*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") take no responsibility for the contents of this announcement, 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 announcement.*

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

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

ROWEN INTERNATIONAL CO., LIMITED
(魯威國際有限公司)

(incorporated with limited liability in Hong Kong)

U.S.$98,000,000 8.50 PER CENT. GUARANTEED BONDS DUE 2024 (the "BONDS")

UNCONDITIONALLY AND IRREVOCABLY GUARANTEED BY

WEIHAI WENDENG DISTRICT BLUESEA INVESTMENT & DEVELOPMENT CO., LTD
(威海市文登區藍海投資開發有限公司)

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

(Stock Code: 5940)

Issue Price: 100.00 per cent.

PUBLICATION OF THE OFFERING CIRCULAR

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

Please refer to the offering circular dated 3 November 2023 (the "**Offering Circular**") appended herein in relation to the issuance of the Bonds. As disclosed in the Offering Circular, the Bonds are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) ("**Professional Investors**") only and have been listed on the Hong Kong Stock Exchange on that basis.

Notice to Hong Kong Investors: Rowen International Co., Limited（魯威國際有限公司）(the "**Issuer**") and Weihai Wendeng District Bluesea Investment & Development Co., Ltd（威海市文登區藍海投資開發有限公司）(the "**Guarantor**") confirm that the Bonds are intended for purchase by Professional Investors only and have been listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer 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.

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

The Offering Circular must not be regarded as an inducement to subscribe for or purchase any securities of the Issuer, and no such inducement is intended.

Hong Kong, 7 November 2023

As at the date of this announcement, the directors of the Issuer are Mr. Lin Sen（林森）and Mr. Liu Gang（劉剛）.

As at the date of this announcement, the directors of the Guarantor are Mr. Li Haiqiang（李海強）, Mr. Tao Jian（陶健）and Ms. Rong Rixia（榮日霞）.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN THE UNITED STATES. THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE ADDRESSEES OUTSIDE OF THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the offering circular (the "**Offering Circular**") attached to this e-mail. You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached Offering Circular. In accessing the attached 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 attached Offering Circular is intended for use by you only and you agree you will not forward or otherwise provide access to any other person.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 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).

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

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

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

Confirmation of Your Representation: You have accessed the attached Offering Circular on the basis that you have confirmed to Rowen International Co., Limited (魯威國際有限公司)(the "**Issuer**"), Weihai Wendeng District Bluesea Investment & Development Co., Ltd (威海市文登區藍海投資開發有限公司)(the "**Guarantor**"), Zhongtai International Securities Limited, China Credit International Securities Co., Limited, Shenwan Hongyuan Securities (H.K.) Limited, Cinda International Capital Limited, Roofer Securities Limited, Guotai Junan Securities (Hong Kong) Limited, China Galaxy International Securities (Hong Kong) Co., Limited and Excellent Tide Securities Limited (together, the "**Managers**") that: (1) you and any customers you represent are not in the United States, (2) the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, and (3) you consent to delivery of this document by electronic transmission. To the extent you purchase the securities described in the attached document, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S thereunder.

The attached 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 Managers, the Trustee or the Agents (both as defined in the Offering Circular) or any of their respective affiliates, directors, officers, employees, representatives, agents or any person who controls any of them accepts any liability or responsibility whatsoever in respect of any such alteration or change to the attached Offering Circular distributed to you in electronic format or any difference between the attached Offering Circular distributed to you in electronic format and the hard copy version.

Restrictions: 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 Managers to subscribe or purchase any of the securities described therein, 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 the Managers or any affiliate of them is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Manager(s) 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 described therein.

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

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by laws.

Actions that you may not take: If you receive the attached Offering Circular by e-mail, you should not reply by e- mail to the attached Offering Circular, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

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

ROWEN INTERNATIONAL CO., LIMITED
(魯威國際有限公司)

(incorporated with limited liability in Hong Kong)

U.S.$98,000,000 8.50 per cent. Guaranteed Bonds due 2024
Unconditionally and Irrevocably Guaranteed by

蓝海投资

WEIHAI WENDENG DISTRICT BLUESEA INVESTMENT & DEVELOPMENT CO., LTD
(威海市文登區藍海投資開發有限公司)

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

Issue Price: 100.00 per cent.

