93,679,807.13	
Jiangsu Fanghua Real Estate Development Co., Ltd	49,000,000.00		44,100,000.00	-2,182,266.04						2,717,733.96	

Investee	1/1/2022	Changes in Current Period							12/31/2022	Closing Balance of provision for impairment	
		Increase	Decrease	Profit or loss recognized under equity method	Adjustments of other comprehensive income	Other changes in equity	Cash divided or profit declared	Provision for impairment			Other
Lianyungang Hongyang port storage and Transportation Co., Ltd	20,000,000.00	34,000,000.00		-7,805,566.61						46,194,433.39	
Jiangsu Yangjing Industrial Investment Co., Ltd	2,150,000,000.00			-283,239.49						2,149,716,760.51	
Subtotal	4,576,595,460.18	34,000,000.00	44,100,000.00	21,059,341.12			-1,403,013.97			4,586,151,787.33	
Total	4,576,595,460.18	34,000,000.00	44,100,000.00	21,059,341.12			-1,403,013.97			4,586,151,787.33	

13. Other non-current financial assets

Items	12/31/2022	1/1/2022
Financial assets classified as financial assets measured at fair value and whose changes are included in current profits and losses	3,525,156,315.00	3,335,536,015.00
Including: Debt instrument investment		
Equity instrument investment	3,525,156,315.00	3,335,536,015.00
Total	3,525,156,315.00	3,335,536,015.00

14. Investment properties

14.1 Investment property using fair value model

Item	Properties and buildings	Land use rights	Total
1. 12/31/2022		21,004,368,200.00	21,004,368,200.00
2.Changes the current period			
Add: Purchase			
Transfer from intangible assets	1,554,433,700.00	180,978,600.00	1,735,412,300.00
Income from changes in fair value		2,096,896,200.00	2,096,896,200.00
Increase from business combination			
Less: Disposal		1,257,649,800.00	1,257,649,800.00
Other transfer out		336,786,900.00	336,786,900.00
Loss from changes in fair value			
Decrease from business combination			
3. 12/31/2022	1,554,433,700.00	21,687,806,300.00	23,242,240,000.00

Note:

(1) The disposal of land use right is 1,257,649,800.00 yuan, including 808,810,850.78 yuan of investment real estate cost and 448,838,949.22 yuan of fair value change.

(2) The fair value of investment real estate at the end of 2022 is based on the appraisal report (z.z.p.b. [2023] No. 094 and z.z.p.b. [2023] No. 095) issued by China Asset Appraisal Co., Ltd.

15. Fixed assets

15.1 Category

Items	12/31/2022	1/1/2022
Fixed Assets	10,749,656,514.62	10,551,050,269.51
Disposal of fixed assets		
Total	10,749,656,514.62	10,551,050,269.51

15.2 Details of Fixed Assets

Item	Buildings	Machinery and equipment	Vehicle	Office and electronic equipment	Pipe gallery pipe network	Others	Total
I. Original cost of fixed assets							
1. Opening Balance	5,570,908,759.58	2,873,864,221.40	106,791,181.55	224,656,396.63	498,331,438.34	2,770,933,103.94	12,045,485,101.44
2. Increase in current period	997,675,583.03	682,002,346.03	36,598,656.31	35,620,838.69	276,762,931.39	10,531,561.56	2,039,191,917.01
(1) External purchase	73,419,871.80	9,059,708.61	35,921,419.13	31,254,042.07		10,288,970.42	159,944,012.03
(2) Transfer from construction in progress	924,189,156.18	672,942,637.42	677,237.18	4,366,796.62	276,762,931.39	242,591.14	1,879,181,349.93
(3) Others	66,555.05						66,555.05
3. Decrease in current period	1,450,719,547.85	256,829.67	23,608,438.09	921,258.17			1,475,506,073.78
(1) Disposal or scrap		188,454.62	23,608,438.09	921,258.17			24,718,150.88
(2) Others	1,450,719,547.85	68,375.05					1,450,787,922.90
4. Closing Balance	5,117,864,794.76	3,555,609,737.76	119,781,399.77	259,355,977.15	775,094,369.73	2,781,464,665.50	12,609,170,944.67
II. Accumulated depreciation							
1. Opening Balance	543,273,016.74	655,633,404.29	50,153,692.70	88,530,509.07	34,100,749.24	122,743,459.89	1,494,434,831.93
2. Increase in current period	247,441,571.53	192,248,438.69	21,707,262.65	38,985,741.69	30,215,422.91	62,314,746.13	592,913,183.60
(1) Provision	247,434,985.35	192,248,438.69	21,707,262.65	38,985,741.69	30,215,422.91	62,314,746.13	592,906,597.42
(2) Others	6,586.18						6,586.18
3. Decrease in current period	214,004,600.46	42,325.86	12,913,134.45	873,524.71			227,833,585.48
(1) Disposal or scrap		35,739.68	12,913,134.45	873,524.71			13,822,398.84
(2) Others	214,004,600.46	6,586.18					214,011,186.64
4. Closing Balance	576,709,987.81	847,839,517.12	58,947,820.90	126,642,726.05	64,316,172.15	185,058,206.02	1,859,514,430.05
III. Impairment provision							
1. Opening Balance							
2. Increase in current period							
3. Decrease in current period							
4. Closing Balance							
IV. Carrying Amount							

Item	Buildings	Machinery and equipment	Vehicle	Office and electronic equipment	Pipe gallery pipe network	Others	Total
1.Closing carrying amount	4,541,154,806.95	2,707,770,220.64	60,833,578.87	132,713,251.10	710,778,197.58	2,596,406,459.48	10,749,656,514.62
2.Opening carrying amount	5,027,635,742.84	2,218,230,817.11	56,637,488.85	136,125,887.56	464,230,689.10	2,648,189,644.05	10,551,050,269.51

16. Construction in progress

16.1 Category

Items	12/31/2022	1/1/2022
construction in progress	18,322,768,077.59	14,154,045,965.89
Construction supplies	9,479,511.34	6,730,950.08
Total	18,332,247,588.93	14,160,776,915.97

16.2 Main construction in progress

Name of project	1/1/2022	Increase	Decrease		12/31/2022
			Turn to fixed assets	Others	
Port engineering	2,684,289,809.25	950,819,824.19			3,635,109,633.44
Ruiqiao concrete mixing plant (phase II) project	4,849,314.22	1,211,143.66			6,060,457.88
Energy saving and environmental protection technology park supporting project	337,800,930.52	30,166,235.15			367,967,165.67
Energy saving and environmental protection technology park standard plant (phase I)	9,540,192.52	-509,341.76			9,030,850.76
Neighborhood center of Yunhu community (phase I) [talent apartment]	584,226,762.10	36,824,778.22		157,998,816.09	463,052,724.23
Phase I project of Xuwei water treatment plant and auxiliary water supply pipe network outside the plant [water plant, sewage plant]	358,524,849.29	-111,289,737.43			247,235,111.86
Xuwei New District public rental housing phase II	444,454,332.61	77,606,060.82	394,097,468.32		127,962,925.11
Phase II project of No.1 harbor basin in Xuwei port area	347,770,666.66	71,427,169.70			419,197,836.36
Phase I project of the second harbor basin of Xuwei port area	412,934,219.61	41,019,125.94			453,953,345.55
Yunhu community neighborhood center (phase II)	299,367,915.11	198,101,956.04		36,329,317.21	461,140,553.94
Xuwei New Area Sewage Treatment Plant and External Supporting Pipeline Network Phase I Project	26,177,993.06	46,224,549.23			72,402,542.29
Xuwei New District public rental housing phase III	393,255,171.50	219,204,569.08			612,459,740.58
Yunhu community service center [S226 provincial highway service area]	54,638,770.43				54,638,770.43
Petrochemical temporary project department [Petrochemical Industrial Park]	27,228,986.02				27,228,986.02
Zhihuiwan Lakeside Park, Xuwei New District (area a)	29,273,050.43	4,745,676.81			34,018,727.24
Resource purchasing center	362,798,233.23	96,667,869.33			459,466,102.56
Xuwei new area underground utility tunnel phase I Project	1,177,446,408.56	182,099,532.73			1,359,545,941.29
Upgrading, transformation and ecological purification project of Xuwei sewage treatment plant	356,949,765.59	13,564,030.21	366,903,677.51		3,610,118.29
Multimodal transport center	172,055,097.54	6,514,458.47			178,569,556.01
Yunhu business center	10,850,177.25	48,000.00			10,898,177.25
Hongyang cogeneration project	2,790,904,602.17	1,577,417,428.17	104,809,785.62		4,263,512,244.72
Xuwei new area special railway project and port - Tui road special line	19,627,322.81	4,284,269.88			23,911,592.69
Xuwei new area second water plant and supporting pipe network phase I Project	65,453,311.97	67,577,516.72	131,757,607.35		1,273,221.34
High salt wastewater treatment project in Xuwei New Area	9,600,968.19	92,195,089.17	101,756,447.34		39,610.02
Third party treatment project of industrial wastewater in Lianyungang petrochemical base	2,682,097.59	83,088.45	28,549.06		2,736,636.98
Demonstration Zone Comprehensive Bonded Zone	115,044,408.47	32,482,672.37			147,527,080.84
220kV Kongqiao power transmission and transformation project	43,265,384.02	3,902,366.41			47,167,750.43
Yunhu restaurant project	32,082,755.30	23,644.08			32,106,399.38

Name of project	1/1/2022	Increase	Decrease		12/31/2022
			Turn to fixed assets	Others	
Xuwei new area environmental sanitation operation management center project	64,632,602.07	12,955,796.37			77,588,398.44
Xuwei New District zhihuiwan Business Center (phase I project)	101,716,994.27	14,757,894.97			116,474,889.24
220kV deep port power transmission and transformation project	142,614,347.39	45,981,322.79	157,365,500.00		31,230,170.18
Xuwei New District emergency isolation dormitory	112,165,319.85	39,843,234.73			152,008,554.58
Xuwei New District No.1 renewable energy station	12,893,942.68	8,583,072.36			21,477,015.04
Industrial neighborhood center service center supporting assets	233,564,248.09	30,438,313.42			264,002,561.51
G3 building of public rental housing	34,577,274.54	862,312.15			35,439,586.69
Dry bulk transport trestle	321,287,573.09	213,606,089.85			534,893,662.94
Xuwei New District Coal Logistics reserve base	317,776,339.29	337,271,023.92			655,047,363.21
Lianyungang comprehensive bonded zone (Xuwei area) phase II project	92,027,743.85	41,402,474.39			133,430,218.24
Multimodal transport center (phase II)	75,680,925.16	35,309,257.25			110,990,182.41
Lianyungang port Xuwei New Area Phase I project 2 finished product yard	18,675,230.59	2,667,890.74			21,343,121.33
Emergency rescue command center	42,147,999.53	36,181,822.12			78,329,821.65
Wharf berth - Xuwei port area second harbor basin multi-purpose berth phase I Project	87,755,766.87	119,103,397.64			206,859,164.51
Yunhu business core area 16#	125,107,470.78	153,560,515.70			278,667,986.48
Xuwei new area port business service center project	31,089,451.44	242,669,161.69			273,758,613.13
Emergency rescue training base project	95,604,091.03	55,560,371.68			151,164,462.71
Xuwei new area second water plant phase III and advanced treatment project	113,417,966.49	86,650,983.67	119,284,285.48		80,784,664.68
Lianyungang petrochemical base chemical high salt wastewater treatment project (phase I)	118,263,496.49	60,737,236.87	157,813,623.19		21,187,110.17
Petrochemical base construction workers' Living Camp (phase I and phase II) project	44,495,542.44	69,554,867.58	105,504,587.16		8,545,822.86
Xuwei New Area smart kitchen food R & D Science Park Project	37,961,708.71	27,536,314.63			65,498,023.34
Sea area usage fee for the 2 # storage yard project of Xuwei Port Area's first port general cargo		13,109,366.68			13,109,366.68
Block 1, Cultural and Creative Street, Zhihui Bay, Phase I of Residential Plot 60		9,249,072.00			9,249,072.00
Xuwei New Area Reclaimed Water Plant Phase II Project		52,754,165.01			52,754,165.01
Xuwei New Area Petrochemical Base Tank Farm Fire Pipeline Project	38,405,373.38	26,164,743.11			64,570,116.49
Xuwei New Area Agricultural Products Traceability Cold Chain Logistics Service Demonstration Base Project	398,867.93	84,285,997.70			84,684,865.63
Others	718,692,193.91	792,292,579.54	239,859,818.90	13,269,659.27	1,257,855,295.28
Total	14,154,045,965.89	6,255,501,254.20	1,879,181,349.93	207,597,792.57	18,322,768,077.59

Note:

(1) Phase I project of Xuwei water treatment plant and auxiliary water supply pipe network outside the plant [water plant, sewage plant] has increased by -111,289,737.43 yuan in this phase, and Energy saving and environmental protection technology park standard plant (phase I) has increased by -509,341.76 yuan in this phase, which is a reclassification adjustment between engineering projects.

(2) Other reduction in Neighborhood center of Yunhu community (phase I) [talent apartment] by 157,998,816.09 yuan transferred to inventory; Yunhu community neighborhood center (phase II) is priced

at 36,329,317.21 yuan transferred to operating costs due to sale.

16.3 Construction supplies

Item	12/31/2022	1/1/2022
Project material - specific materials	1,379,766.07	67,478.96
Project material - specific equipment	8,099,745.27	6,663,471.12
Total	9,479,511.34	6,730,950.08

17. Right of use assets

Item	Buildings	Total
I. Original book value of intangible assets		
1. Opening Balance	80,265,617.42	80,265,617.42
2. Increase in current period		
3. Decrease in current period		
4. Closing Balance	80,265,617.42	80,265,617.42
II. Accumulated amortization of intangible assets		
1. Opening Balance	9,536,509.00	9,536,509.00
2. Increase in current period	9,536,509.00	9,536,509.00
(1) Provision	9,536,509.00	9,536,509.00
3. Decrease in current period		
Closing Balance	19,073,018.00	19,073,018.00
III. Provision for fixed asset impairment		
IV. Net value of intangible assets		
Closing Book Value	61,192,599.42	61,192,599.42
Opening Book Value	70,729,108.42	70,729,108.42

18. Intangible asset

Item	Land use rights	Right to use sea areas	Mining right	Software	Others	Total
I. Original book value of intangible assets						
1. Opening Balance	1,694,990,756.52	148,735,994.00	108,609,618.00	22,181,856.50	94,875,076.10	2,069,393,301.12
2. Increase in current period	558,809,179.73	599,139.00		3,533,640.41	1,340,210.88	564,282,170.02
(1) External purchase	322,315,579.73	599,139.00		3,533,640.41	1,340,210.88	327,788,570.02
(2) Other	236,493,600.00					236,493,600.00
3. Decrease in current period	365,421,448.56		108,609,618.00	2,212,389.38		476,243,455.94
(1) Disposal				2,212,389.38		2,212,389.38
(2) Other	365,421,448.56		108,609,618.00			474,031,066.56
4. Closing Balance	1,888,378,487.69	149,335,133.00		23,503,107.53	96,215,286.98	2,157,432,015.20
II. Accumulated amortization of intangible assets						
1. Opening Balance	93,810,988.72	21,497,436.73	108,609,618.00	7,147,350.41	77,847.51	231,143,241.37
2. Increase in current period	29,522,295.50	1,793,412.36		2,388,978.45	146,740.62	33,851,426.93

Item	Land use rights	Right to use sea areas	Mining right	Software	Others	Total
(1)Provision	29,522,295.50	1,793,412.36		2,388,978.45	146,740.62	33,851,426.93
3.Decrease in current period	36,652,742.84		108,609,618.00			145,262,360.84
(1) Disposal						
(2)Other	36,652,742.84		108,609,618.00			145,262,360.84
Closing Balance	86,680,541.38	23,290,849.09		9,536,328.86	224,588.13	119,732,307.46
III. Provision for fixed asset impairment						
IV.Net value of intangible assets						
Closing Book Value	1,801,697,946.31	126,044,283.91		13,966,778.67	95,990,698.85	2,037,699,707.74
Opening Book Value	1,601,179,767.80	127,238,557.27		15,034,506.09	94,797,228.59	1,838,250,059.75

19. Long-term prepaid assets

Item	1/1/2022	Increase	Decrease		12/31/2022
			Amortization	Others	
Decoration fee	15,490,277.65	11,491,270.88	11,139,921.71		15,841,626.82
Water stable mixing plant project	5,738,498.09	6,395,027.15	4,484,858.83		7,648,666.41
First grade qualification of electronic and intelligent engineering	633,333.35		633,333.35		
Bathroom renovation cost	56,697.55		13,744.86		42,952.69
Service fee for Class B design qualification in the construction industry		1,056,603.78	176,100.66		880,503.12
Financing service fees		12,000,000.00	342,991.17		11,657,008.83
Other	9,682,838.97	3,141,043.25	4,116,761.70		8,707,120.52
Total	31,601,645.61	34,083,945.06	20,907,712.28		44,777,878.39

20. Deferred income tax assets

20.1 Details of recognized deferred income tax assets

Items	12/31/2022		1/1/2022	
	Temporary differences	Deferred income tax assets	Temporary differences	Deferred income tax assets
Bad debt provision	83,535,020.56	20,839,524.25	74,918,326.57	18,718,464.07
Total	83,535,020.56	20,839,524.25	74,918,326.57	18,718,464.07

20.2 Details of recognized deferred income tax liabilities

Items	12/31/2022		1/1/2022	
	Temporary differences	Deferred income tax liabilities	Temporary differences	Deferred income tax liabilities
Changes in fair value of Investment property	13,830,038,892.03	3,457,509,722.99	12,288,482,866.87	3,072,120,716.70
Total	13,830,038,892.03	3,457,509,722.99	12,288,482,866.87	3,072,120,716.70

21. Other non-current assets

Items	12/31/2022	1/1/2022
Prepayment for VAT		17,988,220.00
Prepayment for house and equipment	240,102,697.05	565,788,659.87

Items	12/31/2022	1/1/2022
Total	240,102,697.05	583,776,879.87

22. Short-term loan

Items	12/31/2022	1/1/2022
Credit loans	535,649,181.57	591,000,000.00
Mortgage loan	1,530,000,000.00	2,195,336,740.00
Guaranteed loans	3,601,800,000.00	2,770,600,000.00
Pledge loan	456,500,000.00	399,000,000.00
Accrued interest	4,173,659.18	17,412,442.95
Total	6,128,122,840.75	5,973,349,182.95

23. Notes payable

Category	12/31/2022	1/1/2022
Bank acceptances	3,737,374,970.50	4,481,308,152.58
Commercial acceptance bill	50,000,000.00	500,000,000.00
Total	3,787,374,970.50	4,981,308,152.58

24. Accounts payable

24.1 Aging presentation of accounts payable

Aging	12/31/2022		1/1/2022	
	Amount	%	Amount	%
Within 1 year	1,472,007,114.92	69.25	1,116,002,764.32	70.30
1-2 year	381,704,090.32	17.96	428,860,975.24	27.01
2-3 year	256,871,763.47	12.09	3,866,759.81	0.24
Over 3 year	14,791,125.29	0.70	38,825,648.23	2.45
Total	2,125,374,094.00	100.00	1,587,556,147.60	100.00

24.2 Top five entities with the largest balances of accounts payable

Company name	Relationship with the Company	Amount	Aging	Proportion in the total (%)
Hongwei (Lianyungang) Fine Chemicals Co., Ltd	Non related party	278,283,350.46	Within 1 year	13.09
Zhejiang Chunfeng Group Co., Ltd	Non related party	106,639,530.77	Within 1 year	5.02
Zhejiang Wuchan Environmental Protection Energy Co., Ltd	Non related party	84,377,762.39	Within 1 year	3.97
Zhejiang Fuyang Wuchan Fuel Co., Ltd	Non related party	74,133,809.39	Within 1 year	3.49
Nantong Hongya Construction Engineering Co., Ltd	Non related party	72,053,130.00	Within 1 year	3.39
Total		615,487,583.01		28.96

25. Contract liabilities

Category	12/31/2022	1/1/2022
Trade payables	262,605,439.99	216,905,592.00
Total	262,605,439.99	216,905,592.00

26. Employee benefits payable

26.1 General situation

Items	1/1/2022	Increase	Decrease	12/31/2022
Short-term employee benefits	20,735,931.96	568,937,710.52	573,175,251.50	16,498,390.98
Post-employment benefits	3,075,417.53	70,748,512.75	73,508,323.88	315,606.40
Termination benefits				
Other benefits due in 1 year				
Total	23,811,349.49	639,686,223.27	646,683,575.38	16,813,997.38

26.2 Short-term employee benefits

Item	1/1/2022	Increase	Decrease	12/31/2022
Wages, bonuses, allowances and subsidies	19,304,305.86	432,734,798.31	437,472,763.51	14,566,340.66
Employees' welfare		35,900,133.63	35,899,698.63	435.00
Social insurance premiums	25,240.09	27,251,263.92	27,259,556.65	16,947.36
including: Medical insurance premium	24,174.75	23,274,651.32	23,282,882.39	15,943.68
Work-related injury insurance premium	3,131.24	1,741,197.58	1,741,627.05	2,701.77
Maternity insurance premium	-2,065.90	2,444,685.38	2,444,317.57	-1,698.09
Housing funds	537,734.52	60,198,591.47	60,112,155.41	624,170.58
Trade union expenditures and employee education funds	868,651.49	12,314,416.88	11,888,273.47	1,294,794.90
Short-term paid absences				
Short-term paid absences profit-sharing plan				
Other short-term employee benefits		538,506.31	542,803.83	-4,297.52
Total	20,735,931.96	568,937,710.52	573,175,251.50	16,498,390.98

26.3 Defined contribution plans

Defined contribution plans item	1/1/2022	Increase	Decrease	12/31/2022
Basic endowment insurance premium	91,816.00	58,004,077.51	58,050,679.35	45,214.16
Unemployment insurance premium	3,124.45	2,472,693.40	2,464,209.61	11,608.24
Payment of annuity	2,980,477.08	10,271,741.84	12,993,434.92	258,784.00
Total	3,075,417.53	70,748,512.75	73,508,323.88	315,606.40

27. Taxes and dues payable

Items	12/31/2022	1/1/2022
Value added tax	12,522,336.01	3,234,588.12
City construction tax	1,046,416.94	323,494.90
Education fee additional tax	448,464.34	138,640.67
Local education fee additional tax	337,204.11	104,031.63
Land use tax	754,689.61	1,180,422.91
Urban real estate tax	2,304,899.44	3,749,421.41
Income tax	19,087,233.22	5,715,126.43
Stamp tax	836,210.43	1,616,844.33
Individual income tax	1,126,071.02	663,123.62
Resource tax		684,056.53
Others	627,224.17	
Total	39,090,749.29	17,409,750.55

28. Other payables

28.1 Category

Items	12/31/2022	1/1/2022
Interests payable		
Dividends payable		
Other payables	1,203,252,777.11	1,035,243,522.34
Total	1,203,252,777.11	1,035,243,522.34

28.1 Other payables

a) Aging presentation of other payables

Aging	12/31/2022		1/1/2022	
	Amount	%	Amount	%
Within 1 year	132,719,678.34	11.02	113,232,169.12	10.94
1-2 year	218,981,682.66	18.20	452,851,257.60	43.74
2-3 year	389,799,956.38	32.40	70,444,564.65	6.80
Over 3 year	461,751,459.73	38.38	398,715,530.97	38.52
Total	1,203,252,777.11	100.00	1,035,243,522.34	100.00

b) Classification of other receivables by nature

Nature of payment	12/31/2022	1/1/2022
Current account	1,076,744,827.86	927,285,770.24
Deposit and security deposit	100,844,576.18	95,406,483.98
Withholding and payment	20,887,560.65	8,379,477.23
Other	4,775,812.42	4,171,790.89
Total	1,203,252,777.11	1,035,243,522.34

c) Top five entities with the largest balances of other payables

Company name	Relationship with the Company	Amount	Aging	Proportion in the total (%)
Lianyungang Port Group Co., Ltd	Non related party	777,879,751.15	2-3 year 381,801,326.65, over 3 year 396,078,424.50	64.65
Lianyungang Port Holding Group Xuwei Co., Ltd	Non related party	58,970,766.21	Over 3 year	4.90
Jiangsu Changyuan Supply Chain Co., Ltd	Non related party	6,000,000.00	Within 1 year	0.50
Lianyungang Pengchen Special New Materials Co., Ltd	Non related party	5,000,000.00	Within 1 year	0.42
Zhejiang Fuyang Wuchan Fuel Co., Ltd	Non related party	5,000,000.00	Within 1 year	0.42
Total		852,850,517.36		70.89

29. Non-current liabilities due within one year

Item	12/31/2022	1/1/2022
Long-term loans due within one year	3,464,722,922.22	1,208,417,500.00
Bond payable due within one year	1,209,410,437.51	2,000,793,651.47
Long-term payable due within one year	889,828,882.82	1,101,803,113.73
Total	5,563,962,242.55	4,311,014,265.20

30. Other current liabilities

Items	12/31/2022	1/1/2022
Output tax to be transferred	12,995,937.97	8,989,211.49
Phase I directional debt financing plan of Jiangsu Fangyang Group Co., Ltd. in 2021 (China Construction Bank)		700,000,000.00
Phase I debt financing plan of Jiangsu Fangyang Group Co., Ltd. in 2021 (Bank of China)		72,000,000.00
Phase II debt financing plan of Jiangsu Fangyang Group Co., Ltd. in 2021 (Bank of China)		228,000,000.00
Phase II ultra short term financing bonds of Jiangsu Fangyang Group Co., Ltd. in 2021 (Bank of Nanjing)		400,000,000.00
Phase III ultra short term financing bonds of Jiangsu Fangyang Group Co., Ltd. in 2021 (Bank of Ningbo)		500,000,000.00
2021 Lian Xin E Rong Zi No. 00011		219,000,000.00
Phase III Short Term Corporate Bond of Jiangsu Fangyang Group Co., Ltd. in 2022	1,000,000,000.00	
Phase IV Short Term Corporate Bond of Jiangsu Fangyang Group Co., Ltd. in 2022	520,000,000.00	
Phase II Short Term Corporate Bond of Jiangsu Fangyang Group Co., Ltd. in 2022	1,000,000,000.00	
Trust plan	300,000,000.00	
Trust plan	300,000,000.00	
Phase I Short Term Corporate Bond of Jiangsu Fangyang Group Co., Ltd. in 2022	500,000,000.00	
Phase I Short Term Corporate Bond of Jiangsu Fangyang Group Co., Ltd. in 2022	500,000,000.00	
Accrued interest	73,375,408.22	2,891,166.67
Total	4,206,371,346.19	2,130,880,378.16

31. Long-term loan

Items	12/31/2022	1/1/2022
Credit loans	3,985,817,000.00	4,777,497,000.00
Mortgage loan	19,020,673,000.00	16,676,301,000.00
Guaranteed loans	11,760,061,140.00	9,434,600,000.00
Pledge loan	1,168,000,000.00	792,224,500.50
Accrued interest	24,837,292.00	15,752,834.04
Sub-total	35,959,388,432.00	31,696,375,334.54
Less: long term loans due within one year	3,464,722,922.22	1,208,417,500.00
Total	32,494,665,509.78	30,487,957,834.54

32. Bonds payable**32.1 Bonds payable exhibit by item**

Items	12/31/2022	1/1/2022
2019 Phase II debt financing plan of Jiangsu Fangyang Group Co., Ltd. (Bank of Nanjing)		501,806,136.10
2019 Phase I non-public issuance of corporate bonds of Jiangsu Fangyang Group Co., Ltd. (Orient Securities)		799,264,470.66
2019 Phase I debt financing plan of Jiangsu Fangyang Group Co., Ltd. (Jiangnan bank)		199,579,215.38
2020 Phase I debt financing plan of Jiangsu Fangyang Group Co., Ltd. (Huishang bank)	991,535,774.70	1,002,755,136.38
2020 Special bond of Jiangsu Fangyang Group Co.,	797,979,135.59	797,198,909.40

Items	12/31/2022	1/1/2022
Ltd. for the construction of phase I urban underground comprehensive pipe gallery (Orient Securities)		
2020 Phase I non-public directional debt financing instrument of Jiangsu Fangyang Group Co., Ltd. (Bank of Jiangsu)		500,143,829.33
2020 Phase I of non-public issuance of corporate bonds of Jiangsu Fangyang Group Co., Ltd. (Oriental Citigroup securities)		350,172,824.53
2020 Phase I medium term note of Jiangsu Fangyang Group Co., Ltd. (Bank of Nanjing)	499,464,781.76	498,626,441.18
2020 Phase II medium term note of Jiangsu Fangyang Group Co., Ltd. (Minsheng Bank)	547,268,334.06	550,079,653.55
2021 Phase I medium term note of Jiangsu Fangyang Group Co., Ltd. (Bank of Nanjing)	499,381,419.77	498,887,648.24
2021 Phase I non-public directional debt financing instrument of Jiangsu Fangyang Group Co., Ltd. (Bank of Jiangsu)	499,945,655.75	500,797,111.85
2021 Phase II medium term note of Jiangsu Fangyang Group Co., Ltd. (Minsheng Bank)	497,736,905.15	500,000,000.00
2021 phase II non-public directional debt financing instrument of Jiangsu Fangyang Group Co., Ltd. (China CITIC Bank)	597,040,843.86	600,399,689.16
2022 Phase I non-public issuance of corporate bonds of Jiangsu Fangyang Group Co., Ltd. (Orient Securities)	996,785,555.75	
2022 Phase I debt financing plan of Jiangsu Fangyang Group Co., Ltd.	500,222,291.27	
2022 Phase I medium term note of Jiangsu Fangyang Group Co., Ltd.	550,207,365.82	
2022 phase I non-public directional debt financing instrument of Jiangsu Fangyang Group Co., Ltd.	600,151,260.11	
2021 Phase I financial direct financing tool of Lianyungang Xuwei Port Investment Group Co., Ltd. (Bank of Nanjing)	50,000,000.00	50,000,000.00
2021 Phase I overseas USD bond of China Fangyang Trading Co., Ltd. (Haitong international securities)	1,039,957,888.05	950,356,884.57
2021 Phase II overseas USD bond of China Fangyang Trading Co., Ltd. (Haitong international securities)	1,041,374,315.79	951,307,610.11
2022 Phase I financial direct financing tool of Jiangsu Fangyang Water Service Co., Ltd. (Everbright Bank)	200,000,000.00	
2022 Phase I financial direct financing tool of Lianyungang Xuwei Port Investment Group Co., Ltd. (Nanjing Bank)	50,000,000.00	
2022 Phase II financial direct financing tool of Lianyungang Xuwei Port Investment Group Co., Ltd. (Nanjing Bank)	50,000,000.00	
2022 Phase III financial direct financing tool of Lianyungang Xuwei Port Investment Group Co., Ltd. (Nanjing Bank)	50,000,000.00	
2022 Phase V financial direct financing tool of Lianyungang Xuwei Port Investment Group Co., Ltd. (Nanjing Bank)	100,000,000.00	
Accrued interest	251,722,012.12	175,120,361.74
Subtotal	10,410,773,539.55	9,426,495,922.18
Less: Bond payable due within one year	1,209,410,437.51	2,000,793,651.47
Total	9,201,363,102.04	7,425,702,270.71

Items	Face value (100 million yuan)	Issue date	Bond duration	Issue amount (100 million yuan)	12/31/2020 Balance	Current issue	Interest accrued at face value	Amortization of excess discount	Current repayment	Other	12/31/2022 Balance
2019 Phase II debt financing plan of Jiangsu Fangyang Group Co., Ltd. (Bank of Nanjing)	5	20190830	3year	5	501,806,136.10		21,128,767.12	1,806,136.10	500,000,000.00		
2019 Phase I non-public issuance of corporate bonds of Jiangsu Fangyang Group Co., Ltd. (Orient Securities)	8	20191119	3year	8	799,264,470.66		25,406,326.44	-735,529.34	800,000,000.00		
2019 Phase I debt financing plan of Jiangsu Fangyang Group Co., Ltd. (Jiangnan bank)	2	20190614	3year	2	199,579,215.38			-420,784.62	200,000,000.00		
2020 Phase I debt financing plan of Jiangsu Fangyang Group Co., Ltd. (Huishang bank)	10	20201218	5year	10	1,002,755,136.38		59,000,000.00	11,219,361.68			991,535,774.70
2020 Special bond of Jiangsu Fangyang Group Co., Ltd. for the construction of phase I urban underground comprehensive pipe gallery (Orient Securities)	8	20200908	7year	8	797,198,909.40		39,920,000.00	-780,226.19			797,979,135.59
2020 Phase I non-public directional debt financing instrument of Jiangsu Fangyang Group Co., Ltd. (Bank of Jiangsu)	5	20201029	2year	5	500,143,829.33		15,261,770.07	143,829.33	500,000,000.00		
2020 Phase I of non-public issuance of corporate bonds of Jiangsu Fangyang Group Co., Ltd. (Oriental	3.50	20200306	5year	3.50	350,172,824.53			172,824.53	350,000,000.00		

Items	Face value (100 million yuan)	Issue date	Bond duration	Issue amount (100 million yuan)	12/31/2020 Balance	Current issue	Interest accrued at face value	Amortization of excess discount	Current repayment	Other	12/31/2022 Balance
Citigroup securities)											
2020 Phase I medium term note of Jiangsu Fangyang Group Co., Ltd. (Bank of Nanjing)	5	20200317	3year	5	498,626,441.18		32,500,000.00	-838,340.58			499,464,781.76
2020 Phase II medium term note of Jiangsu Fangyang Group Co., Ltd. (Minsheng Bank)	5.50	20200527	5year	5.50	550,079,653.55		33,000,000.00	2,811,319.49			547,268,334.06
2021 Phase I medium term note of Jiangsu Fangyang Group Co., Ltd. (Bank of Nanjing)	5.00	20210304	3year	5.00	498,887,648.24		34,000,000.00	-493,771.53			499,381,419.77
2021 Phase I non-public directional debt financing instrument of Jiangsu Fangyang Group Co., Ltd. (Bank of Jiangsu)	5.00	20210406	2year	5.00	500,797,111.85		34,000,000.00	851,456.10			499,945,655.75
2021 Phase II medium term note of Jiangsu Fangyang Group Co., Ltd. (Minsheng Bank)	5.00	20211008	3year	5.00	500,000,000.00		19,750,000.00		2,263,094.85		497,736,905.15
2021 phase II non-public directional debt financing instrument of Jiangsu Fangyang Group Co., Ltd. (China CITIC Bank)	6.00	20211008	3year	6.00	600,399,689.16		26,820,000.00	3,358,845.30			597,040,843.86

Items	Face value (100 million yuan)	Issue date	Bond duration	Issue amount (100 million yuan)	12/31/2020 Balance	Current issue	Interest accrued at face value	Amortization of excess discount	Current repayment	Other	12/31/2022 Balance
2022 Phase I non-public issuance of corporate bonds of Jiangsu Fangyang Group Co., Ltd. (Orient Securities)	10.00	20220609	3year	10.00		1,000,000,000.00	30,476,712.33		3,214,444.25		996,785,555.75
2022 Phase I debt financing plan of Jiangsu Fangyang Group Co., Ltd.	5.00	20220715	3year	5.00		500,000,000.00	13,087,671.23	-222,291.27			500,222,291.27
2022 Phase I medium term note of Jiangsu Fangyang Group Co., Ltd.	5.50	20220811	3year	5.50		550,000,000.00	9,912,054.79	-207,365.82			550,207,365.82
2022 phase I non-public directional debt financing instrument of Jiangsu Fangyang Group Co., Ltd.	6.00	20220927	3year	6.00		600,000,000.00	8,048,219.18	-151,260.11			600,151,260.11
2021 Phase I financial direct financing tool of Lianyungang Xuwei Port Investment Group Co., Ltd. (Bank of Nanjing)	0.50	20211216	2year	0.50	50,000,000.00						50,000,000.00
2021 Phase I overseas USD bond of China Fangyang Trading Co., Ltd. (Haitong international securities)	USD1.5	20210322	3year	USD1.5	950,356,884.57			-1,266,003.48		88,335,000.00	1,039,957,888.05
2021 Phase II overseas USD bond of China Fangyang Trading Co., Ltd. (Haitong international securities)	USD1.5	20211110	3year	USD1.5	951,307,610.11			-1,731,705.68		88,335,000.00	1,041,374,315.79

Items	Face value (100 million yuan)	Issue date	Bond duration	Issue amount (100 million yuan)	12/31/2020 Balance	Current issue	Interest accrued at face value	Amortization of excess discount	Current repayment	Other	12/31/2022 Balance
2022 Phase I financial direct financing tool of Jiangsu Fangyang Water Service Co., Ltd. (Everbright Bank)	2.00	20220325	2year	2.00		200,000,000.00					200,000,000.00
2022 Phase I financial direct financing tool of Lianyungang Xuwei Port Investment Group Co., Ltd.. (Nanjing Bank)	0.50	20220107	2year	0.50		50,000,000.00					50,000,000.00
2022 Phase II financial direct financing tool of Lianyungang Xuwei Port Investment Group Co., Ltd.. (Nanjing Bank)	0.50	20220126	2year	0.50		50,000,000.00					50,000,000.00
2022 Phase III financial direct financing tool of Lianyungang Xuwei Port Investment Group Co., Ltd.. (Nanjing Bank)	0.50	20220128	2year	0.50		50,000,000.00					50,000,000.00
2022 Phase V financial direct financing tool of Lianyungang Xuwei Port Investment Group Co., Ltd.. (Nanjing Bank)	1.00	20220426	2year	1.00		100,000,000.00					100,000,000.00
Accrued interest					175,120,361.74						251,722,012.12
Subtotal					9,426,495,922.18	3,100,000,000.00	402,311,521.16	13,516,493.91	2,355,477,539.10	176,670,000.00	10,410,773,539.55
Less: Bond payable due within one year					2,000,793,651.47						1,209,410,437.51
Total					7,425,702,270.71	3,100,000,000.00	402,311,521.16	13,516,493.91	2,355,477,539.10	176,670,000.00	9,201,363,102.04

33. Lease liabilities

Items	1/1/2022	Increase	Decrease	12/31/2022
Lease payments		99,819,451.23	4,941,556.99	94,877,894.24
Less: Unconfirmed financing costs		19,553,833.81	3,838,610.20	15,715,223.61
Total		80,265,617.42	1,102,946.79	79,162,670.63

34. Long-term payable

34.1 Category

Items	12/31/2022	1/1/2022
Long-term payable	1,959,031,024.12	1,733,768,518.99
Long-term employee benefits payable		
Special payable	85,403,099.77	123,663,967.57
Total	2,044,434,123.89	1,857,432,486.56

34.2 Long-term payable

Items	12/31/2022	1/1/2022
Finance lease payable	3,015,677,317.54	3,072,405,790.62
Financial leasing - unrecognized financing costs	-166,817,410.60	-236,834,157.90
Subtotal	2,848,859,906.94	2,835,571,632.72
Less: long term accounts payable due within one year	889,828,882.82	1,101,803,113.73
Total	1,959,031,024.12	1,733,768,518.99

34.3 Special payable

Items	1/1/2022	Increase	Decrease	12/31/2022
Special fund for mining environment control of xizoushan phase II project	56,743,208.40		270,000.00	56,473,208.40
Special funds for Comprehensive Bonded Zone	64,920,759.17		36,440,867.80	28,479,891.37
Ecological restoration of coastline	2,000,000.00		2,000,000.00	
Special funds for port informatization		450,000.00		450,000.00
Total	123,663,967.57	450,000.00	38,710,867.80	85,403,099.77

35. Deferred Incomes

Items	12/31/2020	Increase	Included in current profits and losses or offset related costs	12/31/2022
Public rental housing phase II	17,000,000.00		637,500.00	16,362,500.00
Yunhu community neighborhood center phase II construction project	2,600,000.00			2,600,000.00
Waterworks, sewage treatment plants	29,510,569.40		1,238,166.68	28,272,402.72
2021 provincial special fund for ecological environment protection Lianyungang petrochemical base chemical high salt wastewater treatment project (phase I)	5,000,000.00		194,444.46	4,805,555.54
2021 provincial special fund for ecological environment protection - Xuwei sewage treatment plant	4,570,000.00		196,593.20	4,373,406.80

Items	12/31/2020	Increase	Included in current profits and losses or offset related costs	12/31/2022
upgrading project				
2021 municipal pollution control fund - Xuwei sewage treatment plant upgrading project	4,000,000.00		172,072.80	3,827,927.20
2022 provincial special fund for ecological environment protection Lianyungang petrochemical base chemical high salt wastewater treatment project (phase I)		20,000,000.00	259,259.26	19,740,740.74
Improvement of Water Supply Quality in Dongxin Farm		7,051,398.66	156,697.76	6,894,700.90
Subsidy for water quality improvement project of Dongxin farm	22,188,560.00		739,618.68	21,448,941.32
Award and supplementary funds for construction of emergency water source in Xianghe lake, Shanhou River, GuBo	1,000,000.00		1,000,000.00	
2019 Provincial environmental protection guiding fund for the third party treatment project of industrial wastewater in Lianyungang petrochemical base	7,466,666.64		604,917.64	6,861,749.00
Ecological civilization construction fund of high salt wastewater treatment project in Xuwei New Area in 2020	37,333,333.28		2,942,615.20	34,390,718.08
2019 Provincial environmental protection guiding fund for high salinity wastewater treatment project	21,933,333.36		1,680,627.32	20,252,706.04
Multimodal transport center project	383,333.33			383,333.33
Loan discount for multimodal transport center project	3,000,000.00			3,000,000.00
Lianyungang comprehensive bonded zone (block I) phase II project	5,000,000.00			5,000,000.00
Underground utility tunnel in Xuwei New Area	89,916,666.67			89,916,666.67
Phase II project of Xuwei New Area multimodal transport center	5,000,000.00			5,000,000.00
Xuwei new area coal logistics reserve base	90,000,000.00			90,000,000.00
Agricultural Products Traceability Cold Chain of Logistics Service Demonstration Base Project in Xuwei New Area		22,000,000.00		22,000,000.00
Special fund for the development of modern service industry	6,640,000.00		912,000.00	5,728,000.00
Continental Bridge Exhibition Center	150,000.00			150,000.00
Subsidy for neighborhood project	11,040,000.00			11,040,000.00
Emergency Rescue Command Center	16,210,000.00		2,093,791.67	14,116,208.33
Payment for epidemic prevention materials and equipment		2,347,500.00	52,442.34	2,295,057.66
Refund of sea area use right fee	186,738,633.90			186,738,633.90
Total	566,681,096.58	51,398,898.66	12,880,747.01	605,199,248.23

Note: Details of government grants are shown in Notes V-59. Government grants.

36. Paid-in capital

Items	1/1/2022		Increase	Decrease	12/31/2022	
	Amount	%			Amount	%
Lianyungang Municipal People's Government	8,570,000,000.00	100.00			8,570,000,000.00	100.00
Total	8,570,000,000.00	100.00			8,570,000,000.00	100.00

37. Capital surplus

Items	12/31/2022	Increase	Decrease	12/31/2022
Transfer of funds	2,831,644,813.91	740,630,300.00		3,572,275,113.91
Other capital surplus	1,985,304,292.16	500,131.98	310,199,852.48	1,675,604,571.66
total	4,816,949,106.07	741,130,431.98	310,199,852.48	5,247,879,685.57

Note :

Capital surplus changes in the current period:

(1) The capital surplus of the current period increased by 741,130,431.98 yuan, including 740,630,300.00 yuan increase in government grants and allocated assets; the change in equity ratio of Jiangsu Yunhu Modern Service Group Co., Ltd. increased the capital reserve by 500,120.57 yuan, and the subsidiary cancelled increased the capital reserve by 11.41 yuan.

(2) In the current period, the capital surplus decreased by 310,199,852.48 yuan, including reduce capital reserve by 143,503,333.36 yuan to purchase minority shareholder equity of Lianyungang Xuwei Port Logistics Co., Ltd; Lianyungang Xuwei Construction Engineering Co., Ltd. and Lianyungang Xuwei Human Resources Development Co., Ltd. transferred equity and diluted equity to reduce capital reserve by 25,595,641.16 yuan; Transfer of shares of Lianyungang Xuwei Port Logistics Co., Ltd. to Lianyungang Xuwei Port Holding Group Co., Ltd. Dilution of equity reduces capital reserve by 141,100,877.96 yuan.