The U.S.$98,000,000 8.50 per cent. guaranteed bonds due 2024 (the "**Bonds**") will be issued by Rowen International Co., Limited (魯威國際有限公司) (the "**Issuer**") and will be unconditionally and irrevocably guaranteed (the "**Guarantee**") by Weihai Wendeng District Bluesea Investment & Development Co., Ltd (威海市文登區藍海投資開發有限公司) (the "**Guarantor**"), a company incorporated under the laws of the People's Republic of China. The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and shall at all times rank *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 legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

The Bonds will bear interest on their outstanding principal amount from and including 6 November 2023 at the rate of 8.50 per cent. per annum and such interest will be payable in arrear on 4 November 2024 (the "**Interest Payment Date**"). 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, without set-off or counterclaim and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by Hong Kong or the PRC or, in each case, any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law to the extent described in "*Terms and Conditions of the Bonds – Taxation*".

The PRC government (as defined below) (including the Government of Shandong Province (as defined below), the Municipal Government of Weihai (as defined below) and the Wendeng SASC (as defined below)) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds – See "*Risk Factors – Risks Relating to the Group's Business – The PRC government (including the Government of Shandong Province, the Municipal Government of Weihai and the Wendeng SASC) has no obligation to pay any amount under the Bonds*".

The Guarantor will enter into a deed of guarantee (the "**Deed of Guarantee**") with Bank of Communications Trustee Limited (the "**Trustee**") on 6 November 2023 (the "**Issue Date**"). The Guarantor will undertake to file or cause to be filed with the State Administration of Foreign Exchange or its local counterparts ("**SAFE**"), the Deed of Guarantee within the timeframe prescribed by, and 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 has undertaken to 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) on or before the Registration Deadline (being the day falling 90 business days after the Issue Date) and comply with all applicable PRC laws and regulations in relation to the issue of the Bonds and the Deed of Guarantee.

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 4 November 2024. The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, at their principal amount together with interest accrued to, but excluding the date fixed for redemption, in the event of certain changes affecting taxes of Hong Kong or the PRC. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Taxation Reasons*". At any time following the occurrence of a Change of Control or a No Registration Event (each as defined in the Terms and Conditions of the Bonds), the holder of a Bond (the "**Bondholder**") will have the right, at such Bondholder's option, to require the Issuer to redeem all but not some only of that Bondholder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions of the Bonds) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with any interest accrued up to but excluding such Put Settlement Date. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Events*".

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

Investing in the Bonds involves risks. See "*Risk Factors*" beginning on page 12 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") 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.

Application will be made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of, and permission to deal in, the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (the "**Professional Investors**") only and such permission is expected to become effective on 7 November 2023. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer 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.

The Hong Kong Stock Exchange has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Issuer, the Guarantor or the Group or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, 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 Offering Circular.

The Guarantor has a rating of "BBB-" with "Stable" outlook by Lianhe Ratings Global Limited ("**Lianhe**"). Such ratings do not constitute a recommendation to buy, sell or hold the Bonds and may be subject to revision or withdrawal at any time by Lianhe.

The Bonds will be represented by beneficial interests in a global certificate (the "**Global Certificate**") in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about 6 November 2023 with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfer thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Zhongtai International | **China Credit International Securities** | **Shenwan Hongyuan (H.K.)**

Joint Bookrunners and Joint Lead Managers

Cinda International | **Roofer Securities Limited** | **Guotai Junan International** | **China Galaxy International** | **Excellent Tide**

Offering Circular dated 3 November 2023

IMPORTANT NOTICE

The PRC government (including the Government of Shandong Province, the Municipal Government of Weihai and the Wendeng SASC) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds – See "*Risk Factors – Risks Relating to the Group's Business – The PRC government (including the Government of Shandong Province, the Municipal Government of Weihai and the Wendeng SASC) has no obligation to pay any amount under the Bonds*".

This Offering Circular 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 and the Group. 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 to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

In particular, (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor, each of the Issuer, the Guarantor and their respective subsidiaries taken as a whole (collectively, the "**Group**"), the Bonds and the Guarantee which is material in the context of the issue and offering of the Bonds (including information which is required by applicable laws and which, according to the particular nature of the Issuer, the Guarantor, the Bonds and the Guarantee, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantor and of the rights attaching to the Bonds and the Guarantee), (ii) this Offering Circular does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading, (iii) the statements contained in this Offering Circular relating to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee are in every material respect true and accurate and not misleading, (iv) the opinions and intentions expressed in this Offering Circular as at the date hereof with regard to the Issuer, the Guarantor and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (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) there are no other facts in relation to the Issuer, the Guarantor, the Group, the Guarantee or the Bonds the omission of which would, in the context of the issue and offering of the Bonds make any statement in this Offering Circular misleading in any material respect; and (vii) the statistical, industry and market-related data and forward looking statements included in this Offering Circular, are based on or derived or extracted from sources which the Issuer and the Guarantor believe to be reasonably accurate and reliable in all material respects. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, 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 Offering Circular.