38. Other Comprehensive Incomes

Item	Opening Balance	Current Period					Closing Balance
		Amount in current period before income tax	Less: Previously recognized in other comprehensive income transferred to profit or loss	Less: income tax	Amount attribute to parent company after tax	Amount attribute to non-controlling shareholders after tax	
1. Other comprehensive incomes that cannot be reclassified into the profit and loss							
Include: Recalculate the defined benefit plan liabilities and net change in net assets							
Share of profit or loss that under the equity method investees cannot reclassify into other profit and loss							
2. Other consolidate incomes that will be reclassified into profit and loss	3,018,879,351.71	64,789,979.41	171,291,205.03	-26,625,306.40	31,329,706.57	-111,205,625.79	2,907,673,725.92
Include: share of profit or loss that under the equity method investees will reclassify into profit and loss							
Changes in fair value of other debt investments							
Effective part of profit and loss of cash flow hedging							
Changes in initial fair value of investment real estate	3,018,879,351.71	64,789,979.41	171,291,205.03	-26,625,306.40	31,329,706.57	-111,205,625.79	2,907,673,725.92

Item	Opening Balance	Current Period					Closing Balance
		Amount in current period before income tax	Less: Previously recognized in other comprehensive income transferred to profit or loss	Less: income tax	Amount attribute to parent company after tax	Amount attribute to non-controlling shareholders after tax	
Translation differences in foreign currency financial statements							
Other comprehensive Income Total	3,018,879,351.71	64,789,979.41	171,291,205.03	-26,625,306.40	31,329,706.57	-111,205,625.79	2,907,673,725.92

39. Special reserves

Items	1/1/2022	Increase	Decrease		12/31/2022
			Expenses	Transferred to accumulated depreciation	
Safety production cost		321,120.00	115,554.58		205,565.42
total		321,120.00	115,554.58		205,565.42

40. Surplus reserve

Items	1/1/2022	Increase	Decrease	12/31/2022
Statutory accumulation reserve	534,784,096.41	135,166,515.27		669,950,611.68
total	534,784,096.41	135,166,515.27		669,950,611.68

41. Undistributed profit

Items	2022	2021
Beginning balance before adjustment	5,248,951,777.03	3,570,675,779.45
Adjustment for beginning balance(increase+,decrease-)		
Beginning balance after adjustment	5,248,951,777.03	3,570,675,779.45
Plus: net profit attributable to owners of the parent company for the current period	1,641,659,042.80	1,801,406,654.87
Less: Withdrawal of statutory surplus reserves	135,166,515.27	123,130,657.29
Common Stock dividends payable	488,000,000.00	
Ending balance	6,267,444,304.56	5,248,951,777.03

42. Operating revenue

42.1 Sales and other operating income

Items	2022 (Jan-Dec)		2021 (Jan-Dec)	
	Revenue	Cost	Revenue	Cost
Main operations	15,704,129,414.61	13,668,869,341.52	11,205,640,721.65	9,685,075,883.83
Other operations	487,037,794.62	456,099,904.72	707,662,720.91	671,986,176.26
Total	16,191,167,209.23	14,124,969,246.24	11,913,303,442.56	10,357,062,060.09

42.2 Main operations (disclosure by branch line of business)

Items	2022 (Jan-Dec)		2021 (Jan-Dec)	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Engineering construction	2,258,466,989.67	1,858,016,864.51	1,757,597,966.05	1,390,784,954.31
Management and maintenance	155,246,451.98	127,833,672.42	97,698,762.11	76,459,372.60
Raw water sales	7,622,409.26	5,950,961.24	22,042,911.40	14,667,091.29
Industrial sewage treatment	371,302,519.00	252,439,679.85	255,302,222.04	108,285,968.08
Tap water sales	39,272,251.67	50,230,915.77	35,246,994.55	34,627,722.67
Industrial water sales	105,462,935.08	58,694,413.44	70,562,011.05	31,835,049.06
Steam sales	3,532,444,368.59	3,529,033,244.19	987,403,252.79	1,036,298,330.28
Electricity sales	2,069,908,403.92	1,892,742,182.34	762,536,454.48	693,073,788.02
Power operation and maintenance	7,333,707.71	5,717,025.27	319,358.49	214,532.72
Commodity sales	4,574,945,666.85	4,492,059,075.22	4,537,346,419.01	4,408,066,160.45
Loading and unloading	42,484,040.10	23,922,391.39	44,388,348.61	21,669,005.20
Storage and stockpiling	2,122,561.12	2,592,594.50	3,035,557.29	4,076,087.41

Items	2022 (Jan-Dec)		2021 (Jan-Dec)	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Port administration	3,723,380.32	5,118,235.35	710,193.31	2,015,673.26
Logistics transportation	8,149,029.31	2,028,234.89	11,797,595.27	12,453,282.35
Charter business	161,660,288.21	122,768,813.26	143,772,068.19	224,742,055.34
Advertising exhibition	9,657,113.15	9,909,467.08	4,618,113.57	8,245,811.96
Estate management	137,014,772.73	134,714,246.24	76,303,423.17	75,013,049.78
Catering and service	62,446,711.16	67,060,028.76	54,608,002.35	60,442,267.80
Supermarket retail	5,460,035.19	2,766,842.03	33,082,121.86	26,964,588.51
Consulting service	18,240,303.38	12,324,265.49	26,173,471.19	15,352,529.84
Event planning	2,239,518.88	1,087,707.27	1,329,245.28	523,643.80
Commercial housing sales	241,221,299.93	200,181,522.26	17,345,542.78	16,424,540.14
Land reclamation	1,678,309,300.00	637,519,645.75	2,158,536,900.00	1,333,109,567.25
Loan service business			203,526.84	
Other main businesses	209,395,357.40	174,157,313.00	103,680,259.97	89,730,811.71
Total	15,704,129,414.61	13,668,869,341.52	11,205,640,721.65	9,685,075,883.83

42.3 Other operations

Items	2022 (Jan-Dec)		2021 (Jan-Dec)	
	Other operating revenue	Other operating cost	Other operating revenue	Other operating cost
Electricity income	2,471,981.94	1,404,231.9	4,224,778.33	2,053,938.47
Others	484,565,812.68	454,695,672.82	703,437,942.58	669,932,237.79
Total	487,037,794.62	456,099,904.72	707,662,720.91	671,986,176.26

43. Taxes and surcharge

Items	2022 (Jan-Dec)	2021 (Jan-Dec)
Resource tax	1,972,311.27	2,163,228.29
Land Value Increment Tax	1,438,826.54	1,302,989.25
Urban real estate tax	24,345,616.41	32,471,336.51
Vehicle and vessel usage tax	97,789.91	68,445.29
Land use tax	30,155,762.63	29,395,286.68
Stamp tax	10,385,155.02	10,485,638.42
City construction tax	4,104,806.87	3,123,488.25
Education fee additional tax	1,708,697.15	1,379,342.14
Local education fee additional tax	1,139,228.27	905,154.06
Environmental protection tax	2,923,243.18	6,168,610.30
Total	78,271,437.25	87,463,519.19

44. Selling and distribution expenses

Items	2022 (Jan-Dec)	2021 (Jan-Dec)
Employee expenses	9,069,603.34	9,660,204.31
Travel expenses	256,643.63	267,264.55
Depreciation and amortization	6,353,770.87	4,674,834.11
Maintenance costs	2,762,365.03	1,856,230.08
Advertising and business promotion expenses	711,099.67	289,615.02
Others	8,099,359.09	15,743,636.77

Items	2022 (Jan-Dec)	2021 (Jan-Dec)
Total	27,252,841.63	32,491,784.84

45. Administrative expenses

Items	2022 (Jan-Dec)	2021 (Jan-Dec)
Employee expenses	309,748,691.50	282,584,723.04
Travel expenses	1,119,522.47	1,959,849.72
Depreciation and amortization	165,638,346.09	129,307,004.20
Others	48,156,513.86	55,441,634.93
Total	524,663,073.92	469,293,211.89

46. Research and development expenses

Items	2022 (Jan-Dec)	2021 (Jan-Dec)
Personnel and labor costs	56,698,900.38	31,693,476.46
Direct investment costs	77,473,181.29	31,406,797.97
Depreciation expenses and long-term deferred expenses	961,206.78	241,300.61
Entrusted external research and development expenses	1,836,068.88	1,026,588.85
Others	4,465,920.77	700,808.62
Total	141,435,278.10	65,068,972.51

47. Financial expenses

Items	2022 (Jan-Dec)	2021 (Jan-Dec)
Interest expenses	971,537,569.60	829,805,816.71
Including: interest expense of lease liabilities	3,901,019.83	3,838,610.20
Less: Interest income	281,662,530.57	228,287,819.96
Finance Discount		
Add: Exchange loss	211,017,932.54	-9,380,502.71
Add: Commission	27,989,433.48	52,227,942.97
Add: Bill discount expense		
Add: Cash discount		
Add: Others	18,573,347.95	14,754,782.93
Total	947,455,753.00	659,120,219.94

48. Other income

Items	2022 (Jan-Dec)	2021 (Jan-Dec)
Government subsidy	116,597,191.13	39,204,797.58
Value added tax deduction	1,868,918.87	
Refund of handling charges for withholding individual income tax	288,126.05	132,063.44
Total	118,754,236.05	39,336,861.02

Note: Details of government grants are shown in Notes V-59. Government grants.

49. Investment income

Sources of investment income	2022 (Jan-Dec)	2021 (Jan-Dec)
Investment income from long-term equity investments under the equity method	21,059,341.12	18,263,856.43
Investment income from disposing long-term equity investments		179,495,112.98

Sources of investment income	2022 (Jan-Dec)	2021 (Jan-Dec)
Income from derecognition of financial assets measured at amortized cost	2,677,477.57	-161,638.88
Investment income of other non current financial assets during the holding period	1,008,000.00	
Investment income of financial products	12,822,686.49	41,076,199.81
Total	37,567,505.18	238,673,530.34

50. Gains from changes in fair value

Items	2022 (Jan-Dec)	2021 (Jan-Dec)
Investment real estate measured by fair value	1,648,057,250.78	1,724,943,700.00
Total	1,648,057,250.78	1,724,943,700.00

51. Credit impairment loss ("-" for losses)

Items	2022 (Jan-Dec)	2021 (Jan-Dec)
Bad debt loss of accounts receivable	3,279,835.50	-6,507,681.42
Bad debt loss of other receivables	-11,896,529.49	4,164,498.87
Total	-8,616,693.99	-2,343,182.55

52. Gains from disposal of assets

Items	2022 (Jan-Dec)	2021 (Jan-Dec)
Gains or losses from disposal of fixed assets	422,021.19	4,923,157.61
Gains or losses from disposal of Intangible assets		45,480.09
Total	422,021.19	4,968,637.70

53. Non-operating income

Items	2022 (Jan-Dec)	2021 (Jan-Dec)
Net income from donation		98,800.00
Net income from fines	1,003,821.14	1,910,882.65
Breach of contract compensation income	1,868.91	
Income from demolition compensation		245,734.17
Insurance indemnity income		122,000.10
Unpaid payables	111,616.26	
Others	592,650.88	585,596.19
Total	1,709,957.19	2,963,013.11

54. Non-operating expenses

Items	2022 (Jan-Dec)	2021 (Jan-Dec)
Losses on scrapping of fixed assets	25,441.93	37,307.05
Donation expenses	3,272,974.13	251,769.05
Fine expenditure	1,029,610.51	377,971.06
Others	2,562,785.29	216,424.06
Total	6,890,811.86	883,471.22

55. Income tax

Items	2022 (Jan-Dec)	2021 (Jan-Dec)
Current income tax according to the Income Tax Law	43,248,819.28	11,304,950.49

Items	2022 (Jan-Dec)	2021 (Jan-Dec)
Deferred income tax adjustment	409,893,252.51	430,488,582.50
Total	453,142,071.79	441,793,532.99

56. Net of income tax effect of other comprehensive income

Details are shown in Notes V-38. incurred in the current period.

57. Supplementary information of cash flow statement

57.1 Reconciliation of net profit/(loss)to cash flows from operating activities

SUPPLEMENTARY INFORMATION	2022 (Jan-Dec)	2021 (Jan-Dec)
1.Reconciliation of net profit/(loss)to cash flows from operating activities		
Net profit	1,684,980,971.84	1,808,669,229.51
Add: Provision for credit impairment		
Provision for asset impairment	8,616,693.99	2,343,182.55
Depreciation of fixed assets	602,443,106.42	439,627,227.43
Amortization of intangible assets	33,851,426.93	32,981,111.55
Amortization of long-term prepaid expenses	20,907,712.28	18,112,802.89
Losses on disposal of fixed assets, intangible assets&other long-term assets' deduct gains	-422,021.19	-4,968,637.70
Losses on disposal of fixed assets	25,441.93	37,307.05
Losses on changes of fair value	-1,648,057,250.78	-1,724,943,700.00
Financial expenses	1,182,555,502.14	1,127,603,784.55
Losses arising from investments(deduct: gains)	-37,567,505.18	-238,835,169.22
Decrease in deferred tax debit	-2,121,060.18	-574,622.08
Increase in deferred tax credit	495,087,912.69	351,816,091.81
Decrease in inventories(deduct: increase)	175,378,007.90	292,285,579.75
Decrease in operating receivables(deduct: increase)	-5,603,350,064.64	-5,843,723,309.04
Increase in operating payables(deduct: decrease)	3,599,259,350.70	3,442,131,662.03
Others		
Net cash flows from operating activities	511,588,224.85	-297,437,458.92
2.Investing and financing activities that do not involve cash receipts and payment:		
Conversion of debt into capital		
Reclassification of convertible bonds expiring within one year as current liability		
Fixed assets acquired under finance leases		
3.Net increase/(decrease) in cash and cash equivalents		
Cash at end of year	5,662,914,007.81	7,578,867,676.36
Less: Cash at beginning of year	7,578,867,676.36	7,713,174,153.87
Plus: Cash equivalents at end of year		
Less: Cash equivalents at beginning of year		
Net increase/(decrease) in cash and cash equivalents	-1,915,953,668.55	-134,306,477.51

57.2 Composition of Cash & Cash Equivalent

Items	2022 (Jan-Dec)	2021 (Jan-Dec)
1. Cash	5,662,914,007.81	7,578,867,676.36
Including: Cash On Hand	73,550.61	48,713.38

Items	2022 (Jan-Dec)	2021 (Jan-Dec)
Cash in bank	5,662,840,457.20	7,578,818,962.98
Other monetary funds		
2. Cash Equivalents		
Including: Bond Investment Maturing within 3 Months		
3. Closing Balance of Cash & Cash Equivalents	5,662,840,457.20	7,578,818,962.98

58. Assets with Restricted Ownership or Use Rights

Items	Amount	Limited reason
Cash & Cash Equivalents	5,022,279,227.80	Pledge of certificates of deposit, margin, etc
Inventories	44,189,300.00	Financing Mortgage
Fixed assets	130,497,057.19	Financing Mortgage
Investment property	14,497,576,000.00	Financing Mortgage
Intangible assets	160,928,437.13	Financing Mortgage
Total	19,855,470,022.12	

59. Government grants

59.1 Details of government grants included in profit and loss or deduction of costs

Item	Related to Assets / Related to income	Amount	Presentation	Amount included in Profit or loss
2022 Xuwei Port Area to 242 Provincial Road Connection Project	Related to income	49,670,000.00	Other income	49,670,000.00
Subsidy for domestic sewage treatment fees	Related to income	15,064,601.86	Other income	15,064,601.86
The third batch of provincial-level subsidy funds for the construction of key water conservancy projects in 2021 (Shaoxiang River south section (Xuxin Road to Shaoxiang River floodgate section))	Related to income	13,000,000.00	Other income	13,000,000.00
Rural road construction and bridge security engineering in 2021 (Shugang Avenue)	Related to income	6,800,000.00	Other income	6,800,000.00
2022 Provincial Special Fund for Safety Production, Construction Fund for Emergency Management College, and Natural Disaster Relief Fund	Related to income	6,000,000.00	Other income	6,000,000.00
Epidemic prevention subsidies	Related to income	5,925,490.00	Other income	5,925,490.00
Coastal ecological restoration	Related to income	2,000,000.00	Other income	2,000,000.00
Provincial financial subsidy funds for rural road construction in 2020	Related to income	1,510,000.00	Other income	1,510,000.00
Job stabilization subsidy	Related to income	1,408,714.04	Other income	1,408,714.04
Subsidy for Material Loss of Emergency Rescue Brigade in Xuwei New Area	Related to income	560,000.00	Other income	560,000.00

Item	Related to Assets / Related to income	Amount	Presentation	Amount included in Profit or loss
Municipal level science and technology innovation policy award supplementary funds	Related to income	240,000.00	Other income	240,000.00
Safety production subsidies	Related to income	227,248.00	Other income	227,248.00
Emergency Management Bureau allocated natural disaster relief funds to 186 Brigade in 2021	Related to income	200,000.00	Other income	200,000.00
Rewards for listing in regional equity markets	Related to income	200,000.00	Other income	200,000.00
2022 Provincial High tech Enterprise Cultivation Fund	Related to income	150,000.00	Other income	150,000.00
Special fund reward for green and intelligent demonstration area in construction	Related to income	131,000.00	Other income	131,000.00
The fourth batch of subsidies for replacing training with work	Related to income	129,500.00	Other income	129,500.00
Financial subsidy funds for industrial and information technology projects related to poverty alleviation and relief	Related to income	109,771.00	Other income	109,771.00
Special Award for Provincial Inclusive Financial Development in 2022	Related to income	100,000.00	Other income	100,000.00
Funding for newly authorized invention patents	Related to income	50,000.00	Other income	50,000.00
Special subsidy funds for water conservation allocated by the Water Resources Office of the Business Bureau	Related to income	44,200.00	Other income	44,200.00
Emergency system special operation subsidy	Related to income	42,080.00	Other income	42,080.00
Industrial and Information Industry Development Award	Related to income	30,000.00	Other income	30,000.00
Training subsidies	Related to income	23,500.00	Other income	23,500.00
Municipal water-saving carrier reward fund	Related to income	23,000.00	Other income	23,000.00
Internship subsidies	Related to income	22,414.00	Other income	22,414.00
Employment subsidies in 2022	Related to income	6,000.00	Other income	6,000.00
The group's agent construction investment received financial subsidies for investing in coastal protective forests within the central budget in 2018, and provincial forestry development funds in 2019	Related to income	4,805.00	Other income	4,805.00
Others	Related to income	44,120.22	Other income	44,120.22
Current deferred income transferred in	Related to income	12,880,747.01	Other income	12,880,747.01
Current government subsidy refund				
Total		116,597,191.13	Other income	116,597,191.13

59.2 Details of government grants recorded into deferred revenue

Items	Type (asset related / income related)	12/31/2021 Balance	Increase	Included in current profits and losses or offset related costs	Others changes	12/31/2022 Balance	Items included in profit and loss or offset related costs
Public rental housing phase II	Income related	17,000,000.00		637,500.00		16,362,500.00	Other income
Yunhu Community Neighborhood Center Phase II Construction Project	Income related	2,600,000.00				2,600,000.00	
Waterworks, sewage treatment plants	Income related	29,510,569.40		1,238,166.68		28,272,402.72	Other income
2021 Provincial Ecological Environment Protection Special Fund - Lianyungang Petrochemical Base Chemical High Salt Wastewater Treatment Project (Phase I)	Income related	5,000,000.00		194,444.46		4,805,555.54	Other income
2021 Provincial Ecological Environment Protection Special Fund - Xuwei Sewage Treatment Plant Upgrading and Renovation Project	Income related	4,570,000.00		196,593.20		4,373,406.80	Other income
2021 Municipal Pollution Prevention and Control Fund - Xuwei Sewage Treatment Plant Upgrading and Renovation Project	Income related	4,000,000.00		172,072.80		3,827,927.20	Other income
2022 Pollution Control and Energy Conservation and Carbon Reduction Special Fund (Pollution Control Direction) - Lianyungang Petrochemical Base Chemical High Salt Wastewater Treatment Project (Phase I)	Income related		20,000,000.00	259,259.26		19,740,740.74	Other income
Improvement and renovation of water supply quality in Dongxin Farm: 7051398.66 million yuan	Income related		7,051,398.66	156,697.76		6,894,700.90	Other income
Subsidy for Dongxin Farm Water Supply Quality Improvement and Renovation Project	Income related	22,188,560.00		739,618.68		21,448,941.32	Other income
Supplementary funds for the construction of emergency water source areas in Xianghe Lake, Shanhou River, Gubo, up to standard	Income related	1,000,000.00		1,000,000.00			Other income
2019 Provincial Environmental Protection Guidance Fund for the Third Party Treatment Project of Industrial Wastewater in Lianyungang Petrochemical Base	Income related	7,466,666.64		604,917.64		6,861,749.00	Other income

Items	Type (asset related / income related)	12/31/2021 Balance	Increase	Included in current profits and losses or offset related costs	Others changes	12/31/2022 Balance	Items included in profit and loss or offset related costs
Special funds for ecological civilization construction in 2020	Income related	37,333,333.28		2,942,615.20		34,390,718.08	Other income
2019 Provincial Environmental Protection Guidance Fund for High Salt Wastewater Treatment Project in Xuwei New Area	Income related	21,933,333.36		1,680,627.32		20,252,706.04	Other income
Multimodal Transport Center Project	Income related	383,333.33				383,333.33	
Loan discount for multimodal transportation center project	Income related	3,000,000.00				3,000,000.00	
Lianyungang Comprehensive Bonded Zone (Block 1) Phase II Project	Income related	5,000,000.00				5,000,000.00	
Xuwei New Area Underground Comprehensive Pipe Gallery	Income related	89,916,666.67				89,916,666.67	
Xuwei New Area Multimodal Transport Center Phase II Project	Income related	5,000,000.00				5,000,000.00	
Xuwei New Area Coal Logistics Reserve Base	Income related	90,000,000.00				90,000,000.00	
Agricultural Products Traceability Cold Chain Logistics Service Demonstration Base Project in Xuwei New Area	Income related		22,000,000.00			22,000,000.00	
Special funds for the development of modern service industry	Income related	6,640,000.00		912,000.00		5,728,000.00	Other income
Continental Bridge Exhibition Center	Income related	150,000.00				150,000.00	
Shantytown renovation project	Income related	11,040,000.00				11,040,000.00	
Emergency Rescue Command Center	Income related	16,210,000.00		2,093,791.67		14,116,208.33	Other income
Payment for epidemic prevention materials and equipment	Asset related		2,347,500.00	52,442.34		2,295,057.66	Other income
Refund of sea area use right fee	Income related	186,738,633.90				186,738,633.90	
Total		566,681,096.58	51,398,898.66	12,880,747.01		605,199,248.23	

VI. Changes in Consolidated Scope

1. Establishment of subsidiaries No.

Lianyungang Fangyi Asset Management Co., Ltd., Lianyungang Fangyang Construction Investment Asset Management Co., Ltd., Lianyungang Dongshan Asset Management Co., Ltd., Lianyungang Petrochemical Industry Base Commodity Trading Services Co., Ltd., Lianyungang Fangyang Energy Asset Management Co., Ltd., and Lianyungang Fangyang Water Asset Management Co., Ltd. were newly established and included in the scope of consolidated statements.

2. Disposal subsidiary

Beijing Fangyang Management Consulting Co., Ltd., Lianyungang Yunyu Industrial Development Co., Ltd., Lianyungang Xuwei Port Liquid Chemical Terminal Co., Ltd have been cancelled and will no longer be included in the scope of consolidated statements.

VII. Interests in Other Entities

1. Interests in Subsidiaries

1.1. Group Composition:

No.	Name of Subsidiary	Grade	Registration Place	Operation Site	Business Nature	Paid-in capital	Share-holding Ratio (%)		Acquisition Manner
							direct	indirect	
1	Lianyungang Xuwei Port Holding Group Co., Ltd	1	Lianyungang	Lianyungang	investment; Construction of municipal public engineering, highway engineering, bridge engineering, earthwork engineering, and landscaping engineering; Sales of building materials, metal materials, environmental protection materials, coal, and chemical products (excluding dangerous goods); Rental of mechanical equipment; Housing leasing; Warehousing services; Loading and unloading services; Domestic freight forwarder; International freight forwarding; Domestic ship agency; Hazardous chemical business (operating projects approved by licenses), etc	329,536.36	71.36		Investment
	Lianyungang Xuwei Port Terminal Construction Co., Ltd	2	Lianyungang	Lianyungang	Construction of dock construction projects; Port infrastructure development; Public facilities engineering, building engineering, building decoration engineering, landscape engineering, electromechanical equipment installation engineering, security engineering, earthwork engineering, steel structure engineering, indoor water and electricity installation engineering construction, etc	9,500.00		100.00	Investment
	Lianyungang Xuwei Port Supply Chain Service Co., Ltd	2	Lianyungang	Lianyungang	Port operations involving dangerous goods (operating under license items); Construction of dock construction projects; Port infrastructure development; Sales of building materials and metal materials	600.00		100.00	Investment
	Lianyungang Xuwei Port Ship Service Co., Ltd	2	Lianyungang	Lianyungang	Port management and ship port services; International shipping agency; Domestic ship agency.	900.00		90	Investment
	Jiangsu Fangyang Logistics Co., Ltd	2	Lianyungang	Lianyungang	Domestic freight forwarders; international freight forwarders; domestic shipping agents; (excluding hazardous chemicals) are housing services, loading and unloading services; car, machinery and equipment leasing, etc.	215,868.00		84.91	Investment

No.	Name of Subsidiary	Grade	Registration Place	Operation Site	Business Nature	Paid-in capital	Share-holding Ratio (%)		Acquisition Manner
							direct	indirect	
	Jiangsu Fangyang Car Rental Service Co., Ltd	2	Lianyungang	Lianyungang	Automobile. mechanical equipment,house leasing; second-hand car intermediary services; automobiles,auto parts and accessories,stone,wood, steel, mineral products, metalmaterials, environmental protection materials, construction materials,chemical products (except hazardous chemicals), chemical fertilizers and fertilizers sales of raw materials (except hazardous chemicals); general cargo transportation; domestic waterway cargo transportation, etc.	1,193.05		100.00	Investment
	Lianyungang Silk Road International Trade Co., Ltd	2	Lianyungang	Lianyungang	Self-operated and agent import and export business of all kinds of commodities and technologies (except for products restricted or prohibited by the state); pre-packaged food and bulk food wholesale and retail; wholesale of textiles, mineral products, construction materials, cotton yarn products ;Primary processing of vegetables, fresh agricultural products (meat, eggs), etc.	5,000.00		100.00	Investment
2	Jiangsu Fangyang Water Service Co., Ltd	1	Lianyungang	Lianyungang	Provide centralized water supply services in the areas approved by relevant departments; operation management of water treatment facilities; water investment, construction and management; water supply and drainage technology consulting , technology development, technical services; technical services and technologies for water supply and drainage pipeline network equipment surveys and water leak detection consultation; water supply and drainage engineering construction, etc.	197,997.80	100.00		Investment
	Lianyungang Xuwei Construction Engineering Co., Ltd	2	Lianyungang	Lianyungang	Municipal engineering, highway engineering, electromechanical engineering, electrical and automation engineering, steel structure engineering, housing construction engineering, earthwork engineering, waterway engineering, landscaping engineering, greening maintenance engineering, road cleaning, garbage removal, urban and road lighting engineering Construction and maintenance, etc.	4,000.00		100.00	Investment
	Jiangsu Fangyang environmental monitoring Co., Ltd	2	Lianyungang	Lianyungang	Environmental testing; water quality testing; water treatment materials testing; construction engineering testing; environmental protection facility operation and maintenance; environmental technology consulting services, etc.	1,000.00		100.00	Investment

No.	Name of Subsidiary	Grade	Registration Place	Operation Site	Business Nature	Paid-in capital	Share-holding Ratio (%)		Acquisition Manner
							direct	indirect	
	Lianyungang Fangyang Water Asset Management Co., Ltd	2	Lianyungang	Lianyungang	Enterprise management; equity investment	500.00		100.00	Investment
3	Jiangsu Yunhu Modern Service Industry Group Co., Ltd	1	Lianyungang	Lianyungang	Property management services; creative design of product packaging; design, production, agency, and publication of various domestic advertisements; logistics park construction; energy- saving environmental protection technology research and development; tourism item development; hotel management consulting, etc.	41,298.49	71.18		Investment
	Lianyungang Fangyang Commercial Management Co., Ltd	2	Lianyungang	Lianyungang	Catering services; catering management; hotel management services; food sales; primary processing of agricultural products; conference and exhibition services; food science and technology research services; house leasing, etc.	484.00		100.00	Investment
	Lianyungang Suiyuan Catering Management Co., Ltd	3	Lianyungang	Lianyungang	Hotel management; conference services; corporate marketing planning; catering services; food sales, etc.	200.00		100.00	Investment
	Lianyungang Yunhu Property Service Co., Ltd	2	Lianyungang	Lianyungang	Property management services; labor dispatch operations; building exterior wall cleaning; housekeeping services; parking lot management services; conference services; venue leasing, etc.	500.00		100.00	Investment
	Lianyungang Continental Bridge International Conference Center Co., Ltd	3	Lianyungang	Lianyungang	Catering services for large restaurants (including cold dishes, cakes with decorations, seafood with raw food); accommodation services; conferences, exhibition services; cultural and art exchange activities planning; corporate marketing activities planning; business services; retail of prepackaged food and bulk food; cigarette retail ; Textile sales; handicraft sales, etc.	3,700.00		100.00	Investment
	Jiangsu Fangyang Human Resource Management Co., Ltd	2	Lianyungang	Lianyungang	Domestic professional intermediary; labor dispatch operation; entrusted recruitment; non-degree professional skills training; human resource management consulting; human resource evaluation; education consulting service; outdoor sports activity planning and organization; business information consulting; cultural and art exchange activity planning and organization; conference exhibition services; venue leasing	480.00	100.00		Investment

No.	Name of Subsidiary	Grade	Registration Place	Operation Site	Business Nature	Paid-in capital	Share-holding Ratio (%)		Acquisition Manner
							direct	indirect	
	Lianyungang Yunhu Trading Co., Ltd	2	Lianyungang	Lianyungang	Daily necessities, cosmetics, leather goods, toys, clothing, shoes and hats, clothing and apparel, needle textiles, textile raw materials, office supplies, stationery, kitchen supplies, hardware and electrical appliances, arts and crafts, chemical products, electronic products, communications wholesale and sales of equipment, electronic computers and accessories, electromechanical equipment and accessories, etc.	1,350.00		100.00	Investment
4	Jiangsu Fangyang Culture Communication Co., Ltd	1	Lianyungang	Lianyungang	Culture and art communication and exchange; stage art modeling planning; art performance planning; film and television planning consultation; brand culture promotion planning; design, production, agency, and publishing various domestic advertisements; conference and exhibition services; cultural event planning, etc.	1,101.00	100.00		Investment
5	China Fangyang Trading (Hong Kong) Co., Ltd	1	Hongkong	Hongkong		200.00	100.00		Investment
	Lianyungang Yunhai Financial Leasing Co., Ltd	2	Lianyungang	Lianyungang	Financial leasing business; leasing business; purchase of leased property from domestic and abroad; disposal and maintenance of residual value of leased property; leasing transaction consultation, etc.	119,521.64	44.00	56.00	Investment
	Lianyungang Yuntai Port Logistics Development Co., Ltd	2	Lianyungang	Lianyungang	Road transportation, storage, loading and unloading services of general cargo; sale of chemical products (except hazardous chemicals), chemical fertilizers, stone materials, wood, steel products, mineral products (except coal and its products), metal materials, environmental protection materials, construction materials	63,836.61		100.00	Investment
6	Jiangsu Fangyang Industrial Investment Co., Ltd	1	Lianyungang	Lianyungang	Operation of ports other than dangerous goods (operation according to license items); Construction of wharf construction works; Port infrastructure development; Sales of building materials and metal materials	100,000.00	75.00		Investment
	Lianyungang Petrochemical Industry Base Commodity Trading Services Co., Ltd.	2	Lianyungang	Lianyungang	The second type of value-added telecommunications services; Online data processing and transaction processing business			100.00	

No.	Name of Subsidiary	Grade	Registration Place	Operation Site	Business Nature	Paid-in capital	Share-holding Ratio (%)		Acquisition Manner
							direct	indirect	
7	Jiangsu Fangyang Construction Investment Co., Ltd	1	Lianyungang	Lianyungang	Construction Item Investment; Industrial Investment; Housing Construction Engineering, Architectural Decoration Engineering, Mechanical and Electrical Equipment Installation Engineering, Waterproof and Anticorrosive Thermal Insulation Engineering, Fire Fighting Engineering, Liting Equipment Installation Engineering, Building Curtain Wall Engineering, Municipal Engineering, Steel Structure Engineering, Foundation and Foundation Engineering, Earthwork construction etc.	201,710.00	100.00		Investment
	Lianyungang Ruiqiao Concrete Co., Ltd	2	Lianyungang	Lianyungang	Pre-mixing of commercial concrete; production of precast concrete parts	7,000.00		86.11	Investment
	Lianyungang Fangyi Asset Management Co., Ltd	2	Lianyungang	Lianyungang	Real estate development and operation; Residential interior decoration and decoration	3,500.00		100.00	Investment
	Lianyungang Fangyang Construction Investment Asset Management Co., Ltd	2	Lianyungang	Lianyungang	Enterprise management; Enterprise Management Consulting	1,000.00		100.00	Investment
8	Lianyungang Suhai Investment Co., Ltd	1	Lianyungang	Lianyungang	Properties development and management; industrial investment; infrastructure construction investment; asset management; warehousing; international freight forwarding; domestic freight forwarding, etc.	40,000.00	60.00		Investment
9	Jiangsu Fangyang Intelligent Technology Co., Ltd	1	Lianyungang	Lianyungang	Information technology research and development, consulting, service, promotion, transfer; computer information system integration; computer software and hardware development, sales, maintenance; informational item design, consulting, etc.	8,500.00	100.00		Investment
10	Lianyungang Hongyang Thermal Power Co., Ltd	1	Lianyungang	Lianyungang	thermal power generation; steam sales; sales of ash, chemical raw materials and chemical products (except hazardous chemicals); thermal power generation infrastructure development, construction, etc.	348,000.00	50.00		Investment
	Lianyungang Hongyang Industrial Co., Ltd	2	Lianyungang	Lianyungang	Trade agent; building materials wholesale; general equipment repair; other water treatment, utilization and distribution	1,000.00		50.00	Investment
11	Jiangsu Fangyang Energy Technology Co., Ltd	1	Lianyungang	Lianyungang	New energy technology research and development; electricity sales services; sales of hot water and steam; investment in electricity, heating, and gas items; investment in distribution networks, heating pipes, and gas pipes, etc.	41,944.28	100.00		Investment

No.	Name of Subsidiary	Grade	Registration Place	Operation Site	Business Nature	Paid-in capital	Share-holding Ratio (%)		Acquisition Manner
							direct	indirect	
	Jiangsu Donggang Energy Investment Co., Ltd	2	Lianyungang	Lianyungang	Electricity supply; Technical research and development, consultation, service, promotion, and transfer of power technology and distribution systems; Design and construction of communication engineering and power engineering	35,000.00		40.00	Investment
	Lianyungang Fangyang Energy Asset Management Co., Ltd	2	Lianyungang	Lianyungang	Enterprise management; Asset management services for self funded investments			100.00	Investment
12	Jiangsu Fangyang Construction Engineering Management Co., Ltd	1	Lianyungang	Lianyungang	Design, construction and maintenance of road and bridge projects, municipal greening projects, industrial civil construction projects, electromechanical equipment installation projects, water conservancy projects, inland river dredging projects, item management, consulting services, supervision, etc.	5,263.00	100.00		Investment
13	Lianyungang Xuwei Municipal Engineering Co., Ltd	1	Lianyungang	Lianyungang	Construction and maintenance of municipal public works, earthwork, foundation and foundation engineering, bridge engineering, road engineering, landscaping engineering; steel structure engineering construction; installation and maintenance of electromechanical equipment, etc.	10,819.66	50.00		Investment
	Lianyungang Xuwei Environmental Sanitation Service Co., Ltd	2	Lianyungang	Lianyungang	Municipal domestic waste business services; Disposal of urban construction waste	200.00		50.00	Investment
	Lianyungang Xuwei Vehicle Inspection Service Co., Ltd	2	Lianyungang	Lianyungang	Inspection and testing services	1,481.22		50.00	Investment
	Lianyungang Xuwei Emergency Management Technology Service Co., Ltd	2	Lianyungang	Lianyungang	Fire protection technical services; Fire fighting equipment sales	100.00		50.00	Investment
	Lianyungang Xuwei Construction Engineering Co., Ltd	2	Lianyungang	Lianyungang	Construction labor subcontracting; Various engineering construction activities; Construction professional operations, etc	5,000.00		100.00	Investment
14	Lianyungang Dongshan Asset Management Co., Ltd	1	Lianyungang	Lianyungang	Packaging services; equity investment		100.00		Investment

1.2 Important non wholly-owned subsidiaries

Name of subsidiaries	Shareholding ratio of minority shareholders	Profit and loss attributable to minority shareholders in the current period	Dividends paid to minority shareholders in the current period	Accumulated minority shareholders' equity at the end of the period
Jiangsu Donggang Energy Investment Co., Ltd	60.00%	21,063,271.28		237,393,602.91
Lianyungang Xuwei Port Holding Group Co., Ltd	28.64%	17,734,304.25		3,329,943,549.51
Lianyungang Hongyang Thermal Power Co., Ltd	50.00%	2,143,729.89		1,738,780,710.65

2. Interests in Joint Ventures or Associates

2.1 Important Joint Ventures or Associates

Name of Joint Venture/Associate	Operation Site	Registration Place	Business Nature	Shareholding Proportion		Accounting Method
				Direct	Indirect	
Jiangsu Yangjing Petrochemical Group Co., Ltd	Lianyungang	Lianyungang	Port operation	24.4444		Equity method
Jiangsu Xianghe Agricultural Development Co., Ltd	Lianyungang	Lianyungang	Crop planting	40.00		Equity method

2.2 Key financial information of important joint ventures

Items	12/31/2022/ 2022 (Jan-Dec)		12/31/2020 / 2021 (Jan-Dec)	
	Yangjing	Xianghe	Yangjing	Xianghe
Current assets	8,214,398,534.10	348,548,013.75	6,806,529,932.60	302,432,435.57
Non-current assets	12,538,476,655.46	1,762,928,027.05	9,977,651,205.44	1,489,652,181.00
Total assets	20,752,875,189.56	2,111,476,040.80	16,784,181,138.04	1,792,084,616.57
Current liabilities	6,330,109,273.99	342,791,608.60	4,066,127,806.84	275,772,537.75
Non-current liabilities	6,326,354,209.24	576,020,734.98	5,867,787,036.58	405,749,500.00
Total liabilities	12,656,463,483.23	918,812,343.58	9,933,914,843.42	681,522,037.75
Non-controlling interests	3,715,123,793.04	1,623,389.80	2,811,191,970.37	
Total equity attributable to owners of the parent company	4,381,287,913.29	1,191,040,307.42	4,039,074,324.25	1,110,562,578.82
Share of net assets calculated by shareholding ratio	1,070,979,542.68	476,416,122.97	987,327,484.12	444,225,031.53
Adjustment items				
Including: Goodwill				
Unrealized profit of internal transaction				
Others				
Book value of equity investment in joint venture	1,110,651,033.96	993,526,718.85	1,062,947,199.86	959,972,998.30
Fair value of equity investment with public offer				
Operating income	5,259,258,929.24	165,404,512.24	3,793,870,600.67	92,931,525.48
Net profit	186,790,483.41	46,426,711.75	56,981,850.86	247,767.91
Other comprehensive income				
Total comprehensive income	186,790,483.41	46,426,711.75	56,981,850.86	247,767.91
Dividends received from joint ventures in the current period				

VIII. Related Parties and Related Party Transactions

1. The Parent Company of the Company

Name of parent company	Registration Place	Business nature	Shareholding Proportion (%)	Voting rights (%)
Lianyungang Municipal People's Government			100.00	100.00

2. Subsidiaries of the Company:

For details please see Note VII.1.

3. Joint Venture and Associate of the Company

For details please see Note VII.3.

4. Other related party

Name of other related party	Relationship with the Company
Jiangsu Yangjing Petrochemical Group Co., Ltd	Holding 28.825% shares of modern service group
Suzhou Suzhen Thermal Power Co., Ltd	Holding 50% shares of the subsidiary Hongyang thermal power company

Name of other related party	Relationship with the Company
Lianyungang Industrial Investment Group Co., Ltd	Holding 40% shares of the subsidiary Suhai investment company
Guoneng Jiangsu new energy technology development Co., Ltd	Holding 35.71% shares of the subsidiary Donggang energy company

5. Related Party Transactions

5.1 Related party transactions for purchasing and selling goods, accepting and providing services

Related party transactions for purchasing and selling goods:

Name of other related party	Related party transaction content	2022 (Jan-Dec)
Jiangsu Xianghe Agricultural Development Co., Ltd	engineering construction	94,200,272.03
Jiangsu Xianghe Agricultural Development Co., Ltd	Guarantee income	1,453,677.22
Jiangsu Yangjing Petrochemical Group Co., Ltd	Guarantee income	8,817,840.49
Jiangsu Yangjing Petrochemical Group Co., Ltd	Rental income	882,467.23

5.2 Lease of related parties

The company is the lessor

Name of lessee	Types of leased assets	Lease income recognized in 2021	Lease income recognized in 2020
Jiangsu Yangjing Petrochemical Group Co., Ltd	Asset leasing	882,467.23	1,622,558.19

5.3. Related party guarantee

The company guarantees for related parties:

No.	Guaranteed object	Guarantee balance (10 thousand)	Start date	due dates	Guarantee method	Overdue or not
1	Jiangsu Xianghe Agricultural Development Co., Ltd	16,570.00	2019.6.25	2028.6.24	Guarantee	No
2	Jiangsu Xianghe Agricultural Development Co., Ltd	2,900.00	2020.12.30	2030.12.30	Guarantee	No
3	Lianyungang Zhangwei Energy Investment Co., Ltd	2,890.00	2019.11.26	2024.11.26	Guarantee	No
4	China Energy Conservation (Lianyungang) Clean Technology Development Co., Ltd	7,085.46	2017.6.8	2028.9.8	Guarantee	No
5	Jiangsu Yangjing Petrochemical Group Co., Ltd	3,950.00	2017.12.22	2025.6.21	Guarantee	No
6	Jiangsu Yangjing Petrochemical Group Co., Ltd	9,800.00	2018.12.12	2028.2.11	Guarantee	No
7	Jiangsu Yangjing Petrochemical Group Co., Ltd	26,000.00	2019.8.21	2029.8.21	Guarantee	No
8	Jiangsu Yangjing Petrochemical Group Co., Ltd	25,000.00	2019.6.21	2032.6.20	Guarantee	No
9	Jiangsu Yangjing Petrochemical Group Co., Ltd	5,600.00	2020.10.29	2023.10.30	Guarantee	No
10	Lianyungang Hongyang Port Storage and Transportation Co., Ltd	9,500.00	2021.12.15	2033.12.14	Guarantee	No
11	Jiangsu Yangjing Petrochemical Group Co., Ltd	11,700.00	2022.1.11	2023.1.11	Guarantee	No
12	Jiangsu Xianghe Agricultural Development Co., Ltd	3,000.00	2022.1.18	2023.1.4	Guarantee	No
13	Jiangsu Yangjing Petrochemical Group Co., Ltd	8,000.00	2022.6.24	2023.5.18	Guarantee	No
14	Jiangsu Yangjing Petrochemical Group Co., Ltd	9,000.00	2022.6.24	2023.6.23	Guarantee	No

15	Jiangsu Xianghe Agricultural Development Co., Ltd	1,900.00	2022.6.28	2023.6.27	Guarantee	No
16	Jiangsu Yangjing Petrochemical Group Co., Ltd	10,000.00	2022.6.24	2023.6.21	Guarantee	No
17	Jiangsu Yangjing Petrochemical Group Co., Ltd	10,000.00	2022.6.28	2023.6.20	Guarantee	No
18	Jiangsu Yangjing Petrochemical Group Co., Ltd	2,000.00	2022.7.21	2023.7.20	Guarantee	No
19	Jiangsu Xianghe Agricultural Development Co., Ltd	12,000.00	2022.9.27	2032.9.22	Guarantee	No
20	Jiangsu Yangjing Petrochemical Group Co., Ltd	10,000.00	2022.9.26	2024.9.25	Guarantee	No
Total		186,895.46				

Our company as the guaranteed party:

No.	Guarantor	Secured party	Guarantee balance (10 thousand)	Starting and ending dates
1	Jiangsu Yangjing Petrochemical Group Co., Ltd	Jiangsu Fangyang Group Co., Ltd	14,800.00	2022.6.29-2023.6.20
2	Lianyungang Agricultural Development Financing Guarantee Co., Ltd	Lianyungang Yunhu Property Management Co., Ltd	800.00	2022.2.24-2023.2.21
3	Shenghong Petrochemical Group Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	456.07	2018.4.28-2023.4.20
4	Shenghong Petrochemical Group Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	1,759.60	2020.5.28-2023.5.15
5	Shenghong Petrochemical Group Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	1,774.04	2020.12.8-2023.12.8
6	Shenghong Petrochemical Group Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	1,774.04	2020.12.18-2023.12.18
7	Shenghong (Suzhou) Group Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	2,500.00	2022.1.4-2036.3.28
	Shenghong Group Co., Ltd		2,500.00	
8	Shenghong (Suzhou) Group Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	7,500.00	2021.4.29-2036.3.28
	Shenghong Group Co., Ltd		7,500.00	
9	Shenghong (Suzhou) Group Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	2,500.00	2022.3.31-2036.3.28
	Shenghong Group Co., Ltd		2,500.00	
10	Shenghong (Suzhou) Group Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	3,750.00	2022.3.31-2036.3.28
	Shenghong Group Co., Ltd		3,750.00	
11	Shenghong (Suzhou) Group Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	8,750.00	2022.1.4-2036.3.28
	Shenghong Group Co., Ltd		8,750.00	
12	Suzhou Suzhen Thermal Power Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	3,250.00	2022.4.19-2023.4.13
13	Shenghong (Suzhou) Group Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	5,000.00	2021.7.19-2036.3.28
	Shenghong Group Co., Ltd		5,000.00	
14	Shenghong (Suzhou) Group Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	5,000.00	2021.4.30-2036.3.28
	Shenghong Group Co., Ltd		5,000.00	
15	Shenghong (Suzhou) Group Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	7,500.00	2021.4.30-2036.3.28
	Shenghong Group Co., Ltd		7,500.00	

No.	Guarantor	Secured party	Guarantee balance (10 thousand)	Starting and ending dates
16	Suzhou Suzhen Thermal Power Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	2,500.00	2022.3.31-2023.3.16
17	Shenghong (Suzhou) Group Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	2,500.00	2022.1.1-2036.3.28
	Shenghong Group Co., Ltd		2,500.00	
18	Shenghong (Suzhou) Group Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	12,500.00	2022.1.1-2036.3.28
	Shenghong Group Co., Ltd		12,500.00	
19	Shenghong (Suzhou) Group Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	1,250.00	2022.1.10-2036.3.28
	Shenghong Group Co., Ltd		1,250.00	
20	Shenghong (Suzhou) Group Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	2,500.00	2021.7.16-2036.3.28
	Shenghong Group Co., Ltd		2,500.00	
21	Shenghong Group Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	3,750.00	2021.4.30-2036.3.28
	Shenghong (Suzhou) Group Co., Ltd		3,750.00	
22	Shenghong (Suzhou) Group Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	7,500.00	2021.6.9-2036.3.28
	Shenghong Group Co., Ltd		7,500.00	
23	Shenghong (Suzhou) Group Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	5,000.00	2021.6.18-2036.3.28
	Shenghong Group Co., Ltd		5,000.00	
24	Shenghong (Suzhou) Group Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	7,500.00	2021.4.30-2036.3.28
	Shenghong Group Co., Ltd		7,500.00	
25	Suzhou Suzhen Thermal Power Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	3,000.00	2022.4.29-2023.4.3
26	Shenghong Group Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	15,000.00	2021.4.30-2036.3.28
	Shenghong (Suzhou) Group Co., Ltd		15,000.00	
27	Shenghong (Suzhou) Group Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	2,500.00	2021.4.30-2036.3.28
	Shenghong Group Co., Ltd		2,500.00	
28	Shenghong Group Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	12,500.00	2021.5.14-2036.3.28
	Shenghong (Suzhou) Group Co., Ltd		12,500.00	
29	Shenghong (Suzhou) Group Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	2,375.00	2022.3.25-2036.3.28
	Shenghong Group Co., Ltd		2,375.00	
30	Suzhou Suzhen Thermal Power Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	550.00	2022.5.6-2023.5.4
31	Suzhou Suzhen Thermal Power Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	3,900.00	2022.5.24-2023.5.19
32	Suzhou Suzhen Thermal Power Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	1,850.00	2022.6.6-2023.6.1
33	Suzhou Suzhen Thermal Power Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	2,400.00	2022.7.1-2023.6.26
34	Suzhou Suzhen Thermal Power Co., Ltd	Lianyungang Hongyang Thermal Power Co., Ltd	3,750.00	2022.8.15-2023.8.12
Total			277,313.74	

5.4 Related party fund lending

Related party	12/31/2021	Current borrowing (lending)	Current repayment (recovery)	12/31/2022	Remark
Lending funds					
Jiangsu Xianghe Agricultural Development Co., Ltd		270,000,000.00	270,000,000.00		
Suzhou Suzhen Thermal Power Co., Ltd	978,566,600.00			978,566,600.00	

6.Receivables and Payables of Related Parties

6.1 Receivables

Accounting subjects	Related parties	12/31/2022	12/31/2021
Accounts receivable	Jiangsu Xianghe Agricultural Development Co., Ltd	71,074,363.47	669,624.42
Accounts receivable	Jiangsu Yangjing Petrochemical Group Co., Ltd	11,291,545.27	2,904,466.49
Accounts receivable	China Energy Conservation (Lianyungang) clean technology development Co., Ltd	15,430.00	794,637.37
Other receivables	Jiangsu Xianghe Agricultural Development Co., Ltd	42,158,200.00	41,833,400.00
Other receivables	Jiangsu Yangjing Petrochemical Group Co., Ltd	484,791.79	1,049,791.79
Other receivables	Suzhou Suzhen Thermal Power Co., Ltd	978,566,600.00	978,566,600.00
Other receivables	Lianyungang Xuwei Medical Management Co., Ltd	743,643,400.00	735,600,000.00
Other receivables	Jiangsu Fanghua Real Estate Development Co., Ltd		124,500,000.00
Long-term receivables	Jiangsu Yangjing Petrochemical Group Co., Ltd		75,000,000.00

6.2 Payables

Accounting subjects	Related parties	12/31/2022	12/31/2020
Accounts payables	Jiangsu Xianghe Agricultural Development Co., Ltd	2,199,049.52	6,673,987.11
Accounts payables	Lianyungang Industrial Investment Group Co., Ltd	257,703.80	317,170.80
Accounts payables	China Energy Conservation (Lianyungang) clean technology development Co., Ltd	227,079.91	1,910,531.60
Accounts payables	Lianyungang Jiuyang Environmental Technology Co., Ltd	47,645,257.38	29,478,883.85
Accounts payables	Jiangsu Yangjing Petrochemical Group Co., Ltd	2,550,140.56	2,364,426.18
Contract liabilities	Jiangsu Yangjing Petrochemical Group Co., Ltd	1,998,509.43	
Other payable:	Jiangsu Xianghe Agricultural Development Co., Ltd	529,612.50	54,109.09
Other payable:	Jiangsu Yangjing Petrochemical Group Co., Ltd	529,612.50	200,182.00
Other payable:	Lianyungang Industrial Investment Group Co., Ltd	153,000.00	148,000.00
Other payable:	China Energy Conservation (Lianyungang) clean technology development Co., Ltd	200,000.00	7,000.00

IX. Contingencies and Commitment Issues

There is no significant contingencies at December 31, 2022.

X. Post Balance Sheet Event

The Company has no outstanding events occurring after the balance sheet date that require disclosure.

XI. Other Important Information

1. Tenancy

1.1 Lessee information disclosure

Items	Amount
Short term lease expenses included in current profits and losses	
Lease expense of low value assets	
Variable lease payments not included in the measurement of lease liabilities included in current profits and losses	
Income from sublease of right to use assets	
Total cash outflows related to leases	14,984,757.72
Relevant profit and loss from sale leaseback transaction	
Other	

1.2 Qualitative and quantitative information on leasing activities

a) Nature of leasing activities

Leased assets	category	quantity	Lease term	Whether there is renewal option	remark
Pipe rack pipe position	Houses and buildings	1	8.42 year	No	

XII、 Notes to the Main Items of the Financial Statements of Parent Company (All currency unit is CNY, except other statements)

1. Accounts receivable

1.1 Disclosed by Aging

Aging	12/31/2022	1/1/2022
Within 1 year	2,933,468,080.12	3,228,638,155.47
1-2 year	3,202,833,733.24	1,894,563,083.35
2-3 year	1,871,222,150.91	1,842,001,415.83
3-4 year	1,841,944,764.92	1,523,093,711.94
4-5 year	1,523,093,711.94	1,545,415,496.49
Over 5 year	4,024,174,207.14	2,478,787,224.65
Book balance sub-total	15,396,736,648.27	12,512,499,087.73
Less: Bad debt provision	74,469.15	53,064.64
Net value	15,396,662,179.12	12,512,446,023.09

1.2 Disclosed by bad debt accrual method

Category	12/31/2022				
	Book Balance	Proportion (%)	Provision for bad debt	Provision Proportion (%)	Book Value
Accounts receivables with significant single amount and tested for impairment individually					
Accounts receivables tested for	15,396,736,648.27	100.00	74,469.15		15,396,662,179.12

Category	12/31/2022				
	Book Balance	Proportion (%)	Provision for bad debt	Provision Proportion (%)	Book Value
impairment on a portfolio basis					
portfolios of non-related parties	913,800.50	0.01	74,469.15	8.15	839,331.35
portfolios of government parties	15,280,836,583.59	99.25			15,280,836,583.59
portfolios of related parties	114,986,264.18	0.75			114,986,264.18
Total	15,396,736,648.27	100.00	74,469.15		15,396,662,179.12

Continued on the table

Category	12/31/2020				
	Book Balance	Proportion (%)	Provision for bad debt	Provision Proportion (%)	Book Value
Accounts receivables with significant single amount and tested for impairment individually					
Accounts receivables tested for impairment on a portfolio basis	12,512,499,087.73	100.00	53,064.64	0.00	12,512,446,023.09
portfolios of non-related parties	1,134,423.07	0.01	53,064.64	4.68	1,081,358.43
portfolios of government parties	12,477,642,597.50	99.72			12,477,642,597.50
portfolios of related parties	33,722,067.16	0.27			33,722,067.16
Total	12,512,499,087.73	100.00	53,064.64	0.00	12,512,446,023.09

In the portfolio, accounts receivable for which bad debt provision is withdrawn by overdue aging analysis method:

Overdue aging	12/31/2022			1/1/2022		
	Book balance	Bad debt provision	Accrual proportion%	Book balance	Bad debt provision	Accrual proportion%
Not overdue	576,462.50			1,020,983.32		
Within 1 year	260,535.00	13,026.75	5.00	8,122.75	406.14	5.00
1-2 year						
2-3 year						
3-4 year				105,317.00	52,658.50	50.00
Over 4 year	76,803.00	61,442.40	80.00			
Total	913,800.50	74,469.15	8.15	1,134,423.07	53,064.64	4.68

Bad debt provision

Items	1/1/2022	Changes in current period				12/31/2022
		Increase	Reversal	Deduct	Other	
Accounts receivable	53,064.64	12,444.51			8,960.00	74,469.15

1.3 Top five entities with the largest balances of the accounts receivable

Company name	12/31/2022	Aging	Proportion in the total (%)
Management Committee of National East, West, central and Regional Cooperation Demonstration Zone	15,278,718,723.46	Within 1 year 2,817,804,628.63、 1-2 year 3,201,778,265.44、 2-3year 1,870,636,238.70、 3-4year 1,841,604,452.32、 4-5ear 1,523,075,254.23、 Over 5year 4,023,819,884.14	99.23
Jiangsu Xianghe Agricultural Development Co., Ltd	67,648,262.16	Within 1 year	0.44
Lianyungang Xuwei Port Holding Group Co., Ltd	32,000,299.13	Within 1 year	0.21
Lianyungang Yunhu Property Management Co., Ltd	8,976,532.32	Within 1 year	0.06
Jiangsu Yangjing Petrochemical Group Co., Ltd	2,959,592.54	Within 1 year	0.02
Total	15,390,303,409.61		99.96

2. Other receivables

Items	12/31/2022	1/1/2022
Interests receivable		
Dividends receivable		
Other receivables	2,058,337,581.76	2,232,053,610.11
Total	2,058,337,581.76	2,232,053,610.11

2.1 Other receivables

a) Classification of other receivables by aging

Aging	12/31/2022	1/1/2022
Within 1 year	875,407,721.45	2,048,194,049.39
1-2 year	1,107,252,400.05	15,394,139.53
2-3 year	8,989,717.17	78,193,009.94
3-4 year	19,389,609.94	58,936,219.75
4-5 year	37,856,594.48	10,400,000.00
Over 5 year	30,614,088.32	30,614,088.32
Book balance sub-total	2,079,510,131.41	2,241,731,506.93
Less: Bad debt provision	21,172,549.65	9,677,896.82
Net value	2,058,337,581.76	2,232,053,610.11

b) Classification of other receivables by nature

Nature of payment	12/31/2022	1/1/2022
Loans and advances	1,515,941,744.78	1,210,381,576.56
Subsidiaries receivables	81,195,829.50	908,900,817.09
Security deposit	429,682,395.07	69,659,299.64

Nature of payment	12/31/2022	1/1/2022
Other receivables	52,690,162.06	52,789,813.64
Book balance sub-total	2,079,510,131.41	2,241,731,506.93
Less: Bad debt provision	21,172,549.65	9,677,896.82
Net value	2,058,337,581.76	2,232,053,610.11

c) Disclosed by bad debt accrual method

Bad debt provision	Phase I	Phase II	Phase III	Total
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration (no credit impairment)	Expected credit loss for the entire duration (credit impairment has occurred)	
1/1/2022	1,195,572.00	8,482,324.82		9,677,896.82
Opening balance in current period				
——Move to phase II				
——Move to phase III				
——Back to phase II				
——Back to phase I				
Current increase	1,174,401.51	10,305,811.32		11,480,212.83
Current Reversal				
Current Deduct				
Other changes	14,440.00			14,440.00
12/31/2022	2,384,413.51	18,788,136.14		21,172,549.65

d) Top five entities with the largest balances of the account receivables

Company name	Business content	Amount	Aging	Proportion in the total (%)
Lianyungang Xuwei Medical Management Co., Ltd	Advance payment	743,643,400.00	Within 1 year 8,043,400.00, 1-2 year 735,600,000.00	35.76
Lianyungang Zhangwei Enterprise Comprehensive Service Co., Ltd	Advance payment	351,000,000.00	1-2 year	16.88
Jiangsu Fangyong Construction Investment Co., Ltd	Subsidiaries	188,961,705.67	Within 1 year	9.09
Lianyungang suhai Investment Co., Ltd	Subsidiaries	490,791,158.54	Within 1 year	23.60
Lianyungang Property Management Center	guarantee	57,267,792.26	Within 1 year	2.75
Total		1,831,664,056.47		88.08

3. Long-term equity investment

Item	12/31/2022			12/31/2021		
	Book balance	Provision for impairment	Book Value	Book balance	Provision for impairment	Book Value
Investment in subsidiary	14,218,811,440.40		14,218,811,440.40	13,642,861,664.52		13,642,861,664.52
Investment in associate, joint venture	2,196,179,366.31		2,196,179,366.31	2,118,963,291.84		2,118,963,291.84
Total	16,414,990,806.71		16,414,990,806.71	15,761,824,956.36		15,761,824,956.36

3.1 Investment in subsidiary

Investee	12/31/2021	Increase	Decrease	12/31/2022	Provision for impairment in the current period	Closing balance of provision for impairment
Jiangsu Fangyang Logistics Co., Ltd	2,082,076,652.90		2,082,076,652.90			
Jiangsu Fangyang Water Service Co., Ltd	2,190,503,978.55	268,735,276.00		2,459,239,254.55		
Jiangsu Fangyang Modern Service Industry Group Co., Ltd	388,771,337.39	7,530,419.88		396,301,757.27		
Jiangsu Fangyang Construction Investment Co., Ltd	3,731,097,543.39			3,731,097,543.39		
Jiangsu Fangyang Construction Engineering Management Co., Ltd	50,000,000.00			50,000,000.00		
Jiangsu Fangyang Human Resource Management Co., Ltd	4,800,000.00		4,800,000.00			
Lianyungang Xuwei Urban Construction Engineering Co., Ltd	64,146,618.83			64,146,618.83		
Jiangsu Fangyang Energy Technology Co., Ltd	419,442,828.20			419,442,828.20		
Lianyungang Suhai Investment Co., Ltd	240,000,000.00			240,000,000.00		
Lianyungang Hongyang Thermal Power Co., Ltd	1,740,000,000.00			1,740,000,000.00		
Beijing Fangyang Management Consulting Co., Ltd	15,000,000.00		15,000,000.00			
Lianyungang Xuwei Port Investment Group Co., Ltd	1,504,640,000.00	2,957,076,652.90		4,461,716,652.90		
China Fangyang Trading (Hong Kong) Co., Ltd	2,000,000.00			2,000,000.00		
Jiangsu Fangyang culture and Art Troupe Co., Ltd	11,010,000.00			11,010,000.00		
Jiangsu Fangyang Intelligent Technology Co., Ltd	196,470,805.26		3,875,920.00	192,594,885.26		
Jiangsu Fangyang Industrial Investment Co., Ltd		8,000,000.00		8,000,000.00		
Lianyungang Yunyu Industrial Development Co., Ltd	559,640,000.00		559,640,000.00			
Lianyungang Yunhai Financial Leasing Co., Ltd	443,261,900.00			443,261,900.00		
Total	13,642,861,664.52	3,241,342,348.78	2,665,392,572.90	14,218,811,440.40		

3.2 Investment in associate, joint venture

Investee	12/31/2020	Changes in Current Period					12/31/2022
		Increase	Decrease	Profit or loss recognized under equity method	Other changes in equity	Cash divided or profit declared	
(1) Joint Venture							
Subtotal							
(2) Associated Enterprise							
Jiangsu Fangyang Energy Investment Co., Ltd	17,145,409.84			424,151.73		-1,403,013.97	16,166,547.60
China Energy Conservation (Lianyungang) clean technology development Co., Ltd	78,897,683.84			-3,062,617.94			75,835,065.90
Jiangsu Xianghe Agricultural Development Co., Ltd	959,972,998.30			33,553,720.55			993,526,718.85
Jiangsu Yangjing Petrochemical Group Co., Ltd	1,062,947,199.86			47,703,834.10			1,110,651,033.96
Subtotal	2,118,963,291.84			78,619,088.44		-1,403,013.97	2,196,179,366.31
Total	2,118,963,291.84			78,619,088.44		-1,403,013.97	2,196,179,366.31

4. Sales and cost of sales

4.1 Sales and other operating income

Items	Year 2022		Year 2021	
	Revenue	Cost	Revenue	Cost
Main operations	2,479,137,818.06	1,732,125,040.00	2,404,714,497.99	1,887,227,520.53
Other operations	424,381,082.66	406,815,248.04	634,430,142.16	593,124,714.06
Total	2,903,518,900.72	2,138,940,288.04	3,039,144,640.15	2,480,352,234.59

4.2 Main operations (disclosure by branch line of business)

Items	Year 2022		Year 2021	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Engineering construction	1,260,358,566.09	1,103,885,612.04	1,000,888,552.28	892,103,596.40
Commodity sales			12,195,929.20	11,353,545.14
Leasing business	67,278,758.33	25,255,751.86	28,009,303.21	14,588,761.51
Commercial housing sales	341,601,193.64	336,315,660.35	7,492,115.19	6,894,554.02
Land restorage	809,899,300.00	266,668,015.75	1,356,096,900.00	962,257,937.25
Others			31,698.11	29,126.21
Total	2,479,137,818.06	1,732,125,040.00	2,404,714,497.99	1,887,227,520.53

4.2 Other operations (disclosure by branch line of business)

Items	Year 2022		Year 2021	
	Other operating revenue	Other operating cost	Other operating revenue	Other operating cost
Electricity income	834,532.53	830,087.89	786,003.60	915,364.28
Others	423,546,550.13	405,985,160.15	633,644,138.56	592,209,349.78
Total	424,381,082.66	406,815,248.04	634,430,142.16	593,124,714.06

5. Investment income

Item	Year 2022	Year 2021
Investment income from long-term equity investments under cost method		21,433,400.00
Investment income from long-term equity investments under equity method	78,619,088.44	18,869,754.92
Investment income from disposal of long-term equity investments		184,249,612.98
Investment income from disposal of trading financial assets	11,750,933.06	
Investment income of other non current financial assets during the holding period	1,008,000.00	
Total	91,378,021.50	224,552,767.90

This report is written in Chinese and in English. Both Versions are originals. In the event of any inconsistency or conflict between the Chinese version and the English version, the Chinese version shall prevail.



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营业执照

(副本)

名称 苏亚金城会计师事务所(特殊普通合伙)

出资额 1350万元整

类型 特殊普通合伙企业

成立日期 2013年12月02日

执行事务合伙人 詹从才 于龙斌

主要经营场所 南京市建邺区泰山路159号正太中心大厦A座14-16层

经营范围

审查企业会计报表，出具审计报告；验证企业财务报告，出具验资报告，清算审计，代理会计咨询；办理企业基本建设年度财务决算审计；代理记账、会计咨询、税务咨询、管理咨询、会计培训（不含国家统一规定的会计从业资格考试培训）；法律、法规（依法须经批准的项目，经相关部门批准后方可开展经营活动）



登记机关

2023年 04月 1日

国家企业信用信息公示系统网址：<http://www.gsxt.gov.cn>

市场主体应当于每年1月1日至6月30日通过国家企业信用信息公示系统报送公示年度报告。

国家市场监督管理总局监制



防伪区

Jiangsu Fangyang Group Co., Ltd.

Auditor's Report

SYJCCPA (2022) AUDITING No.054

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Accountants LLP

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Translation of a report originally issued in Chinese based on our work performed in accordance with the audit regulations in force in China. In the event of a discrepancy, the Chinese-language version prevails.

AUDITOR'S REPORT

To the shareholders or Directors of Jiangsu Fangyang Group Co., Ltd.:

Opinion

We have audited the financial statements of Jiangsu Fangyang Group Co., Ltd. (hereinafter referred to as the "Fangyang Group"), which comprise the consolidated balance sheet and balance sheet as at December 31, 2021, consolidated income statement and income statement, consolidated cash flow statement and cash flow statement, consolidated statement of changes in owners' equity and statement of changes in owners' equity in 2021; and notes to the financial statements.

In our opinion, the attached financial statements are prepared, in all material respects, in accordance with Accounting Standards for Business Enterprises, present fairly the financial position of Fangyang Group as at 31 December 2021 and its operating results and cash flow in 2021.

Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs") for Certified Public Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Fangyang Group in accordance with the Code of Professional Ethics for Certified Public Accountants in China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors of Fangyang Group are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and those Charged with Governance for the Financial Statements



The directors of Fangyang Group are responsible for the preparation of the financial statements that give a true and fair view in accordance with the disclosure requirements of Accounting Standards for Business Enterprises, and designing, implementing and maintaining internal control that is necessary to ensure the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing Fangyang Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate Fangyang Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Fangyang Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 Fangyang Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Fangyang Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Fangyang Group to cease to continue as a going concern.
- 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.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within Fangyang Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of Fangyang Group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Suya Jincheng Certified Public Accountants LLP
Lianyungang, China



Certified Public Accountant of China



Certified Public Accountant of China



Date: April 25, 2022



Jiangsu Fangyang Group Co., Ltd.

Consolidated Balance Sheet

As at December 31, 2021

Monetary Unit: RMB

Assets	Note	Balance as at December 31, 2021	Balance as at December 31, 2020
Current assets:			
Cash and cash equivalents	1	12,708,759,572.65	11,348,083,284.16
Financial assets held for trading			
Financial assets measured at fair value through current profit or loss			
Derivative financial assets			
Notes receivable	2	36,980,787.15	58,355,280.73
Accounts receivable	3	17,423,289,783.65	12,154,425,444.70
Accounts receivable financing	4	35,188,539.65	
Prepayment	5	162,764,015.84	524,080,789.61
Other receivables	6	2,819,078,540.77	1,915,199,791.79
Inventories	7	3,062,504,074.50	2,834,485,716.69
Contract assets	8	1,049,868.62	
Assets held for sale			
Non-current assets due within one year			
Other current assets	9	292,343,596.72	403,843,618.08
Total current assets		36,541,958,779.55	29,238,473,925.76
Non-current assets:			
Investment in debt instruments	10	31,033,412.60	
Available-for-sale financial assets			3,008,823,815.00
Investment in other debt instruments			
Held-to-maturity investments			
Long-term receivables	11	3,378,727,000.26	2,351,955,583.34
Long-term equity investments	12	4,576,595,460.18	3,349,165,187.47
Investment in other equity instruments			
Other non-current financial assets	13	3,335,536,015.00	
Investment property	14	21,004,368,200.00	21,247,737,664.08
Fixed assets	15	10,551,050,269.51	8,064,152,436.13
Construction in progress	16	14,160,776,915.97	10,156,362,459.89
Productive biological assets			
Oil and gas assets			
Right of use assets	17	70,729,108.42	
Intangible assets	18	1,838,250,059.75	1,173,168,306.68
Development expenditure			
Goodwill		-	-
Long-term deferred expenses	19	31,601,645.61	24,339,371.14
Deferred tax assets	20	18,718,464.07	18,146,170.50
Other non-current assets	21	583,776,879.87	494,318,579.64
Total non-current assets		59,581,163,431.24	49,888,169,573.87
Total assets		96,123,122,210.79	79,126,643,499.63

Jiangsu Fangyang Group Co., Ltd.

Consolidated Balance Sheet (Cont.)

As at December 31, 2021

Monetary Unit: RMB

Liabilities and owners' equity	Note	Balance as at December 31, 2021	Balance as at December 31, 2020
Current liabilities:			
Short-term loans	22	5,973,349,182.95	5,310,561,000.00
Financial liabilities held for trading			
Financial liabilities measured at fair value through current profit or loss			
Derivative financial liabilities			
Notes payables	23	4,981,308,152.58	3,219,028,239.62
Accounts payables	24	1,587,556,147.60	1,260,261,942.31
Receipts in advance			129,812,233.26
Contract liabilities	25	216,905,592.00	
Employee benefits payable	26	23,811,349.49	7,462,736.17
Taxes payable	27	17,409,750.55	22,355,867.66
Other payables	28	1,035,243,522.34	1,098,188,669.57
Liabilities held for sale			
Non-current liabilities due within one year	29	4,311,014,265.20	6,796,943,744.93
Other current liabilities	30	2,130,880,378.16	1,230,000,000.00
Total current liabilities		20,277,478,340.87	19,074,614,433.52
Non-current liabilities:			
Long-term loans	31	30,487,957,834.54	22,344,918,000.00
Bonds payable	32	7,425,702,270.71	5,193,758,960.28
Including: preferred stock			
sustainable debt			
Lease liabilities	33	79,162,670.63	
Long-term payables	34	1,857,432,486.56	1,240,157,319.12
Provision			
Deferred revenue	35	566,681,096.58	482,654,906.11
Deferred tax liabilities	20	3,072,120,716.70	2,702,151,566.40
Other non-current liabilities			
Total non-current liabilities		43,489,057,075.72	31,963,640,751.91
Total liabilities		63,766,535,416.59	51,038,255,185.43
Owners' equity (or shareholders' equity)			
Share capital	36	8,570,000,000.00	7,500,000,000.00
Other equity instruments			
Including: preferred stock			
sustainable debt			
Capital reserves	37	4,816,949,106.07	3,425,342,903.71
Less: Treasury shares			
Other comprehensive income	38	3,018,879,351.71	3,173,536,693.86
Special reserves			
Surplus reserves	39	534,784,096.41	411,653,439.12
General risk preparedness			
Undistributed profits	40	5,248,951,777.03	3,570,675,779.45
Total equity attributable to owners of the parent company		22,189,564,331.22	18,081,208,816.14
Non-controlling interests		10,167,022,462.98	10,007,179,498.06
Total owners' equity (or shareholders' equity)		32,356,586,794.20	28,088,388,314.20
Total liabilities and owners' equity		96,123,122,210.79	79,126,643,499.63

Jiangsu Fangyang Group Co., Ltd.

Consolidated Income Statement

For the year ended December 31, 2021

		Monetary Unit: RMB	
Item	Note	2021 (Jan-Dec)	2020 (Jan-Dec)
1. Total operating income	41	11,913,303,442.56	6,870,038,965.26
Less: Operating costs	41	10,357,062,060.09	6,270,968,622.79
Taxes and surcharge	42	87,463,519.19	69,343,217.21
Selling and distribution expenses		32,491,784.84	23,421,594.53
Administrative expenses		469,293,211.89	397,402,483.00
Research and development expenses		65,068,972.51	42,216,405.15
Financial expenses	43	659,120,219.94	254,756,385.44
Including: interest expense		829,805,816.71	529,016,368.52
interest income		228,287,819.96	218,287,252.10
Add: Other income	44	39,336,861.02	83,298,433.46
Investment income ("-" for losses)	45	238,673,530.34	10,417,081.05
Including: income from investment in associates and joint ventures		18,263,856.43	10,417,081.05
Income from derecognition of financial assets measured at amortized cost ("-" for losses)		-161,638.88	
Net exposure to hedging gains("-" for loss)			
Gains from changes in fair value ("-" for losses)	46	1,724,943,700.00	871,847,700.00
Credit impairment loss ("-" for losses)	47	-2,343,182.55	
Impairment loss of assets	48		-8,081,357.60
Gains from disposal of assets ("-" for losses)	49	4,968,637.70	-661,711.57
2. Operating profits ("-" for losses)		2,248,383,220.61	768,750,402.48
Add: Non-operating income	50	2,963,013.11	4,401,129.26
Less: Non-operating expenses	51	883,471.22	1,147,054.92
3. Total profits before tax ("-" for total losses)		2,250,462,762.50	772,004,476.82
Less: Income tax expenses	52	441,793,532.99	223,286,018.79
4. Net profit ("-" for net loss)		1,808,669,229.51	548,718,458.03
Classification by operating continuity:			
Net profit from continuing operation ("-" for losses)		1,808,669,229.51	548,718,458.03
Net profit from discontinued operation ("-" for losses)			
Classification by owners:			
Attributable to owners of the parent company		1,801,406,654.87	483,982,515.14
Attributable to non-controlling interests		7,262,574.64	64,735,942.89
5. Net of income tax effect of other comprehensive income	53	-154,657,342.15	71,717,292.58
(1) Net of income tax effect of other comprehensive income attributable to owners of the parent company		-154,657,342.15	44,140,316.95
A. Other comprehensive income items which will not be reclassified subsequently to profit or loss			
a. Remeasurement of changes in defined benefit plans			
b. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
c. Changes in fair value of other equity instrument investments			
d. Changes in fair value of enterprise's own credit risk			
B. Other comprehensive income items which will be reclassified subsequently to profit or loss		-154,657,342.15	44,140,316.95
a. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss			
b. Changes in fair value of other debt investments			
c. Gains or losses arising from changes in fair value of available-for-sale financial assets			
d. Amount of financial assets reclassified into other comprehensive income			
e. Profit and loss of held to maturity investment reclassified as available for sale financial assets			
f. Provision for credit impairment of other debt investments			
g. The effective hedging portion of gains or losses arising from cash flow hedging instruments			
h. Translation differences arising on translation of foreign currency financial statements		-154,657,342.15	44,140,316.95
i. Others			
(2) Net of income tax effect of other comprehensive income attributable to non-controlling interests			27,576,975.63
6. Total comprehensive income		1,654,011,887.36	620,435,750.61
Total comprehensive income attributable to owners of the parent company		1,646,749,312.72	528,122,832.09
Total comprehensive income attributable to non-controlling interests		7,262,574.64	92,312,918.52
7. Earnings per share			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Jiangsu Fangyang Group Co., Ltd.

Consolidated Cash Flows Statement

For the year ended December 31, 2021

Monetary Unit: RMB

Item	Note	2021 (Jan-Dec)	2020 (Jan-Dec)
1. Cash flows from operating activities			
Cash received from sale of goods and rendering of services		7,960,582,193.75	4,506,046,579.74
Refunds of taxes and surcharges		92,133,641.81	20,483,405.08
Cash received from other operating activities		2,038,010,411.06	1,901,209,011.90
Sub-total of cash inflows from operating activities		10,090,726,246.62	6,427,738,996.72
Cash paid for goods purchased and services received		8,747,033,067.20	5,595,498,075.61
Cash paid to and on behalf of employees		524,448,135.80	310,848,954.43
Cash paid for taxes and surcharges		152,584,283.67	115,557,950.16
Cash paid for other operating activities		964,098,218.87	713,182,710.01
Sub-total of cash outflows from operating activities		10,388,163,705.54	6,735,087,690.21
Net cash flows from operating activities		-297,437,458.92	-307,348,693.49
2. Cash flows from investing activities			
Cash received from disposal of investments		1,499,437,207.07	
Cash received from returns on investments		42,788,296.51	356,645.20
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		19,667,201.53	350,888.00
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities			
Sub-total of cash inflows from investing activities		1,561,892,705.11	707,533.20
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		6,695,556,519.33	3,396,038,667.13
Cash paid for investments		2,461,932,425.20	3,168,806,420.91
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities			
Sub-total of cash outflows from investing activities		9,157,488,944.53	6,564,845,088.04
Net cash flows from investing activities		-7,595,596,239.42	-6,564,137,554.84
3. Cash flows from financing activities			
Cash received from investors		3,784,262,200.00	5,485,791,980.00
Including: cash received by subsidiaries from investments by non-controlling shareholders		2,000,000,000.00	4,965,791,980.00
Cash received from borrowings		23,826,857,245.00	19,017,741,615.06
Cash received from bonds issue		4,018,295,431.50	3,678,450,000.00
Cash received from other financing activities		794,500,000.00	58,956,555.99
Sub-total of cash inflows from financing activities		32,423,914,876.50	28,240,940,151.05
Cash repayments of borrowings		19,766,121,195.41	14,014,325,984.10
Cash paid for distribution of dividends and profits or payment of interest		2,640,554,547.60	2,386,577,451.43
Including: dividends and profits paid to non-controlling shareholders by subsidiaries			
Cash paid for other financing activities		1,893,247,155.07	3,082,979,067.91
Sub-total of cash outflows from financing activities		24,299,922,898.08	19,483,882,503.44
Net cash flows from financing activities		8,123,991,978.42	8,757,057,647.61
4. Effect of foreign exchange rate changes on cash and cash equivalents		-23,619,893.87	-4,579,830.40
5. Net increase/(decrease) in cash and cash equivalents		207,338,386.21	1,880,991,568.88
Add: balance of cash and cash equivalents at the beginning of the period		7,371,529,290.15	5,490,537,721.27
6. Balance of cash and cash equivalents at the end of the period		7,578,867,676.36	7,371,529,290.15

Jiangsu Fangyang Group Co., Ltd.
Consolidated Statement of Changes in Shareholders' Equity
For the year ended December 31, 2021

Monetary Unit: RMB

Item	2021 (Jan-Dec)										Total shareholders' equity		
	Equity attributable to owners of the parent company												
	Share capital	Other equity instruments		Capital reserve	Minus: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		Minority equity	
	Preferred stock	Sustainable debt	Others										
1. Balance as at the end of last year	7,500,000,000.00				3,425,342,903.71		3,173,536,693.86		411,653,439.12		3,570,675,779.45	10,007,179,498.06	28,088,388,314.20
Add: adjustments for changes in accounting policies													
Adjustments for correction of accounting errors in prior year													
Merger of enterprises under the same control													
Others													
2. Balance as at the beginning of the current year	7,500,000,000.00				3,425,342,903.71		3,173,536,693.86		411,653,439.12		3,570,675,779.45	10,007,179,498.06	28,088,388,314.20
3. Increases/decreases in equity for the year ("-" for decreases)	1,070,000,000.00				1,391,606,202.36		-154,657,342.15		123,130,657.29		1,678,275,997.58	159,842,964.92	4,268,198,480.00
(1) Total comprehensive income							-154,657,342.15				1,801,406,654.87	7,262,574.64	1,654,011,887.36
(2) Capital contributed or decreased by owners	1,070,000,000.00				1,391,606,202.36							152,580,390.28	2,614,186,592.64
a. Capital contributions by owners	1,070,000,000.00				714,262,200.00							1,384,839,912.00	3,169,102,112.00
b. Capital contributions by other equity instruments holders													
c. Amounts of share-based payments recognized in owners' equity													
d. Others					677,344,002.36							-1,232,259,521.72	-554,915,519.36
(3) Profit distribution									123,130,657.29		-123,130,657.29		
a. Appropriation of surplus reserves									123,130,657.29		-123,130,657.29		
b. Appropriation of general risk reserve													
c. Profit distributed to owners (or shareholders)													
d. Others													
(4) Internal carry-forward of owners' equity													
a. Conversion of capital reserves into paid-in capital (or share capital)													
b. Conversion of surplus reserves into paid-in capital (or share capital)													
c. Surplus reserves offsetting losses													
d. Change of Defined Benefit Plan transferred to retained earnings													
e. Other comprehensive income carried forward to retained earnings													
f. Others													
(5) General risk reserve													
a. Appropriation for the period													
b. Use for the period													
4. Balance as at the end of the current year	8,570,000,000.00				4,816,949,106.07		3,018,879,351.71		534,784,096.41		5,248,951,777.03	10,167,022,462.98	32,356,586,794.20

Jiangsu Fangyang Group Co., Ltd.
Consolidated Statement of Changes in Shareholders' Equity

For the year ended December 31, 2021

Monetary Unit: RMB

Item	2020 (Jan-Dec)											Total shareholders' equity
	Equity attributable to owners of the parent company											
	Share capital	Other equity instruments		Capital reserve	Minus: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Minority equity	
	Preferred stock	Sustainable debt	Others									
1. Balance as at the end of last year	7,500,000,000.00				1,356,571,379.81		3,129,396,376.91	393,896,702.57		3,104,450,000.86	6,316,880,700.86	21,801,195,161.01
Add: adjustments for changes in accounting policies												
Adjustments for correction of accounting errors in prior year												
Merger of enterprises under the same control												
Others												
2. Balance as at the beginning of the current year	7,500,000,000.00				1,356,571,379.81		3,129,396,376.91	393,896,702.57		3,104,450,000.86	6,316,880,700.86	21,801,195,161.01
3. Increases/decreases in equity for the year ("-" for decreases)					2,068,771,523.90		44,140,316.95	17,756,736.55		466,225,778.59	3,690,298,797.20	6,287,193,153.19
(1) Total comprehensive income					2,068,771,523.90		44,140,316.95			483,982,515.14	92,312,918.52	620,435,750.61
(2) Capital contributed or decreased by owners					2,480,603,856.71						3,597,985,878.68	5,666,757,402.58
a. Capital contributions by owners												
b. Capital contributions by other equity instruments holders												
c. Amounts of share-based payments recognized in owners' equity												
d. Others					-411,832,332.81						267,289,155.39	-144,543,177.42
(3) Profit distribution												
a. Appropriation of surplus reserves								17,756,736.55		-17,756,736.55		
b. Appropriation of general risk reserve								17,756,736.55		-17,756,736.55		
c. Profit distributed to owners (or shareholders)												
d. Others												
(4) Internal carry-forward of owners' equity												
a. Conversion of capital reserves into paid-in capital (or share capital)												
b. Conversion of surplus reserves into paid-in capital (or share capital)												
c. Surplus reserves offsetting losses												
d. Change of Defined Benefit Plan transferred to retained earnings												
e. Other comprehensive income carried forward to retained earnings												
f. Others												
(5) General risk reserve												
a. Appropriation for the period												
b. Use for the period												
4. Balance as at the end of the current year	7,500,000,000.00				3,425,342,903.71		3,173,536,693.86	411,653,439.12		3,570,675,779.45	10,007,179,498.06	28,088,388,314.20

Jiangsu Fangyang Group Co., Ltd.

Balance Sheet

As at December 31, 2021

Monetary Unit: RMB

Assets	Note	Balance as at December 31, 2021	Balance as at December 31, 2020
Current assets:			
Cash and cash equivalents		5,278,899,242.58	4,894,212,476.64
Financial assets held for trading			
Financial assets measured at fair value through current profit or loss			
Derivative financial assets			
Notes receivable		50,000.00	
Accounts receivable	1	12,512,446,023.09	9,319,302,147.93
Accounts receivable financing		-	
Prepayment		64,100,022.44	310,776,768.78
Other receivables	2	2,232,053,610.11	1,312,221,907.97
Inventories		513,497,157.77	471,403,223.45
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		31,527,899.31	2,109,488.47
Total current assets		20,632,573,955.30	16,310,026,013.24
Non-current assets:			
Investment in debt instruments			
Available-for-sale financial assets			3,008,823,815.00
Investment in other debt instruments			
Held-to-maturity investments			
Long-term receivables		3,293,671,962.98	2,301,955,583.34
Long-term equity investments	3	15,761,824,956.36	15,291,689,786.17
Investment in other equity instruments			
Other non-current financial assets		3,323,086,015.00	
Investment property		14,613,966,700.00	14,038,785,400.00
Fixed assets		3,854,524,919.53	3,209,081,194.47
Construction in progress		4,467,206,841.29	3,943,230,828.91
Productive biological assets			
Oil and gas assets			
Right of use assets			
Intangible assets		491,307,702.43	503,670,654.51
Development expenditure			
Goodwill			
Long-term deferred expenses		3,195,946.58	4,793,919.86
Deferred tax assets		2,432,740.36	3,254,600.95
Other non-current assets			72,713,323.40
Total non-current assets		45,811,217,784.53	42,377,999,106.61
Total assets		66,443,791,739.83	58,688,025,119.85

Jiangsu Fangyang Group Co., Ltd.

Balance Sheet (Cont.)

As at December 31, 2021

Monetary Unit: RMB

Liabilities and owners' equity	Note	Balance as at December 31, 2021	Balance as at December 31, 2020
Current liabilities:			
Short-term loans		3,350,749,182.95	2,495,571,000.00
Financial liabilities held for trading			
Financial liabilities measured at fair value through current profit or loss			
Derivative financial liabilities			
Notes payables		2,062,803,102.73	2,257,633,591.91
Accounts payables		681,982,001.43	459,584,699.77
Receipts in advance			56,410,195.60
Contract liabilities		75,298,838.08	
Employee benefits payable		2,414,219.56	1,666,528.66
Taxes payable		208,248.92	143,283.01
Other payables		22,890,245,370.78	18,488,973,765.66
Liabilities held for sale			
Non-current liabilities due within one year		2,242,601,710.34	4,296,549,067.77
Other current liabilities		2,121,891,166.67	1,230,000,000.00
Total current liabilities		33,428,193,841.46	29,286,532,132.38
Non-current liabilities:			
Long-term loans		8,188,219,834.04	7,820,284,000.00
Bonds payable		5,458,683,496.50	5,193,758,960.28
Including: preferred stock			
sustainable debt			
Lease liabilities			
Long-term payables		106,916,311.98	279,012,873.75
Provision			
Deferred revenue		121,048,505.40	122,436,672.08
Deferred tax liabilities		2,013,491,720.55	1,688,201,852.75
Other non-current liabilities			
Total non-current liabilities		15,888,359,868.47	15,103,694,358.86
Total liabilities		49,316,553,709.93	44,390,226,491.24
Owners' equity (or shareholders' equity)			
Share capital		8,570,000,000.00	7,500,000,000.00
Other equity instruments			
Including: preferred stock			
sustainable debt			
Capital reserves		2,393,071,001.92	1,805,098,801.92
Less: Treasury shares			
Other comprehensive income		1,810,705,126.91	1,870,544,498.52
Special reserves			
Surplus reserves		534,784,096.41	411,653,439.12
General risk preparedness			
Undistributed profits		3,818,677,804.66	2,710,501,889.05
Total owners' equity (or shareholders' equity)		17,127,238,029.90	14,297,798,628.61
Total liabilities and owners' equity		66,443,791,739.83	58,688,025,119.85

Jiangsu Fangyang Group Co., Ltd.