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 Guarantee described in this Offering Circular. The distribution of this Offering Circular, the offering of the Bonds and the giving of the Guarantee in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, Zhongtai International Securities Limited, China Credit International Securities Co., Limited, Shenwan Hongyuan Securities (H.K.) Limited, Cinda International Capital Limited, Roofer Securities Limited, Guotai Junan Securities (Hong Kong) Limited, China Galaxy International Securities (Hong Kong) Co., Limited and Excellent Tide Securities Limited (together, the "**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 Guarantee or the distribution of this document in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Guarantor giving the Guarantee, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith.

No person has been 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 and the Guarantor 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 or the Managers. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor or 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.

None of the Managers, the Trustee or the Agents (as defined in the Terms and Conditions of the Bonds) or any of their respective directors, officers, employees, agents, advisers, affiliates or representatives has separately verified the information contained in this Offering Circular. None of the Managers, the Trustee or the Agents, or any director, officer, employee, agent, adviser, affiliate or representative 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 Guarantee. Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, affiliates or representatives 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 and the Guarantor and the merit and risks involved in investing in the Bonds. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Managers, the Trustee or the Agents, or any director, officer, employee, agent, adviser, affiliate or representative 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 the Managers, the Trustee or any Agent, or any director, officer, employee, agent, adviser, affiliate or representative of any such person or on its behalf, in connection with the Issuer, the Guarantor, the Group, the issue and offering of the Bonds or the giving of the Guarantee. Each of the Managers, the Trustee and the Agents and the directors, officers, employees, agents, advisers, affiliates and representatives 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 Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, affiliates or representatives undertakes to review the financial condition or affairs of the Issuer or the Guarantor during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, affiliates or representatives.

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 Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, affiliates or representatives 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.

Except as otherwise indicated in this Offering Circular, all non-Group specific statistics and data relating to the industry or to the economic development of certain regions within the People's Republic of China and forward looking statements have been extracted or derived from publicly available information and industry publications which are sources that the Issuer and the Guarantor believe to be reasonably accurate and reliable in all material respects. Such information has not been independently verified by the Issuer, the Guarantor, the Managers, the Trustee or the Agents or by their respective directors, officers, employees, agents, advisers, affiliates or representatives, and none of the Issuer, the Guarantor, the Managers, the Trustee or the Agents or their respective directors, officers, employees, agents, advisers, affiliates or representatives makes any representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers who contributed to the publicly available information and industry publications may have obtained information from market participants and such information may not have been independently verified.

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 and the Managers refer the recipient of this Offering Circular to them for a more complete understanding of what is contained in this Offering Circular. In making an investment decision, the prospective investor must rely on its own judgment and examination of the Issuer and the Guarantor and the Terms and Conditions of the Bonds, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds. None of the Issuer, the Guarantor, the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, affiliates or representatives 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.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to Prospective Investors

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

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

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Manager or its group company has more than 50% 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 the offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such a "proprietary order". If a prospective investor is otherwise affiliated with any Manager, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not such 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 the offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to the offering.

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

WARNING

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

INDUSTRY AND MARKET DATA

Market data and certain industry forecasts and statistics used throughout this Offering Circular have been obtained from, among other sources, based on internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed by the Issuer and 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 Managers, the Trustee or the Agents or any of their representative affiliates, directors, employees, agents, representatives, officers or advisers makes any representation as to the correctness, accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third-party information providers may have obtained information form market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

PRESENTATION OF FINANCIAL INFORMATION

The audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2021 and 2022 has been derived from the audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2021 and 2021, and should be read in conjunction with the audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2021 and 2022 and the notes thereto included elsewhere in this Offering Circular. The audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2021 and 2021 have been audited by Peking Certified Public Accountants ("**Peking**"), the Guarantor's independent auditor. Such financial statements of the Guarantor were prepared and presented in accordance with the Accounting Standards for Business Enterprises in China ("**PRC GAAP**").

The summary consolidated financial information of the Guarantor as at and for the six months ended 30 June 2022 and 2023 set forth in this Offering Circular has been derived from the Guarantor's unaudited but reviewed consolidated financial statements for the six months ended 30 June 2023 and should be read in conjunction with the unaudited but reviewed consolidated financial statements of the Guarantor as at and for the six months ended 30 June 2023 and the notes thereto included elsewhere in this Offering Circular. The unaudited but reviewed consolidated financial statements of the Guarantor as at and for the six months ended 30 June 2023 have been reviewed by Peking. Consequently, such 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 by a certified public accountant. None of the Managers, the Trustee or the Agents or any of their respective representatives, employees, agents, affiliates, directors, officers or advisers makes any representation or warranty, express or implied, regarding the accuracy or sufficiency of such financial statements for an assessment of, and potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations. Furthermore, the unaudited but reviewed consolidated financial statements of the Guarantor as at and for the six months ended 30 June 2023 should not be taken as an indication of the expected financial condition, results of operations and results of the Guarantor for the full financial year ended 31 December 2023.

The audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2021 and 2022 and the unaudited but reviewed consolidated financial statements of the Guarantor as at and for the six months ended 30 June 2023 have been prepared in Chinese only and the English translation to them has been prepared and included in this Offering Circular for reference only. None of the Managers, the Trustee or the Agents or any of their respective representatives, agents, officers, affiliates, directors, employees or advisers has independently verified or checked the accuracy of such translation and can give any assurance that the information contained in such translation is accurate, truthful or complete.

The financial statements of the Guarantor were prepared and presented in accordance with PRC GAAP. The Guarantor has not prepared its financial statements in accordance with International Financial Reporting Standards ("**IFRS**"). PRC GAAP differs in certain respects from IFRS. For a discussion of certain differences between PRC GAAP and IFRS, see "*Description of Certain Differences between PRC GAAP and IFRS*".

CERTAIN TERMS AND CONVENTIONS

This Offering Circular has been prepared using a number of conventions, which investors should consider when reading the information contained herein. Unless indicated otherwise, in this Offering Circular all references to (i) the "**Issuer**" are to Rowen International Co., Limited(魯威國際有限公司), (ii) the "**Guarantor**" are to Weihai Wendeng District Bluesea Investment & Development Co., Ltd(威海市文登區藍海投資開發有限公司)and (iii) the "**Group**" are to Weihai Wendeng District Bluesea Investment & Development Co., Ltd(威海市文登區藍海投資開發有限公司)and its direct and indirect subsidiaries, taken as a whole, unless the context otherwise indicates.

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

Unless otherwise stated in this Offering Circular, all translations from Renminbi into U.S. dollars were made at the rate of 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. 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*".

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

In this Offering Circular, unless otherwise indicated or the context otherwise requires, references to:

- "**CBRC**" refers to China Bank Regulatory Commission (which was merged with the China Insurance Regulatory Commission to form the China Banking and Insurance Regulatory Commission in April 2018);
- "**GDP**" refers to gross domestic product;
- the "**Government of Shandong Province**" refers to the People's Government of Shandong Province and its political subdivisions, including regional or local government entities, and instrumentalities thereof, or where the context requires, any of them;
- "**MOF**" refers to the Ministry of Finance of the People's Republic of China;
- the "**Municipal Government of Weihai**" refers to the People's Government of Weihai Municipality and its political subdivisions, including local government entities, and instrumentalities thereof, or where the context requires, any of them;
- "**NDRC**" refers to the National Development and Reform Commission of the People's Republic of China or its local counterparts;
- "**PBOC**" refers to the People's Bank of China, the central bank of the People's Republic of China;
- the "**PRC government**" refers to the central government of the People's Republic of China and its political subdivisions, including provincial, municipal and other regional or local government entities, and instrumentalities thereof, or where the context requires, any of them;

- "**SAFE**" refers to the State Administration of Foreign Exchange of the People's Republic of China or its competent local counterpart;

- "**SASAC**" means the State-owned Assets Supervision and Administration Commission of the State Council;

- "**SAT**" means the State Administration of Taxation of the People's Republic of China;

- "**State Council**" refers to the State Council of the People's Republic of China; and

- "**VAT**" are to the value added tax.

- the "**Wendeng District Government**" refers to the People's Government of Wendeng District and its political subdivisions, including local government entities, and instrumentalities thereof, or where the context requires, any of them; and

- the "**Wendeng SASC**" refers to the Weihai Wendeng District State-owned Assets Service Centre* (威海市文登區國有資產服務中心)(formerly known as Wendeng District State-owned Assets Administration Bureau).