Income Statement

For the year ended December 31, 2021

Monetary Unit: RMB

Item	Note	2021 (Jan-Dec)	2020 (Jan-Dec)
1. Total operating income	4	3,039,144,640.15	1,886,480,035.87
Less: Operating costs	4	2,480,352,234.59	1,734,066,885.08
Taxes and surcharge		29,594,848.04	29,498,372.01
Selling and distribution expenses		71,187.73	-
Administrative expenses		273,163,329.49	252,620,818.37
Research and development expenses		-	-
Financial expenses		296,119,611.55	174,844,031.98
Including: interest expense		429,444,995.79	249,393,758.92
interest income		186,397,060.67	139,692,368.06
Add: Other income		4,561,636.37	48,557,877.46
Investment income ("-" for losses)	5	224,552,767.90	10,544,259.76
Including: income from investment in associates and joint ventures		18,869,754.92	10,544,259.76
Income from derecognition of financial assets measured at amortized cost ("-" for losses)			
Net exposure to hedging gains("-"for loss)			
Gains from changes in fair value ("-" for losses)		1,380,945,300.00	569,238,100.00
Credit impairment loss ("-" for losses)		3,287,442.36	
Impairment loss of assets			-6,049,793.59
Gains from disposal of assets ("-" for losses)		3,877,053.09	4,767.44
2. Operating profits ("-" for losses)		1,577,067,628.47	317,745,139.50
Add: Non-operating income		515,195.61	644,882.61
Less: Non-operating expenses		218,065.60	25,580.00
3. Total profits before tax ("-"for total losses)		1,577,364,758.48	318,364,442.11
Less: Income tax expenses		346,058,185.58	140,797,076.60
4. Net profit ("-" for net loss)		1,231,306,572.90	177,567,365.51
Classification by operating continuity:		1,231,306,572.90	177,567,365.51
Net profit from continuing operation ("-" for losses)			
5. Net of income tax effect of other comprehensive income		-59,839,371.61	152,740,854.79
(1) Other comprehensive income items which will not be reclassified subsequently to profit or loss			
a. Remeasurement of changes in defined benefit plans			
b. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
c. Changes in fair value of other equity instrument investments			
d. Changes in fair value of enterprise's own credit risk			
(2) Other comprehensive income items which will be reclassified subsequently to profit or loss		-59,839,371.61	152,740,854.79
a. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit and loss			
b. Changes in fair value of other debt investments			
c. Gains or losses arising from changes in fair value of available-for-sale financial assets			
d. Amount of financial assets reclassified into other comprehensive income			
e. Profit and loss of held to maturity investment reclassified as available for sale financial assets		-59,839,371.61	152,740,854.79
f. Provision for credit impairment of other debt investments			
g. The effective hedging portion of gains or losses arising from cash flow hedging instruments			
h. Translation differences arising on translation of foreign currency financial statements			
6. Total comprehensive income		1,171,467,201.29	330,308,220.30
7. Earnings per share			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Jiangsu Fangyang Group Co., Ltd.

Cash Flows Statement

For the year ended December 31, 2021

Monetary Unit: RMB

Item	Note	2021 (Jan-Dec)	2020 (Jan-Dec)
1. Cash flows from operating activities			
Cash received from sale of goods and rendering of services		50,024,522.69	22,214,428.25
Refunds of taxes and surcharges			
Cash received from other operating activities		6,508,251,868.47	17,946,789,997.63
Sub-total of cash inflows from operating activities		6,558,276,391.16	17,969,004,425.88
Cash paid for goods purchased and services received		2,159,626,022.91	1,636,571,211.22
Cash paid to and on behalf of employees		130,522,168.67	88,198,200.25
Cash paid for taxes and surcharges		52,980,658.07	60,413,842.17
Cash paid for other operating activities		2,339,473,666.19	11,861,143,491.51
Sub-total of cash outflows from operating activities		4,682,602,515.84	13,646,326,745.15
Net cash flows from operating activities		1,875,673,875.32	4,322,677,680.73
2. Cash flows from investing activities			
Cash received from disposal of investments		1,268,304,500.00	
Cash received from returns on investments		1,712,096.70	356,645.20
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		3,877,053.09	
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities			
Sub-total of cash inflows from investing activities		1,273,893,649.79	
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		39,103,102.51	440,968,630.47
Cash paid for investments		1,034,262,200.00	5,042,073,100.00
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities			
Sub-total of cash outflows from investing activities		1,073,365,302.51	5,483,041,730.47
Net cash flows from investing activities		200,528,347.28	-5,483,041,730.47
3. Cash flows from financing activities			
Cash received from investors		1,784,262,200.00	400,000,000.00
Cash received from borrowings		10,892,669,920.00	13,443,061,615.06
Cash received from other financing activities			
Sub-total of cash inflows from financing activities		12,676,932,120.00	13,843,061,615.06
Cash repayments of borrowings		11,953,711,134.52	10,860,762,843.34
Cash paid for distribution of dividends and profits or payment of interest		1,364,988,729.63	1,421,885,069.42
Cash paid for other financing activities		1,065,704,060.63	4,634,931.15
Sub-total of cash outflows from financing activities		14,384,403,924.78	12,287,282,843.91
Net cash flows from financing activities		-1,707,471,804.78	1,555,778,771.15
4. Effect of foreign exchange rate changes on cash and cash equivalents			
		-4,649,932.53	-5,128,130.28
5. Net increase/(decrease) in cash and cash equivalents			
		364,080,485.29	390,286,591.13
Add: balance of cash and cash equivalents at the beginning of the period		1,606,644,581.22	1,216,001,344.89
6. Balance of cash and cash equivalents at the end of the period			
		1,970,725,066.51	1,606,287,936.02

Jiangsu Fangyang Group Co., Ltd.
Statement of Changes in Shareholders' Equity
For the year ended December 31, 2021

Monetary Unit: RMB

Item	2021 (Jan-Dec)							Total shareholders' equity				
	Share capital	Other equity instruments			Capital reserve	Minus: treasury stock	Other comprehensive income		Special reserve	Surplus reserve	General risk reserve	Undistributed profit
		Preferred stock	Sustainable debt	Others								
1. Balance as at the end of last year	7,500,000,000.00				1,805,098,801.92		1,870,544,498.52		411,653,439.12		2,710,501,889.05	14,297,798,628.61
Add: adjustments for changes in accounting policies												
Adjustments for correction of accounting errors in prior year												
Others												
2. Balance as at the beginning of the current year	7,500,000,000.00				1,805,098,801.92		1,870,544,498.52		411,653,439.12		2,710,501,889.05	14,297,798,628.61
3. Increases/decreases in equity for the year ("-" for decreases)	1,070,000,000.00				587,972,200.00		-59,839,371.61		123,130,657.29		1,108,175,915.61	2,829,439,401.29
(1) Total comprehensive income	1,070,000,000.00				587,972,200.00		-59,839,371.61				1,231,306,572.90	1,171,467,201.29
(2) Capital contributed or decreased by owners	1,070,000,000.00				714,262,200.00							1,657,972,200.00
a. Capital contributions by owners												1,784,262,200.00
b. Capital contributions by other equity instruments holders												
c. Amounts of share-based payments recognized in owners' equity												
d. Others					-126,290,000.00							-126,290,000.00
(3) Profit distribution												
a. Appropriation of surplus reserves									123,130,657.29		-123,130,657.29	
b. Appropriation of general risk reserve									123,130,657.29		-123,130,657.29	
c. Profit distributed to owners (or shareholders)												
d. Others												
(4) Internal carry-forward of owners' equity												
a. Conversion of capital reserves into paid-in capital (or share capital)												
b. Conversion of surplus reserves into paid-in capital (or share capital)												
c. Surplus reserves offsetting losses												
d. Change of Defined Benefit Plan transferred to retained earnings												
e. Other comprehensive income carried forward to retained earnings												
f. Others												
(5) Special reserves												
a. Appropriation for the period												
b. Use for the period												
4. Balance as at the end of the current year	8,570,000,000.00				2,393,071,001.92		1,810,705,126.91		534,784,096.41		3,818,677,804.66	17,127,238,029.90

Jiangsu Fangyang Group Co., Ltd.
Statement of Changes in Shareholders' Equity
For the year ended December 31, 2021

Monetary Unit: RMB

Item	2020 (Jan-Dec)											
	Share capital	Other equity instruments			Capital reserve	Minus: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Total shareholders' equity
		Preferred stock	Sustainable debt	Others								
1. Balance as at the end of last year	7,500,000,000.00				1,116,574,045.98		1,717,803,643.73		393,896,702.57		2,550,691,260.09	13,278,965,652.37
Add: adjustments for changes in accounting policies												
Adjustments for correction of accounting errors in prior year												
Others												
2. Balance as at the beginning of the current year	7,500,000,000.00				1,116,574,045.98		1,717,803,643.73		393,896,702.57		2,550,691,260.09	13,278,965,652.37
3. Increases/decreases in equity for the year ("-" for decreases)					688,524,755.94		152,740,854.79		17,756,736.55		159,810,628.96	1,018,832,976.24
(1) Total comprehensive income							152,740,854.79				177,567,365.51	330,308,220.30
(2) Capital contributed or decreased by owners					688,524,755.94							688,524,755.94
a. Capital contributions by owners					663,358,500.00							663,358,500.00
b. Capital contributions by other equity instruments holders												
c. Amounts of share-based payments recognized in owners' equity												
d. Others					25,166,255.94							25,166,255.94
(3) Profit distribution									17,756,736.55		-17,756,736.55	
a. Appropriation of surplus reserves									17,756,736.55		-17,756,736.55	
b. Appropriation of general risk reserve												
c. Profit distributed to owners (or shareholders)												
d. Others												
(4) Internal carry-forward of owners' equity												
a. Conversion of capital reserves into paid-in capital (or share capital)												
b. Conversion of surplus reserves into paid-in capital (or share capital)												
c. Surplus reserves offsetting losses												
d. Change of Defined Benefit Plan transferred to retained earnings												
e. Other comprehensive income carried forward to retained earnings												
f. Others												
(5) Special reserves												
a. Appropriation for the period												
b. Use for the period												
4. Balance as at the end of the current year	7,500,000,000.00				1,805,098,801.92		1,870,544,498.52		411,653,439.12		2,710,501,889.05	14,297,798,628.61

JIANGSU FANGYANG GROUP CO., LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

(All amounts are expressed in Renminbi unless otherwise stated)

I. Company Profile

1. Company Overview

The predecessor of Jiangsu Fangyang Group Co., Ltd. (hereinafter referred to as "Fangyang Group" or the "Company") was Xuwei Development and Construction Co., Ltd. In Lianyungang, which was established with the investment of Lianyungang Municipal People's government. It was registered with Lianyungang Administration for Industry and Commerce on April 24, 2009, with the unified social credit code of 913207006891584562.

Type of company: limited liability company (state-owned sole proprietorship). The shareholder is the Lianyungang Municipal People's Government. On August 11, 2021, the company's registered capital was changed from CNY 8.0 billion to CNY11.0 billion), and the paid-in capital is CNY 8.57 billion.

Legal representative: Yan Hongmin. The company's domicile: Industrial Service Center, 66 Xuwei Avenue, Xuwei New District, Lianyungang City

Business scope of the Company: industrial investment; port shoreline development; construction project management; property management, municipal engineering, landscaping engineering, earth and stone engineering, industrial and civil construction engineering, steel structure engineering, foundation and basic engineering, interior and exterior decoration Engineering construction; self-operated and agent import and export business of various commodities and technologies with an exception of goods and technologies that are restricted or prohibited by the state; warehousing services; house leasing; house repair; construction materials, sales of metal materials; underground integrated pipeline network and gallery Construction and operation management; properties development and sales. (subject to the approval of the project, approved by the relevant departments to carry out business activities before).

2. Consolidated Financial Statement Scope

The scope of consolidation of the Company's consolidated financial statements is based on control, and all subsidiaries are included in the consolidation scope of the consolidated financial statements.

The change of scope of consolidated statements is shown in the following table:

2.1 The business entities that are newly incorporated into the scope of the merger:

Company name	Obtaining Method
Lianyungang Xuwei Port Shipping Service Co., Ltd	Investment establishment

2.2. The business entities that are not incorporated into the scope of the merger, the structural entities or business entities forming control in the other way:

Company name	Reason
Shanghai Fangyang Investment Management Co., Ltd	Company cancelled

Details of the sub companies incorporated into the consolidated financial statements show on "Note VII. Interests in subsidiaries", changes of consolidated scope see details in "Note VI. Changes in consolidated scope".

II. Basis of preparation of financial statements

1. Base preparation

The Company prepares its financial statements on a going concern basis, and recognizes and measures its accounting items in compliance with the Accounting Standards for Business Enterprises—Basic Standards and various concrete accounting standards, and other relevant provisions on the basis of actual transactions and events.

2. Continuous operation

The company's management believes that the company has the ability to continue to operate at least 12 months since the end of the final period.

III. Significant Accounting Policies, Accounting Estimates

1. Statement on compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises and truly and completely reflect the Company's financial position, operating results, cash flows and other related information for the reporting period.

2. Accounting period

The accounting year of the Company is from January 1 to December 31 in calendar year.

3. Functional currency

The Company adopts CNY as functional currency.

4. Accounting treatment methods for business combination under and not under common control

4.1 Accounting treatment method for business combination under common control

Business combination under common control is accounted for under pooling of interest method.

Assets and liabilities obtained by the Company through business combination under common control shall be measured at the book value as stated in the consolidated financial statements of the ultimate controlling party at combination date; the initial investment cost of long-term equity investments in the individual financial statements shall be the absorbing party's share of the carrying amount of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party. The differences between initial investment cost of long-term equity investments and consideration of the combination (including cash paid, non-cash assets transferred, the liabilities incurred or assumed or the aggregate face value of the share issued) shall be adjusted to capital reserve (stock premium or capital premium). If the capital reserve (stock premium or capital premium) is insufficient to offset, offset surplus reserve and undistributed profit in turn.

4.2 Accounting treatment method for business combination not under common control

The Company accounts for business combination not under common control under purchase method.

- a) All the net identifiable assets, liabilities or contingent liabilities obtained by the Company through business combination not under common control shall be measured based on the fair values of assets paid, liabilities incurred or assumed and the equity securities issued as consideration for combination on the acquisition date, and differences between their fair values and book values shall be included in the current profit and loss.
- b) The cost of acquisition shall be respectively determined for the following conditions;
 - i. Business combination of a transaction implementation, the combination cost shall be the sum of the fair values of the assets given, the liabilities incurred or assumed and the equity securities issued by the Company in exchange for the control on the acquisition date, and contingent considerations meeting the recognition conditions. The combination cost is the initial investment costs of long-term equity investments in individual financial statements.

- ii. Business combination through multiple transactions step by step to realized, the combination cost shall be the sum of the fair value measurement on the acquisition of the equity investment that holding before the acquisition date and cost of all the new investment on the acquisition date. Long-term equity investment cost in individual financial statements shall be the sum of the book value of the equity investment that holding before the acquisition date and cost of all the new investment on the acquisition date. Except for a single transaction.
- c) The Company, on the acquisition date, allocates the combination costs between the identifiable assets and liabilities acquired
- i. All assets of the acquiree obtained by the Company through business combination(not limited to those that have been recognized by the acquiree), other than intangible assets, shall be separately recognized and measured at fair value when the future economic benefits arising thereafter are expected to flow into the Company and the fair value can be reliably measured.
 - ii. Intangible assets of the acquiree obtained by the Company through business combination shall be separately recognized and measured at fair value when their fair values can be reliably measured.
 - iii. All liabilities of the acquiree obtained by the Company through business combination, other than contingent liabilities, shall be separately recognized and measured at fair value when fulfillment of relevant obligations are expected to bring future economic benefits to the Company and the fair value can be reliably measured.
 - iv. Contingent liabilities of the acquiree obtained by the Company through business combination shall be separately recognized as liabilities and measured at fair value when their fair values can be reliably measured.
 - v. When the Company allocates the cost of business combination and recognizes the identifiable assets and liabilities acquired through combination, it shall not include any goodwill and deferred income taxes that have been recognized by the acquiree before the business combination.
- d) Treatment of the difference between the business combination costs and the fair value of net identifiable asset acquired from the acquiree through combination
- i. The Company shall recognize the difference of the combination costs in excess of the fair value of the net identifiable asset acquired from the acquiree through combination as goodwill.
 - ii. The Company shall recognize the difference of the combination costs in short of the fair value of the net identifiable asset acquired from the acquiree through combination according to the following provisions:
 - 1) Review the measurement of fair values of all the identifiable assets, liabilities and contingent liabilities acquired from the acquiree and the combination costs;
 - 2) After the review, if the combination costs are still in short of the fair value of the net identifiable asset acquired from the acquiree through combination, include the difference in the current profit and loss.
- 4.3. Treatment of relevant expenses arising from the Company's business combination
- a) Relevant expenses directly arising from the business combination of the Company (including the expenses for audit, legal services, evaluation and consultation or other intermediary costs for business combination) shall be included in the current profit and loss when they are incurred.
 - b) Commissions, fees and other expenses paid on issuance of bonds and undertaking of other debts for the business combination shall be included in the initial measurement amount of debt securities.
 - i. Where the bonds are issued at discount or par value, that part of expenses will increase the amount of the discount;
 - ii. Where the bonds are issued at premium, that part of expenses will decrease the amount of the premium.
 - c) Fees, commissions, and other transaction expenses paid on issuance of equity securities as combination consideration in the business combination shall be included in the initial measurement amount of equity securities.

- i. Where the equity securities are issued at premium, that part of expenses shall be deducted from capital reserves (stock premium);
- ii. Where the equity securities are issued at par value or discount, that part of expenses shall be deducted from the retained earnings.

5. Preparation of consolidated financial statements

5.1 Consistency of accounting policies and accounting period

All the subsidiaries within the consolidation scope of consolidated financial statements shall adopt the same accounting policies and accounting periods as those of the Company. If the accounting policies or accounting periods of a subsidiary are different from those of the Company, the financial statements of the subsidiary, upon preparation of consolidated financial statements, shall be adjusted according to the accounting policies and accounting periods of the Company.

5.2 Preparation method of consolidated financial statements

The consolidated financial statements are based on the financial statements of the Company and its subsidiaries, and are prepared by the parent company according to other relevant information after the adjustment to long-term equity investments in subsidiaries under the equity method and the elimination of effects of the internal transactions between the Company and its subsidiaries and between the subsidiaries on the consolidated financial statement.

5.3 Reflection of excess losses incurred to a subsidiary in the consolidated financial statements

In the consolidated financial statements, where the current losses undertaken by the parent company are in excess of its share of owners' equity in the subsidiary at the beginning of the period, the balance shall reduce the owners' equity (retained earnings) of the parent company; where the current losses undertaken by a subsidiary's non-controlling interests exceed their share of owners' equity in the subsidiary at the beginning of the period, the balance shall reduce the non-controlling interests.

5.4 Changes in number of subsidiaries during the reporting period

a) Acquisition of subsidiaries during the reporting period

- i. Treatment of acquiring subsidiaries from business combination under common control during the reporting period

During the reporting period, if the Company acquires subsidiaries from the business combination under common control, the beginning balance in the consolidated balance sheet shall be adjusted. The income, expenses and profits of the newly acquired subsidiaries from the beginning to the end of the reporting period shall be included in the consolidated income statement. The cash flows of the newly acquired subsidiaries from the beginning to the end of the reporting period shall be included in the consolidated statement of cash flows.

- ii. Treatment of acquiring subsidiaries from business combination not under common control during the reporting period

During the reporting period, if the Company acquires subsidiaries from the business combination not under common control, the beginning balance in the consolidated balance sheet shall not be adjusted. The income, expenses and profits of the newly acquired subsidiaries from the acquisition date to the end of the reporting period shall be included in the consolidated income statement. The cash flows of the newly acquired subsidiaries from the acquisition date to the end of the reporting period shall be included in the consolidated statement of cash flows.

b) Treatment of disposing subsidiaries during the reporting period

During the reporting period, if the Company disposes subsidiaries, the beginning balance in the consolidated balance sheet shall not be adjusted. The income, expenses and profits of the newly disposed subsidiaries from the beginning to the disposal date shall be included in the consolidated income statement. The cash flows from the beginning to the disposal date shall be included in the consolidated statement of cash flows.

6. Cash and cash equivalents

The term “cash” refers to cash on hand and unrestricted bank deposit and other cash and cash equivalents.

The term “cash equivalents” refers to short-term (maturing within three months from acquisition) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

7. Foreign currency transactions and translation of foreign currency statements

7.1 Accounting method of foreign currency transactions

a) Initial recognition of foreign currency transactions

For foreign currency transactions incurred, the Company converts the amount in foreign currency into the amount in functional currency at the spot exchange rate (middle rate) announced by the People's Bank of China on the transaction date. Among them, for foreign currency exchange occurred or transaction involving foreign currency exchange, the Company converts at the exchange rate actually adopted on the transaction date.

b) Adjustment or settlement on the balance sheet date or settlement date

On the balance sheet date or the settlement date, the Company handles foreign currency monetary items and foreign currency non-monetary items separately in accordance with the following methods:

i. Accounting principles for handling foreign currency monetary items

For foreign currency monetary items, on the balance sheet date or the settlement date, the Company converts them by using the spot exchange rate (middle rate) prevailing on the balance sheet date or settlement date, and adjusts the amount in functional currency of foreign currency monetary items in respect of the difference arising from exchange rate fluctuations, which shall be treated as exchange difference at the same time. Among them, the exchange differences arising from foreign currency borrowings relating to the acquisition, construction or production of assets eligible for capitalization shall be included in the costs of assets eligible for capitalization; other exchange differences shall be included in the current financial expenses.

ii. Accounting principles for handling foreign currency non-monetary items

- 1) For foreign currency non-monetary items measured at historical cost, the Company shall convert them at the spot exchange rate (middle rate) prevailing on the transaction date, with their amounts in functional currency remaining unchanged and no exchange differences incurred.
- 2) For an inventory that is measured at the lower of its costs or its net realizable values, if the net realizable value is determined in foreign currency, the Company, when determining the value of the inventory at the end of the period, shall firstly convert the net realizable value into functional currency and then compare it with the inventory cost reflected in functional currency.
- 3) Non-monetary items measured at fair value that is reflected in foreign currency at the end of the period, the Company shall firstly translate the foreign currency into the amount in functional currency at the spot exchange rate on the date when the fair value is determined, and then compare it with the original functional currency amount. Difference between the translated functional currency amount and the original functional currency amount is treated as profit or loss from changes in fair value (including changes in exchange rate) and is recognized in current profit and loss.

8. Financial instruments

Financial instruments are the financial asset, financial liability or (equity) instrument will be recognised when the Company became one of the parties under a contract.

8.1 Classification of financial instruments

a) Classification of financial assets

According to the company's business model of managing financial assets and the characteristics of contract cash flow of financial assets, financial assets are classified into the following three categories: financial assets measured at amortised cost; financial assets measured at fair value through other comprehensive

income (including financial assets directly designated to be measured at fair value through other comprehensive income) (“FVOCI”); and financial assets measured at fair value through the current profit or loss (“FVTPL”).

b) Classification of financial liabilities

The Company classifies the financial liabilities into the following two categories: financial liabilities measured at FVTPL (including financial liabilities held for trading and financial liabilities directly designated to be at FVTPL); and financial liabilities measured at amortized cost.

8.2 Recognition basis and measurement method of financial instruments

a) Recognition basis of financial instruments

When the Company becomes a party to a financial instrument, it shall recognize a financial asset or financial liability.

b) Measurement method of financial instruments

i. Financial assets

Financial assets are measured at fair value upon initial recognition. For financial assets at FVTPL, relevant transaction costs are directly recognised in profit or loss for the period. For other categories of financial assets, relevant transaction costs are included in the amount initially recognised. Accounts receivable or notes receivable arising from sales of goods or rendering services and without significant financing component or the company decided not to consider financing elements for less than one year are initially recognised based on the amount of consideration expected to be entitled to receive.

1) Financial assets measured at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method after initial recognition. Gains/losses on financial assets that are measured at amortised cost and are not a part of any hedging relationship shall be recognised in profit or loss when the financial asset is derecognised or reclassification or amortised using the effective interest method or recognized the impairment allowance.

2) Financial assets at FVOCI

These assets are subsequently measured at fair value after initial recognition. Except impairment, foreign exchange gains and losses, interest income calculated using the effective interest method are recognised in profit or loss; other gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are transferred to profit or loss.

In addition, the company designated some non-tradable equity instruments as financial assets at FVOCI; the company shall recognise the relevant dividend income of such financial assets into the current profit and loss, and recognise the change of fair value in other comprehensive income. On derecognition, the accumulated gains/losses previously recognized in other comprehensive income shall be transferred to retained earnings and not be recognised in current profit and loss.

3) Financial assets at FVTPL

The Company classifies the financial assets into financial assets at FVTPL except for financial assets measured at amortized cost or financial assets at FVOCI as mentioned above. In addition, the company may designate some financial assets as financial assets at FVTPL upon the initial recognition to eliminate or significantly reduce accounting mismatch. For such financial assets, the company adopts the fair value for subsequent measurement, and changes in fair value are recognized in the profit or loss for the current period.

ii. Financial liabilities

Financial liabilities shall be classified into financial liabilities measured at FVTPL upon initial recognition and other financial liabilities. For financial liabilities measured at FVTPL, relevant transaction costs are directly recognized in the current profit and loss, and the relevant transaction costs of other financial liabilities are recognized in the initial recognition amount.

1) Financial liabilities measured at FVTPL

Financial liabilities held for trading (including derivatives of financial liabilities) shall be subsequently measured at the fair value. Except for those related to hedge accounting, changes in the fair value shall be recognized in the profit or loss of the current period. For financial liabilities designated to be at FVTPL, fair value changes caused by the Company's own credit risk changes which is recognised in other comprehensive income, when the liability is derecognition, the accumulated change in its fair value caused by the change in its own credit risk recognized in other comprehensive income is transferred to retained earnings, the remaining changes of fair value is record in profit of loss. If the above treatment of the impact of the change in the credit risk of such financial liabilities will cause or expand the accounting mismatch in the profit and loss, the company will record all the gains/losses of such financial liabilities (including the amount affected by fair value changes in enterprise's own credit risk) into the current profit and loss.

2) Financial liabilities measured at amortized cost

Except financial liabilities that arise when a transfer of a financial assets does not qualify for derecognition or when the continuing involvement approach applies security contract are classified as financial liabilities measured by amortized cost, or financial subsequently measurement at amortized cost, and record the profits or losses guarantee contracts recognition or amortization into the current profit and loss.

8.3 Financial assets transfer

If the Company transfers substantially all the risks and rewards of ownership of the financial asset to the transferee, the Company derecognises the financial asset, the rights and obligations arising or retained in the transfer shall be separately recognized as its assets or liabilities; if the Company retains substantially all the risks and rewards of ownership of the financial asset, it continues to recognise the transferred financial assets. If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it is accounted for as follows: if the Company has not retained control, it derecognises the financial asset, the rights and obligations arising or retained in the transfer shall be separately recognized as its assets or liabilities; and if the Company has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes the relevant liability.

Where transfer of financial assets qualify for derecognition entirety, the difference between the following two amounts will be included into current profit or loss: The book value measured at the date of derecognition; and The sum of the consideration for the derecognition part and the portion of derecognition corresponding to the accumulated amount of the changes in fair value originally and directly included in OCI (involving the situation where the financial asset transferred is a debt instrument investment measured at fair value and recognized in other comprehensive income). The Company transferred the partial transfer of financial assets which qualify for derecognition, the overall carrying amount of the transferred financial asset shall be apportioned according to their respective relative fair value between the portion of derecognition and the remaining.

8.4 Derecognition of financial liabilities

If the current obligation of the financial liability (or part thereof) has been discharged, the company shall remove financial liability (or part thereof), and the company shall recognize the difference between its book value and the consideration paid (including any non-cash assets transferred or liabilities assumed) in the current profit and loss.

8.5 Offsetting of financial assets and liabilities

Financial assets and financial liabilities shall be shown separately in the balance sheet and shall not be offset against each other. If the following conditions are met at the same time, the net value offset each other after amount listed in the balance sheet:

The company has offset the confirmed amount of legal rights of financial assets and financial liabilities, and this kind of legal rights is the executable; and

The company plans to net or cash at the same time when the financial assets and liquidation of the financial liability.

If the transfer of financial assets does not meet the conditions for derecognition, the transferor shall not offset the transferred financial assets and related liabilities.

8.6 Equity instruments

Equity instruments are contracts that prove ownership of the residual interest in the company's assets after deducting all liabilities. The issuance (including refinancing), repurchase, sale or cancellation of the equity instruments of the company shall be treated as changes in the equity. The company does not recognize changes in the fair value of equity instruments, and the transaction fees related to the equity transactions shall be deducted from the equity. Where the equity instrument of the company distributes dividends during the term of its existence, it shall be treated as profit distribution, and the total amount of shareholders' equity will not be affected by the stock dividends issued.

8.7 Method for determining the fair value of financial assets and financial liabilities

Where there is an active market for a financial instrument, the company shall determine its fair value by quoting in the active market. Where there is no active market for the financial instrument, the company shall determine its fair value by means of valuation technology. In valuation, the company uses valuation techniques applicable in the current situation and supported by sufficient available data and other information to select input values consistent with the characteristics of assets or liabilities considered by market participants in transactions of related assets or liabilities, and gives priority to relevant observable input values as far as possible. Use unobservable inputs only when relevant observable inputs cannot be obtained or are impracticable to obtain.

Upon initial recognition, the fair value of financial assets or financial liabilities is determined by the quoted price of the same assets or liabilities in the active market or other valuation technology that only uses observable market data, the Company defers the difference between the fair value and the transaction price. After initial recognition, the Company recognizes the deferred difference as gain or loss in the corresponding accounting period according to the changes of a certain factor in the corresponding accounting period.

8.8 Impairment of Financial Assets

Based on the expected credit losses ("ECL"), the Company shall recognise the impairment loss on financial assets measured at amortized cost, debt instrument investment at FVOCI.

a) The approach of recognition loss allowance for ECL

Considering the reasonable and valid information such as past events, current conditions and forecast of future economic conditions, and weighted by the risk of default, the Company calculates the probability weighted amount of the present value of the difference between the cash flow receivable under the contract and the expected cash flow to be received, and recognise the ECL.

i. General approach

The Company assess whether the credit risk of financial instruments in different stages at each reporting date has increased significantly. If the financial instruments' credit risk have not increased significantly after initial recognition, it will be included in phase 1, and the Company measures the loss allowance for those instruments at an amount equal to 12-month ECL; if the financial instruments' credit risk have increased significantly but without objective evidence for impairment after initial recognition, it will be included in phase 2, and the Company measures the loss allowance of those instruments at an amount equal to lifetime ECL; if the financial asset that is evidently credit-impaired after initial recognition, it will be included in phase 3, and the Company measures the loss allowance of those financial instruments at an amount equal to lifetime ECL. For financial instruments with low credit risk on the balance sheet date (e.g.fixed deposits in commercial banks with higher credit rating, financial instruments with external credit rating above "investment grade"), the Company assumes that the credit risk has not increased significantly since the initial recognition and chooses to measure the loss allowance according to the ECL in the next 12 months.

ii. Simplified approach

For accounts receivable, contract assets and notes receivable related to revenues, the Company does not include the significant financing component or does not consider the financing components in contracts less than one year, it will measure the loss allowance according to the ECL of the whole duration.

b) Criteria for determining whether credit risk has increased significantly subsequent to the initial recognition

If the probability of default of a financial asset in lifetime as determined on the balance sheet date is

significantly higher than the probability of default in lifetime as determined at the initial recognition, the credit risk of the financial asset increases significantly.

No matter what method the Company is applied to evaluate whether credit risk has increased significantly, it usually inferred that the credit risk of the financial instrument has increased significantly if the contract payments are more than 30 days past due, unless the Company can get the reasonable and valid information at reasonable cost to evidence that the credit risk of the financial instrument has not increased significantly since the initial recognition.

Except in special cases, the Company shall use the change of default risk in the next 12 months as a reasonable estimate of the change of default risk in lifetime to determine whether the credit risk has increased significantly to the initial recognition

c) Approach of assessing expected credit risk on a portfolio basis and determine basis

The company evaluates credit risk individually for the credit risk of significantly different notes receivable, accounts receivable and other receivables with the following characteristics. Such as: accounts receivable in dispute with the other party or involving litigation or arbitration; notes receivable, accounts receivable that have shown clear signs that the debtor is likely to be unable to meet repayment obligations.

When it is impossible to evaluate the ECL information of an individual financial asset at a reasonable cost, the Company divides the receivables into several portfolio according to the credit risk characteristics, and calculates the ECL on collective basis. The basis for determining the portfolio is as following:

Account name	Portfolio Name	Approach of assessing expected credit risk
notes receivable	Portfolio 1: Bank acceptance bill Portfolio	The management evaluates that such funds has low credit risk , and does not provision for bad debts.
	Portfolio 2: Commercial acceptance bill Portfolio	The Company referees to the historical credit loss experience, and combines the current situation and the forecast of the future situation, through the default risk exposure and the expected credit loss rate throughout the duration to estimate ECL.
Account receivable	Portfolio 1: Overdue aging combination	The Company referees to the historical credit loss experience, and combines the current situation and the forecast of future economic situation, it forms a comparison table between overdue ages of accounts receivable and the life time expected credit loss rate to estimate ECL.
	Portfolio 2: Government parties	The management evaluates that such funds has low credit risk , and does not provision for bad debts.
	Portfolio 3: Related parties	The management evaluates that such funds has low credit risk , and does not provision for bad debts.
Contract assets	Contract assets portfolio	The Company referees to the historical credit loss experience, and combines the current situation and the forecast of the future situation, through the default risk exposure and the expected credit loss rate throughout the duration to estimate ECL.

The Company shall take the provision or transfer the loss into the current profit and loss. For the debt instrument investment measured at fair value through other comprehensive income, the Company shall adjust other comprehensive income while recording the impairment loss or gain into the current profit and loss.

9. Inventories

9.1 Classification of inventories

Inventories are classified as: raw materials, low-cost consumables, products in process, goods in stock, engineering construction, development products and development costs in the process of development, etc.

9.2 Measurement method of dispatched inventories

Materials and stock commodities are accounted for by using the weighted average method or the individual identification method.

9.3 Basis to determine net realizable values of inventories and method of provision for diminution in value of inventories

a) Determination basis of net realizable values of inventories

- i. In normal operation process, for merchandise inventories held directly for sale, including stock commodities (finished goods) and materials for sale, their net realizable values are determined at their estimated selling prices minus their estimated selling expenses and relevant taxes and surcharges.
- ii. For the inventory of processed materials, in the normal production and operation process, the estimated price of the finished product is subtracted from the estimated cost, estimated sales cost and the amount of related taxes and fees to be incurred at the time of completion, and the net realizable value is determined.
- iii. For inventories held to execute sales contract or service contract, their net realizable values are calculated on the basis of contract price. If the quantities of inventories specified in the sales contracts are less than the quantities held by the Company, the net realizable value of the excess portion of inventories shall be based on general selling prices.
- iv. The materials held for production shall be measured at cost if the net realizable value of the finished products is higher than the cost. If a decline in the value of materials shows that the net realizable value of the finished products is lower than the cost, the materials shall be measured at the net realizable value.

b) Provision for diminution in value of inventory

Provisions for diminution in value of inventory are made at the lower of costs or net realizable values on a single basis.

- i. Provisions for diminution in value of inventory are made at the lower of costs or net realizable values on a single basis.
- ii. For inventories that have large quantities but low value, the Company provides for diminution in value of inventory on a category basis.
- iii. For inventories that are related to product ranges produced and sold in the same district or used for the same or similar ultimate purpose and are difficult to be measured separately from other inventories, the Company provides for diminution in value of inventory on a consolidation basis.

9.4 Inventory system

The Company adopts perpetual inventory system and takes physical inventory counts on a regular basis.

9.5 Amortization method of revolving materials

a) Amortization method of low-cost consumables:

Low-cost consumables are amortized in full at once.

b) Amortization method of packaging materials

Packing materials are amortized in full at once when fetched for use by the Company.

10. Contract assets

Contract assets represent the Company's right to consideration in exchange for goods or services that the Company has transferred to a customer that is conditional on something other than the passage of time. Contract assets main include guarantee and unsettled portion of finished project. A contract asset and a contract liability relating to the same contract are represented on a net basis after offsetting, while that relating to different contract should not be offset.

The measurement and assessment ECL of contract assets refer to Note8.8.

11. Assets held for sale and discontinued operations

11.1 Assets held for sale

a) Scope of held for sale

Held for sale include individual asset and disposal group.

Disposal group is a group of assets that are disposed as a whole through sales or other ways in one transaction and liabilities directly related to these assets delivered in the transaction.

b) Recognition criteria of held for sale

The Company recognizes its component (or non-current asset) that satisfies the following conditions as assets held for sale:

- i. The assets (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups); and
- ii. Its sale must be highly probable. The Company has already made a decision to dispose the component and has a commitment from the purchaser, the transfer will be completed within one year. If it requires shareholders' approval or supervisors' approval according to regulations, it has already received approval from the general meeting of stockholders or relative authority institution.

c) Accounting treatment and presentation of assets held-for-sale

The non-current asset (or disposal group) is first classified as held for sale, the Company should measure the non-current assets or assets and liabilities made up of disposal group in accordance with relevant accounting standards.

When the Company measure a non-current asset (or disposal group) held for sale initially or re-measure at balance sheet date subsequently, the impairment loss should be recognized if the book value is higher than fair value less costs to sell at the amount of the difference of these two in profit and loss, the provision for assets held for sale need to be recognized at the same time. For the impairment of disposal group, should write off goodwill if existing, and then write down the related assets proportionally. Depreciation or amortization should cease for the non-current asset held for sale.

No matter the asset is classified as individual asset held for sale or asset belonging to disposal group, the asset is presented as current assets under "assets held for sale" item; liabilities related to the asset transferred in the disposal group held for sale is presented as current liabilities under "liabilities held for sale" item in the balance sheet.

The company is committed to a sale plan involving loss of control of subsidiary shall classify all the assets and liabilities of that subsidiary held for sale in consolidated balance sheets when the above criteria are met, regardless of whether the Company retain a non-controlling interests in its former subsidiary after the sale. In the balance sheets of parent company the investment should be classified as held for sale in full.

11.2 Discontinued operations

A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, and meets one of the follow conditions:

- a) It represents either a separate major line of business or a geographical area of operations;
- b) It is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- c) It is a subsidiary acquired exclusively with aim to resale

12. Long-term equity investments

12.1 Recognition of the initial investment costs of long-term equity investments

- a) For long-term equity investments from business combinations, the initial investment cost shall be recognized in accordance with accounting treatment methods for business combination under and not under common control which are in the item 3 of the note 4.

- b) Except for the long-term equity investments arising from business combinations, those obtained by other means shall recognize their initial investment costs in accordance with the following provisions:
- i. For the long-term equity investments acquired by cash paid, the initial investment cost shall be the actual purchase price has been paid. Initial investment cost also includes those costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment.
 - ii. For the long-term equity investments acquired by the issue of equity securities, the initial investment cost shall be the fair value of the equity securities issued. If the fair value of the long-term equity investment obtained is more reliable than equity securities issued, the initial investment cost shall be the fair value of the long-term equity investment made by the investors. The cost directly attributable to the issue of equity securities, including fees, commissions, etc., write-downs premium price of the issue, if premium price of the issue is insufficient, write-downs surplus reserve and undistributed profit in turn. For the long-term equity investments acquired by the issue of debt securities, reference through the issuance of equity securities..
 - iii. For long-term equity investments obtained by debt restructuring, the Company recognizes the fair value of shares of debt-for-equity swap as the initial investment costs.
 - iv. For long-term equity investments obtained by non-monetary assets exchange, under the condition that an exchange of non-monetary assets is of commerce nature and the fair value of assets exchanged can be reliably measured, non-monetary assets traded in is initially stated at the fair value of the assets traded out, unless there is conclusive evidence indicating that the fair value of the assets traded in is more reliable; if the above conditions are not satisfied, initial investment costs of long-term equity investments traded in shall be recognized at the book value of the assets traded out and the relevant taxes and surcharges payable.

Expenses, taxes and other necessary expenses incurred to the Company and that are directly related to the obtainment of long-term equity investments shall be recognized as the initial investment costs of long-term equity investments.

For long-term equity investments obtained by the Company by any means, cash dividends or profits declared but not yet distributed in the actual payments or the consideration actually paid for the investment shall be separately accounted as dividends receivable and shall not constitute the costs of long-term equity investments.

12.2 Subsequent measurement and recognition of gains and losses of long-term equity investments

- a) Long-term equity investments measured under the cost method
- i. Long-term equity investments that can control the investee, which are long-term equity investments in subsidiaries, are measured under the cost method.
 - ii. For long-term equity investments accounted at the cost method, except cash dividends or profits declared but not yet distributed which are included in the actual payments or the consideration actually paid for the investment, the cash dividends or profits declared by the investee shall be recognized as the investment income irrespective of net profits realized by the investee before investment or after investment.
- b) Long-term equity investments measured under the equity method
- i. For the long-term equity investment which has joint control or significant influence over the investee, the equity method is adopted for accounting.
 - ii. For long-term equity investments measured at the equity method, if the initial investment costs are higher than the investor's attributable share of the fair value of the investee's identifiable net assets, no adjustment will be made to the initial costs of the long-term equity investments; if the initial investment costs are lower than the investor's attributable share of the fair value of the investee's identifiable net assets, the difference shall be recognized in current profit and loss and at the same time the adjustment will be made to the initial costs of the long-term equity investments.
 - iii. After obtaining the long-term equity investments, the Company shall, according to the shares of

net profits and losses realized by the investee that shall be enjoyed or borne by the Company, recognize the profit and loss on the investments and adjust the book value of the long-term equity investments. When recognizing the net profits and losses of the investee that the Company shall enjoy or bear, the Company shall make a recognition and calculation based on the net book profits and losses of the investee after appropriate adjustments. However, where the Company is unable to obtain the relevant information due to failure to reasonably determine the fair value of the investee's identifiable assets, minor difference between the investee's identifiable assets and the book value thereof or other reasons, the profits or losses on the investments shall be directly calculated and recognized based on the net book profits and losses of the investee. The Company shall calculate the part distributed from cash dividends or profits declared by the investee and correspondingly reduce the book value of the long-term equity investments.

When recognizing the income from investments in associates and joint ventures, the Company shall write off the part of incomes from internal unrealized transactions between the Company and associates and joint ventures which are attributable to the Company and recognize the profit and loss on investments on such basis. Where the losses on internal transactions between the Company and the investee fall into the scope of losses on assets impairment, full amounts of such losses shall be recognized. Profit and loss from internal unrealized transactions between the Company's subsidiaries included into the combination scope and associates and joint ventures shall be written off according to the above principles and the profit and loss on investments there from shall be recognized on such basis.

When the share of net loss of the investee attributable to the Company is recognized, it is treated in the following sequence: Firstly, write off the book value of the long-term equity investments; where the book value of the long-term equity investments is insufficient to cover the loss, investment losses are recognized to the extent that book value of long-term equity which form net investment in the investee in other substances and the book value of long-term receivables shall be written off; after all the above treatments, if the Company still assumes additional obligation according to investment contracts or agreements, the obligation expected to be assumed should be recognized as provision and included into the investment loss in the current period. If the investee is profitable in subsequent accounting periods, the Company shall treat the loss in reverse order against that described above after deducting unrecognized share of loss: i.e. write down the book value of the recognized provision, then restore the book value of long-term interests which substantially form net investments in the investee, then restore the book value of long-term investments, and recognize investment income at the same time.

12.3 Basis for judgment of common control or significant influence over the investee

a) Basis for judgment of common control over investee

Common control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities of an arrangement usually include selling and purchasing of goods or services, managing financial assets, acquiring or disposing of assets, researching and developing activities and financing activities. A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement. The parties have rights to the assets, and obligations for the liabilities, relating to the arrangement, which is a joint operation, but not a joint venture.

b) Basis for judgment of significant influence over investee

The term 'significant influence' refers to the power to participate in decision-making on the financial and operating policies of the investee, but with no control or joint control over the formulation of these policies. Where the Company is able to exert significant influence over the investee, the investee is its associate.

13. Investment property

13.1 Scope of investment property

Investment property is the property that is held to earn rent or capital appreciation or both and can be measured and sold separately. The company's investment property includes buildings already rent, land use right already rent, and land use right held for appreciation and then sold.

13.2 Recognition of investment property

Investment property can be recognized when satisfying the following conditions at the same time:

- a) It is probable that the economic benefits relevant to the investment property will flow into the Company.
- b) The cost of the investment property can be measured reliably

13.3 Subsequent measurement of investment property using fair value model

- a) Basis of using fair value model for subsequent measurement

If there is solid evidence suggests that the investment property acquired can be measured at fair value continuously and reliably, the Company can use fair value model for subsequent measurement.

The Company can use fair value model for subsequent measurement when satisfying the following conditions at the same time:

- i. There is an active real estate transaction market at the place where the investment property is located.
 - ii. The company can get price and other relevant information of congener or similar real estate transaction market, so as to make reasonable estimates of the fair value of investment property.
- b) Determination of fair value of investment property
 - i. When the current market price of congeneric or similar real estate market is available, the Company determines the fair value of investment property, referring to the current market price (market public quote) of congener or similar real estate in the active market.
 - ii. When the current market price of congeneric or similar real estate market is unavailable, the Company reasonably estimates the fair value of investment property, referring to the latest transaction price of congeneric or similar real estate in the active market, and considering transaction conditions, transaction date, location and other factors, or based on the present value of the rent gain and relevant cash flow in the future estimated.

Congeneric or similar buildings are buildings that are located in the same geographical position and geographical environment and have same or similar nature and structure type at the same or similar aging degree and use state. Congeneric or similar land use rights are those who are in the same location area and are in the same or similar geographical environment at the same or similar use state.

- iii. For the investment property measured at fair value model, the Company does not provide depreciation or amortization. Adjust its book value based on the fair value of investment property at the balance sheet date, the difference between the fair value and book value through current profit or loss.

14. Fixed assets

14.1 Recognition and measurement of fixed assets

Fixed assets refer to tangible assets held for the purpose of producing commodities, providing services, renting or business management with useful life exceeding one accounting year. Fixed assets are recognized when the following criteria are satisfied simultaneously:

- a) It is probable that the economic benefits relating to the fixed assets will flow into the Company;
- b) The cost of the fixed assets can be measured reliably.

14.2 Depreciation of all fixed assets

- a) Except for the fixed assets that have been fully depreciated but are still in use and the land, the Company makes provisions for depreciation of all fixed assets.
- b) Depreciation of fixed assets of the Company is provided for on a straight-line basis from the month immediately following the month when they reach the working condition for their intended use. The depreciation amount and depreciation rate shall be calculated and recognized according to the category,

estimated useful lives and estimated net residual value rate of fixed assets and respectively included into the costs of the relevant assets or the current profit and loss by purpose.

- c) Category, estimated useful lives, estimated net residual value rate and annual depreciation rate of fixed assets are listed as follows:

Category of fixed assets	Estimated useful lives (years)	Estimated residual value rate (%)	Annual depreciation rate (%)
Buildings	20-30	5	3.17-4.75
Machinery and equipment	10	5	9.50
Vehicle	4	5	23.75
Office and electronic equipment	3	5	31.67
Pipe gallery pipe network	15	5	6.33
Other equipment	5	5	19.00

When making provision for impairment on fixed assets, the Company shall recalculate the depreciation rate and depreciation amount according to the book value, the estimated net residual value rate and useful lives of the fixed assets.

On the balance sheet date, the Company reviews the estimated useful life, estimated net residual value rate and depreciation method of the fixed assets. If there is any change, they shall be treated as changes in accounting estimate.

- d) Fixed assets renovation costs eligible for capitalization in fixed assets during the two renovations or remaining useful life, whichever is the shorter period, is depreciated separately using the straight line method.

15. Construction in progress

15.1 Category

Construction in progress is accounted on individual project basis.

15.2 Criteria of conversion of construction in progress into fixed assets

The book entry values of the fixed assets are stated at total expenditures incurred before construction in progress reaches the working condition for their intended use. For self-operating projects, total expenditures are measured according to the expenditures of direct materials, direct labor, direct measurement mechanical construction costs and other expenditures; for contracting projects, total expenditures are measured according to project costs payable and other expenditures. Borrowing costs incurred before the projects that are undertaking with borrowing costs reach working condition for their intended use and meeting the condition for capitalization shall be capitalized and included into the costs of construction in progress.

For construction in progress that has reached working condition for intended use but for which the completion of settlement has not been handled, it shall be transferred into fixed assets at the estimated value according to the project budget, construction price or actual cost, etc. from the date when it reaches the working condition for intended use and the fixed assets shall be depreciated in accordance with the Company's policy on fixed asset depreciation; adjustment shall be made to the estimated value based on the actual cost after the completion of settlement is handled, but depreciation already provided will not be adjusted.

16. Borrowing costs

16.1 Scope

The Company's borrowing costs include interest thereon, amortization of discounts or premiums, ancillary expenses and exchange differences incurred from foreign currency borrowings, etc.

16.2 Recognition principles of capitalization of borrowing costs

The borrowing costs incurred to the Company and directly attributable to the acquisition and construction or production of assets eligible for capitalization should be capitalized and recorded into relevant asset costs; other borrowing costs should be recognized as costs according to the amount incurred and be included into the current profit and loss.

Assets eligible for capitalization include fixed assets, investment properties, inventories and other assets which may reach the working condition for their intended use or sale by acquisition and construction or production activities for quite long time.

16.3 Recognition of capitalization period of borrowing costs

a) Recognition of commencement of capitalization of borrowing costs

Borrowing costs may be capitalized when asset disbursements have already been incurred, borrowing costs have already been incurred and the acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have already been started. Among which, asset disbursements include those incurred by cash payment, the transfer of non-cash assets or the undertaking of interest-bearing debts for acquiring and constructing or producing assets eligible for capitalization.

b) Recognition of period of capitalization suspension of borrowing costs

If the acquisition and construction or production activities of assets eligible for capitalization are interrupted abnormally and this condition lasts for more than three months, the capitalization of borrowing costs should be suspended. The borrowing costs incurred during interruption are charged to profit or loss for the current period, and the capitalization of borrowing costs continues when the acquisition and construction or production activities of the asset resume. If the interruption is necessary for the acquisition and construction or production to prepare the assets for their intended use or sale, the capitalization of borrowing costs should continue.

c) Recognition of period of capitalization cessation of borrowing costs

Capitalization of borrowing costs should cease when the acquired and constructed or produced assets eligible for capitalization have reached the working condition for their intended use or sale. Borrowing costs incurred after the assets eligible for capitalization have reached the working condition for their intended use or sale should be recognized as the current profit and loss when they incur.

If all parts of the acquired and constructed or produced assets are completed, each part may be used or sold externally in the process of continuous construction of other parts and the necessary acquisition or production activities have been substantially completed to make the part of assets reach the working condition for their intended use or sale, the capitalization of borrowing costs related to the part of assets should be ceased; if all parts of the acquired and constructed or produced assets are completed but the assets cannot be used or sold externally until overall completion, the capitalization of borrowing costs should cease at the time of overall completion of the said assets.

16.4 Recognition of capitalized amounts of borrowing costs

a) Recognition of capitalized amounts of interest on borrowing costs

During the period of capitalization, capitalized amount of the interest of each accounting period (including amortization of discounts or premiums) shall be recognized according to the following provisions:

- i. As for special borrowings borrowed for acquiring and constructing or producing assets eligible for capitalization, borrowing costs of special borrowing actually incurred in the current period less the interest income of the loans unused and deposited in bank or return on temporary investment should be recognized as the capitalization amount of borrowing costs.
- ii. As for general borrowings used for acquiring and constructing or producing assets eligible for capitalization, the interest of general borrowings to be capitalized should be calculated by multiplying the weighted average of asset disbursements of the part of accumulated asset disbursements in excess of special borrowings by the capitalization rate of used general

borrowings. The capitalization rate is calculated by weighted average interest rate of general borrowings.

- iii. Where there are discounts or premiums on borrowings, the amounts of interest for each accounting period should be adjusted taking account of amortizable discount or premium amounts for the period by effective interest method.
- iv. During the period of capitalization, the capitalized amount of interest of each accounting period shall not exceed the current actual interest of the relevant borrowings.

b) Recognition of capitalized amounts of auxiliary expenses of borrowings

- i. Auxiliary expenses incurred from special borrowings before the acquired or constructed assets eligible for capitalization reach the working condition for their intended use or sale should be capitalized when they incur and charged to the costs of assets eligible for capitalization; those incurred after the acquired or constructed assets eligible for capitalization reach the working condition for their intended use or sale should be recognized as costs according to the amounts incurred when they incur and charged to the current profit or loss.
- ii. Auxiliary expenses incurred from general borrowings shall be recognized as costs according to the amounts incurred when they occur and included in the current profit and loss.

c) Recognition of capitalized amount of exchange differences

During the period of capitalization, exchange differences incurred from the principal and interest of special foreign currency borrowings should be capitalized and included in the costs of the assets eligible for capitalization.

17. Right of use assets

Right of use assets refers to the right of the company as the lessee to use the leased assets during the lease term.

On the beginning date of the lease term, the company recognizes the right to use assets and lease liabilities for leases other than short-term leases and low value asset leases, and recognizes depreciation expenses and interest expenses respectively during the lease term. The company shall record the lease payment amount of short-term lease and low-value asset lease into the relevant asset cost or current profit and loss by using the straight-line method or other systematic and reasonable methods in each period of the lease term.

17.1 Initial measurement

On the beginning date of the lease term, the company initially measures the right to use assets according to the cost. The cost includes the following four items: ① the initial measurement amount of lease liabilities; ② For the lease payment paid on or before the beginning of the lease term, if there is lease incentive, the relevant amount of lease incentive enjoyed shall be deducted; ③ The initial direct expenses incurred are the incremental costs incurred in reaching the lease; ④ The costs expected to occur for dismantling and removing the leased assets, restoring the site where the leased assets are located or restoring the leased assets to the state agreed in the lease terms, except those incurred for the production of inventories.

17.2 Subsequent measurement

a) Measurement basis

After the beginning date of the lease term, the company adopts the cost model for subsequent measurement of the right to use assets, that is, the right to use assets are measured at cost less accumulated depreciation and accumulated impairment losses.

If the company remeasures the lease liabilities in accordance with the relevant provisions of the lease standards, the book value of the right to use assets shall be adjusted accordingly.

b) Depreciation of right of use assets

From the beginning of the lease term, the company accrues depreciation for the right of use assets. The right of use assets shall be depreciated from the month when the lease term begins. The amount of depreciation accrued shall be included in the cost of relevant assets or current profits and losses according to the purpose of the right of use assets. When determining the depreciation method of right of use assets, the company adopts the straight-line method to depreciate the right of use assets according to the expected consumption mode of economic benefits related to the right of use assets. If the right of use asset is impaired, the company will conduct subsequent depreciation according to the book value of the right of use asset after deducting the impairment loss. The depreciation period of right of use assets is calculated according to the lease term.

Category of fixed assets	Estimated useful lives (years)	Annual depreciation rate (%)
Buildings	8.42	11.87

Note: When determining the depreciation life of the right of use assets, the company shall follow the following principles: if the ownership of the leased assets can be reasonably determined at the expiration of the lease term, depreciation shall be accrued within the remaining service life of the leased assets; If it is impossible to reasonably determine that the ownership of the leased asset can be obtained at the expiration of the lease term, depreciation shall be accrued within the lease term or the remaining service life of the leased asset, whichever is shorter. If the remaining service life of the right of use asset is shorter than the first two, depreciation shall be accrued within the remaining service life of the right of use asset.

18. Intangible assets

18.1 Initial measurement

a) Initial measurement of intangible assets purchased

Costs of intangible assets purchased include purchase price, related tax and expenses and other expenditure that can be distributed to the asset directly to reach its expected use. If payment of the purchase price of intangible assets can be deferred and exceeds normal credit conditions, the purchase has the nature of finance in fact and cost of the intangible asset shall be determined on the basis of present value of the purchase price. The difference between the amount actually paid and the present value of the purchase price should be recorded into current profit or loss other than those should be capitalized during the credit period.

b) Initial measurement of internally researched and developed intangible assets

Costs of internally researched and developed intangible assets shall be recognized according to the total expenses during the period after the assets are eligible for capitalization and before they reach the intended purpose and the expenses that have been included in the previous periods shall no longer be adjusted.

Expenses on the research phase of internally researched and developed intangible assets shall be included in the current profit and loss when they incur; those on the development phase ineligible for capitalization shall be included in the current profit and loss; those eligible for capitalization shall be recognized as intangible assets. If it is unable to distinguish expenditure on the research phase and expenditure on development phase, the research and development expenditures shall be all included in the current profit and loss.

18.2 Subsequent measurement of intangible assets

The useful lives of intangible assets are analyzed on acquisition. Intangible assets obtained by the Company are divided into intangible assets with limited useful lives and intangible assets with indefinite useful lives.

a) Subsequent measurement of intangible assets with limited useful lives

The intangible assets with limited useful lives are amortized on a straight-line basis when they reach intended use over their useful lives with no residual value reserved. Amortizations of intangible assets are usually recorded into the current profit and loss; where the economic benefits of an intangible asset

are realized by the products or other assets produced there from, the amortizations are recorded into the costs of the relevant assets.

Category, estimated useful life, estimated net residual value rate and annual amortization rate of intangible assets are shown below:

Category of intangible assets	Estimated useful life (years)	Estimated net residual value rate (%)	Annual amortization rate (%)
Land use right	30-70	0	1..43-3.33
Mining rights	3	0	Amortization according to sales volume
Right to use sea area	50	0	2
Software	3-10	0	10-33.33
Others (coal equivalent index)		0	Amortization according to consumption after use

The useful lives and amortization methods of intangible assets at the end of the current year are not different from previous estimates after review.

- b) Subsequent measurement of intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are not amortized in the holding period.

18.3 Estimates of useful lives of intangible assets

- a) For intangible assets from any contractual right or other statutory rights, their useful lives shall be recognized according to the period no more than that of the contractual or other statutory rights; when the contractual right or other statutory rights contract is extended due to renewal of contracts and there is evidence that the renewal of the Company does not need large costs, the renewal period shall be included into the useful lives.
- b) Where the contract or the law fails to specify the useful lives, the Company integrates situations in all aspects and determine the period of intangible assets that can bring economic benefits for the Company by hiring the relevant experts to demonstrate or comparing with the situation of the industry as well as referring to the Company's historical experience or otherwise.
- c) If it is still unable to reasonably determine that intangible assets may bring economic benefits for the Company according to the above methods, the intangible assets are taken as intangible assets with indefinite useful lives.

18.4 Specific criteria for classifying the research phase and the development phase of an internal research and development project

According to the actual situation of the research and development, the Company classifies the research and development project into that on the research phase and that on the development phase.

- a) Research stage

Research stage is the stage when creative and planned investigations and research activities are conducted to acquire and understand new scientific or technological knowledge.

- b) Development stage

Development stage is the stage when the research achievements or other knowledge are applied to a plan or design, prior to the commercial production or use, so as to produce any new or substantially improved material, device or product.

Expenditure of an internal research and development project on the research phase shall be included in

current profit and loss when it occurs.

18.5 Specific criteria for qualifying expenditure on the development phase for capitalization

Expenditure on the development phase of an internal research and development project shall be recognized as intangible assets only when the following conditions are simultaneously satisfied:

- a) It is technically feasible to finish intangible assets for use or sale;
- b) It is intended to finish and use or sell the intangible assets;
- c) The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets themselves or the intangible assets will be used internally;
- d) It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources;
- e) The expenditure attributable to the intangible asset during its development phase can be measured reliably.

18.6 Treatment of land use right

- a) The land use right obtained by the Company is usually recognized as intangible assets, but the purpose of the land use right is changed to be used for earning rent or increasing capital, it shall be transferred to investment property.
- b) For plants and other buildings developed and constructed by the Company, the relevant land use right and buildings shall be treated separately.
- c) Payments for externally purchased land and buildings are distributed between the value of buildings and the land use right; those difficult to be distributed shall be all taken as fixed assets.

19. Non-current assets impairment

If there are impairment indicators of long-term equity investment, investment property measured at cost model, fixed assets, construction in progress, intangible assets with indefinite useful lives and other long-term assets at balance sheet date, impairment test should be performed. If the result of impairment test shows that recoverable amount is less than its book value, the difference should be provided for impairment and recorded into impairment loss. The recoverable amount is the higher of fair values less costs of disposal and the present values of the future cash flows expected to be derived from the asset. Provision for impairment is calculated and recognized on the basis of individual asset. If recoverable amount of individual asset is difficult to be estimated, the Company should recognize the recoverable amount of the asset group which the individual asset belongs to. Asset group is the minimum asset group which can generate cash inflow separately.

The Company should perform impairment test for goodwill and intangible assets with indefinite life at least at each year end, no matter whether there is impairment indicator.

20. Long-term deferred expenses

20.1 Scope

Long-term deferred expenses refer to various expenses which have been already incurred but will be born in this period and in the future with an amortization period of over 1 year (exclusive).

20.2 Initial measurement of long-term deferred expenses

Long-term deferred expenses shall be initially measured according to the actual costs incurred.

20.3 Amortization of long-term deferred expenses

Long-term deferred expenses are amortized using the straight-line method over the beneficial period.

21. Contract liabilities

Contractual liabilities refer to the obligations of the company 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 collection right before the company transfers the goods to the customer, the company will list the received or receivable as contract liabilities at the earlier of the actual payment and due payment by the customer. The contract assets and contract liabilities under the same contract are presented in net amount, and the contract assets and contract liabilities under different contracts are not offset.

22. Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

22.1 Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that fall due within 12 months from the end of the period in which the employees provide their services.

Short-term benefits including: wages, bonuses, allowances and subsidies, welfare, medical insurance, work injury insurance, maternity insurance and other social insurance, housing funds, labor union funds, employee education funds, short-term compensated absences, short-term profit-sharing plan, non-monetary benefits and other short-term remuneration.

Short-term benefits should be recognized as an employee provides his services to the entity. The benefit will normally be treated as an expense, and a liability should be recognized for any unpaid balance at the year-end.

22.2 Post-employment benefits - defined contribution plans

Contributions such as the basic pension insurance, unemployment insurance, annuity payment and so on are paid by the entity for workers according to the relevant regulations. The entity should recognize contributions payable as an expense or associated costs of assets in the period in which the employee provides services. A liability should be recognized where contributions arise in relation to an employee's service, but remain unpaid at the period end.

22.3 Termination benefits

Termination benefits, are employee benefits payable on the termination of employment, through voluntary redundancy or as a result of a decision made by the employer to terminate employment before the normal retirement date. Termination benefits are recognized as an expense when the entity is committed to either:

- a) When companies cannot unilaterally withdraw termination benefits due to termination of employment or layoff proposal provided.
- b) Enterprise recognizes termination benefits involving the restructuring payment of costs or expenses related to the time.

22.4 Other long-term employee benefits

Other long-term employee benefits, are defined as employee benefits except short-term employee benefits, post-employment benefits and termination benefits etc. During the reporting period, costs of other long-term employee benefits are recognized as an integral part of the following:

- a) The service costs.
- b) Net interest of net liabilities or net assets of other long-term employee benefits.
- c) Changes arising from remeasured net liabilities or net assets of other long-term employee benefits.

To simplify the related accounting treatment, the total net amount is recognized into profit or loss or associated costs of assets.

23. Lease liabilities

23.1 Initial measurement

The company initially measures the lease liabilities according to the present value of the unpaid lease payments at the beginning of the lease term.

a) Lease payments

Lease payment refers to the amount paid by the company to the lessor in connection with the right to use the leased assets during the lease term, including: ① fixed payment and substantial fixed payment. If there is lease incentive, the amount related to lease incentive shall be deducted; ② The amount of variable lease payments depending on the index or ratio, which is determined at the initial measurement according to the index or ratio on the beginning date of the lease term; ③ When the company reasonably determines that it will exercise the purchase option, the exercise price of the purchase option; ④ The lease term reflects the amount to be paid when the company will exercise the option to terminate the lease; ⑤ The amount expected to be paid according to the residual value of the guarantee provided by the company.

b) Discount rate

When calculating the present value of lease payments, the company adopts the interest rate embedded in the lease as the discount rate. If the embedded interest rate of the lease cannot be determined, the incremental loan interest rate shall be used as the discount rate. The incremental loan interest rate refers to the interest rate that the company must pay to borrow funds with similar mortgage conditions during similar periods in order to obtain assets close to the value of use right assets under similar economic environment. Based on the bank loan interest rate and considering relevant factors, the company obtains the incremental loan interest rate.

23.2 Subsequent measurement

After the beginning date of the lease term, the company makes subsequent measurement of the lease liability according to the following principles: ① when confirming the interest of the lease liability, increase the book amount of the lease liability; ② When paying the lease payment, reduce the carrying amount of the lease liability; ③ When the lease payment changes due to revaluation or lease change, the book value of the lease liability shall be remeasured.

After the beginning date of the lease term, in case of the following circumstances, the company shall re measure the book value of the lease liability according to the present value of the changed lease payment, and adjust the book value of the right to use asset accordingly. If the book value of the right of use asset has been reduced to zero, but the lease liability still needs to be further reduced, the company shall record the remaining amount into the current profit and loss.

- a) Changes in the actual fixed payment amount;
- b) The expected payable amount of guarantee residual value changes;
- c) The index or ratio used to determine the lease payment changes;
- d) Changes in the evaluation results or actual exercise of the purchase option, renewal option or termination option;

The interest expense of each period during the lease term shall be included in the current profits and losses, except those that should be capitalized.

24. Estimated liabilities

24.1 Recognition of estimated liabilities

When the obligations related with external security matters, pending litigation or arbitration, product quality assurance, loss of contracts, restructuring and other meet the following three conditions are confirmed as estimated liabilities:

- a) The obligation is a present obligation of the company
- b) The fulfillment of this obligation is likely to lead to outflow of economic benefits
- c) The amount of the obligation can be reliably measured

24.2 Measurement

Amount of estimated liabilities are measured at the best estimate of the expenditure for contingent liabilities.

- a) There is a continuous range of expenditure required and the likelihood of various outcomes within the same possibility, the best estimate is determined according to the median within the range.
- b) In other cases, the best estimate is treated separately in the following situations:
 - i. Contingent matters relating to individual projects, confirmed with the amount most likely to be.
 - ii. Contingent matters involve several items, calculated in accordance with all possible outcomes and associated probabilities.

25. Recognition of revenue

25.1 The principal of revenue recognition and measurement

- a) The principal of revenue recognition.

The Company recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. At the inception of the contract, the Company should assess the goods or services that have been promised to the customer, and identify as a performance obligation, and then judge the performance obligation is satisfied over time or at a point in time, and then recognise the revenue when each performance obligation is satisfied by transferring a promised good or services to a customer .

- b) The principle of measurement of revenue

Where a contract has multiple performance obligations, the Company allocates the transaction price to the performance obligations in the contract reference to their relative stand-alone selling prices of each distinct goods or service at the inception of the contract, and then measures the revenue with the transaction price allocated. When determine the transaction price, the Company may consider variable amount, existing of significant financing component, non-monetary amount and due to customer amount etc, and assume that goods or service will be transferred to a customer as promised in the existing contract and the contract will not be canceled, renewed or changed.

25.2 Specific revenue recognition policies

The company mainly sells goods, belonging to the performance obligation at a certain time point. The recognition of product sales revenue shall meet the following conditions: the company has delivered the product to the customer in accordance with the contract, the customer has obtained the control over the relevant goods, the payment for goods has been recovered or the collection voucher has been obtained, and the relevant economic benefits are likely to flow in.

The provision of construction and installation services by the company belongs to the performance obligation to be performed within a certain period of time. The performance progress of the services shall be determined according to the proportion of the cost incurred in the estimated total cost, and the revenue shall be recognized according to the performance progress. If the performance schedule cannot be reasonably determined, and the costs incurred by the company are expected to be compensated, the revenue shall be recognized according to the amount of costs incurred until the performance schedule can be reasonably determined.

The specific accounting policies related to the main activities to obtain income are described as follows:

Project construction income: the income shall be recognized by the percentage of completion method on the balance sheet date.

Sales of goods: Sales of goods with customers usually include only the performance obligations of the transferred goods. Revenue is recognized at the time when the customer obtains the control right over the relevant goods: the current collection right of the goods, the transfer of the main risks and rewards

of the ownership of the goods, the transfer of the legal ownership of the goods, the transfer of the physical assets of the goods, and the customer's acceptance of the goods.

Sales revenue of steam, electricity and tap water: the sales revenue is recognized after the control of the product has been transferred to the buyer. Generally, it refers to the revenue recognized when the steam, electricity and tap water are transmitted to the customer.

Sewage treatment income: the income shall be recognized according to the settlement volume of sewage treatment and the settlement price of sewage treatment services, or according to other circumstances agreed in the agreement

Provision of labor services: the group provides property management and other labor services externally, and the revenue is recognized within a period of time according to the progress of the completed labor services. Among them, the progress of the completed labor services is determined according to the output indicators of the actually provided services.

26. Contract cost

Contract cost is divided into contract performance cost and contract acquisition cost.

The cost incurred by the company for the performance of the contract is recognized as an asset when the following conditions are met:

- a) The cost is directly related to a current or expected contract.
- b) The cost increases the resources used by the company to fulfill its performance obligations in the future.
- c) The cost is expected to be recovered.

If the incremental cost incurred by the company to obtain the contract is expected to be recovered, it shall be recognized as the contract acquisition cost as an asset.

The assets related to the contract cost are amortized on the same basis as the recognition of the income from goods or services related to the assets; However, if the amortization period of contract acquisition cost does not exceed one year, the company will record it into the current profit and loss when it occurs.

If the book value of the assets related to the contract cost is higher than the difference between the following two items, the company will withdraw the impairment provision for the excess part and recognize it as asset impairment loss:

- a) The residual consideration expected to be obtained due to the transfer of goods or services related to the asset;
- b) The estimated cost to be incurred for the transfer of the relevant goods or services.

In case of subsequent reversal of the above asset impairment provision, the book value of the asset after reversal shall not exceed the book value of the asset on the reversal date assuming that the impairment provision is not withdrawn.

27. Government grants

27.1 Types of government grants

Government grants are monetary assets and non-monetary assets acquired free of charge by the Company from the government, including government grants related to assets and government grants related to income.

27.2 Recognition principles of government grants

Government grants are recognized when all the following conditions are met:

- a) The Company can meet the attached conditions for the government grants;

- b) The Company can receive the grants.

27.3 Measurement of government grants

- a) If a government grant is a monetary asset, it shall be measured in the light of the received or receivable amount.
- b) If a government grant is a non-monetary asset, it shall be measured at its fair value; and if its fair value cannot be obtained in a reliable way, it shall be measured at a nominal amount (a nominal amount is CNY 1).

27.4 Accounting treatment method of government grants

- a) The government grants related to assets shall be written off the book value of the related assets at the time of acquisition, or recognized as deferred income. Government grants measured as deferred income, allocated evenly over the useful lives of the relevant assets, and included in the current profit or loss. Government grants measured at the nominal amount shall be directly included in current profit and loss.
- b) Government grants related to income shall be separately handled according to the following circumstances:
 - i. If government grants related to income are used to compensate the Company's relevant expenses or losses in future periods, such government grants should be recognized as deferred income on acquisition and be included into the current profit and loss during the period of recognition of the relevant expenses or written off the related costs.
 - ii. If government grants related to income are used to compensate the Company's relevant expenses or losses incurred, such government grants are directly included into the current profit and loss on acquisition or written off the related costs.
- c) For the government grants which include the assets related part and the income related part at the same time, if it can be divided into different parts to carry on the accounting treatment separately; if it is difficult to distinguish, the whole is classified as the government grants related to the income.
- d) Government grants related to the daily operation of the company, in accordance with the economic nature of the business, shall be accounted for other income or written off related costs. Government grants which have nothing to do with the daily activities of the enterprise shall be included in the non-operating income. If the department of finance dispenses the interest fund directly to the company, the interest fund shall be offset related borrowing costs.
- e) Recognized government grants required to be refunded shall be handled according to the following circumstances:
 - i. If there is related deferred income, the book value of relevant deferred income is written down and the exceeding part is recorded in the current profit and loss.
 - ii. If there is no related deferred income, the exceeding part is directly included in the current profit and loss.

28. Deferred tax assets and deferred tax liabilities

The Company adopts the balance sheet liability method to account for income tax.

28.1 Recognition of deferred tax assets or deferred tax liabilities

- a) The Company recognizes its tax base on acquisition of assets and liabilities. On the balance sheet date, the Company analyzes and compares the book value of the assets and liabilities and the tax base. If there are temporary differences in book value of the assets and liabilities and the tax base, under the circumstance that the temporary differences incur in the current period and meet the recognition criteria, the Company shall respectively recognize taxable temporary differences or deductible temporary differences as deferred tax liability or deferred tax assets.
- b) Recognition basis of deferred tax assets
 - i. Deferred tax assets incurred from deductible temporary differences are recognized to the extent

that they shall not exceed the taxable income probably obtained in future periods to be against the deductible temporary difference. In determining the taxable income probably obtained in future periods, including the taxable income from normal production and operation activities in future periods and the increase of taxable income due to the reversal of taxable temporary differences during the period of reversal of deductible temporary differences.

- ii. For deductible losses and tax credits that can be carried forward to the next years, the Company is likely to recognize the corresponding deferred tax assets to the extent that the assets shall not exceed the taxable income in the future for deducting deductible losses and tax credits and that are probably obtained by the Company.
 - iii. On the balance sheet date, the Company reviews the book value of deferred tax assets. If it is probably unable to obtain sufficient taxable income in the future period to offset the benefits of the deferred tax assets, the Company shall write down the book value of the deferred tax assets; when it is probable to obtain sufficient taxable income, the write-downs shall be reversed.
- c) Recognition basis of deferred tax liabilities

The Company recognizes the current and previous taxable temporary differences payable but unpaid as deferred tax liabilities. But they exclude temporary differences arising from goodwill, transactions which are formed other than from business combinations and neither affect the accounting profits nor affect taxable income at the time of occurrence.

28.2 Measurement of deferred tax assets or deferred tax liabilities

- a) On the balance sheet date, the deferred tax assets and deferred tax liabilities are measured at the applicable tax rate during the period of expected recovery of the assets or liquidation of the liabilities in accordance with the provisions of the tax law.
- b) Where the applicable tax rate changes, the Company remeasures deferred tax assets and deferred tax liabilities recognized, except for those incurred in transactions or events directly recognized in the owner's equity, of which the effect shall be included in the income tax expenses in the current period when the rate changes.
- c) When the Company measures the deferred tax assets and deferred tax liabilities, the tax rate and tax base in consistent with the expected recovery of assets or liquidation of liabilities shall be adopted.
- d) Deferred tax assets and deferred tax liabilities of the Company shall not be discounted.

29. Accounting treatment of operating lease and finance lease

29.1 Accounting treatment of operating lease

The company includes the assets used as operating leases in the relevant items of the balance sheet according to the nature of the assets. The company capitalizes the initial direct expenses related to the operating lease to the cost of the leased object asset, and includes them in the current profit and loss by stages on the same recognition basis as the rental income during the lease term. During each period of the lease term, the company adopts the straight-line method to recognize the lease receipts from operating leases as rental income. For the fixed assets in the operating lease assets, the company adopts the depreciation policy of similar assets to accrue depreciation; Other operating lease assets are amortized using a systematic and reasonable method. The company's variable lease payments related to operating leases that are not included in the lease receipts are included in the current profits and losses when they actually occur.

In case of any change in the operating lease, the company shall treat it as a new lease for accounting since the effective date of the change, and the amount of advance receipts or lease receivables related to the lease before the change shall be regarded as the amount of receipts of the new lease.

29.2 Accounting treatment of finance lease

On the beginning date of the lease term, the company recognizes the financial lease receivables according to the net amount of the lease investment (the sum of the unguaranteed residual value and the present value of the lease receipts not received on the beginning date of the lease term discounted according to the lease embedded interest rate), and terminates the recognition of the financial lease

assets. During each period of the lease term, the company calculates and recognizes interest income at a fixed periodic interest rate. The amount of variable lease payments obtained by the company that are not included in the measurement of net lease investment, if linked to the future performance or use of assets, shall be included in the current profits and losses when actually incurred.

If there is a change in the financial lease and the following conditions are met at the same time, the company will treat the change as a separate lease for accounting treatment: ① the change expands the lease scope by increasing the use right of one or more leased assets; ② The increased consideration is equivalent to the amount of the separate price for the expansion of the lease scope adjusted according to the conditions of the contract

30. Other major accounting policies and accounting estimates

No.

31. Adjustments for changes in major accounting policies and accounting estimates

31.1 Changes in accounting policies

Since January 1, 2021, the company has implemented the accounting standards for Business Enterprises, such as No. 22 - recognition and measurement of financial instruments, accounting standards for Business Enterprises, No. 23 - transfer of financial assets, accounting standards for Business Enterprises, No. 24 - hedge accounting and accounting standards for Business Enterprises, No. 37 - presentation of financial instruments (hereinafter referred to as the "new financial instrument standards") revised by the Ministry of Finance in 2017.

The Ministry of Finance issued the revised revenue Standard on 5 July 2017 (Hereinafter referred to as the "new revenue standard") with NO.22 of Caikuai[2017]. The revised Standard requires the Company adjusts the beginning retained earnings and related items of financial statements according to the cumulative impact of applying this Standard for the first time, and need not restate the comparative information. The company has implemented it since January 1, 2021 and handled it in accordance with relevant connection regulations.

On December 7, 2018, the Ministry of Finance issued the revised accounting standards for Business Enterprises No. 21 - leasing (NO.35 of Caikuai[2018]), requiring enterprises listed at home and abroad and enterprises listed abroad and preparing financial statements using international financial reporting standards or accounting standards for business enterprises to take effect from January 1, 2019; Other enterprises that implement the accounting standards for business enterprises shall be implemented as of January 1, 2021. The company has implemented it since January 1, 2021 and handled it in accordance with relevant connection regulations.

31.2 Changes in accounting estimates

There were no adjustments for changes in major accounting estimates in the reporting period.

31.3 The first implementation of new financial instrument standards, new income standards and new lease standards adjusts the relevant items of the financial statements at the beginning of the year

Consolidated Balance Sheet

Items	12/31/2021	1/1/2021	Adjustment		
			new financial instrument standards	new income standards	new lease standards
Cash and cash equivalents	11,348,083,284.16	11,348,761,721.66	678,437.50		
Other receivables	1,915,199,791.79	1,914,521,354.29	-678,437.50		
Available-for-sale financial assets	3,008,823,815.00	—	-3,008,823,815.00		

Items	12/31/2021	1/1/2021	Adjustment		
			new financial instrument standards	new income standards	new lease standards
Other non-current financial assets	—	3,008,823,815.00	3,008,823,815.00		
Short-term loans	5,310,561,000.00	5,313,805,440.17	3,244,440.17		
Other payables	1,098,188,669.57	898,675,590.83	-199,513,078.74		
Long-term loans	22,344,918,000.00	22,361,737,945.04	16,819,945.04		
Bonds payable	5,193,758,960.28	5,371,639,084.37	177,880,124.09		
Receipts in advance	129,812,233.26			-129,812,233.26	
Contract liabilities	—	121,568,943.76		121,568,943.76	
Other current liabilities	1,230,000,000.00	1,239,811,858.94	1,568,569.44	8,243,289.50	

Balance Sheet of the Parent Company

Items	12/31/2021	1/1/2021	Adjustment		
			new financial instrument standards	new income standards	new lease standards
Available-for-sale financial assets	3,008,823,815.00	—	-3,008,823,815.00		
Other non-current financial assets	—	3,008,823,815.00	-3,008,823,815.00		
Short-term loans	2,495,571,000.00	2,512,983,442.95	17,412,442.95		
Receipts in advance	56,410,195.60			-56,410,195.60	
Contract liabilities	—	53,723,995.81		53,723,995.81	
Other payables	18,488,973,765.66	18,684,796,291.53	195,822,525.87		
Other current liabilities	1,230,000,000.00	1,235,577,366.46	2,891,166.67	2,686,199.79	
Long-term loans	7,820,284,000.00	7,836,036,834.04	15,752,834.04		
Bonds payable	5,193,758,960.28	5,353,525,042.49	159,766,082.21		

Note: On January 1st, 2021, the company implemented the new financial instrument standards for the first time, reclassified the financial assets, and reclassified the financial assets classified as available for sale financial assets in the previous period as other non-current financial assets. The new income standard will be implemented for the first time on January 1, 2021, and the advance receipts will be reclassified into contract liabilities and other current liabilities .

31.4 Description of the first adjustment of new financial instrument standards, new income standards and new lease standards in the earlier period and retroactive implementation of new standards

No.

IV. Taxation

1. Major tax types and tax rates

Tax type	Taxation Basis	Tax rate
Value-added tax	Output tax - deductible input tax	Confirm the corresponding tax rate according to taxable items

Tax type	Taxation Basis	Tax rate
City construction tax	taxable flow tax	7%,
Education fee additional tax	taxable flow tax	5%
Income tax	taxable flow tax	25%
Property tax	The tax base of self use housing is 70% of the original value of the property, The tax base of rental property is the rental income of real estate	Self use housing 1.2%, rental 12%

There are taxpayers implementing different enterprise income tax rates, the tax rates are as follows:

Name of tax payer	Income tax rate
Lianyungang Hongyang Thermal Power Co., Ltd	15%
Jiangsu Fangyang Energy Technology Co., Ltd	15%

Note:

- a) According to the notice issued by the Ministry of Finance and the State Administration of Taxation on the issuance of the "Catalogue of VAT Preferential Catalogues for Comprehensive Utilization of Resources and Labor Services" (Cai Shui [2015] No. 78), the subsidiary of Jiangsu Fangyang Water Co., Ltd. Revenue that meets the technical requirements stipulated in the Pollutant Discharge Standards of Urban Sewage Treatment Plants (GB18918-2002) or meets the direct discharge limits in the corresponding national or local water pollutant discharge standards is subject to VAT and is refunded by 70% Tax incentives.
- b) The holding subsidiary Jiangsu Fangyang Water Co., Ltd., in accordance with Article 27 of the "Enterprise Income Tax Law of the People's Republic of China"(Decree of the President of the People's Republic of China [2007] No. 63),"Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China"(Decree of the State Council of the People 's Republic of China [2007] No.512) Article 88,"Notice of the National Development and Reform Commission of the State Administration of Taxation of the Ministry of Finance on Promulgating the Catalogue of Preferential Corporate Income Tax for Environmental Protection, Energy Conservation and Water Saving Items (Trial)" [2009] No.166), "Notice of the State Administration of Taxation of the Ministry of Finance on Issues Concerning Preferential Policies on Corporate Income Tax on Public Infrastructure Items and Environmental Protection, Energy Saving and Water Saving Items"(Cai shui [2012] No. 10) The income specified in Water Item is exempted from corporate income tax from the first year to the third year, and the corporate income tax is halved from the fourth to sixth years from the tax year of the first production and operation income of the Item. This matter has been filed and approved by Lianyungang Local Taxation Bureau Liandi Shuiyishuitong (2018) No.6163 and Liandi Shuiyishuitong (2018)No.6167.
- c) Jiangsu Fangyang Energy Technology Co., Ltd, a subsidiary of the Company, was granted a High-tech Enterprise Certificate (Certificate No.GR201932001810) by the Department of Science &Technology of Jiangsu Province, Department of Finance of Jiangsu Province, the State Taxation Bureau of Jiangsu Province on 7 November 2019. The certificate is valid for three years. Enjoy the preferential tax policies for high-tech enterprises such as levying enterprise income tax at the tax rate of 15%, plus deduction of R & D expenses, accelerated depreciation of fixed assets, exemption of qualified technology transfer income and reduction of enterprise income tax.