* *for identification purpose only*

FORWARD-LOOKING STATEMENTS

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

- the ability of the Group to successfully implement its business plans and strategies;
- the Group's business prospects and capital expenditure plans;
- future developments, trends and conditions in the industry and markets in which the Group operates;
- changes in the Group's competition landscape;
- general economic and political conditions in the PRC and globally;
- risks associated with business activities in the PRC, including rules, regulations and policies of the relevant PRC governmental authorities affecting the Group's business;
- macroeconomic measures taken by the PRC Government to manage economic growth;
- the availability of credit;
- fluctuations 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 the Group operates; and
- those other risks identified in the "Risk Factors" section of this Offering Circular.

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

TABLE OF CONTENTS

SUMMARY

This 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 the information that may be important to prospective investors in deciding to invest in the Bonds. Prospective investors should read the entire Offering Circular, including the section entitled "Risk Factors" and the financial statements and related notes thereto, before making an investment decision. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary.

DESCRIPTION OF THE GROUP

Overview

Established in April 2012, the Guarantor is a state-owned company wholly-owned by the Wendeng SASC. The Wendeng SASC is a government institution controlled and managed by the People's Government of the Wendeng District.

The Guarantor is the largest state-owned enterprise by asset size and a dominant development, construction and operation entity that focuses on project construction and sale of goods in the Wendeng District. As a state-owned company directly and wholly-owned by the Wendeng SASC, the Guarantor plays a key role in promoting the social, economic and urban development of the Wendeng District and is designated to carry out the Wendeng SASC's directions, plans and policies for municipal development in the Wendeng District. The Group is also engaged in leasing business, surveying and mapping business and other businesses.

The Group primarily conducts its business within Weihai City and Wendeng District. Weihai City is the regional central city (區域中心城市) of Jiaodong Peninsula (膠東半島) and is a prefecture-level city which consists of two districts and two county-level cities. Located in the eastern end of Shandong Peninsula (山東半島), Weihai City is also one of the subsidiary centre of the Qingdao Metropolitan Area (青島都市圈) and one of the central district of the Shandong Peninsula Urban Agglomeration (山東半島城市群). With a transportation network connecting to major cities in China, including waterway traffic facilities, multiple railways, highways as well as flight routes, Weihai City serves as one of the transportation hubs in Shandong Province. For the years ended 31 December 2020, 2021 and 2022 according to the Shandong Provincial Bureau of Statistics (山東省統計局), the GDP of Shandong Province amounted to approximately RMB7,312.9 billion, RMB8,309.6 billion and RMB8,743.5 billion, respectively.

Surrounded by the Yellow Sea (黃海) to the north, east and south in the Pacific Ocean, facing South Korea and Liaodong Peninsula (遼東半島) across the sea, Weihai City plays an important role in terms of political, economic and cultural development in the PRC. For the years ended 31 December 2020, 2021 and 2022, according to the Weihai Municipal Bureau of Statistics (威海市統計局), Weihai City's GDP amounted to approximately RMB301.8 billion, RMB346.4 billion and RMB340.8 billion, respectively, with year-on-year growth rates of approximately 3.0 per cent., 7.5 per cent. and 1.5 per cent., respectively. Wendeng District also contributes to the economy and advancement of Weihai City. For the years ended 31 December 2020, 2021 and 2022, according to the Wendeng District Bureau of Statistics (文登區統計局), Wendeng District's GDP amounted to approximately RMB47.5 billion, RMB54.0 billion and RMB50.9 billion, respectively, with year-on-year growth rates of approximately 3.2 per cent., 6.5 per cent. and 1.5 per cent., respectively. Furthermore, Wendeng District was ranked 31th in the Top 100 Comprehensive Strength Districts 2022 (2022年度全國綜合實力百強區) announced by Guangming Daily (光明日報) and was listed as one of the awardees of the Shangdong Province Counties of Private Enterprise Economy High Quality Development Advancement 2022 (2022年度民營經濟高質量發展先進縣) by the Shandong Province Fostering Non-public Economy Development Work Guidance Group (山東省促進非公有制經濟發展工作領導小組).

Weihai City has a well-established industry chain owing to the synergistic development of traditional and emerging industries. Advanced traditional industries, such as specialised equipment manufacturing and chemical industry along with the rapidly developing emerging industries, such as high-tech industry, electronic communication and IT industry, have presented valuable business opportunities and attracted strong capital inflow to Weihai City. In addition, Weihai City is also an important base for China's domestic and international trade.