V. Notes to the Main Items of the Financial Statements (All amounts are stated in CNY unless otherwise stated)

1. Cash

Items	12/31/2021	1/1/2021
Cash on hand	48,713.38	92,483.62
Cash in bank	10,068,967,767.67	10,239,792,357.71
Other monetary funds	2,639,743,091.60	1,108,876,880.33
Total	12,708,759,572.65	11,348,761,721.66

Including: Other monetary fund details are as follow

Items	12/31/2021	1/1/2021
Deposit for Bank acceptance bill	2,636,250,031.40	1,056,598,442.83
L / C deposit	3,436,185.20	50,000,000.00
Performance bond		1,600,000.00
Time deposit interest	56,875.00	678,437.50
Total	2,639,743,091.60	1,108,876,880.33

2. Notes receivable

2.1 Classification of notes receivable

Items	12/31/2021	1/1/2021
Bank acceptance bill	36,980,787.15	58,355,280.73
Commercial acceptance bill		
Total	36,980,787.15	58,355,280.73

2.2 As of December 31, 2021, the pledge of notes receivable was zero.

2.3 As of December 31, 2021, Notes receivable endorsed or discounted by the company at the end of the period and not yet due on the balance sheet date

Items	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance	1,429,040.00	
Bank acceptance	1,429,040.00	

2.4 As of December 31, 2021, the company is not due to the issuer's inability to perform the contract and will turn the notes to accounts receivable

3. Accounts receivable

3.1 Disclosed by Aging

Aging	12/31/2021	1/1/2021
Within 1 year	7,685,796,792.94	2,931,238,783.20
1-2 year	2,054,978,019.34	2,297,078,816.93
2-3 year	2,010,587,841.66	2,568,912,575.14
3-4 year	1,592,181,024.47	1,591,408,659.49
4-5 year	1,591,408,659.49	2,763,785,081.51
Over 5 year	2,517,697,061.69	24,853,462.95
Book balance sub-total	17,452,649,399.59	12,177,277,379.22
Less: Bad debt provision	29,359,615.94	22,851,934.52
Net value	17,423,289,783.65	12,154,425,444.70

3.2 Disclosed by bad debt accrual method

Category	12/31/2021				
	Book Balance	Proportion (%)	Provision for bad debt	Provision Proportion (%)	Book Value
Accounts receivables with significant single amount and tested for impairment individually	22,644,931.63	0.13	11,322,465.82	50.00	11,322,465.81
Accounts receivables tested for impairment on a portfolio basis	17,430,004,467.96	99.87	18,037,150.12	0.10	17,411,967,317.84
portfolios of non-related parties	1,873,853,429.02	10.74	18,037,150.12	0.96	1,855,816,278.90
portfolios of government parties	15,551,782,310.66	89.11			15,551,782,310.66
portfolios of related parties	4,368,728.28	0.03			4,368,728.28
Total	17,452,649,399.59	100.00	29,359,615.94	0.17	17,423,289,783.65

Continued on the table

Category	12/31/2020				
	Book Balance	Proportion (%)	Provision for bad debt	Provision Proportion (%)	Book Value
Accounts receivables with significant single amount and tested for impairment individually	22,644,931.63	0.19	11,322,465.82	50.00	11,322,465.81
Accounts receivables tested for impairment on a portfolio basis	12,154,632,447.59	99.81	11,529,468.70	0.09	12,143,102,978.89
portfolios of non-related parties	922,962,510.99	7.58	11,529,468.70	1.25	911,433,042.29
portfolios of government parties	11,218,858,042.02	92.13			11,218,858,042.02
portfolios of related parties	12,811,894.58	0.11			12,811,894.58
Total	12,177,277,379.22	100.00	22,851,934.52	0.19	12,154,425,444.70

Accounts receivables with significant single amount and tested for impairment individually at Dec 31,2021

Company name	12/31/2021			
	Book Balance	Provision for bad debt	Provision Proportion (%)	Reason for withdrawal
Jiangsu Baotong Nickel Industry Co., Ltd	22,644,931.63	11,322,465.82	50	Debt paying assets obtained through litigation
Total	22,644,931.63	11,322,465.82	50	

In the portfolio, accounts receivable for which bad debt provision is withdrawn by overdue aging analysis method:

Overdue aging	12/31/2021			1/1/2021		
	Book balance	Bad debt provision	Accrual proportion%	Book balance	Bad debt provision	Accrual proportion%
Not overdue	1,841,714,647.84			893,000,678.65		
Within 1 year	4,540,959.89	227,048.00	5.00	5,524,988.17	276,249.41	5.00
1-2 year	1,463,518.78	146,351.87	10.00	1,067,381.33	106,738.13	10.00
2-3 year	1,006,096.20	201,219.24	20.00	6,007,689.50	1,201,537.90	20.00
3-4 year	8,800,113.50	4,400,056.75	50.00	13,132,727.98	6,561,706.97	50.00
Over 4 year	16,328,092.81	13,062,474.26	80.00	4,229,045.36	3,383,236.29	80.00
Total	1,873,853,429.02	18,037,150.12	0.96	922,962,510.99	11,529,468.70	1.25

Bad debt provision

Items	1/1/2021	Changes in current period			12/31/2021
		Increase	Reversal	Deduct	
Accounts receivable	22,851,934.52	6,507,681.42			29,359,615.94

3.3 Top five entities with the largest balances of the accounts receivable

Company name	12/31/2021	Aging	Proportion in the total (%)
Management Committee of National East, West, central and Regional Cooperation Demonstration Zone	15,516,386,745.16	Within 1 year 5,925,496,002.76 / 1-2 year 2,022,023,575.99/ 2-3year 1,906,490,257.80/ 3-4year 159,218,1024.47/ 4-5year 1,591,408,659.49/ Over 5 year 2,478,787,224.65	88.91
Shenghong Petrochemical Group Co., Ltd	796,696,589.40	Within 1 year	4.56
Lianyungang pengchen special new materials Co., Ltd	123,656,211.15	Within 1 year	0.71
Jiangsu Silbon Petrochemical Co., Ltd	109,027,818.76	Within 1 year	0.62
Jiangsu Honggang Petrochemical Co., Ltd	98,241,313.46	Within 1 year	0.56
Total	16,644,008,677.93		95.36

4. Accounts receivable financing

Items	12/31/2021	1/1/2021
Bank acceptance	35,188,539.65	
Total	35,188,539.65	

5. Advances to suppliers

5.1 Aging analysis

Aging	12/31/2021		1/1/2021	
	Amount	%	Amount	%
Within 1 year	125,902,646.36	77.35	499,020,411.12	95.21
1-2 year	14,745,436.20	9.06	4,022,739.27	0.77
2-3 year	2,047,968.10	1.26	20,583,439.22	3.93
Over 3 year	20,067,965.18	12.33	454,200.00	0.09
Total	162,764,015.84	100.00	524,080,789.61	100.00

5.2 Top five entities with the largest balances of prepayments

Company name	Amount	Aging	Proportion in the total (%)
Lianyungang traffic control logistics Group Co., Ltd	31,924,697.87	Within 1 year	19.61
Wuxi Communications Construction Engineering Group Co., Ltd.	17,621,843.34	Over 3 year	10.83
Lianyungang power supply branch of State Grid Jiangsu Electric Power Co., Ltd	12,256,560.25	Within 1 year	7.53
China Chemical Engineering 14th Construction Co., Ltd	8,477,859.23	Within 1 year	5.21
Lianyungang Zhiyan Construction Engineering Co., Ltd	8,085,085.00	Within 1 year	4.97
Total	78,366,045.69		48.15

6. Other receivables

Items	12/31/2021	1/1/2021
Interests receivable		
Dividends receivable		
Other receivables	2,819,078,540.77	1,914,521,354.29
Total	2,819,078,540.77	1,914,521,354.29

6.1 Other receivables

a) Classification of other receivables by aging

Aging	12/31/2021	1/1/2021
Within 1 year	1,215,662,304.33	126,617,329.20
1-2 year	1,102,749,580.48	1,179,862,847.37
2-3 year	142,389,140.97	132,455,855.76
3-4 year	79,685,603.35	222,846,172.00
4-5 year	222,846,172.00	200,915,535.68
Over 5 year	101,304,450.27	101,547,047.78
Book balance sub-total	2,864,637,251.40	1,964,244,787.79
Less: Bad debt provision	45,558,710.63	49,723,433.50
Net value	2,819,078,540.77	1,914,521,354.29

b) Classification of other receivables by nature

Nature of payment	12/31/2021	1/1/2021
Loans and advances	2,347,848,176.56	1,548,058,580.74
Government receivables	249,246,161.00	246,429,832.00

Nature of payment	12/31/2021	1/1/2021
Security deposit	73,896,777.63	77,254,471.34
Other receivables	193,646,136.21	92,501,903.71
Book balance sub-total	2,864,637,251.40	1,964,244,787.79
Less: Bad debt provision	45,558,710.63	49,723,433.50
Net value	2,819,078,540.77	1,914,521,354.29

c) Disclosed by bad debt accrual method

Bad debt provision	Phase I	Phase II	Phase III	Total
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration (no credit impairment)	Expected credit loss for the entire duration (credit impairment has occurred)	
1/1/2021	1,805,140.90	12,918,292.60	35,000,000.00	49,723,433.50
Opening balance in current period				
—Move to phase II	-401,490.07	401,490.07		
—Move to phase III				
—Back to phase II				
—Back to phase I				
Current increase	587,936.00	545,821.09		1,133,757.09
Current Reversal	761,464.70	4,536,791.26		5,298,255.96
Current Deduct				
Other changes				
12/31/2021	1,230,122.13	9,328,812.50	35,000,000.00	45,558,934.63

d) Bad debt provision

Items	1/1/2021	Changes in current period			12/31/2021
		Increase	Reversal	Deduct	
Other receivables	49,723,433.50	1,133,757.09	5,298,255.96		45,558,934.63

e) Top five entities with the largest balances of the account receivables

Company name	Business content	Amount	Aging	Proportion in the total (%)
Suzhou Suzhen Thermal Power Co., Ltd	Loan	978,566,600.00	1-2year	34.16
Lianyungang Xuwei Medical Management Co., Ltd	Advance payment	735,600,000.00	Within 1 year	25.68
Lianyungang Zhangwei Enterprise Comprehensive Service Co., Ltd	Advance payment	351,000,000.00	Within 1 year	12.25
Water Affairs Bureau of Xuwei New District, Lianyungang	Government receivables	244,748,732.00	2-3year 32,296,920.00; 3-4year 29,000.00; 4-5year 212,422,812.00	8.54
Jiangsu Fanghua Real Estate Development Co., Ltd	Loan	124,500,000.00	Within 1 year	4.35
Total		2,434,415,332.00		84.98

7. Inventories

7.1 Categories of Inventory

Items	12/31/2021			1/1/2021		
	Cost	Provision for inventory write-down	Net value	Cost	Provision for inventory write-down	Net value
Materials in transit	3,917,242.96		3,917,242.96	4,696,698.29		4,696,698.29
Raw materials	126,434,003.76		126,434,003.76	125,494,148.10		125,494,148.10
Production costs				1,671,379.20		1,671,379.20
Finished goods	67,948,626.34		67,948,626.34	58,072,685.23		58,072,685.23
Circulation material	1,061,304.40		1,061,304.40	850,680.96		850,680.96
Contract performance cost	527,809,848.11		527,809,848.11	469,732,319.68		469,732,319.68
development cost	2,335,333,048.93		2,335,333,048.93	2,173,967,805.23		2,173,967,805.23
Total	3,062,504,074.50		3,062,504,074.50	2,834,485,716.69		2,834,485,716.69

Notes: The capitalized interest in the ending balance of inventory is 103,546,577.92yuan.

8. Contract assets

8.1 Categories of Contract assets

Items	12/31/2021			1/1/2021		
	Book balance	Provision for inventory write-down	Book value	Book balance	Provision for inventory write-down	Book value
Engineering construction	1,049,868.62		1,049,868.62			
Total	1,049,868.62		1,049,868.62			

9. Other current assets

Items	12/31/2021	1/1/2021
Input VAT allowances	292,218,719.36	203,843,618.08
Contract acquisition cost	124,877.36	
Bank financial products		200,000,000.00
Total	292,343,596.72	403,843,618.08

10. Investment in debt instruments

10.1 Categories of Investment in debt instruments

Items	12/31/2021			1/1/2021		
	Book balance	Provision for inventory write-down	Book value	Book balance	Provision for inventory write-down	Book value
JQ Securities (Hong Kong) Limited	31,033,412.60		31,033,412.60			
Total	31,033,412.60		31,033,412.60			

10.2 Important debt investment at the end of the period

Items	12/31/2021				1/1/2021			
	Face value	Coupon rate	Actual rate of interest	Date of expiry	Face value	Coupon rate	Actual rate of interest	Date of expiry
JQ Securities (Hong Kong) Limited	31,033,412.60	5.3%	5.3%	2024.3.24				
Total	31,033,412.60							

11. Long-term receivables

11.1 Categories of Long-term receivables

Item	12/31/2021			1/1/2021		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Finance lease	75,000,000.00		75,000,000.00	50,000,000.00		50,000,000.00
Others	3,303,727,000.26		3,303,727,000.26	2,301,955,583.34		2,301,955,583.34
Total	3,378,727,000.26		3,378,727,000.26	2,351,955,583.34		2,351,955,583.34

11.2 Details of Long-term receivables

Items	12/31/2021	1/1/2021
Inferior funds of industrial fund collective fund trust plan of AVIC Trust Co., Ltd	440,000,000.00	440,000,000.00
Inferior funds of structured collective funds trust plan of AVIC Trust Co., Ltd	185,055,037.28	175,000,000.00
Tianqi (2016) No. 356 Fangyang Group Industrial Fund collective fund trust plan	1,835,168,629.62	946,047,249.99
Tianqi (2016) No. 7 Fangyang group structured collective fund trust plan	843,503,333.36	740,908,333.35
Jiangsu Yangjing Petrochemical Group Co., Ltd	75,000,000.00	50,000,000.00
Total	3,378,727,000.26	2,351,955,583.34

12. Long-term equity investment

Investee	1/1/2021	Changes in Current Period								12/31/2021	Closing Balance of provision for impairment
		Increase	Decrease	Profit or loss recognized under equity method	Adjustments of other comprehensive income	Other changes in equity	Cash divided or profit declared	Provision for impairment	Other		
(1) Joint Venture											
(2) Associated Enterprise											
Jiangsu Fangyang Energy Investment Co., Ltd	17,298,602.12			1,558,904.42			-1,712,096.70			17,145,409.84	
China Energy Conservation (Lianyungang) clean technology development Co., Ltd	72,941,646.56			5,956,037.28						78,897,683.84	
Jiangsu Xianghe Agricultural Development Co., Ltd	959,873,891.14			99,107.16						959,972,998.30	
Jiangsu Yangjing Petrochemical Group Co., Ltd	1,051,691,493.80			11,255,706.06						1,062,947,199.86	
Lianyungang Shenghong refining and chemical industry fund partnership (limited company)	999,054,887.02		-999,054,887.02								
Lianyungang Jiuyang Environmental Technology Co., Ltd	57,381,645.92			215,774.62						57,597,420.54	
Lianyungang milkwei chemical supply chain Co., Ltd	22,116,600.00	383,400.00								22,500,000.00	
Jiangsu fangyangmuge New Energy Technology Co., Ltd	17,553,020.91			-821,673.11						16,731,347.80	
Lianyungang Sanhang Construction Development Co., Ltd	9,450,000.00	3,000,000.00							-12,450,000.00		

Investee	1/1/2021	Changes in Current Period							12/31/2021	Closing Balance of provision for impairment	
		Increase	Decrease	Profit or loss recognized under equity method	Adjustments of other comprehensive income	Other changes in equity	Cash divided or profit declared	Provision for impairment			Other
Lianyungang Xianghe Landscape Engineering Co., Ltd	141,803,400.00									141,803,400.00	
Jiangsu Fanghua Real Estate Development Co., Ltd		49,000,000.00								49,000,000.00	
Lianyungang Hongyang port storage and Transportation Co., Ltd		20,000,000.00								20,000,000.00	
Jiangsu Yangjing Industrial Investment Co., Ltd		2,150,000,000.00								2,150,000,000.00	
Subtotal	3,349,165,187.47	2,222,383,400.00	-999,054,887.02	18,263,856.43			-1,712,096.70		-12,450,000.00	4,576,595,460.18	
Total	3,349,165,187.47	2,222,383,400.00	-999,054,887.02	18,263,856.43			-1,712,096.70		-12,450,000.00	4,576,595,460.18	

13. Other non-current financial assets

Items	12/31/2021	1/1/2021
Financial assets classified as financial assets measured at fair value and whose changes are included in current profits and losses	3,335,536,015.00	3,008,823,815.00
Including: Debt instrument investment		
Equity instrument investment	3,335,536,015.00	3,008,823,815.00
Total	3,335,536,015.00	3,008,823,815.00

14. Investment properties

14.1 Investment property using fair value model

Item	Properties and buildings	Land use rights	Total
1. 12/31/2020		21,247,737,664.08	21,247,737,664.08
2.Changes the current period			
Add: Purchase			
Transfer from intangible assets		308,892,000.00	308,892,000.00
Income from changes in fair value		2,192,243,400.00	2,192,243,400.00
Increase from business combination			
Less: Disposal		2,118,088,600.00	2,118,088,600.00
Other transfer out		626,416,264.08	626,416,264.08
Loss from changes in fair value			
Decrease from business combination			
3. 12/31/2020		21,004,368,200.00	21,004,368,200.00

Note:

(1) The disposal of land use right is 2,118,088,600.00yuan, including 1,650,788,900.00 yuan of investment real estate cost and 467,299,700.00 yuan of fair value change.

(2) Other transferred out CNY 626,416,264.08 which is transferred from investment real estate to self use.

(3) The fair value of investment real estate at the end of 2021 is based on the appraisal report (z.z.p.b. [2022] No. 048) issued by China Asset Appraisal Co., Ltd. and Jiangsu Sudi Renhe Ping (2022) No. 009\ 010 and 011 issued by Jiangsu SUDI Renhe Ping Land Real Estate Assets Appraisal Surveying and Mapping Cost Consulting Co., Ltd ,and the document numbered Su San Shi Lian Tu Gu Zi (2021) 038 issued by Jiangsu Sanshi Land Real Estate Assets Appraisal Surveying and Mapping Consulting Co., Ltd.

15. Fixed assets

15.1 Category

Items	12/31/2021	1/1/2021
Fixed Assets	10,551,050,269.51	8,064,152,436.13
Disposal of fixed assets		
Total	10,551,050,269.51	8,064,152,436.13

15.2 Details of Fixed Assets

Item	Buildings	Machinery and equipment	Vehicle	Office and electronic equipment	Pipe gallery pipe network	Others	Total
I. Original cost of fixed assets							
1. Opening Balance	3,596,270,218.65	2,352,834,258.91	97,538,988.15	112,950,051.86	225,541,341.21	2,753,619,634.24	9,138,754,493.02
2. Increase in current period	2,052,311,146.08	533,775,915.22	11,337,729.67	116,440,140.26	272,790,097.13	23,157,345.24	3,009,812,373.60
(1) External purchase	131,303,352.34	31,819,891.59	11,337,729.67	46,545,560.28		23,157,345.24	244,163,879.12
(2) Transfer from construction in progress	1,921,007,793.74	501,956,023.63		69,894,579.98	272,790,097.13		2,765,648,494.48
3. Decrease in current period	77,672,605.15	12,745,952.73	2,085,536.27	4,733,795.49		5,843,875.54	103,081,765.18
(1) Disposal or scrap	61,816,917.12	12,745,952.73	2,085,536.27	4,733,795.49		5,843,875.54	87,226,077.15
(2) Others	15,855,688.03						15,855,688.03
4. Closing Balance	5,570,908,759.58	2,873,864,221.40	106,791,181.55	224,656,396.63	498,331,438.34	2,770,933,103.94	12,045,485,101.44
II. Accumulated depreciation							
1. Opening Balance	374,876,723.04	519,440,283.89	32,987,283.56	58,523,390.40	22,475,709.41	66,298,666.59	1,074,602,056.89
2. Increase in current period	173,195,356.19	137,916,074.57	19,088,122.88	31,113,767.83	11,625,039.83	57,152,357.13	430,090,718.43
(1) Provision	173,195,356.19	137,916,074.57	19,088,122.88	31,113,767.83	11,625,039.83	57,152,357.13	430,090,718.43
3. Decrease in current period	4,799,062.49	1,722,954.17	1,921,713.74	1,106,649.16		707,563.83	10,257,943.39
(1) Disposal or scrap	4,799,062.49	1,722,954.17	1,921,713.74	1,106,649.16		707,563.83	10,257,943.39
4. Closing Balance	543,273,016.74	655,633,404.29	50,153,692.70	88,530,509.07	34,100,749.24	122,743,459.89	1,494,434,831.93
III. Impairment provision							
1. Opening Balance							
2. Increase in current period							
3. Decrease in current period							
4. Closing Balance							
IV. Carrying Amount							
1. Closing carrying amount	5,027,635,742.84	2,218,230,817.11	56,637,488.85	136,125,887.56	464,230,689.10	2,648,189,644.05	10,551,050,269.51
2. Opening carrying amount	3,221,393,495.61	1,833,393,975.02	64,551,704.59	54,426,661.46	203,065,631.80	2,687,320,967.65	8,064,152,436.13

16. Construction in progress

16.1 Category

Items	12/31/2021	1/1/2021
construction in progress	14,154,045,965.89	10,156,117,308.01
Construction supplies	6,730,950.08	245,151.88
Total	14,160,776,915.97	10,156,362,459.89

16.2 Main construction in progress

Name of project	1/1/2021	Increase	Decrease		12/31/2021
			Turn to fixed assets	Others	
Port engineering	1,974,964,496.86	712,090,523.99	2,765,211.60		2,684,289,809.25
Energy saving and environmental protection technology park standard plant phase I and supporting project	834,072,158.04	159,876,515.72	646,607,550.72		347,341,123.04
Neighborhood center of Yunhu community (phase I) [talent apartment]	490,988,710.69	93,238,051.41			584,226,762.10
Phase I project of Xuwei water treatment plant and auxiliary water supply pipe network outside the plant [water plant, sewage plant]	358,539,849.29	-15,000.00			358,524,849.29
Xuwei New District public rental housing phase II	391,439,123.16	53,015,209.45			444,454,332.61
Phase II project of No.1 harbor basin in Xuwei port area	323,178,122.46	24,592,544.20			347,770,666.66
Phase I project of the second harbor basin of Xuwei port area	307,906,023.27	105,028,196.34			412,934,219.61
Yunhu community neighborhood center (phase II)	176,527,256.53	122,840,658.58			299,367,915.11
Xuwei New Area sewage treatment plant and auxiliary pipe network outside the plant phase I Project	167,702,084.10	9,001,869.35	86,600,919.53		90,103,033.92
Xuwei New District public rental housing phase III	226,420,034.02	166,835,137.48			393,255,171.50
Continental Bridge Products Exhibition Center	29,713,974.81	-592,947.68		29,021,027.13	100,000.00
Yunhu community service center [S226 provincial highway service area]	54,210,151.75	428,618.68			54,638,770.43
Petrochemical temporary project department [Petrochemical Industrial Park]	27,228,986.02				27,228,986.02
Zhihuiwan Lakeside Park, Xuwei New District (area a)	29,074,774.60	198,275.83			29,273,050.43
Resource purchasing center	302,846,320.62	59,951,912.61			362,798,233.23
Clean technology base of industrialization	388,003,093.55	29,608,417.03	417,611,510.58		
Xuwei new area underground utility tunnel phase I Project	784,773,015.34	392,673,393.22			1,177,446,408.56
Upgrading, transformation and ecological purification project of Xuwei sewage treatment plant	186,121,583.52	145,236,119.92	38,332,978.71		293,024,724.73
Multimodal transport center	148,313,220.34	23,741,877.20			172,055,097.54
Yunhu business center	131,393,460.09	5,517,415.00	125,056,451.02	1,004,246.82	10,850,177.25
Baotong storage yard	30,390,321.72			30,390,018.36	303.36
Hongyang cogeneration project	856,985,387.11	2,081,220,613.76	147,301,398.70		2,790,904,602.17
Xuwei new area special railway project and port - Tui road special line	15,890,251.23	3,737,071.58			19,627,322.81
Xuwei new area second water plant and supporting pipe network phase I Project	285,427,911.99	342,524,935.16	562,499,535.18		65,453,311.97
High salt wastewater treatment project in Xuwei New Area	102,180,689.69	62,693,805.25	155,273,526.75		9,600,968.19
Third party treatment project of industrial wastewater in Lianyungang petrochemical base	66,676,547.62	107,784,256.16	171,778,706.19		2,682,097.59
Demonstration Zone Comprehensive Bonded Zone	107,935,377.86	7,109,030.61			115,044,408.47
New concrete mixing plant project in Petrochemical Park	14,351,510.50	15,268,896.94	26,851,971.75	2,085,343.31	683,092.38

Name of project	1/1/2021	Increase	Decrease		12/31/2021
			Turn to fixed assets	Others	
220kV Kongqiao power transmission and transformation project	25,648,111.98	17,617,272.04			43,265,384.02
Yunhu restaurant project	32,082,755.30				32,082,755.30
Xuwei new area environmental sanitation operation management center project	45,066,586.46	19,566,015.61			64,632,602.07
Xuwei New District zhihuiwan Business Center (phase I project)	83,111,249.95	18,605,744.32			101,716,994.27
220kV deep port power transmission and transformation project	121,498,009.85	194,225,297.17	167,137,914.60	5,971,045.03	142,614,347.39
Xuwei New District emergency isolation dormitory	68,092,621.97	44,072,697.88			112,165,319.85
Xuwei New District No.1 renewable energy station	10,819,440.34	2,074,502.34			12,893,942.68
Ruiqiao concrete mixing plant (phase II) project	87,105,980.93	33,277,185.52	115,533,852.23		4,849,314.22
Industrial neighborhood center service center supporting assets	166,236,384.19	67,327,863.90			233,564,248.09
G3 building of public rental housing	87,936,723.66	-53,359,449.12			34,577,274.54
Dry bulk transport trestle	89,518,133.63	231,769,439.46			321,287,573.09
Xuwei New District Coal Logistics reserve base	7,725,130.66	310,051,208.63			317,776,339.29
Lianyungang comprehensive bonded zone (Xuwei area) phase II project	7,135,690.54	84,892,053.31			92,027,743.85
Multimodal transport center (phase II)	2,120,517.37	73,560,407.79			75,680,925.16
Lianyungang port Xuwei New Area Phase I project 2 finished product yard	6,795,817.65	11,879,412.94			18,675,230.59
Public rental housing phase I [public rental housing] [public rental housing]	11,982,800.33	1,275,833.49	13,258,633.82		
Emergency rescue command center	1,729,627.34	40,418,372.19			42,147,999.53
Wharf berth - Xuwei port area second harbor basin multi-purpose berth phase I Project		87,755,766.87			87,755,766.87
Yunhu business core area 16#		125,107,470.78			125,107,470.78
Xuwei new area port business service center project		31,089,451.44			31,089,451.44
Emergency rescue training base project		95,604,091.03			95,604,091.03
Xuwei new area second water plant phase III and advanced treatment project	1,238,153.16	112,179,813.33			113,417,966.49
Lianyungang petrochemical base chemical high salt wastewater treatment project (phase I)	2,564,092.26	115,699,404.23			118,263,496.49
Petrochemical base construction workers' Living Camp (phase I and phase II) project		44,495,542.44			44,495,542.44
Xuwei New Area smart kitchen food R & D Science Park Project		37,961,708.71			37,961,708.71
Others	484,455,043.66	407,544,038.74	89,038,333.10	46,247,709.82	756,713,039.48
Total	10,156,117,308.01	6,878,296,542.83	2,765,648,494.48	114,719,390.47	14,154,045,965.89

16.3 Construction supplies

Item	12/31/2021			1/1/2021		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Project material - specific materials	67,478.96		67,478.96	489.21		489.21
Project material - specific equipment	6,663,471.12		6,663,471.12	244,662.67		244,662.67
Total	6,730,950.08		6,730,950.08	245,151.88		245,151.88

17. Right of use assets

Item	Buildings	Total
I. Original book value of intangible assets		
1. Opening Balance		

Item	Buildings	Total
2.Increase in current period	80,265,617.42	80,265,617.42
(1) New lease	80,265,617.42	80,265,617.42
3.Decrease in current period		
4.Closing Balance	80,265,617.42	80,265,617.42
II. Accumulated amortization of intangible assets		
1.Opening Balance		
2.Increase in current period	9,536,509.00	9,536,509.00
(1)Provision	9,536,509.00	9,536,509.00
3.Decrease in current period		
Closing Balance	9,536,509.00	9,536,509.00
III. Provision for fixed asset impairment		
IV.Net value of intangible assets		
Closing Book Value	70,729,108.42	70,729,108.42
Opening Book Value		

18. Intangible asset

Item	Land use rights	Right to use sea areas	Mining right	Software	Others	Total
I. Original book value of intangible assets						
1.Opening Balance	1,012,997,323.63	147,799,948.00	108,609,618.00	15,424,245.13	92,209,280.64	1,377,040,415.40
2.Increase in current period	932,070,197.85	936,046.00		6,911,762.31	2,572,965.27	942,490,971.43
(1)External purchase	289,798,245.74	936,046.00		6,911,762.31	2,572,965.27	300,219,019.32
(2)Other	642,271,952.11					642,271,952.11
3.Decrease in current period	250,076,764.96			154,150.94	-92,830.19	250,138,085.71
(1)Disposal	9,266,317.06					9,266,317.06
(2)Other	240,810,447.90			154,150.94	-92,830.19	240,871,768.65
4.Closing Balance	1,694,990,756.52	148,735,994.00	108,609,618.00	22,181,856.50	94,875,076.10	2,069,393,301.12
II. Accumulated amortization of intangible assets						
1.Opening Balance	72,034,629.42	17,843,121.57	108,609,618.00	5,351,600.11	33,139.62	203,872,108.72
2.Increase in current period	27,486,338.20	3,654,315.16		1,795,750.30	44,707.89	32,981,111.55
(1)Provision	27,486,338.20	3,654,315.16		1,795,750.30	44,707.89	32,981,111.55
3.Decrease in current period	5,709,978.90					5,709,978.90
(1) Disposal	1,195,078.95					1,195,078.95
(2)Other	4,514,899.95					4,514,899.95
Closing Balance	93,810,988.72	21,497,436.73	108,609,618.00	7,147,350.41	77,847.51	231,143,241.37
III. Provision for fixed asset impairment						
IV.Net value of intangible assets						
Closing Book Value	1,601,179,767.80	127,238,557.27		15,034,506.09	94,797,228.59	1,838,250,059.75

Item	Land use rights	Right to use sea areas	Mining right	Software	Others	Total
Opening Book Value	940,962,694.21	129,956,826.43		10,072,645.02	92,176,141.02	1,173,168,306.68

19. Long-term prepaid assets

Item	1/1/2021	Increase	Decrease		12/31/2021
			Amortization	Others	
Decoration fee	10,390,030.33	14,293,858.02	9,193,610.70		15,490,277.65
Rent	200,742.14	413,944.28	614,686.42		
First grade qualification of electronic and intelligent engineering	1,266,666.67		633,333.32		633,333.35
Water stable mixing plant project	9,784,508.51	988,280.80	5,034,291.22		5,738,498.09
Bathroom renovation cost		61,851.87	5,154.32		56,697.55
Other	2,697,423.49	9,617,142.39	2,631,726.91		9,682,838.97
Total	24,339,371.14	25,375,077.36	18,112,802.89		31,601,645.61

20. Deferred income tax assets

20.1 Details of recognized deferred income tax assets

Items	12/31/2021		1/1/2021	
	Temporary differences	Deferred income tax assets	Temporary differences	Deferred income tax assets
Bad debt provision	74,918,326.57	18,718,464.07	72,584,682.06	18,146,170.50
Total	74,918,326.57	18,718,464.07	72,584,682.06	18,146,170.50

20.2 Details of recognized deferred income tax liabilities

Items	12/31/2021		1/1/2021	
	Temporary differences	Deferred income tax liabilities	Temporary differences	Deferred income tax liabilities
Changes in fair value of Investment property	12,288,482,866.87	3,072,120,716.70	10,808,606,265.68	2,702,151,566.40
Total	12,288,482,866.87	3,072,120,716.70	10,808,606,265.68	2,702,151,566.40

21. Other non-current assets

Items	12/31/2021	1/1/2021
Prepayment for VAT	17,988,220.00	17,988,220.00
Prepayment for house and equipment	565,788,659.87	476,330,359.64
Total	583,776,879.87	494,318,579.64

22. Short-term loan

Items	12/31/2021	1/1/2021
Credit loans	591,000,000.00	256,500,000.00
Mortgage loan	2,195,336,740.00	1,160,821,000.00
Guaranteed loans	2,770,600,000.00	3,638,240,000.00
Pledge loan	399,000,000.00	255,000,000.00
Accrued interest	17,412,442.95	3,244,440.17
Total	5,973,349,182.95	5,313,805,440.17

23. Notes payable

Category	12/31/2021	1/1/2021
Bank acceptances	4,481,308,152.58	3,219,028,239.62
Commercial acceptance bill	500,000,000.00	
Total	4,981,308,152.58	3,219,028,239.62

24. Accounts payable

24.1 Aging presentation of accounts payable

Aging	12/31/2021		1/1/2021	
	Amount	%	Amount	%
Within 1 year	1,116,002,764.32	70.30	1,189,839,333.33	94.41
1-2 year	428,860,975.24	27.01	13,684,078.83	1.09
2-3 year	3,866,759.81	0.24	23,432,384.64	1.86
Over 3 year	38,825,648.23	2.45	33,306,145.51	2.64
Total	1,587,556,147.60	100.00	1,260,261,942.31	100.00

24.2 Top five entities with the largest balances of accounts payable

Company name	Relationship with the Company	Amount	Aging	Proportion in the total (%)
China Energy Construction Group Anhui Electric Power Design and Research Institute Co., Ltd	Non related party	87,607,258.91	Within 1 year	5.52
Jiangsu Huatai Road and Bridge Construction Group Co., Ltd	Non related party	75,008,527.94	Within 1 year	4.72
Jiangsu Jiangdu Construction Group Co., Ltd	Non related party	61,420,747.69	Within 1 year	3.87
Kesheng Environmental Protection Technology Co., Ltd	Non related party	60,834,961.56	Within 1 year	3.83
Jiangsu Zhongsu Construction Engineering Co., Ltd	Non related party	59,477,075.91	Within 1 year	3.75
Total		344,348,572.01		21.69

25. Contract liabilities

Category	12/31/2021	1/1/2021
Trade payables	216,905,592.00	121,568,943.76
Total	216,905,592.00	121,568,943.76

26. Employee benefits payable

26.1 General situation

Items	1/1/2021	Increase	Decrease	12/31/2021
Short-term employee benefits	7,464,589.50	487,628,896.12	474,357,553.66	20,735,931.96
Post-employment benefits	-1,853.33	53,263,038.46	50,185,767.60	3,075,417.53
Termination benefits		92,602.16	92,602.16	
Other benefits due in 1 year				
Total	7,462,736.17	540,984,536.74	524,543,321.26	23,811,349.49

26.2 Short-term employee benefits

Item	1/1/2021	Increase	Decrease	12/31/2021
Wages, bonuses, allowances and subsidies	5,336,254.84	384,637,101.24	370,669,050.22	19,304,305.86
Employees' welfare		31,938,099.79	31,938,099.79	

Item	1/1/2021	Increase	Decrease	12/31/2021
Social insurance premiums	2,120.70	20,477,823.95	20,454,704.56	25,240.09
including: Medical insurance premium	2,120.70	17,354,980.67	17,332,926.62	24,174.75
Work-related injury insurance premium		1,193,342.90	1,190,211.66	3,131.24
Maternity insurance premium		1,929,500.38	1,931,566.28	-2,065.90
Housing funds	225,886.52	46,546,469.52	46,234,621.52	537,734.52
Trade union expenditures and employee education funds	1,900,327.44	4,029,401.62	5,061,077.57	868,651.49
Short-term paid absences				
Short-term paid absences profit-sharing plan				
Other short-term employee benefits				
Total	7,464,589.50	487,628,896.12	474,357,553.66	20,735,931.96

26.3 Defined contribution plans

Defined contribution plans item	1/1/2021	Increase	Decrease	12/31/2021
Basic endowment insurance premium	-1,282.06	45,161,245.49	45,068,147.43	91,816.00
Unemployment insurance premium	-571.27	1,872,772.89	1,869,077.17	3,124.45
Payment of annuity		6,229,020.08	3,248,543.00	2,980,477.08
Total	-1,853.33	53,263,038.46	50,185,767.60	3,075,417.53

27. Taxes and dues payable

Items	12/31/2021	1/1/2021
Value added tax	3,234,588.12	
City construction tax	323,494.90	25,023.72
Education fee additional tax	138,640.67	10,724.54
Local education fee additional tax	104,031.63	7,149.70
Land use tax	1,180,422.91	2,664,195.45
Urban real estate tax	3,749,421.41	4,152,858.59
Vehicle and vessel use tax		-21.82
Income tax	5,715,126.43	12,242,416.49
Stamp tax	1,616,844.33	1,387,019.49
Individual income tax	663,123.62	567,938.16
Resource tax	684,056.53	1,298,563.34
Total	17,409,750.55	22,355,867.66

28. Other payables

28.1 Category

Items	12/31/2021	1/1/2021
Interests payable		
Dividends payable		
Other payables	1,035,243,522.34	898,675,590.83
Total	1,035,243,522.34	898,675,590.83

28.1 Other payables

a) Aging presentation of other payables

Aging	12/31/2021		1/1/2021	
	Amount	%	Amount	%
Within 1 year	240,050,688.81	23.19	385,623,643.29	42.91
1-2 year	385,003,504.12	37.19	84,508,959.88	9.40
2-3 year	70,444,564.65	6.80	168,319,209.22	18.73
Over 3 year	339,744,764.76	32.82	260,223,778.44	28.96
Total	1,035,243,522.34	100.00	898,675,590.83	100.00

b) Classification of other receivables by nature

Nature of payment	12/31/2021	1/1/2021
Current account	927,285,770.24	849,114,924.30
Deposit and security deposit	95,406,483.98	41,824,380.55
Withholding and payment	8,379,477.23	6,397,612.77
Other	4,171,790.89	1,338,673.21
Total	1,035,243,522.34	898,675,590.83

c) Top five entities with the largest balances of other payables

Company name	Relationship with the Company	Amount	Aging	Proportion in the total (%)
Lianyungang Port Group Co., Ltd	Non related party	777,879,751.15	1-2year 381,801,326.65, 2-3 year 67,847,753.48, over 3 year 328,230,671.02	75.14
Lianyungang Port Holding Group Xuwei Co., Ltd	Non related party	58,970,766.21	Over 3 year	5.70
Shenghong Petrochemical Group Co., Ltd	Non related party	22,000,000.00	Within 1 year	2.13
Shanghai Zongsheng Engineering Construction Co., Ltd	Non related party	4,884,518.34	Within 1 year	0.47
Lianyungang Ronghua Building Materials Co., Ltd	Non related party	4,232,932.84	Within 1 year	0.41
Total		867,967,968.54		83.85

29. Non-current liabilities due within one year

Item	12/31/2021	1/1/2021
Long-term loans due within one year	1,208,417,500.00	1,844,620,000.00
Bond payable due within one year	2,000,793,651.47	4,003,149,428.67
Long-term payable due within one year	1,101,803,113.73	949,174,316.26
Total	4,311,014,265.20	6,796,943,744.93

30. Other current liabilities

Items	12/31/2021	1/1/2021
Output tax to be transferred	8,989,211.49	8,243,289.50
Phase III ultra short term financing bonds of Jiangsu Fangyang Group Co., Ltd. in 2020		500,000,000.00
Phase II ultra short term financing bonds of Jiangsu Fangyang Group Co., Ltd. in 2020		730,000,000.00
Phase I directional debt financing plan of Jiangsu Fangyang Group Co., Ltd. in 2021 (China Construction Bank)	700,000,000.00	

Items	12/31/2021	1/1/2021
Phase I debt financing plan of Jiangsu Fangyang Group Co., Ltd. in 2021 (Bank of China)	72,000,000.00	
Phase II debt financing plan of Jiangsu Fangyang Group Co., Ltd. in 2021 (Bank of China)	228,000,000.00	
Phase II ultra short term financing bonds of Jiangsu Fangyang Group Co., Ltd. in 2021 (Bank of Nanjing)	400,000,000.00	
Phase III ultra short term financing bonds of Jiangsu Fangyang Group Co., Ltd. in 2021 (Bank of Ningbo)	500,000,000.00	
2021 Lian Xin E Rong Zi No. 00011	219,000,000.00	
Accrued interest	2,891,166.67	1,568,569.44
Total	2,130,880,378.16	1,239,811,858.94

31. Long-term loan

Items	12/31/2021	1/1/2021
Credit loans	4,777,497,000.00	4,773,967,000.00
Mortgage loan	16,676,301,000.00	8,711,787,000.00
Guaranteed loans	9,434,600,000.00	9,534,284,000.00
Pledge loan	792,224,500.50	1,169,500,000.00
Accrued interest	15,752,834.04	16,819,945.04
Sub-total	31,696,375,334.54	24,206,357,945.04
Less: long term loans due within one year	1,208,417,500.00	1,844,620,000.00
Total	30,487,957,834.54	22,361,737,945.04

32. Bonds payable

32.1 Bonds payable exhibit by item

Items	12/31/2021	1/1/2021
2016 Phase II medium term note of Jiangsu Fangyang Group Co., Ltd. (China Construction Bank)		499,457,054.36
2016 Phase I non-public issuance of directional debt financing instruments of Jiangsu Fangyang Group Co., Ltd. (Agricultural Bank of China)		997,677,987.57
2016 Phase I non-public issuance of corporate bonds of Jiangsu Fangyang Group Co., Ltd. (Ping An Securities)		369,451,709.49
2018 Phase I debt financing plan of Jiangsu Fangyang Group Co., Ltd. (Huishang bank)		99,993,856.37
2018 Phase I private issuance of directional debt financing instruments of Jiangsu Fangyang Group Co., Ltd. (Agricultural Bank of China)		499,611,059.56
2019 Phase II debt financing plan of Jiangsu Fangyang Group Co., Ltd. (Bank of Nanjing)	501,806,136.10	500,360,766.44
2019 Phase I non-public issuance of corporate bonds of Jiangsu Fangyang Group Co., Ltd. (Orient Securities)	799,264,470.66	799,037,942.01
2019 Phase I debt financing plan of Jiangsu Fangyang Group Co., Ltd. (Jiangnan bank)	199,579,215.38	198,714,522.21
2018 Phase I overseas US dollar bonds of China Fangyang Trading Co., Ltd. (Guotai Junan Securities)		545,498,205.26
2019 Phase I overseas USD bond of China Fangyang Trading Co., Ltd. (Guotai Junan Securities)		991,459,556.06
2020 Phase I debt financing plan of Jiangsu Fangyang Group Co., Ltd. (Huishang bank)	1,002,755,136.38	1,000,101,538.10
2020 Special bond of Jiangsu Fangyang Group Co.,	797,198,909.40	796,685,331.14

Items	12/31/2021	1/1/2021
Ltd. for the construction of phase I urban underground comprehensive pipe gallery (Orient Securities)		
2020 Phase I non-public directional debt financing instrument of Jiangsu Fangyang Group Co., Ltd. (Bank of Jiangsu)	500,143,829.33	499,792,522.24
2020 first phase of non-public issuance of corporate bonds of Jiangsu Fangyang Group Co., Ltd. (Oriental Citigroup securities)	350,172,824.53	350,075,732.87
2020 Phase I medium term note of Jiangsu Fangyang Group Co., Ltd. (Bank of Nanjing)	498,626,441.18	498,961,475.42
2020 Phase II medium term note of Jiangsu Fangyang Group Co., Ltd. (Minsheng Bank)	550,079,653.55	550,029,129.85
2021 Phase I medium term note of Jiangsu Fangyang Group Co., Ltd. (Bank of Nanjing)	498,887,648.24	
2021 Phase I non-public directional debt financing instrument of Jiangsu Fangyang Group Co., Ltd. (Bank of Jiangsu)	500,797,111.85	
2021 Phase II medium term note of Jiangsu Fangyang Group Co., Ltd. (Minsheng Bank)	500,000,000.00	
2021 phase II non-public directional debt financing instrument of Jiangsu Fangyang Group Co., Ltd. (China CITIC Bank)	600,399,689.16	
2021 Phase I financial direct financing tool of Lianyungang Xuwei Port Investment Group Co., Ltd. (Bank of Nanjing)	50,000,000.00	
2021 Phase I overseas USD bond of China Fangyang Trading Co., Ltd. (Haitong international securities)	950,356,884.57	
2021 Phase II overseas USD bond of China Fangyang Trading Co., Ltd. (Haitong international securities)	951,307,610.11	
Accrued interest	175,120,361.74	177,880,124.09
Subtotal	9,426,495,922.18	9,374,788,513.04
Less: Bond payable due within one year	2,000,793,651.47	4,003,149,428.67
Total	7,425,702,270.71	5,371,639,084.37

Items	Face value (100 million yuan)	Issue date	Bond duration	Issue amount (100 million yuan)	12/31/2020 Balance	Current issue	Interest accrued at face value	Amortization of excess discount	Current repayment	Other	12/31/2021 Balance
2016 Phase II medium term note of Jiangsu Fangyang Group Co., Ltd. (China Construction Bank)	5	2016/5/24	5year	5	499,457,054.36		11,361,643.84	-542,945.64	500,000,000.00		
2016 Phase I non-public issuance of directional debt financing instruments of Jiangsu Fangyang Group Co., Ltd. (Agricultural Bank of China)	10	2016/10/10	5year	10	997,677,987.57		41,720,547.95	-2,322,012.43	1,000,000,000.00		
2016 Phase I non-public issuance of corporate bonds of Jiangsu Fangyang Group Co., Ltd. (Ping An Securities)	3.70	2016/9/2	5year	3.70	369,451,709.49		11,575,627.40	-548,290.51	370,000,000.00		
2018 Phase I debt financing plan of Jiangsu Fangyang Group Co., Ltd. (Huishang bank)	1	2018/1/8	3year	1	99,993,856.37		126,575.34	-6,143.63	100,000,000.00		
2018 Phase I private issuance of directional debt financing instruments of Jiangsu Fangyang Group Co., Ltd. (Agricultural Bank of China)	5	2018/3/30	3year	5	499,611,059.56		8,920,547.95	-388,940.44	500,000,000.00		
2019 Phase II debt financing plan of Jiangsu Fangyang Group Co., Ltd. (Bank of Nanjing)	5	2019/8/30	3year	5	500,360,766.44		32,000,000.00	-1,445,369.66			501,806,136.10
2019 Phase I non-public issuance of corporate bonds of Jiangsu Fangyang Group Co.,	8	2019/11/19	3year	8	799,037,942.01		50,400,000.00	-226,528.65			799,264,470.66

Items	Face value (100 million yuan)	Issue date	Bond duration	Issue amount (100 million yuan)	12/31/2020 Balance	Current issue	Interest accrued at face value	Amortization of excess discount	Current repayment	Other	12/31/2021 Balance
Ltd. (Orient Securities)											
2019 Phase I debt financing plan of Jiangsu Fangyang Group Co., Ltd. (Jiangnan bank)	2	2019/6/14	3year	2	198,714,522.21		13,960,000.00	-864,693.17			199,579,215.38
2018 Phase I overseas US dollar bonds of China Fangyang Trading Co., Ltd. (Guotai Junan Securities)	USD1.00	2018/11/29	3year	USD1.00	545,498,205.26		24,982,278.00	-831,607.72	541,472,480.00	4,857,332.98	
2019 Phase I overseas USD bond of China Fangyang Trading Co., Ltd. (Guotai Junan Securities)	USD1.80	2019/5/29	2.5year	USD1.80	991,459,556.06		71,272,170.00	1,897,519.45	964,104,660.00	25,457,376.61	
2020 Phase I debt financing plan of Jiangsu Fangyang Group Co., Ltd. (Huishang bank)	10	2020/12/18	5year	10	1,000,101,538.10		59,000,000.00	-2,653,598.28			1,002,755,136.38
2020 Special bond of Jiangsu Fangyang Group Co., Ltd. for the construction of phase I urban underground comprehensive pipe gallery (Orient Securities)	8	2020/9/8	7year	8	796,685,331.14		39,920,000.00	-513,578.26			797,198,909.40
2020 Phase I non-public directional debt financing instrument of Jiangsu Fangyang Group Co., Ltd. (Bank of Jiangsu)	5	2020/10/29	2year	5	499,792,522.24		30,750,000.00	-351,307.09			500,143,829.33

Items	Face value (100 million yuan)	Issue date	Bond duration	Issue amount (100 million yuan)	12/31/2020 Balance	Current issue	Interest accrued at face value	Amortization of excess discount	Current repayment	Other	12/31/2021 Balance
2020 first phase of non-public issuance of corporate bonds of Jiangsu Fangyang Group Co., Ltd. (Oriental Citigroup securities)	3.50	2020/3/6	5year	3.50	350,075,732.87		22,750,000.00	-97,091.66			350,172,824.53
2020 Phase I medium term note of Jiangsu Fangyang Group Co., Ltd. (Bank of Nanjing)	5	2020/3/17	3year	5	498,961,475.42		32,500,000.00	335,034.24			498,626,441.18
2020 Phase II medium term note of Jiangsu Fangyang Group Co., Ltd. (Minsheng Bank)	5.50	2020/5/27	5year	5.50	550,029,129.85		33,000,000.00	-50,523.70			550,079,653.55
2021 Phase I medium term note of Jiangsu Fangyang Group Co., Ltd. (Bank of Nanjing)	5.00	2021/3/4	3year	5.00		500,000,000.00	28,224,657.53	1,112,351.76			498,887,648.24
2021 Phase I non-public directional debt financing instrument of Jiangsu Fangyang Group Co., Ltd. (Bank of Jiangsu)	5.00	2021/4/6	2year	5.00		500,000,000.00	25,150,684.93	-797,111.85			500,797,111.85
2021 Phase II medium term note of Jiangsu Fangyang Group Co., Ltd. (Minsheng Bank)	5.00	2021/10/8	3year	5.00		500,000,000.00	7,358,904.11				500,000,000.00
2021 phase II non-public directional debt financing instrument of Jiangsu Fangyang Group Co., Ltd. (China CITIC Bank)	6.00	2021/10/8	3year	6.00		600,000,000.00	6,245,753.42	-399,689.16			600,399,689.16

Items	Face value (100 million yuan)	Issue date	Bond duration	Issue amount (100 million yuan)	12/31/2020 Balance	Current issue	Interest accrued at face value	Amortization of excess discount	Current repayment	Other	12/31/2021 Balance
2021 Phase I financial direct financing tool of Lianyungang Xuwei Port Investment Group Co., Ltd. (Bank of Nanjing)	0.50	2021/12/16	2year	0.50		50,000,000.00					50,000,000.00
2021 Phase I overseas USD bond of China Fangyang Trading Co., Ltd. (Haitong international securities)	USD1.5	2021/3/22	3year	USD1.5		977,865,000.00	25,649,482.50	5,998,115.43		21,510,000.00	950,356,884.57
2021 Phase II overseas USD bond of China Fangyang Trading Co., Ltd. (Haitong international securities)	USD1.5	2021/11/10	3year	USD1.5		962,175,000.00		5,047,389.89		5,820,000.00	951,307,610.11
Accrued interest					177,880,124.09						175,120,361.74
Subtotal					9,374,788,513.04	4,090,040,000.00	92,629,482.49	2,350,978.92	3,975,577,140.00	57,644,709.59	9,426,495,922.18
Less: Bond payable due within one year					4,003,149,428.67						2,000,793,651.47
Total					5,371,639,084.37						7,425,702,270.71

33. Lease liabilities

Items	1/1/2021	Increase	Decrease	12/31/2021
Lease payments		99,819,451.23	4,941,556.99	94,877,894.24
Less: Unconfirmed financing costs		19,553,833.81	3,838,610.20	15,715,223.61
Total		80,265,617.42	1,102,946.79	79,162,670.63

34. Long-term payable

34.1 Category

Items	12/31/2021	1/1/2021
Long-term payable	1,733,768,518.99	1,182,099,975.94
Long-term employee benefits payable		
Special payable	123,663,967.57	58,057,343.18
Total	1,857,432,486.56	1,240,157,319.12

34.2 Long-term payable

Items	12/31/2021	1/1/2021
Finance lease payable	3,072,405,790.62	2,354,361,996.26
Financial leasing - unrecognized financing costs	-236,834,157.90	-223,087,704.06
Subtotal	2,835,571,632.72	2,131,274,292.20
Less: long term accounts payable due within one year	1,101,803,113.73	949,174,316.26
Total	1,733,768,518.99	1,182,099,975.94

34.3 Special payable

Items	1/1/2021	Increase	Decrease	12/31/2021
Reward for the 16th batch of six talent peaks	40,000.00		40,000.00	
555 project	27,743.18		27,743.18	
521 project	50,000.00		50,000.00	
Jiangsu Petrochemical Wastewater (sludge) treatment engineering technology research center project	50,000.00		50,000.00	
Provincial Patent funding for two invention patents of R & D Center	1,600.00		1,600.00	
Special fund for mining environment control of xizoushan phase II project	57,888,000.00		1,144,791.60	56,743,208.40
Special funds for Comprehensive Bonded Zone		64,920,759.17		64,920,759.17
Ecological restoration of coastline		2,000,000.00		2,000,000.00
Total	58,057,343.18	66,920,759.17	1,314,134.78	123,663,967.57

35. Deferred Incomes

Items	12/31/2020	Increase	Included in current profits and losses or offset related costs	12/31/2021
Continental Bridge Products Exhibition Center	150,000.00		150,000.00	
Public rental housing phase II	17,000,000.00			17,000,000.00
Waterworks, sewage treatment plants	30,748,736.08		1,238,166.68	29,510,569.40

Items	12/31/2020	Increase	Included in current profits and losses or offset related costs	12/31/2021
Yunhu community neighborhood center phase II construction project	2,600,000.00			2,600,000.00
Multimodal transport center project	383,333.33			383,333.33
Underground utility tunnel in Xuwei New Area	89,916,666.67			89,916,666.67
Loan discount for multimodal transport center project	3,000,000.00			3,000,000.00
Emergency rescue command center	16,210,000.00			16,210,000.00
Return of sea area use right	186,738,633.90			186,738,633.90
2019 Provincial environmental protection guiding fund for high salinity wastewater treatment project	23,500,000.00		1,566,666.64	21,933,333.36
Xuwei new area coal logistics reserve base		90,000,000.00		90,000,000.00
Lianyungang comprehensive bonded zone (block I) phase II project		5,000,000.00		5,000,000.00
Phase II project of Xuwei New Area multimodal transport center		5,000,000.00		5,000,000.00
2019 Provincial environmental protection guiding fund for the third party treatment project of industrial wastewater in Lianyungang petrochemical base	8,000,000.00		533,333.36	7,466,666.64
Subsidy for water quality improvement project of Dongxin farm	22,188,560.00			22,188,560.00
Ecological civilization construction fund of high salt wastewater treatment project in Xuwei New Area in 2020	40,000,000.00		2,666,666.72	37,333,333.28
Subsidy for neighborhood project	5,500,000.00		5,500,000.00	
Xianghe new village (shantytown issue phase I project) supporting infrastructure construction project funds	11,040,000.00			11,040,000.00
One time access subsidy for energy station	25,359,353.50		25,359,353.50	
Training subsidy	289,622.63		289,622.63	
Reward for bare soil cover of trial site	30,000.00		30,000.00	
Continental Bridge Exhibition Center		150,000.00		150,000.00
Adjust the provincial special fund for the development of modern service industry		2,480,000.00		2,480,000.00
Subsidy fund of special fund for modern service industry development (modern service industry project) in 2021		4,160,000.00		4,160,000.00
Award and supplementary funds for construction of emergency water source in Xianghe lake, Shanhou River, GuBo		1,000,000.00		1,000,000.00
2021 provincial special fund for ecological environment protection - Xuwei sewage treatment plant		4,570,000.00		4,570,000.00

Items	12/31/2020	Increase	Included in current profits and losses or offset related costs	12/31/2021
upgrading project				
2021 provincial special fund for ecological environment protection Lianyungang petrochemical base chemical high salt wastewater treatment project (phase I)		5,000,000.00		5,000,000.00
2021 municipal pollution control fund - Xuwei sewage treatment plant upgrading project		4,000,000.00		4,000,000.00
Total	482,654,906.11	121,360,000.00	37,333,809.53	566,681,096.58

Note: Details of government grants are shown in Notes V-56. Government grants.

36. Paid-in capital

Items	1/1/2021		Increase	Decrease	12/31/2021	
	Amount	%			Amount	%
Lianyungang Municipal People's Government	7,500,000,000.00	100.00	1,070,000,000.00		8,570,000,000.00	100.00
Total	7,500,000,000.00	100.00	1,070,000,000.00		8,570,000,000.00	100.00

Note: The company increased its registered capital by 1,070,000,000.00 yuan this year, which was verified by Lianyungang branch of Tianheng Certified Public Accountants LLP and issued Tianheng Lianyan (2021) No. 0003 capital verification report.

37. Capital surplus

Items	12/31/2021	Increase	Decrease	12/31/2021
Transfer of funds	2,117,382,613.91	714,262,200.00		2,831,644,813.91
Other capital surplus	1,307,960,289.80	754,559,040.69	77,215,038.33	1,985,304,292.16
total	3,425,342,903.71	1,468,821,240.69	77,215,038.33	4,816,949,106.07

Note :

Capital surplus changes in the current period:

(1) The capital surplus of the current period increased by 1,468,821,240.69 yuan, including 714,262,200.00 yuan increase in government grants and allocated assets; The minority shareholders of Jiangsu Fangyang Logistics Co., Ltd. reduced their shareholding ratio and increased the capital surplus by 192,032,974.01 yuan; The capital surplus increased by 551,940,088.00 Yuan due to the capital investment of minority shareholders of Lianyungang Xuwei Port Investment Group Co., Ltd.; The sale of Jiangsu Donggang energy investment equity resulted in an increase of 7,885,978.68 yuan in capital surplus; the capital surplus increased by 2,700,000.00 yuan due to the company cancelled.

(2) In the current period, the capital surplus decreased by 77,215,038.33 yuan, including 59,660,133.78 yuan for the purchase of minority shareholders' equity of Lianyungang Yunyu Industrial Development Co., Ltd., 16,375,735.86 yuan for the dilution of minority shareholders' capital investment of Lianyungang Xuwei Port Investment Group Co., Ltd., and 1,179,168.69 yuan for asset allocation.

38. Other Comprehensive Incomes

Item	Opening Balance	Current Period					Closing Balance
		Amount in current period before income tax	Less: Previously recognized in other comprehensive income transferred to profit or loss	Less: income tax	Amount attribute to parent company after tax	Amount attribute to non-controlling shareholders after tax	
1. Other comprehensive incomes that cannot be reclassified into the profit and loss							
Include: Recalculate the defined benefit plan liabilities and net change in net assets							
Share of profit or loss that under the equity method investees cannot reclassify into other profit and loss							
Changes in fair value of other equity instrument investments							
2. Other consolidate incomes that will be reclassified into profit and loss	3,173,536,693.86	72,612,233.95	317,679,332.76	-61,266,774.70	-29,142,981.96	-154,657,342.15	-29,142,981.96
Include: share of profit or loss that under the equity method investees will reclassify into profit and loss							
Changes in fair value of other debt investments							

Item	Opening Balance	Current Period					Closing Balance
		Amount in current period before income tax	Less: Previously recognized in other comprehensive income transferred to profit or loss	Less: income tax	Amount attribute to parent company after tax	Amount attribute to non-controlling shareholders after tax	
Provision for credit impairment of other debt investments							
Effective part of profit and loss of cash flow hedging							
Fair value increment of self use inventory or intangible assets converted into investment real estate	3,173,536,693.86	72,612,233.95	317,679,332.76	-61,266,774.70	-29,142,981.96	-154,657,342.15	-29,142,981.96
Other comprehensive Income Total	3,173,536,693.86	72,612,233.95	317,679,332.76	-61,266,774.70	-29,142,981.96	-154,657,342.15	-29,142,981.96

39. Surplus reserve

Items	1/1/2021	Increase	Decrease	12/31/2021
Statutory accumulation reserve	411,653,439.12	123,130,657.29		534,784,096.41
total	411,653,439.12	123,130,657.29		534,784,096.41

40. Undistributed profit

Items	2020	2019
Beginning balance before adjustment	3,570,675,779.45	3,104,450,000.86
Adjustment for beginning balance(increase+,decrease-)		
Beginning balance after adjustment	3,570,675,779.45	3,104,450,000.86
Plus: net profit attributable to owners of the parent company for the current period	1,801,406,654.87	483,982,515.14
Less: Withdrawal of statutory surplus reserves	123,130,657.29	17,756,736.55
Withdrawal of general risk preparedness		
Ending balance	5,248,951,777.03	3,570,675,779.45

41. Operating revenue

41.1 Sales and other operating income

Items	2021 (Jan-Dec)		2020 (Jan-Dec)	
	Revenue	Cost	Revenue	Cost
Main operations	11,205,640,721.65	9,685,075,883.83	5,984,637,851.00	5,458,371,090.81
Other operations	707,662,720.91	671,986,176.26	885,401,114.26	812,597,531.98
Total	11,913,303,442.56	10,357,062,060.09	6,870,038,965.26	6,270,968,622.79

41.2 Main operations (disclosure by branch line of business)

Items	2021 (Jan-Dec)		2020 (Jan-Dec)	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Engineering construction	1,757,597,966.05	1,390,784,954.31	1,360,031,170.47	1,220,507,955.45
Land consolidation and development			31,602,939.67	26,335,783.06
Management and maintenance	97,698,762.11	76,459,372.60	38,679,306.05	4,681,752.95
Raw water sales	22,042,911.40	14,667,091.29	39,669,037.14	35,615,015.68
Industrial sewage treatment	255,302,222.04	108,285,968.08	64,431,659.71	34,512,708.24
Tap water sales	35,246,994.55	34,627,722.67	7,693,159.25	13,272,081.50
Industrial water sales	70,562,011.05	31,835,049.06		
Steam sales	987,403,252.79	1,036,298,330.28	664,695,677.94	528,033,950.86
Electricity sales	762,536,454.48	693,073,788.02	159,604,239.16	135,871,052.87
Power operation and maintenance	319,358.49	214,532.72	145,911.32	77,182.30
Commodity sales	4,537,346,419.01	4,408,066,160.45	2,819,290,209.49	2,808,675,326.65
Loading and unloading	44,388,348.61	21,669,005.20		
Storage and stockpiling	3,035,557.29	4,076,087.41		
Port administration	710,193.31	2,015,673.26		
Logistics transportation	11,797,595.27	12,453,282.35		
Charter business	143,772,068.19	224,742,055.34	191,834,730.53	172,609,331.47
Advertising exhibition	4,618,113.57	8,245,811.96	3,927,260.10	9,137,581.66
Estate management	76,303,423.17	75,013,049.78	22,285,877.05	21,155,608.39
Catering and service	54,608,002.35	60,442,267.80	49,522,360.89	47,651,937.51

Items	2021 (Jan-Dec)		2020 (Jan-Dec)	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Supermarket retail	33,082,121.86	26,964,588.51		
Consulting service	26,173,471.19	15,352,529.84	1,060,053.42	3,977,197.63
Event planning	1,329,245.28	523,643.80		
Commercial housing sales	17,345,542.78	16,424,540.14	170,493,532.36	159,857,017.58
Land reclamation	2,158,536,900.00	1,333,109,567.25	219,215,600.00	123,617,210.00
Loan service business	203,526.84			
Other main businesses	103,680,259.97	89,730,811.71	140,455,126.45	112,782,397.01
Total	11,205,640,721.65	9,685,075,883.83	5,984,637,851.00	5,458,371,090.81

41.3 Other operations

Items	2021 (Jan-Dec)		2020 (Jan-Dec)	
	Other operating revenue	Other operating cost	Other operating revenue	Other operating cost
Electricity income	4,224,778.33	2,053,938.47	5,708,986.33	6,252,725.98
Others	703,437,942.58	669,932,237.79	879,692,127.93	806,344,806.00
Total	707,662,720.91	671,986,176.26	885,401,114.26	812,597,531.98

42. Taxes and surcharge

Items	2021 (Jan-Dec)	2020 (Jan-Dec)
Resource tax	2,163,228.29	974,150.08
Land Value Increment Tax	1,302,989.25	295,486.28
Urban real estate tax	32,471,336.51	24,199,485.77
Vehicle and vessel usage tax	68,445.29	66,286.59
Land use tax	29,395,286.68	32,272,924.26
Stamp tax	10,485,638.42	5,046,677.03
City construction tax	3,123,488.25	2,489,990.01
Education fee additional tax	1,379,342.14	1,067,043.86
Local education fee additional tax	905,154.06	710,338.22
Environmental protection tax	6,168,610.30	
Others		2,220,835.11
Total	87,463,519.19	69,343,217.21

43. Financial expenses

Items	2021 (Jan-Dec)	2020 (Jan-Dec)
Interest expenses	829,805,816.71	529,016,368.52
Including: interest expense of lease liabilities	3,838,610.20	
Less: Interest income	228,287,819.96	218,287,252.10
Finance Discount		
Add: Exchange loss	-9,380,502.71	-120,563,146.66
Add: Commission	52,227,942.97	57,730,774.55
Add: Bill discount expense		169,966.00
Add: Cash discount		
Add: Others	14,754,782.93	6,689,675.13
Total	659,120,219.94	254,756,385.44

44. Other income

Items	2021 (Jan-Dec)	2020 (Jan-Dec)
Government subsidy	39,204,797.58	83,227,669.54
Refund of handling charges for withholding individual income tax	132,063.44	70,763.92
Total	39,336,861.02	83,298,433.46

Note: Details of government grants are shown in Notes V-56. Government grants.

45. Investment income

Sources of investment income	2021 (Jan-Dec)	2020 (Jan-Dec)
Investment income from long-term equity investments under the equity method	18,263,856.43	10,417,081.05
Investment income from disposing long-term equity investments	179,495,112.98	
Income from derecognition of financial assets measured at amortized cost	-161,638.88	
Investment income of financial products	41,076,199.81	
Total	238,673,530.34	10,417,081.05

46. Gains from changes in fair value

Items	2021 (Jan-Dec)	2020 (Jan-Dec)
Investment real estate measured by fair value	1,724,943,700.00	871,847,700.00
Total	1,724,943,700.00	871,847,700.00

47. Credit impairment loss ("-" for losses)

Items	2021 (Jan-Dec)	2020 (Jan-Dec)
Bad debt loss of accounts receivable	-6,507,681.42	
Bad debt loss of other receivables	4,164,498.87	
Total	-2,343,182.55	

48. Credit impairment loss ("-" for losses)s

Items	2021 (Jan-Dec)	2020 (Jan-Dec)
Bad debt provision		-8,081,357.60
Total		-8,081,357.60

49. Gains from disposal of assets

Items	2021 (Jan-Dec)	2020 (Jan-Dec)
Gains or losses from disposal of fixed assets	4,923,157.61	-661,711.57
Gains or losses from disposal of Intangible assets	45,480.09	
Total	4,968,637.70	-661,711.57

50. Non-operating income

Items	2021 (Jan-Dec)	2020 (Jan-Dec)
Net income from donation	98,800.00	
Net income from fines	1,910,882.65	692,624.56
Income from demolition compensation	245,734.17	
Insurance indemnity income	122,000.10	
Others	585,596.19	3,708,504.70

Items	2021 (Jan-Dec)	2020 (Jan-Dec)
Total	2,963,013.11	4,401,129.26

51. Non-operating expenses

Items	2021 (Jan-Dec)	2020 (Jan-Dec)
Losses on scrapping of fixed assets	37,307.05	164,359.68
Donation expenses	251,769.05	39,600.00
Fine expenditure	377,971.06	1,540.87
Others	216,424.06	941,554.37
Total	883,471.22	1,147,054.92

52. Income tax

Items	2021 (Jan-Dec)	2020 (Jan-Dec)
Current income tax according to the Income Tax Law	11,304,950.49	7,567,488.11
Deferred income tax adjustment	430,488,582.50	215,718,530.68
Total	441,793,532.99	223,286,018.79

53. Net of income tax effect of other comprehensive income

Details are shown in Notes V-38. incurred in the current period.

54. Supplementary information of cash flow statement

54.1 Reconciliation of net profit/(loss)to cash flows from operating activities

SUPPLEMENTARY INFORMATION	2021 (Jan-Dec)	2020 (Jan-Dec)
1.Reconciliation of net profit/(loss)to cash flows from operating activities		
Net profit	1,808,669,229.51	548,718,458.03
Add: Provision for credit impairment		8,081,357.60
Provision for asset impairment	2,343,182.55	
Depreciation of fixed assets	439,627,227.43	320,799,910.24
Amortization of intangible assets	32,981,111.55	98,204,759.97
Amortization of long-term prepaid expenses	18,112,802.89	17,435,083.01
Losses on disposal of fixed assets, intangible assets&other long-term assets' deduct gains	-4,968,637.70	661,711.57
Losses on disposal of fixed assets	37,307.05	164,359.68
Losses on changes of fair value	-1,724,943,700.00	-871,847,700.00
Financial expenses	1,127,603,784.55	529,016,368.52
Losses arising from investments(deduct: gains)	-238,835,169.22	-10,417,081.05
Decrease in deferred tax debit	-574,622.08	-2,020,339.39
Increase in deferred tax credit	351,816,091.81	180,427,894.09
Decrease in inventories(deduct: increase)	292,285,579.75	-750,140,126.45
Decrease in operating receivables(deduct: increase)	-5,843,723,309.04	-4,140,929,704.89
Increase in operating payables(deduct: decrease)	3,442,131,662.03	3,764,496,355.58
Others		
Net cash flows from operating activities	-297,437,458.92	-307,348,693.49
2.Investing and financing activities that do not involve cash receipts and payment:		
Conversion of debt into capital		
Reclassification of convertible bonds expiring within one year as current liability		

SUPPLEMENTARY INFORMATION	2021 (Jan-Dec)	2020 (Jan-Dec)
Fixed assets acquired under finance leases		
3.Net increase/(decrease) in cash and cash equivalents		
Cash at end of year	7,578,867,676.36	7,371,529,290.15
Less: Cash at beginning of year	7,713,174,153.87	5,490,537,721.27
Plus: Cash equivalents at end of year		
Less: Cash equivalents at beginning of year		
Net increase/(decrease) in cash and cash equivalents	-134,306,477.51	1,880,991,568.88

54.2 Composition of Cash & Cash Equivalent

Items	2021 (Jan-Dec)	2020 (Jan-Dec)
1. Cash	7,578,867,676.36	7,371,529,290.15
Including: Cash On Hand	48,713.38	92,483.62
Cash in bank	7,578,818,962.98	7,371,436,806.53
Other monetary funds		
2. Cash Equivalents		
Including: Bond Investment Maturing within 3 Months		
3. Closing Balance of Cash & Cash Equivalents	7,578,818,962.98	7,371,436,806.53

55. Assets with Restricted Ownership or Use Rights

Items	Amount	Limited reason
Cash & Cash Equivalents	5,129,835,021.29	Pledge of certificates of deposit, margin, etc
Inventories	44,189,300.00	Financing Mortgage
Fixed assets	517,278,038.57	Financing Mortgage
Investment property	14,812,056,100.00	Financing Mortgage
Intangible assets	1,090,754,255.54	Financing Mortgage
Total	21,594,112,715.40	

56. Government grants

56.1 Details of government grants included in profit and loss or deduction of costs

Item	Related to Assets / Related to income	Amount	Presentation	Amount included in Profit or loss
Sewage treatment fee allocated by the National East Central West Regional	Related to income	11,091,400.00	Other income	11,091,400.00
Subsidy fund for rural road construction in Jiangsu Province in 2020	Related to income	1,940,000.00	Other income	1,940,000.00
VAT plus / minus	Related to income	1,697,900.80	Other income	1,697,900.80
Provincial natural disaster relief funds in 2021	Related to income	1,500,000.00	Other income	1,500,000.00
Subsidy for public rental housing lease	Related to income	1,161,000.00	Other income	1,161,000.00
Special subsidy for sewage pipe network maintenance	Related to income	1,000,000.00	Other income	1,000,000.00
Special fund for the construction of central large	Related to income	1,000,000.00	Other income	1,000,000.00
Subsidy for football field of fire fighting and rescue emergency center	Related to income	900,000.00	Other income	900,000.00

Item	Related to Assets / Related to income	Amount	Presentation	Amount included in Profit or loss
Special subsidy for epidemic prevention of Landbridge company in 2021	Related to income	800,000.00	Other income	800,000.00
Job stabilization subsidy	Related to income	695,805.15	Other income	695,805.15
Employment internship and work as training subsidy	Related to income	360,580.14	Other income	360,580.14
2018 provincial special fund for energy conservation and emission reduction	Related to income	300,000.00	Other income	300,000.00
Subsidy for comprehensive treatment center for construction waste recycling in the New Area	Related to income	250,000.00	Other income	250,000.00
Jiangsu provincial regional equity market listing incentives	Related to income	200,000.00	Other income	200,000.00
Subsidies for safety production and industrial injury knowledge training	Related to income	169,500.00	Other income	169,500.00
In 2021, the first batch of funds paid for municipal scientific and technological innovation policies	Related to income	150,000.00	Other income	150,000.00
The second batch of safety skill training subsidy Enterprises	Related to income	133,681.51	Other income	133,681.51
Refund of service charge for withholding individual income tax	Related to income	132,063.44	Other income	132,063.44
2020 central and provincial subsidy funds for forest resources cultivation (afforestation)	Related to income	109,471.69	Other income	109,471.69
Provincial inclusive national East Central West Regional Cooperation Demonstration Zone Xinsi listing subsidy	Related to income	100,000.00	Other income	100,000.00
Special fund for provincial inclusive financial development of Continental Bridge	Related to income	100,000.00	Other income	100,000.00
Subsidy for standardized construction of water intake	Related to income	60,000.00	Other income	60,000.00
Bt0008521 project subsidy	Related to income	60,000.00	Other income	60,000.00
Chemical wastewater (sludge) treatment project	Related to income	50,000.00	Other income	50,000.00
Reward for warehousing cultivation of high-tech enterprises	Related to income	50,000.00	Other income	50,000.00
Subsidies for job training	Related to income	46,999.20	Other income	46,999.20
The 16th batch of six talents subsidies	Related to income	40,000.00	Other income	40,000.00
Award for qualified implementation of intellectual property standards	Related to income	30,000.00	Other income	30,000.00

Item	Related to Assets / Related to income	Amount	Presentation	Amount included in Profit or loss
Special fund for hydrolysis and acidification of high Petrochemical Wastewater	Related to income	21,600.00	Other income	21,600.00
Bt0002555 project subsidy	Related to income	17,743.18	Other income	17,743.18
2020 Xuwei New Area Safety Production Award	Related to income	10,000.00	Other income	10,000.00
Safety production bonus of Emergency Management Bureau	Related to income	10,000.00	Other income	10,000.00
Award for advanced units of Party building brand innovation achievements	Related to income	7,000.00	Other income	7,000.00
2021 authorized invention patent subsidy fund	Related to income	5,000.00	Other income	5,000.00
Excellent award for the competition unit of the Emergency Management Bureau	Related to income	2,000.00	Other income	2,000.00
Linlihui Xuwei Lake financial subsidy	Related to income	3,600,000.00	Other income	3,600,000.00
Others	Related to income	282.51	Other income	282.51
transfer from current deferred income	Related to income	11,534,833.40	Other income	11,534,833.40
Return of current government subsidies				
Total		39,336,861.02		39,336,861.02

56.2 Details of government grants recorded into deferred revenue

Items	Type (asset related / income related)	12/31/2020 Balance	Increase	Included in current profits and losses or offset related costs	Others changes	12/31/2021 Balance	Items included in profit and loss or offset related costs
Continental Bridge Product Exhibition Center	Income related	150,000.00				150,000.00	
Public rental housing phase II	Income related	17,000,000.00				17,000,000.00	
Water plant and sewage treatment plant	Income related	30,748,736.08		1,238,166.68		29,510,569.40	Other income
Yunhu community neighborhood center phase II construction project	Income related	2,600,000.00				2,600,000.00	
Multimodal transport center project	Income related	383,333.33				383,333.33	
Xuwei new area underground comprehensive pipe gallery	Income related	89,916,666.67				89,916,666.67	
Discount interest on loan for multimodal transport center project	Income related	3,000,000.00				3,000,000.00	

Items	Type (asset related / income related)	12/31/2020 Balance	Increase	Included in current profits and losses or offset related costs	Others changes	12/31/2021 Balance	Items included in profit and loss or offset related costs
Emergency rescue command center	Income related	16,210,000.00				16,210,000.00	
Return of sea area use right fee	Income related	186,738,633.90				186,738,633.90	
2019 provincial environmental protection guidance fund for high salt wastewater treatment project in Xuwei New Area	Income related	23,500,000.00		1,566,666.64		21,933,333.36	Other income
Xuwei new area coal logistics reserve base	Income related		90,000,000.00			90,000,000.00	
Lianyungang comprehensive bonded zone (block I) phase II project	Income related		5,000,000.00			5,000,000.00	
Xuwei New Area multimodal transport center phase II project	Income related		5,000,000.00			5,000,000.00	
2019 provincial environmental protection guidance fund for the third party treatment project of industrial wastewater in Lianyungang petrochemical base	Income related	8,000,000.00		533,333.36		7,466,666.64	Other income
Subsidy for Dongxin farm water supply quality improvement and reconstruction project	Income related	22,188,560.00				22,188,560.00	
2020 ecological civilization construction fund for high salt wastewater treatment project in Xuwei New Area	Income related	40,000,000.00		2,666,666.72		37,333,333.28	Other income
Subsidy for neighborhood fair project	Income related	5,500,000.00		5,500,000.00			Other income
Xianghe new village (shanty town issuance phase I project) supporting infrastructure construction project funds	Income related	11,040,000.00				11,040,000.00	
One time access subsidy for energy station	Income related	25,359,353.50		25,359,353.50			
Training subsidy	Income related	289,622.63		289,622.63			
Reward for bare soil coverage at the trial	Income related	30,000.00		30,000.00			

Items	Type (asset related / income related)	12/31/2020 Balance	Increase	Included in current profits and losses or offset related costs	Others changes	12/31/2021 Balance	Items included in profit and loss or offset related costs
site							
Adjust the provincial special fund for the development of modern service industry	Income related		2,480,000.00			2,480,000.00	
Subsidy fund of special fund for modern service industry development (modern service industry project) in 2021	Income related		4,160,000.00			4,160,000.00	
Award and supplementary funds for construction of emergency water source in Xianghe lake, Shanhou River, GuBo	Income related		1,000,000.00			1,000,000.00	
2021 provincial special fund for ecological environment protection - Xuwei sewage treatment plant upgrading project	Income related		4,570,000.00			4,570,000.00	
2021 provincial special fund for ecological environment protection Lianyungang petrochemical base chemical high salt wastewater treatment project (phase I)	Income related		5,000,000.00			5,000,000.00	
2021 municipal pollution control fund - Xuwei sewage treatment plant upgrading project	Income related		4,000,000.00			4,000,000.00	
Total		482,684,906.11	121,210,000.00	37,213,809.53		566,681,096.58	

VI. Changes in Consolidated Scope

1. Establishment of subsidiaries No.

Lianyungang Xuwei port ship Service Co., Ltd. was newly established and included in the scope of consolidated statements..

2. Disposal subsidiary

Shanghai Fangyang Investment Management Co., Ltd. has been cancelled and will no longer be included in the scope of consolidated statements.

VII. Interests in Other Entities

1. Interests in Subsidiaries

1.1. Group Composition:

No.	Name of Subsidiary	Grade	Registration Place	Operation Site	Business Nature	Paid-in capital	Share-holding Ratio (%)		Acquisition Manner
							direct	indirect	
1	Jiangsu Fangyang Logistics Co., Ltd	1	Lianyungang	Lianyungang	Domestic freight forwarders;international freight forwarders;domestic shipping agents; (excludinghazardous chemicals) are housing services, loading and unloadingservices; car, machinery andequipment leasing, etc.	215,868.00	76.84		Investment
2	Jiangsu Fangyang Car Rental Service Co., Ltd	2	Lianyungang	Lianyungang	Automobile. mechanical equipment,house leasing; second-hand car intermediary services; automobiles,auto parts and accessories,stone, wood, steel, mineral products, metalmaterials, environmental protection materials, construction materials,chemical products (except hazardous chemicals), chemical fertilizers and fertilizers sales of raw materials (except hazardous chemicals); general cargo transportation; domestic waterway cargo transportation, etc.	1,193.05		100.00	Investment
3	Lianyungang Silk Road International Trade Co., Ltd	2	Lianyungang	Lianyungang	Self-operated and agent import and export business of all kinds of commodities and technologies (except for products restricted or prohibited by the state); pre-packaged food and bulk food wholesale and retail; wholesale of textiles, mineral products, construction materials, cotton yarn products ;Primary processing of vegetables, fresh agricultural products (meat, eggs), etc.	5,000.00		100.00	Investment
4	Jiangsu Fangyang Water Service Co., Ltd	1	Lianyungang	Lianyungang	Provide centralized water supply services in the areas approved by relevant departments; operation management of water treatment facilities; water investment, construction and management; water supply and drainage technology consulting , technology development, technical services; technical services and technologies for water supply and drainage pipeline network equipment surveys and water leak detection consultation; water supply and drainage engineering construction, etc.	197,997.80	100.00		Investment

No.	Name of Subsidiary	Grade	Registration Place	Operation Site	Business Nature	Paid-in capital	Share-holding Ratio (%)		Acquisition Manner
							direct	indirect	
5	Lianyungang Xuwei Construction Engineering Co., Ltd	2	Lianyungang	Lianyungang	Municipal engineering, highway engineering, electromechanical engineering, electrical and automation engineering, steel structure engineering, housing construction engineering, earthwork engineering, waterway engineering, landscaping engineering, greening maintenance engineering, road cleaning, garbage removal, urban and road lighting engineering Construction and maintenance, etc.	4,000.00		100.00	Investment
6	Jiangsu Fangyang environmental monitoring Co., Ltd	2	Lianyungang	Lianyungang	Environmental testing; water quality testing; water treatment materials testing; construction engineering testing; environmental protection facility operation and maintenance; environmental technology consulting services, etc.	1,000.00		100.00	Investment
7	Jiangsu Fangyang Modern Service Industry Group Co., Ltd	1	Lianyungang	Lianyungang	Property management services; creative design of product packaging; design, production, agency, and publication of various domestic advertisements; logistics park construction; energy- saving environmental protection technology research and development; tourism item development; hotel management consulting, etc.	41,298.49	70.65		Investment
8	Lianyungang Fangyang Commercial Management Co., Ltd	2	Lianyungang	Lianyungang	Catering services; catering management; hotel management services; food sales; primary processing of agricultural products; conference and exhibition services; food science and technology research services; house leasing, etc.	484.00		100.00	Investment
9	Lianyungang Suiyuan Catering Management Co., Ltd	3	Lianyungang	Lianyungang	Hotel management; conference services; corporate marketing planning; catering services; food sales, etc.	200.00		100.00	Investment
10	Lianyungang Yunfan Property Service Co., Ltd	2	Lianyungang	Lianyungang	Property management services; labor dispatch operations; building exterior wall cleaning; housekeeping services; parking lot management services; conference services; venue leasing, etc.	500.00		100.00	Investment
11	Jiangsu Fangyang Culture Communication Co., Ltd	2	Lianyungang	Lianyungang	Culture and art communication and exchange; stage art modeling planning; art performance planning; film and television planning consultation; brand culture promotion planning; design, production, agency, and publishing various domestic advertisements; conference and exhibition services; cultural event planning, etc.	1,101.00	100.00		Investment

No.	Name of Subsidiary	Grade	Registration Place	Operation Site	Business Nature	Paid-in capital	Share-holding Ratio (%)		Acquisition Manner
							direct	indirect	
12	Lianyungang Yunhu Trading Co., Ltd	2	Lianyungang	Lianyungang	Daily necessities, cosmetics, leather goods, toys, clothing, shoes and hats, clothing and apparel, needle textiles, textile raw materials, office supplies, stationery, kitchen supplies, hardware and electrical appliances, arts and crafts, chemical products, electronic products, communications wholesale and sales of equipment, electronic computers and accessories, electromechanical equipment and accessories, etc.	1,350.00		100.00	Investment
13	Lianyungang Continental Bridge International Conference Center Co., Ltd	2	Lianyungang	Lianyungang	Catering services for large restaurants (including cold dishes, cakes with decorations, seafood with raw food); accommodation services; conferences, exhibition services; cultural and art exchange activities planning; corporate marketing activities planning; business services; retail of prepackaged food and bulk food; cigarette retail ; Textile sales; handicraft sales, etc.	3,700.00		100.00	Investment
14	Beijing Fangyang Management Consulting Co., Ltd	1	Beijing	Beijing	Business management consulting; economic information consulting; business planning; conference services; undertaking exhibition and display activities; market research; technology development, technology transfer, technology consulting, technology services; investment management, asset management, etc.	1,500.00	100.00		Investment
15	China Fangyang Trading (Hong Kong) Co., Ltd	1	Hongkong	Hongkong		200.00	100.00		Investment
16	Lianyungang Yunhai Financial Leasing Co., Ltd	2	Lianyungang	Lianyungang	Financial leasing business; leasing business; purchase of leased property from domestic and abroad; disposal and maintenance of residual value of leased property; leasing transaction consultation, etc.	119,521.64	44.00	56.00	Investment
17	Lianyungang Yuntai Port Logistics Development Co., Ltd	2	Lianyungang	Lianyungang	Road transportation, storage, loading and unloading services of general cargo; sale of chemical products (except hazardous chemicals), chemical fertilizers, stone materials, wood, steel products, mineral products (except coal and its products), metal materials, environmental protection materials, construction materials	63,836.61		100.00	Investment
18	Lianyungang Yunyu Industrial Development Co., Ltd	3	Lianyungang	Lianyungang	Production of precast concrete parts; wholesale of mineral products (except coal and its products), building materials and chemical products (except hazardous chemicals); self- operated and agent import and export business of various commodities and technologies, etc.	50,000.00		60.00	Investment

No.	Name of Subsidiary	Grade	Registration Place	Operation Site	Business Nature	Paid-in capital	Share-holding Ratio (%)		Acquisition Manner
							direct	indirect	
19	Lianyungang Xuwei Port Investment Group Co., Ltd	1	Lianyungang	Lianyungang	Wharf construction engineering construction; port infrastructure development; industrial investment; construction of municipal public works, highway engineering, bridge engineering, earthwork engineering, landscaping engineering; construction materials, metal materials, environmental protection materials, coal, chemical products (except dangerous goods) sales ; Mechanical equipment leasing; House leasing; warehousing services; loading and unloading services; domestic freight forwarding; international freight forwarding; domestic shipping agent; dangerous chemicals business (operating according to the approved item), etc.	329,536.36	65.964		Investment
20	Lianyungang Xuwei Port Public Engineering Construction Co., Ltd	2	Lianyungang	Lianyungang	Wharf construction engineering construction; port infrastructure development; public facilities engineering, construction engineering, architectural decoration engineering, landscape engineering, electromechanical equipment installation engineering, security engineering, earthwork engineering, steel structure engineering, indoor hydropower installation engineering construction, etc.	9,500.00		100.00	Investment
21	Lianyungang Xuwei port liquid chemical terminal Co., Ltd	2	Lianyungang	Lianyungang	Port operations other than dangerous goods (operating under license); construction of terminal construction projects; development of port infrastructure; sales of construction materials and metal materials	50,000.00		100.00	Investment
22	Jiangsu Fangyang Industrial Investment Co., Ltd	1	Lianyungang	Lianyungang	Operation of ports other than dangerous goods (operation according to license items); Construction of wharf construction works; Port infrastructure development; Sales of building materials and metal materials	100,000.00	75.00		Investment
23	Lianyungang Xuwei Port Supply Chain Service Co., Ltd	2	Lianyungang	Lianyungang	Operation of ports other than dangerous goods (operation according to license items); Construction of wharf construction works; Port infrastructure development; Sales of building materials and metal materials	600.00		100.00	Investment
24	Lianyungang Xuwei Port Shipping Service Co., Ltd	2	Lianyungang	Lianyungang	Port operation and ship port service; International shipping agency; Domestic shipping agency.	900.00		90	Investment

No.	Name of Subsidiary	Grade	Registration Place	Operation Site	Business Nature	Paid-in capital	Share-holding Ratio (%)		Acquisition Manner
							direct	indirect	
25	Jiangsu Fangyang Construction Investment Co., Ltd	1	Lianyungang	Lianyungang	Construction Item Investment; Industrial Investment; Housing Construction Engineering, Architectural Decoration Engineering, Mechanical and Electrical Equipment Installation Engineering, Waterproof and Anticorrosive Thermal Insulation Engineering, Fire Fighting Engineering, Liting Equipment Installation Engineering, Building Curtain Wall Engineering, Municipal Engineering, Steel Structure Engineering, Foundation and Foundation Engineering, Earthwork construction etc.	201,710.00	100.00		Investment
26	Lianyungang Ruiqiao Concrete Co., Ltd	2	Lianyungang	Lianyungang	Pre-mixing of commercial concrete; production of precast concrete parts	7,000.00		86.11	Investment
27	Lianyungang Xuwei Construction Engineering Co., Ltd	2	Lianyungang	Lianyungang	Construction labor subcontracting; All kinds of engineering construction activities; Construction professional operation, etc	5,000.00		100.00	Investment
28	Lianyungang Suhai Investment Co., Ltd	1	Lianyungang	Lianyungang	Properties development and management; industrial investment; infrastructure construction investment; asset management; warehousing; international freight forwarding; domestic freight forwarding, etc.	40,000.00	60.00		Investment
29	Jiangsu Fangyang Intelligent Technology Co., Ltd	1	Lianyungang	Lianyungang	Information technology research and development, consulting, service, promotion, transfer; computer information system integration; computer software and hardware development, sales, maintenance; informational item design, consulting, etc.	8,500.00	100.00		Investment
30	Lianyungang Hongyang Thermal Power Co., Ltd	1	Lianyungang	Lianyungang	thermal power generation; steam sales; sales of ash, chemical raw materials and chemical products (except hazardous chemicals); thermal power generation infrastructure development, construction, etc.	348,000.00	50.00		Investment
31	Lianyungang Hongyang Industrial Co., Ltd	2	Lianyungang	Lianyungang	Trade agent; building materials wholesale; general equipment repair; other water treatment, utilization and distribution	1,000.00		50.00	Investment
32	Jiangsu Donggang Energy Investment Co., Ltd	2	Lianyungang	Lianyungang	Power supply; power technology, technology research and development, technical consulting, technical service technology promotion, technology transfer of power distribution system; design and construction of communication engineering and power engineering, etc.	35,000.00		40.00	Investment

No.	Name of Subsidiary	Grade	Registration Place	Operation Site	Business Nature	Paid-in capital	Share-holding Ratio (%)		Acquisition Manner
							direct	indirect	
33	Jiangsu Fangyang Energy Technology Co., Ltd	1	Lianyungang	Lianyungang	New energy technology research and development; electricity sales services; sales of hot water and steam; investment in electricity, heating, and gas items; investment in distribution networks, heating pipes, and gas pipes, etc.	41,944.28	100.00		Investment
34	Jiangsu Fangyang Construction Engineering Management Co., Ltd	1	Lianyungang	Lianyungang	Design, construction and maintenance of road and bridge projects, municipal greening projects, industrial civil construction projects, electromechanical equipment installation projects, water conservancy projects, inland river dredging projects, item management, consulting services, supervision, etc.	5,263.00	100.00		Investment
35	Jiangsu Fangyang Human Resource Management Co., Ltd	1	Lianyungang	Lianyungang	Domestic professional intermediary; labor dispatch operation; entrusted recruitment; non-degree professional skills training; human resource management consulting; human resource evaluation; education consulting service; outdoor sports activity planning and organization; business information consulting; cultural and art exchange activity planning and organization; conference exhibition services; venue leasing	480.00	100.00		Investment
36	Lianyungang Xuwei Municipal Engineering Co., Ltd	1	Lianyungang	Lianyungang	Construction and maintenance of municipal public works, earthwork, foundation and foundation engineering, bridge engineering, road engineering, landscaping engineering; steel structure engineering construction; installation and maintenance of electromechanical equipment, etc.	10,819.66	50.00		Investment
37	Lianyungang Xuwei Environmental Sanitation Service Co., Ltd	2	Lianyungang	Lianyungang	Municipal domestic waste business services; Disposal of urban construction waste	200.00		50.00	Investment
38	Lianyungang Xuwei Vehicle Inspection Service Co., Ltd	2	Lianyungang	Lianyungang	Inspection and testing services	1,481.22		50.00	Investment
39	Lianyungang Xuwei Emergency Management Technology Service Co., Ltd	2	Lianyungang	Lianyungang	Fire protection technical services; Fire fighting equipment sales	100.00		50.00	Investment

2. Interests in Joint Ventures or Associates

2.1 Important Joint Ventures or Associates

Name of Joint Venture/Associate	Operation Site	Registration Place	Business Nature	Shareholding Proportion		Accounting Method
				Direct	Indirect	
Jiangsu Yangjing Petrochemical Group Co., Ltd	Lianyungang	Lianyungang	Port operation	24.4444		Equity method
Jiangsu Xianghe Agricultural Development Co., Ltd	Lianyungang	Lianyungang	Crop planting	40.00		Equity method

2.2 Key financial information of important joint ventures

Items	12/31/2021/ 2021 (Jan-Dec)		12/31/2020 / 2020 (Jan-Dec)	
	Yangjing	Xianghe	Yangjing	Xianghe
Current assets	6,806,529,932.60	302,432,435.57	3,864,513,324.39	210,705,805.64
Non-current assets	9,977,651,205.44	1,489,652,181.00	5,307,880,151.67	1,247,268,459.41
Total assets	16,784,181,138.04	1,792,084,616.57	9,172,393,476.06	1,457,974,265.05
Current liabilities	4,066,127,806.84	275,772,537.75	2,384,768,654.63	159,107,712.09
Non-current liabilities	5,867,787,036.58	405,749,500.00	2,666,940,987.71	210,943,500.00
Total liabilities	9,933,914,843.42	681,522,037.75	5,051,709,642.34	370,051,212.09
Non-controlling interests	2,811,191,970.37		1,012,900,704.44	
Total equity attributable to owners of the parent company	4,039,074,324.25	1,110,562,578.82	3,107,783,129.28	1,087,923,052.96
Share of net assets calculated by shareholding ratio	987,327,484.12	444,225,031.53	689,617,076.39	435,169,221.18
Adjustment items				
Including: Goodwill				
Unrealized profit of internal transaction				
Others			336,908,161.47	524,704,669.96
Book value of equity investment in joint venture	1,062,947,199.86	959,972,998.30	1,026,525,237.86	959,873,891.14
Fair value of equity investment with public offer				
Operating income	3,793,870,600.67	92,931,525.48	1,024,542,392.48	38,550,750.60
Net profit	56,981,850.86	247,767.91	14,158,918.91	5,926,003.90
Other comprehensive income				
Total comprehensive income	56,981,850.86	247,767.91	14,158,918.91	5,926,003.90
Dividends received from joint ventures in the current period				

VIII. Related Parties and Related Party Transactions

1. The Parent Company of the Company

Name of parent company	Registration Place	Business nature	Shareholding Proportion (%)	Voting rights (%)
Lianyungang Municipal People's Government			100.00	100.00

2. Subsidiaries of the Company:

For details please see Note VII.1.