Having enjoyed the above-mentioned geographical advantages, Weihai City also has outstanding transport infrastructure with railways and expressways passing through the city including Taocun–Weihai Railway(桃威鐵路)and Qingdao–Rongcheng Intercity Railway(青榮城際鐵路). Weihai Railway Station(威海站), Weihai North Railway Station(威海北站), Wendeng East Railway Station(文登東站)and Weihai Dashuibo International Airport(威海大水泊國際機場)are all located in Weihai City which connect Weihai City with other major Chinese cities. As such, Wendeng District can be benefitted from the excellent geographical locations and solid economic performances of Shandong Province and Weihai City and will continue to support the business growth of the Group.

As at 30 June 2023, the Guarantor had a paid-in capital of RMB0.5 billion and total assets of approximately RMB54.51 billion. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the Group reported a total operating revenue of approximately RMB2,876.97 million, RMB3,110.94 million, RMB2,990.27 million, RMB1,492.64 million and RMB1,507.63 million respectively, and a net profit after tax of approximately RMB317.25 million, RMB358.81 million, RMB314.76 million, RMB150.20 million and RMB147.88 million respectively.

To perform its function as the core operating entity carrying out municipal development activities and providing public services in Weihai City and Wendeng District, the Group has developed a diversified business portfolio. The Group's principal business segments are as follows:

Project Construction

The Group conducts its project construction business primarily through the Guarantor and Weihai Taihe Investment Co., Ltd(威海泰赫投資有限公司)("**Weihai Taihe**"). Since its establishment in 2012, the Group is tasked with the construction and management of a number of key construction projects in the Wendeng District, which primarily include river improvement projects, water conservancy projects and cultural tourism investment and development projects.

As the primary entity of the Wendeng SASC designated to carry out municipal and urban development in the Wendeng District, the Group is tasked with the construction of various types of key infrastructure in the Wendeng District, including construction of urban districts, reconstruction of shanty town, construction of municipal roads and sewage treatment. In addition, the Group is designated by the Wendeng SASC to carry out the development and construction of resettlement housing in the Wendeng District.

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the operating revenue derived from the Group's project construction business amounted to approximately RMB625.07 million, RMB526.97 million, RMB545.67 million, RMB41.13 million and RMB829.01 million respectively, representing approximately 21.73 per cent., 16.94 per cent., 18.25 per cent., 2.76 per cent. and 54.99 per cent. of the Group's total operating revenue respectively.

Sale of Goods

The Group conducts its sale of goods business primarily through the Guarantor. The Group's sale of goods business segment can be broadly divided into two sub-segments, namely, sale of resettlement housing and sale of water in which the Group derives most revenue under this business segment from the former.

As at 30 June 2023, the Group has completed the Weihai Wendeng District Resettlement Housing Construction Project (2016) (威海市文登區安置房建設工程(16年)), Weihai Wendeng District Resettlement Housing Construction Project (2017) (威海市文登區安置房建設工程(17年)), Jinhua River Project (金花河項目) and Integrated Urbanisation Project (整體城鎮化項目) and the Group generated revenue from selling the houses, commercial centres and underground car park lots from these projects.

The Guarantor owns the rights of use to the Mishan Reservoir (米山水庫), which has a total area of approximately 16,192,700 square meters. The Mishan Reservoir is the largest reservoir in the Jiaodong Area (膠東地區) which enables the Guarantor to have a steady supply of water.

The Guarantor's sale of goods business segment constituted one of the Guarantor's major business segments in terms of operating revenue. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the operating revenue derived from the Group's sales of goods business amounted to approximately RMB1,945.48 million, RMB2,272.95 million, RMB2,133.52 million, RMB1,298.29 million and RMB523.49 million respectively, representing approximately 67.62 per cent., 73.06 per cent., 71.35 per cent., 86.98 per cent. and 34.72 per cent. of the Group's total operating revenue respectively.

Leasing

The Group's leasing business comprises of two sub-segments, namely, leasing of sea area use rights and pipeline leasing. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the operating revenue derived from the Group's leasing business amounted to approximately RMB303.32 million, RMB307.99 million, RMB308.75 million, RMB152.19 million and RMB152.92 million respectively, representing approximately 10.54 per cent. 9.90 per cent., 10.33 per cent., 10.20 per cent. and 10.14 per cent. of the Group's total operating revenue respectively.

The Group conducts its leasing of sea area use rights business primarily through the Guarantor. As at 30 June 2023, the Group owned the right of use to 51 sea areas in the Wendeng District, one of which is an industrial sea area and the rest are open-type aquaculture sea areas.

The Group conducts its pipeline leasing business primarily by contractual arrangement through the Guarantor. As at 30 June 2023, the Group had a network of pipelines and underground cables with a total length of approximately 781,310 meters.