3. Joint Venture and Associate of the Company

For details please see Note VII.3.

4. Other related party

Name of other related party	Relationship with the Company
Jiangsu Yangjing Petrochemical Group Co., Ltd	Holding 29.35% shares of modern service group
Suzhou Suzhen Thermal Power Co., Ltd	Holding 50% shares of the subsidiary Hongyang thermal power company

Name of other related party	Relationship with the Company
Lianyungang Industrial Investment Group Co., Ltd	Holding 40% shares of the subsidiary Suhai investment company
Guoneng Jiangsu new energy technology development Co., Ltd	Holding 35.71% shares of the subsidiary Donggang energy company

5. Related Party Transactions

5.1 Lease of related parties

The company is the lessor

Name of lessee	Types of leased assets	Lease income recognized in 2021	Lease income recognized in 2020
Jiangsu Yangjing Petrochemical Group Co., Ltd	Asset leasing	1,622,558.19	9,253,102.32

5.2. Related party guarantee

The company guarantees for related parties:

No	Guarantee holder	Amount of guarantee (Ten thousand yuan)	Guarantee period
1	Jiangsu Xianghe Agricultural Development Co., Ltd	18,000.00	2019.06.25-2028.06.24
2		3,000.00	2020.12.30-2030.12.30
3		20,000.00	2021.03.24-2033.03.23
4	Lianyungang Zhangwei Energy Investment Co., Ltd	6,000.00	2019.11.26-2024.11.26
5	China Energy Conservation (Lianyungang) clean technology development Co., Ltd	15,200.00	2017.06.08-2028.09.08
6	Jiangsu Yangjing Petrochemical Group Co., Ltd	8,400.00	2017.12.22-2025.06.21
7		14,000.00	2018.12.12-2028.02.11
8		33,000.00	2019.08.21-2029.08.21
9		28,000.00	2019.06.21-2032.06.20
10		20,000.00	2019.09.24-2023.09.24
11		9,000.00	2021.04.25-2022.04.25
12		5,000.00	2021.05.31-2022.05.31
13		5,500.00	2021.06.07-2022.06.07
14		5,000.00	2021.06.28-2022.06.28
15		10,000.00	2021.06.10-2022.06.10
16		12,000.00	2020.09.01-2022.08.31
17		7,000.00	2020.10.29-2023.10.30
18		8,000.00	2021.05.31-2022.05.31
19		1,000.00	2021.05.31-2022.05.30
20	10,000.00	2021.06.25-2022.06.15	
22	10,000.00	2021.10.11-2022.10.10	
21	Lianyungang Hongyang port storage and Transportation Co., Ltd	20,000.00	2021.12.15-2033.12.14

The related party guarantees the company:

No	Guarantor	Guarantee holder	Amount of guarantee (Ten thousand yuan)	Guarantee period
1	Jiangsu Yangjing Petrochemical Group Co., Ltd	Fangyang Logistics	9,000.00	2021.06.25-2022.06.25
2	Jiangsu Yangjing Petrochemical Group Co., Ltd	Fangyang Group	7,000.00	2020.10.29-2022.10.29
3	Jiangsu Yangjing Petrochemical Group Co., Ltd	Fangyang Group	15,000.00	2021.02.04-2022.02.03
4	Jiangsu Yangjing Petrochemical Group Co., Ltd	Fangyang Group	40,000.00	2020.01.16-2022.01.15

No	Guarantor	Guarantee holder	Amount of guarantee (Ten thousand yuan)	Guarantee period
5	Suzhou Suzhen Thermal Power Co., Ltd	Hongyang thermal power	11,141.16	2017.07.10-2022.01.10
6	Suzhou Suzhen Thermal Power Co., Ltd	Hongyang thermal power	5,672.23	2017.08.15-2022.08.15
7	Suzhou Suzhen Thermal Power Co., Ltd	Hongyang thermal power	5,672.23	2017.08.21-2022.08.15
8	Suzhou Suzhen Thermal Power Co., Ltd	Hongyang thermal power	11,342.19	2018.02.15-2022.11.29
9	Suzhou Suzhen Thermal Power Co., Ltd	Hongyang thermal power	15,000.00	2017.04.27-2022.04.27
	Total		119,827.80	

5.3 Related party fund lending

Related party	12/31/2020	Current borrowing (lending)	Current repayment (recovery)	12/31/2021	Remark
Lending funds					
Jiangsu Yangjing Petrochemical Group Co., Ltd		177,500,000.00	177,500,000.00		
Jiangsu Xianghe Agricultural Development Co., Ltd		410,000,000.00	410,000,000.00		
Suzhou Suzhen Thermal Power Co., Ltd	1,000,000,000.00		21,433,400.00	978,566,600.00	

6.Receivables and Payables of Related Parties

6.1 Receivables

Accounting subjects	Related parties	12/31/2021	12/31/2020
Accounts receivable	Jiangsu Xianghe Agricultural Development Co., Ltd	669,624.42	496,690.99
Accounts receivable	Jiangsu Yangjing Petrochemical Group Co., Ltd	2,904,466.49	11,812,156.49
Accounts receivable	China Energy Conservation (Lianyungang) clean technology development Co., Ltd	794,637.37	503,047.10
Other receivables	Jiangsu Xianghe Agricultural Development Co., Ltd	41,833,400.00	41,803,400.00
Other receivables	Jiangsu Yangjing Petrochemical Group Co., Ltd	1,049,791.79	30,000.00
Other receivables	Suzhou Suzhen Thermal Power Co., Ltd	978,566,600.00	1,000,000,000.00
Other receivables	Lianyungang Xuwei Medical Management Co., Ltd	735,600,000.00	
Other receivables	Jiangsu Fanghua Real Estate Development Co., Ltd	124,500,000.00	
Long-term receivables	Jiangsu Yangjing Petrochemical Group Co., Ltd	75,000,000.00	50,000,000.00

6.2 Payables

Accounting subjects	Related parties	12/31/2021	12/31/2020
Accounts payables	Jiangsu Xianghe Agricultural Development Co., Ltd	6,673,987.11	14,401,769.08
Accounts payables	Lianyungang Industrial Investment Group Co., Ltd	317,170.80	140,329.24
Accounts payables	China Energy Conservation (Lianyungang) clean technology development Co., Ltd	1,910,531.60	
Accounts payables	Lianyungang Jiuyang Environmental Technology Co., Ltd	29,478,883.85	
Accounts payables	Jiangsu Yangjing Petrochemical Group Co., Ltd	2,364,426.18	

Accounting subjects	Related parties	12/31/2021	12/31/2020
Contract liabilities	Jiangsu Yangjing Petrochemical Group Co., Ltd		2,166,586.63
Other payable:	Jiangsu Xianghe Agricultural Development Co., Ltd	54,109.09	7,000.00
Other payable:	Jiangsu Yangjing Petrochemical Group Co., Ltd	200,182.00	16,000.00
Other payable:	Lianyungang Industrial Investment Group Co., Ltd	148,000.00	10,000,000.00
Other payable:	China Energy Conservation (Lianyungang) clean technology development Co., Ltd	7,000.00	7,000.00

IX. Contingencies and Commitment Issues

There is no significant contingencies at December 31, 2021.

X. Post Balance Sheet Event

The Company has no outstanding events occurring after the balance sheet date that require disclosure.

XI. Other Important Information

1. Tenancy

1.1 Lessee information disclosure

Items	Amount
Short term lease expenses included in current profits and losses	
Lease expense of low value assets	
Variable lease payments not included in the measurement of lease liabilities included in current profits and losses	
Income from sublease of right to use assets	
Total cash outflows related to leases	4,941,556.99
Relevant profit and loss from sale leaseback transaction	
Other	

1.2 Qualitative and quantitative information on leasing activities

a) Nature of leasing activities

Leased assets	category	quantity	Lease term	Whether there is renewal option	remark
Pipe rack pipe position	Houses and buildings	1	8.42 year	No	

XII. Notes to the Main Items of the Financial Statements of Parent Company (All currency unit is CNY, except other statements)

1. Accounts receivable

1.1 Disclosed by Aging

Aging	12/31/2021	1/1/2021
Within 1 year	3,228,638,155.47	1,929,755,646.60
1-2 year	1,894,563,083.35	1,842,007,415.83
2-3 year	1,842,001,415.83	1,523,165,077.07
3-4 year	1,523,093,711.94	1,545,665,230.49
4-5 year	1,545,415,496.49	2,478,787,224.65
Over 5 year	2,478,787,224.65	

Aging	12/31/2021	1/1/2021
Book balance sub-total	12,512,499,087.73	9,319,380,594.64
Less: Bad debt provision	53,064.64	78,446.71
Net value	12,512,446,023.09	9,319,302,147.93

1.2 Disclosed by bad debt accrual method

Category	12/31/2021				
	Book Balance	Proportion (%)	Provision for bad debt	Provision Proportion (%)	Book Value
Accounts receivables with significant single amount and tested for impairment individually					
Accounts receivables tested for impairment on a portfolio basis	12,512,499,087.73	100.00	53,064.64		12,512,446,023.09
portfolios of non-related parties	1,134,423.07	0.01	53,064.64	4.68	1,081,358.43
portfolios of government parties	12,477,642,597.50	99.72			12,477,642,597.50
portfolios of related parties	33,722,067.16	0.27			33,722,067.16
Total	12,512,499,087.73	100.00	53,064.64		12,512,446,023.09

Continued on the table

Category	12/31/2020				
	Book Balance	Proportion (%)	Provision for bad debt	Provision Proportion (%)	Book Value
Accounts receivables with significant single amount and tested for impairment individually					
Accounts receivables tested for impairment on a portfolio basis	9,319,380,594.64	100.00	78,446.71		9,319,302,147.93
portfolios of non-related parties	4,814,098.54	0.05	78,446.71	1.63	4,735,651.83
portfolios of government parties	9,277,941,686.06	99.56			9,277,941,686.06
portfolios of related parties	36,624,810.04	0.39			36,624,810.04
Total	9,319,380,594.64	100.00	78,446.71		9,319,302,147.93

In the portfolio, accounts receivable for which bad debt provision is withdrawn by overdue aging analysis method:

Overdue aging	12/31/2021			1/1/2021		
	Book balance	Bad debt provision	Accrual proportion%	Book balance	Bad debt provision	Accrual proportion%
Not overdue	1,020,983.32			4,381,682.41		
Within 1 year	8,122.75	406.14	5.00	6,000.00	300.00	5.00

Overdue aging	12/31/2021			1/1/2021		
	Book balance	Bad debt provision	Accrual proportion%	Book balance	Bad debt provision	Accrual proportion%
1-2 year				71,365.13	7,136.51	10.00
2-3 year				355,051.00	71,010.20	20.00
3-4 year	105,317.00	52,658.50	50.00			
Over 4 year						
Total	1,134,423.07	53,064.64	4.68	4,814,098.54	78,446.71	1.63

Bad debt provision

Items	1/1/2021	Changes in current period			12/31/2021
		Increase	Reversal	Deduct	
Accounts receivable	78,446.71	32,001.24	57,383.31		53,064.64

1.3 Top five entities with the largest balances of the accounts receivable

Company name	12/31/2021	Aging	Proportion in the total (%)
Management Committee of National East, West, central and Regional Cooperation Demonstration Zone	11,424,537,141.14	Within 1 year 2,149,335,201.44、 1-2 year 1,894,563,083.35、 2-3year 1,837,630,018.40、 3-4year 1,520,617,993.81、 4-5ear 1,545,032,659.49、 Over 5year 2,477,358,184.65	91.30
Lianyungang Xuwei Port Investment Group Co., Ltd	22,000,000.00	Within 1 year	0.18
Jiangsu Fangyang Construction Investment Co., Ltd	7,653,000.24	Within 1 year	0.06
Jiangsu Fangyang Modern Service Industry Group Co., Ltd	1,563,398.21	Within 1 year	0.01
Lianyungang Continental Bridge International Conference Center Co., Ltd	1,315,742.70	Within 1 year	0.01
Total	11,457,069,282.29		91.56

2. Other receivables

Items	12/31/2021	1/1/2021
Interests receivable		
Dividends receivable		
Other receivables	2,232,053,610.11	1,312,221,907.97
Total	2,232,053,610.11	1,312,221,907.97

2.1 Other receivables

a) Classification of other receivables by aging

Aging	12/31/2021	1/1/2021
Within 1 year	2,048,194,049.39	870,687,748.26
1-2 year	15,394,139.53	111,442,171.34
2-3 year	78,193,009.94	101,686,472.16

Aging	12/31/2021	1/1/2021
3-4 year	58,936,219.75	10,400,000.00
4-5 year	10,400,000.00	200,290,085.00
Over 5 year	30,614,088.32	30,655,388.32
Book balance sub-total	2,241,731,506.93	1,325,161,865.08
Less: Bad debt provision	9,677,896.82	12,939,957.11
Net value	2,232,053,610.11	1,312,221,907.97

b) Classification of other receivables by nature

Nature of payment	12/31/2021	1/1/2021
Loans and advances	1,210,381,576.56	367,430,990.37
Subsidiaries receivables	908,900,817.09	824,349,134.73
Security deposit	69,659,299.64	74,094,185.64
Other receivables	52,789,813.64	59,287,554.34
Book balance sub-total	2,241,731,506.93	1,325,161,865.08
Less: Bad debt provision	9,677,896.82	12,939,957.11
Net value	2,232,053,610.11	1,312,221,907.97

c) Disclosed by bad debt accrual method

Bad debt provision	Phase I	Phase II	Phase III	Total
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration (no credit impairment)	Expected credit loss for the entire duration (credit impairment has occurred)	
1/1/2021	1,002,191.59	11,937,765.52		12,939,957.11
Opening balance in current period				
—Move to phase II	-363,205.45	363,205.45		
—Move to phase III				
—Back to phase II				
—Back to phase I				
Current increase	556,585.86	363,205.45		919,791.31
Current Reversal		4,181,851.60		4,181,851.60
Current Deduct				
Other changes				
12/31/2021	1,195,572.00	8,482,324.82		9,677,896.82

d) Top five entities with the largest balances of the account receivables

Company name	Business content	Amount	Aging	Proportion in the total (%)
Lianyungang Xuwei Medical Management Co., Ltd	Advance payment	735,600,000.00	Within 1 year	30.13
Lianyungang suhai Investment Co., Ltd	Related parties	716,057,224.34	Within 1 year	29.33
Lianyungang Zhangwei Enterprise Comprehensive Service Co., Ltd	Advance payment	351,000,000.00	Within 1 year	14.38
Jiangsu Fangyang Construction Investment Co., Ltd	Related parties	87,017,052.21	Within 1 year	3.56
Lianyungang Xuwei Urban Construction Engineering Co., Ltd	Related parties	60,804,254.88	Within 1 year	2.49

Company name	Business content	Amount	Aging	Proportion in the total (%)
Total		1,950,478,531.43		79.88

3. Long-term equity investment

Item	12/31/2021			12/31/2020		
	Book balance	Provision for impairment	Book Value	Book balance	Provision for impairment	Book Value
Investment in subsidiary	13,642,861,664.52		13,642,861,664.52	12,190,829,265.53		12,190,829,265.53
Investment in associate, joint venture	2,118,963,291.84		2,118,963,291.84	3,100,860,520.64		3,100,860,520.64
Total	15,761,824,956.36		15,761,824,956.36	15,291,689,786.17		15,291,689,786.17

3.1 Investment in subsidiary

Investee	12/31/2020	Increase	Decrease	12/31/2021	Provision for impairment in the current period	Closing balance of provision for impairment
Jiangsu Fangyang Logistics Co., Ltd	1,482,076,652.90	600,000,000.00		2,082,076,652.90		
Jiangsu Fangyang Water Service Co., Ltd	2,019,978,018.16	170,525,960.39		2,190,503,978.55		
Jiangsu Fangyang Modern Service Industry Group Co., Ltd	388,771,337.39			388,771,337.39		
Jiangsu Fangyang Construction Investment Co., Ltd	3,695,241,104.79	35,856,438.60		3,731,097,543.39		
Jiangsu Fangyang Construction Engineering Management Co., Ltd	50,000,000.00			50,000,000.00		
Jiangsu Fangyang Human Resource Management Co., Ltd	4,800,000.00			4,800,000.00		
Lianyungang Xuwei Urban Construction Engineering Co., Ltd	64,146,618.83			64,146,618.83		
Jiangsu Fangyang Energy Technology Co., Ltd	119,442,828.20	300,000,000.00		419,442,828.20		
Lianyungang Suhai Investment Co., Ltd	240,000,000.00			240,000,000.00		
Lianyungang Hongyang Thermal Power Co., Ltd	1,740,000,000.00			1,740,000,000.00		
Beijing Fangyang Management Consulting Co., Ltd	15,000,000.00			15,000,000.00		
Lianyungang Xuwei Port Investment Group Co., Ltd	1,504,640,000.00			1,504,640,000.00		
Jiangsu Donggang Energy Investment Co., Ltd	225,000,000.00		225,000,000.00			
China Fangyang Trading (Hong Kong) Co., Ltd	2,000,000.00			2,000,000.00		

Investee	12/31/2020	Increase	Decrease	12/31/2021	Provision for impairment in the current period	Closing balance of provision for impairment
Jiangsu Fangyang Intelligent Technology Co., Ltd	196,470,805.26			196,470,805.26		
Lianyungang Yunhai Financial Leasing Co., Ltd	443,261,900.00			443,261,900.00		
Jiangsu Fangyang culture and Art Troupe Co., Ltd		11,010,000.00		11,010,000.00		
Lianyungang Yunyu Industrial Development Co., Ltd		559,640,000.00		559,640,000.00		
Total	12,190,829,265.53	1,677,032,398.99	225,000,000.00	13,642,861,664.52		

3.2 Investment in associate, joint venture

Investee	12/31/2020	Changes in Current Period					12/31/2021
		Increase	Decrease	Profit or loss recognized under equity method	Other changes in equity	Cash divided or profit declared	
(1) Joint Venture							
Subtotal							
(2) Associated Enterprise							
Jiangsu Fangyang Energy Investment Co., Ltd	17,298,602.12			1,558,904.42		-1,712,096.70	17,145,409.84
China Energy Conservation (Lianyungang) clean technology development Co., Ltd	72,941,646.56			5,956,037.28			78,897,683.84
Jiangsu Xianghe Agricultural Development Co., Ltd	959,873,891.14			99,107.16			959,972,998.30
Jiangsu Yangjing Petrochemical Group Co., Ltd	1,051,691,493.80			11,255,706.06			1,062,947,199.86
Lianyungang Shenghong refining and chemical industry fund partnership (limited company)	999,054,887.02		-999,054,887.02				
Subtotal	3,100,860,520.64		-999,054,887.02	18,869,754.92		-1,712,096.70	2,118,963,291.84
Total	3,100,860,520.64		-999,054,887.02	18,869,754.92		-1,712,096.70	2,118,963,291.84

4. Sales and cost of sales

4.1 Sales and other operating income

Items	Year 2021		Year 2020	
	Revenue	Cost	Revenue	Cost
Main operations	2,404,714,497.99	1,887,227,520.53	1,046,461,364.34	957,379,059.77
Other operations	634,430,142.16	593,124,714.06	840,018,671.53	776,687,825.31
Total	3,039,144,640.15	2,480,352,234.59	1,886,480,035.87	1,734,066,885.08

4.2 Main operations (disclosure by branch line of business)

Items	Year 2021		Year 2020	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Engineering construction	1,000,888,552.28	892,103,596.40	817,362,531.43	754,515,633.55
Land consolidation and development			31,602,939.67	26,335,783.06
Management and maintenance			1,604,862.21	
Commodity sales	12,195,929.20	11,353,545.14		
charter business	28,009,303.21	14,588,761.51	35,346,560.16	23,033,942.72
Commercial housing sales	7,492,115.19	6,894,554.02	160,167,112.38	153,007,512.50
Land restorage	1,356,096,900.00	962,257,937.25		
Others	31,698.11	29,126.21	377,358.49	486,187.94
Total	2,404,714,497.99	1,887,227,520.53	1,046,461,364.34	957,379,059.77

4.2 Other operations (disclosure by branch line of business)

Items	Year 2021		Year 2020	
	Other operating revenue	Other operating cost	Other operating revenue	Other operating cost
Electricity income	786,003.60	915,364.28	1,790,158.77	1,798,051.72
Others	633,644,138.56	592,209,349.78	838,228,512.76	774,889,773.59
Total	634,430,142.16	593,124,714.06	840,018,671.53	776,687,825.31

5. Investment income

Item	Year 2021	Year 2020
Investment income from long-term equity investments under cost method	21,433,400.00	
Investment income from long-term equity investments under equity method	18,869,754.92	10,544,259.76
Investment income from disposal of held to maturity investment	184,249,612.98	
Total	224,552,767.90	10,544,259.76

This report is written in Chinese and in English. Both Versions are originals. In the event of any inconsistency or conflict between the Chinese version and the English version, the Chinese version shall prevail.



营业执照

(副本)

编号 320100000202304170069



扫描二维码登录“国家企业信用信息公示系统”了解更多登记、备案、许可、监管信息。

统一社会信用代码
91320000085046285W (1/10)

名称 苏亚金诚会计师事务所(特殊普通合伙)

出资额 1350万元整

类型 特殊普通合伙企业

成立日期 2013年12月02日

执行事务合伙人 詹从才 于龙斌

主要经营场所 南京市建邺区泰山路159号正太中心大厦A座14-16层

经营范围

审查企业会计报表，出具审计报告，验证企业财务报告，出具验资报告，清算审计，代理记账，会计咨询、税务咨询、管理咨询、会计培训(不含国家统一规定的会计从业资格考试培训)；法律、法规允许的其它项目。(依法须经批准的项目，经相关部门批准后方可开展经营活动)



登记机关

2023年 04月 14日

国家企业信用信息公示系统网址:

<http://www.gsxt.gov.cn>

市场主体应当于每年1月1日至6月30日通过国家企业信用信息公示系统报送公示年度报告。

国家市场监督管理总局监制



防伪区

APPENDIX A – FORM OF IRREVOCABLE STANDBY LETTER OF CREDIT

FM: POSTAL SAVINGS BANK OF CHINA CO.,LTD. LIANYUNGANG BRANCH (SWIFT: PSBCCNBJ)

ADDRESS: NO.8, LINGZHOU ROAD(W) HAIZHOU DISTRICT, LIANYUNGANG CITY, JIANGSU, CHINA

TO: CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED, AS BENEFICIARY 3/F, CCB TOWER, 3 CONNAUGHT ROAD CENTRAL, CENTRAL, HONG KONG SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE'S REPUBLIC OF CHINA

OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER]

ISSUING DATE: 5 FEBRUARY 2024

RE TRUSTEE AS BENEFICIARY: CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED (THE “**TRUSTEE**”, WHICH EXPRESSION SHALL INCLUDE ANY SUCCESSOR OR CO-TRUSTEE, OR “**YOU**” OR THE “**BENEFICIARY**”) (SWIFT: CCBQHKAX AND EMAIL CTA_CS@ASIA.CCB.COM) WHOSE ADDRESS AT THE BOND ISSUE DATE (AS DEFINED BELOW) IS AT 3/F, CCB TOWER, 3 CONNAUGHT ROAD CENTRAL, CENTRAL, HONG KONG SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE'S REPUBLIC OF CHINA AND FACSIMILE NUMBER +852 3918 6976 (FACSIMILE TRANSMISSIONS TO BE MARKED TO THE ATTENTION OF TRANSACTION BANKING – CORPORATE TRUST AND LOAN AGENCY) IN ITS CAPACITY AS TRUSTEE FOR ITSELF AND ON BEHALF OF THE HOLDERS (THE “**BONDHOLDERS**”) OF THE USD150,000,000 5.45 PER CENT. CREDIT ENHANCED GUARANTEED BONDS DUE 2027 (THE “**BONDS**”) (ISIN CODE: XS2751569810/COMMON CODE: 275156981), TO BE ISSUED BY HAICHUAN INTERNATIONAL INVESTMENT CO., LTD. (THE “**BOND ISSUER**”), TO BE GUARANTEED BY JIANGSU FANGYANG GROUP CO., LTD. (THE “**GUARANTOR**”) AND TO BE CONSTITUTED BY A TRUST DEED DATED ON 5 FEBRUARY 2024 (THE “**BOND ISSUE DATE**”) AMONG THE BOND ISSUER, THE GUARANTOR AND THE TRUSTEE, AS AMENDED AND/OR SUPPLEMENTED FROM TIME TO TIME (THE “**TRUST DEED**”).

DEAR SIRs,

WE, POSTAL SAVINGS BANK OF CHINA CO., LTD. LIANYUNGANG BRANCH, ADDRESS AT NO.8, LINGZHOU ROAD(W) HAIZHOU DISTRICT, LIANYUNGANG CITY, JIANGSU, CHINA (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 BOND 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 AND SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT. THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS MADE AVAILABLE BY US FOR PAYMENT AGAINST OUR RECEIPT OF A DEMAND SUBSTANTIALLY IN THE FORM SET OUT IN APPENDIX A-1 (A “**DEMAND**”) PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT STATING THAT (A) THE BOND 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 HAS FAILED TO PROVIDE THE REQUIRED CONFIRMATIONS (AS DEFINED IN THE CONDITIONS) IN ACCORDANCE WITH THE PRE-FUNDING CONDITION, OR (B) AN EVENT OF DEFAULT (AS DEFINED IN THE CONDITIONS) HAS OCCURRED AND THE TRUSTEE HAS GIVEN NOTICE TO

THE BOND ISSUER IN ACCORDANCE WITH THE CONDITIONS THAT THE BONDS ARE IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH THE CONDITIONS.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE UNCONDITIONALLY AND IRREVOCABLY UNDERTAKE TO YOU THAT, ON OR AFTER THE BOND ISSUE DATE AND FOLLOWING RECEIPT BY US OF A DEMAND BY 5:30 P.M. (BEIJING TIME) PRESENTED BY YOU IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT ON A BUSINESS DAY ON OR AFTER THE BOND ISSUE DATE AND ON OR BEFORE THE EXPIRY TIME (AS DEFINED BELOW), WE SHALL BY 10:00 A.M. (BEIJING TIME) ON THE FOURTH BUSINESS DAY (OR IF A DEMAND IS RECEIVED AFTER 5:30 P.M. (BEIJING TIME) ON A BUSINESS DAY, WE SHALL BY 10:00 A.M. (BEIJING TIME) ON THE FIFTH BUSINESS DAY) IMMEDIATELY FOLLOWING THE BUSINESS DAY OF RECEIPT OF SUCH DEMAND, PAY TO OR TO THE ORDER OF, THE TRUSTEE THE AMOUNT IN U.S. DOLLARS SPECIFIED IN THE DEMAND IN IMMEDIATELY AVAILABLE AND CLEARED FUNDS 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 BANKS AND FOREIGN EXCHANGE MARKETS ARE GENERALLY OPEN FOR BUSINESS IN NEW YORK, THE HONG KONG SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE’S REPUBLIC OF CHINA (“**HONG KONG**”) AND BEIJING.

OUR LIABILITY UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE EXPRESSED AND PAYABLE IN U.S. DOLLARS AND SHALL NOT EXCEED USD155,087,500 IN AGGREGATE (THE “**MAXIMUM LIMIT**”), AN AMOUNT REPRESENTING ONLY (I) THE AGGREGATE PRINCIPAL AMOUNT OF THE BONDS PLUS INTEREST PAYABLE FOR ONE INTEREST PERIOD (AS DEFINED IN THE CONDITIONS) AND (II) USD1,000,000 BEING THE MAXIMUM AMOUNT PAYABLE UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT FOR ANY FEES, COSTS, EXPENSES, INDEMNITY PAYMENTS AND ALL OTHER AMOUNTS PAYABLE BY THE BOND ISSUER AND THE GUARANTOR UNDER THE CONDITIONS OR IN CONNECTION WITH THE BONDS, THE DEED OF GUARANTEE (AS DEFINED IN THE CONDITIONS), THE TRUST DEED, THE AGENCY AGREEMENT (AS DEFINED IN THE CONDITIONS) AND/OR ANY OTHER TRANSACTION DOCUMENT RELATING TO THE BONDS.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, OUR OBLIGATION TO PAY TO THE TRUSTEE IS UNCONDITIONAL, IRREVOCABLE AND ABSOLUTE AND ANY DEMAND BY THE TRUSTEE IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE HONoured WITHOUT ANY FURTHER ENQUIRY AS TO THE TRUSTEE’S RIGHTS TO MAKE SUCH DEMAND.

THIS IRREVOCABLE STANDBY LETTER OF CREDIT TAKES EFFECT FROM THE BOND ISSUE DATE (BEING 5 FEBRUARY 2024) AND SHALL NOT BE PRIOR TO THE ISSUANCE DATE OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT. THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL REMAIN VALID AND IN FULL FORCE UNTIL 5:30 P.M. (BEIJING TIME) ON 4 MARCH 2027 (THE “**EXPIRY TIME**”), AND SHALL EXPIRE AT THE PLACE OF THE ISSUING BANK, WHEN ALL OUR OBLIGATIONS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT WILL CEASE WITH NO FURTHER LIABILITY ON OUR PART EXCEPT FOR ANY COMPLYING DEMAND VALIDLY PRESENTED UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT BEFORE THE EXPIRY TIME THAT REMAINS UNPAID.

ANY DEMAND UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT MUST BE PRESENTED BY WAY OF AN AUTHENTICATED SWIFT QUOTING FULL WORDING OF YOUR DEMAND PRESENTED BY OR ON BEHALF OF YOU AS TRUSTEE TO US (SWIFT: PSBCCNBJ) WITHOUT THE NEED TO PHYSICALLY PRESENT AN ORIGINAL OF THAT DEMAND AT OUR COUNTER, PROVIDED THAT IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE

FOR ANY REASON, YOU (THE TRUSTEE) MAY INSTEAD ARRANGE FOR A DEMAND TO BE PRESENTED VIA EMAIL TRANSMISSION AT ZHANGQING@JS.PSBCOA.COM.CN, AND SUCH DEMAND PRESENTED VIA EMAIL TRANSMISSION SHALL BE SIGNED BY YOU AS TRUSTEE FOR ITSELF AND ON BEHALF OF THE BONDHOLDERS. IN THE EVENT OF A PRESENTATION BY EMAIL TRANSMISSION, NEITHER THE ORIGINAL OF THE DEMAND SO PRESENTED NOR OF ANY OTHER DOCUMENTATION SHALL BE REQUIRED TO BE PHYSICALLY PRESENTED AT OUR COUNTER. FOR THE AVOIDANCE OF DOUBT, WE SHALL START PROCESSING THE DEMAND UPON RECEIPT OF THE DEMAND SENT TO US BY WAY OF SWIFT OR EMAIL TRANSMISSION, AS THE CASE MAY BE.

ONLY ONE DRAWING UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS PERMITTED.

ALL CHARGES UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT (INCLUDING WITHOUT LIMITATION IN RESPECT OF ANY TRANSFER OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AS CONTEMPLATED BELOW) ARE FOR THE ACCOUNT OF THE BOND ISSUER AND, FOR THE AVOIDANCE OF DOUBT, ARE NOT FOR THE ACCOUNT OF THE TRUSTEE.

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 AND CLEARED FUNDS WITHOUT ANY DEDUCTION OR WITHHOLDING FOR OR ON ACCOUNT OF TAX, SET-OFF, COUNTER-CLAIM OR OTHERWISE, UNLESS AND TO THE EXTENT THAT ANY DEDUCTION OR WITHHOLDING FOR OR ON ACCOUNT OF TAX, SET-OFF, COUNTER-CLAIM OR OTHERWISE IS REQUIRED BY LAW, IN WHICH CASE, 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 REQUIRED BY LAW.

THE TRUSTEE'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 FIVE BUSINESS DAYS' NOTICE HAVING BEEN GIVEN TO US BY OR ON BEHALF OF YOU AS TRUSTEE OF THE BONDS BY AUTHENTICATED SWIFT, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT THEN AVAILABLE FOR ANY REASON BY EMAIL TRANSMISSION TO US AT ZHANGQING@JS.PSBCOA.COM.CN STATING THE NAME OF TRANSFEREE. WE MAY NOT TRANSFER, ASSIGN OR NOVATE ANY OF OUR OBLIGATIONS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

OUR OBLIGATIONS AND LIABILITIES UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE INDEPENDENT. THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS NOT SUBJECT TO ANY CONTRACT, AGREEMENT, CONDITION OR QUALIFICATION.

NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, INCLUDING WITHOUT LIMITATION, ARTICLE 29 AND ARTICLE 36 OF UCP600 (AS DEFINED BELOW), IN THE UNEXPECTED EVENT THAT WE ARE CLOSED FOR ANY REASON, INCLUDING WITHOUT LIMITATION THE COVID-19 PANDEMIC, WHEN YOU WISH TO PRESENT A DEMAND HEREUNDER ON THE DAY AND AT THE TIME A DEMAND IS PERMITTED TO BE PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE AGREE THAT YOU CAN PRESENT THE DEMAND BY AUTHENTICATED SWIFT (AS SPECIFIED ABOVE), OR BY PRESENTING THE DEMAND VIA EMAIL TRANSMISSION SET OUT ABOVE, FROM THE DATE OF OUR RESUMPTION OF OUR

BUSINESS, PROVIDED THAT IF WE ARE CLOSED AT THE EXPIRY TIME FOR ANY REASON, INCLUDING WITHOUT LIMITATION, THE COVID-19 PANDEMIC, SUCH EXPIRY TIME 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 EMAIL TRANSMISSION TO YOUR EMAIL ADDRESS SET OUT ABOVE OF THE RESUMPTION OF OUR BUSINESS.

IF ANY PAYMENT BY THE BOND ISSUER, THE GUARANTOR OR ANY OTHER PERSON ON THE BOND ISSUER'S BEHALF IS AVOIDED (BY VIRTUE OF ANY LAWS OR REGULATIONS RELATING TO BANKRUPTCY, INSOLVENCY, RECEIVERSHIP, LIQUIDATION OR SIMILAR LAWS OF GENERAL APPLICATION FOR THE TIME BEING IN FORCE), YOU SHALL BE ENTITLED TO RECOVER FROM US SUBSEQUENTLY THE AMOUNT BY WHICH SUCH PAYMENT IS SO AVOIDED BY GIVING US A NOTICE IN WRITING VIA EMAIL TRANSMISSION SET OUT ABOVE ON OR BEFORE THE EXPIRY TIME. WE SHALL ACCEPT SUCH NOTICE AS CONCLUSIVE EVIDENCE OF THE FACT THAT PAYMENT BY THE BOND ISSUER OR THE GUARANTOR OR ANY OTHER PERSON ON THE BOND ISSUER'S BEHALF, AS THE CASE MAY BE, HAS BEEN AVOIDED WITHOUT PROOF OF SUCH PAYMENT BEING AVOIDED.

EXCEPT TO THE EXTENT THAT 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 ("UCP600").

THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION THEREWITH ARE GOVERNED BY, AND SHALL BE CONSTRUED IN ACCORDANCE WITH ENGLISH LAW. NO RIGHTS ARE CONFERRED ON ANY PERSON UNDER THE CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999 TO ENFORCE ANY TERM OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, BUT THIS DOES NOT AFFECT ANY RIGHT OR REMEDY OF ANY PERSON WHICH EXISTS OR IS AVAILABLE APART FROM THAT ACT. WE AGREE (A) THAT THE COURTS OF HONG KONG ARE TO HAVE EXCLUSIVE JURISDICTION TO SETTLE ANY DISPUTE, CLAIM, DIFFERENCE OR CONTROVERSY THAT MAY ARISE OUT OF, IN RELATION TO OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, INCLUDING ANY DISPUTE AS TO ITS EXISTENCE, VALIDITY, INTERPRETATION, PERFORMANCE, BREACH OR TERMINATION OR THE CONSEQUENCES OF ITS NULLITY AND ANY DISPUTE RELATING TO ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH IT (A "**DISPUTE**") AND ACCORDINGLY ANY LEGAL ACTION OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT (THE "**PROCEEDINGS**") MAY BE BROUGHT IN SUCH COURTS, AND (B) IN RELATION TO ANY DISPUTE, TO SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE COURTS OF HONG KONG AND WAIVE ANY OBJECTION TO PROCEEDINGS IN SUCH COURTS ON THE GROUND OF VENUE OR ON THE GROUND THAT THE PROCEEDINGS HAVE BEEN BROUGHT IN AN INCONVENIENT OR INAPPROPRIATE FORUM TO SETTLE ANY DISPUTE. WE HAVE IRREVOCABLY APPOINTED POSTAL SAVINGS BANK OF CHINA CO., LTD. AT 40/F, DAH SING FINANCIAL CENTRE, 248 QUEEN'S ROAD EAST, WAN CHAI, HONG KONG AS OUR PROCESS AGENT IN HONG KONG TO RECEIVE SERVICE OF PROCESS IN ANY LEGAL ACTION OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT IN HONG KONG. IF FOR ANY REASON WE CEASE TO HAVE SUCH A PROCESS AGENT IN HONG KONG, WE WILL PROMPTLY APPOINT A SUBSTITUTE PROCESS AGENT AND NOTIFY YOU OF SUCH APPOINTMENT WITHIN 30 DAYS OF CESSATION. NOTHING HEREIN SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

APPENDIX A-1
FORM OF DEMAND

TO: POSTAL SAVINGS BANK OF CHINA CO., LTD. LIANYUNGANG BRANCH (SWIFT:
PSBCCNBJ)

ADDRESS: NO.8, LINGZHOU ROAD(W) HAIZHOU DISTRICT, LIANYUNGANG CITY,
JIANGSU,CHINA

(DATE:)

DEAR SIR(S)

RE: DEMAND UNDER THE IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER] IN RESPECT OF THE USD150,000,000 5.45 PER CENT. CREDIT ENHANCED GUARANTEED BONDS DUE 2027 (THE “**BONDS**”) ISSUED BY HAICHUAN INTERNATIONAL INVESTMENT CO., LTD. (THE “**BOND ISSUER**”) AND TO BE GUARANTEED BY JIANGSU FANGYANG GROUP CO., LTD. (THE “**GUARANTOR**”) UNDER THE TRUST DEED ENTERED INTO AMONG THE BOND ISSUER, THE GUARANTOR AND THE TRUSTEE (AS DEFINED BELOW) DATED 5 FEBRUARY 2024 (THE “**TRUST DEED**”).

(THIS DEMAND IS MADE BY)/(THE UNDERSIGNED IS A DULY AUTHORISED SIGNATORY OF) CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED AS TRUSTEE (THE “**TRUSTEE**”) FOR AND ON BEHALF OF ITSELF AND THE HOLDERS OF THE BONDS UNDER YOUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER] (THE “**IRREVOCABLE STANDBY LETTER OF CREDIT**”).

1. THIS DEMAND IS MADE IN CONNECTION WITH THE FOLLOWING:

- THE BOND 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 HAS FAILED TO PROVIDE THE REQUIRED CONFIRMATIONS (AS DEFINED IN THE CONDITIONS) IN ACCORDANCE WITH THE PRE-FUNDING CONDITION, OR
- AN EVENT OF DEFAULT (AS DEFINED IN THE CONDITIONS) HAS OCCURRED AND THE TRUSTEE HAS GIVEN NOTICE TO THE BOND ISSUER IN ACCORDANCE WITH THE CONDITIONS THAT THE BONDS ARE IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH THE CONDITIONS.

2. WE HEREBY DEMAND THAT AS A RESULT OF THE RELEVANT EVENT SPECIFIED IN PARAGRAPH 1 ABOVE, THAT YOU PAY TO US THE AGGREGATE OF USD[AMOUNT].

3. WE HEREBY REQUEST YOU TO PAY THE ABOVE AMOUNT AFTER YOU RECEIVE THIS DEMAND IN ACCORDANCE WITH THE TERMS OF THE IRREVOCABLE STANDBY LETTER OF CREDIT.

4. THE PROCEEDS OF THE DRAWING UNDER THIS DEMAND ARE TO BE CREDITED TO THE FOLLOWING ACCOUNT: [ACCOUNT DETAILS]

FOR AND ON BEHALF OF

CHINA CONSTRUCTION BANK (ASIA) CORPORATION LIMITED
AS THE BENEFICIARY AND TRUSTEE

BY: _____

NAME: _____

TITLE: _____

BY: _____

NAME: _____

TITLE: _____

ISSUER

Haichuan International Investment Co., Ltd.

Kingston Chambers, PO Box 173
Road Town, Tortola
British Virgin Islands

GUARANTOR

Jiangsu Fangyang Group Co., Ltd. (江蘇方洋集團有限公司)

Room 302, Integrated Clubhouse
Xuwei New District, Lianyungang
Jiangsu, China

TRUSTEE

**PRINCIPAL PAYING AGENT, REGISTRAR,
TRANSFER AGENT, PRE-FUNDING
ACCOUNT BANK AND LC PROCEEDS
ACCOUNT BANK**

**China Construction Bank (Asia)
Corporation Limited**
(中國建設銀行(亞洲)股份有限公司)
28/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

**China Construction Bank (Asia)
Corporation Limited**
(中國建設銀行(亞洲)股份有限公司)
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3 Connaught Road Central
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Hong Kong

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AUDITORS OF THE GUARANTOR

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