Surveying and Mapping

The Group engages in surveying and mapping business.

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the operating revenue derived from the Group's surveying and mapping business amounted to approximately RMB2.39 million, RMB1.48 million, RMB1.01 million, RMB0.55 million and RMB0.75 million respectively, representing approximately 0.08 per cent., 0.05 per cent., 0.03 per cent., 0.04 per cent. and 0.05 per cent. of the Group's total operating revenue respectively.

Other Businesses

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the operating revenue derived from the Group's other businesses amounted to approximately RMB0.70 million, RMB1.55 million, RMB1.32 million, RMB0.47 million and RMB1.45 million respectively, representing approximately 0.02 per cent., 0.05 per cent., 0.04 per cent., 0.03 per cent. and 0.10 per cent. of the Group's total operating revenue respectively.

Competitive Strengths

The Group believes that its success and prospects are primarily attributable to the following competitive strengths:

- The largest state-owned enterprise by asset size and a dominant development, construction and operation platform that focuses on infrastructure construction and affordable housing in the Wendeng District.
- Strong support (but not including credit support) from the Wendeng SASC.
- Weihai City is an important part of the PRC's national marine economy development strategy.
- The Wendeng District plays a strategic role in implementing the PRC government's and the Government of Shandong Province's policies.
- Diversified business portfolio enhancing the Group's risk resilience.
- Diversified sources of funding and strong credit position.
- Prudent financial structure.
- Experienced management team with support from a dedicated team of staff.

Business Strategies

The Group intends to implement the following strategies to achieve its business objectives:

- Continue to fulfil its role as the largest state-owned enterprise by asset size and a dominant development, construction and operation platform and to focus on project construction and affordable housing in the Wendeng District.
- Continue to diversify the Group's businesses and to increase investment in businesses that synergies with the Group's core businesses.
- Strengthen management structure and internal control systems.
- Adhere to prudent financial policy with stringent risk control and enhanced financial management.
- Explore new financing channels.
- Continue to build a professional management team.

THE OFFERING

The following summary contains some basic information about the Bonds. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "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	Rowen International Co., Limited（魯威國際有限公司）
Guarantor	Weihai Wendeng District Bluesea Investment & Development Co., Ltd（威海市文登區藍海投資開發有限公司）
Issue	U.S.$98,000,000 8.50 per cent. Guaranteed Bonds due 2024.
Guarantee	The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect are contained in the Deed of Guarantee.
Issue Price	100.00 per cent. of the principal amount.
Form and Specified Denomination	The Bonds will be issued in registered form in the specified denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.
Interest	The Bonds will bear interest on their outstanding principal amount from and including 6 November 2023 at the rate of 8.50 per cent. per annum, payable in arrear on 4 November 2024 (the "**Interest Payment Date**").
Issue Date	6 November 2023.
Maturity Date	4 November 2024.
Use of Proceeds	See the section entitled "*Use of Proceeds*".
Status of the Bonds	The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and shall at all times rank *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 legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.
Status of the Guarantee .	The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Negative Pledge	The Bonds will contain a negative pledge provision as further described in Condition 4(a) of the Terms and Conditions of the Bonds.

Events of Default . . . . . Upon the occurrence of certain events as described in Condition 9 of the Terms and Conditions of the Bonds, the Trustee at its discretion may, and if so requested in writing by Bondholders of at least 25 per cent. in aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) shall (provided 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 that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with any accrued and unpaid interest.

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, without set-off or counterclaim and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by Hong Kong or the PRC, or, in each case, any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC at the rate up to and including the rate applicable on 3 November 2023 (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 the Bondholders equals the amount which would otherwise have been receivable by them had no such withholding or deduction been required.

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

Final Redemption . . . . . Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 4 November 2024.

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 in accordance with Condition 16 of the Terms and Conditions of the Bonds to the Bondholders (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount together with any interest accrued to, but excluding, the date fixed for redemption in the event of certain changes affecting taxes of Hong Kong or the PRC, as further described in "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Taxation Reasons*".

Redemption for Relevant Events	At any time following the occurrence of a Change of Control or a No Registration Event (each a "**Relevant Event**"), any Bondholder will have the right, at such Bondholder's option, to require the Issuer to redeem all but not some only of that Bondholder's Bonds on the Put Settlement Date at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with any interest accrued up to but excluding such Put Settlement Date. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Events*".
Further Issues	The Issuer may from time to time without the consent of the Bondholders create and issue further bonds either having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them and the timing for complying with the requirements set out in the Terms and Conditions of the Bonds in relation to the Cross-Border Security Registration) and so that such further issue shall be consolidated and form a single series with the outstanding bonds of any series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue. References in the Terms and Conditions of the Bonds to the Bonds will include (unless the context requires otherwise) any other bonds issued pursuant to Condition 15 of the Terms and Conditions of the Bonds and consolidated and forming a single series with the Bonds. See "*Terms and Conditions of the Bonds – Further Issues*".
Clearing Systems	The Bonds will be represented by beneficial interests in a Global Certificate in registered form, which will be registered in the name of a nominee for, and shall be deposited with, a common depository for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.
Governing Law and Jurisdiction	English law. Exclusive jurisdiction of the Hong Kong courts.
Trustee	Bank of Communications Trustee Limited
Principal Paying Agent, Registrar and Transfer Agent	Bank of Communications Co., Ltd. Hong Kong Branch
Listing	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds on the Hong Kong Stock Exchange by way of debt issues to Professional Investors only.
ISIN	XS2706169922
Common Code	270616992
Legal Entity Identifier . .	300300B5WQFZAJ7NP650

SUMMARY FINANCIAL INFORMATION OF THE GROUP

The Guarantor's consolidated financial information as at and for the years ended 31 December 2020, 2021 and 2022 set forth below has been derived from the Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2021 and 2022. The audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2021 and 2022 were prepared and presented in accordance with PRC GAAP and have been audited by Peking, its independent auditor.

The consolidated financial information of the Guarantor as at and for the six months ended 30 June 2022 and 2023 set forth in this Offering Circular has been derived from the Guarantor's unaudited but reviewed consolidated financial statements for the six months ended 30 June 2023. The unaudited but reviewed consolidated financial statements of the Guarantor as at and for the six months ended 30 June 2023 have been reviewed by Peking, its independent auditor. Consequently, such 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 by a certified public accountant. None of the Managers, the Trustee or the Agents or any of their respective representatives, employees, agents, affiliates, directors, officers or advisers makes any representation or warranty, express or implied, regarding the accuracy or sufficiency of such financial statements for an assessment of, and potential investors must exercise caution when using such data to evaluate the Group's financial condition and results of operations. Such 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 ended 31 December 2023.

The audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2021 and 2022 and the unaudited but reviewed consolidated financial statements of the Guarantor as at and for the six months ended 30 June 2023 have been prepared in Chinese only and the English translation to them has been prepared and included in this Offering Circular for reference only. None of the Managers, the Trustee or the Agents or any of their respective representatives, agents, officers, affiliates, directors, employees or advisers has independently verified or checked the accuracy of such translation and can give any assurance that the information contained in such translation is accurate, truthful or complete.

PRC GAAP differs in certain respects from IFRS. See "*Description of Certain Differences Between PRC GAAP and IFRS*".

The summary financial data below should be read in conjunction with the Guarantor's consolidated financial statements and the notes thereto included elsewhere in this Offering Circular.

Summary Consolidated Income Statement

	For the year ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	(RMB)	**(RMB)**	**(RMB)**	**(RMB)**	**(RMB)**
	(audited)	*(audited)*	*(audited)*	*(unaudited but reviewed)*	*(unaudited but reviewed)*
I. Total operating revenue	**2,876,974,551.01**	**3,110,937,862.30**	**2,990,271,376.92**	**1,492,636,547.11**	**1,507,628,886.86**
Including: Operating revenue	2,876,974,551.01	3,110,937,862.30	2,990,271,376.92	1,492,636,547.11	1,507,628,886.86
II. Total operating costs	**3,386,956,852.85**	**3,553,312,026.38**	**3,754,424,361.09**	**1,926,821,563.12**	**1,960,559,497.79**
Including: Operating costs	2,220,342,930.98	2,389,663,768.64	2,609,550,579.15	1,312,711,710.73	1,320,462,702.25
Taxes and surcharges	97,074,905.29	95,945,063.93	95,888,538.96	47,765,340.67	34,680,858.93
Administrative expenses	779,200,991.39	843,653,088.85	796,479,813.63	393,844,848.82	406,438,162.69
Financial expenses	290,338,025.19	224,050,104.96	252,505,429.35	172,499,662.90	198,977,773.92
Including: Interest expense	269.385,466.10	256,883,199.37	216,688,040.93	171,572,720.43	163,287,182.10
Interest income	2,969,652.81	82,140,541.71	42,253,158.06	18,562,633.79	22,654,200.43
Add: Other income	851,485,109.09	897,671,794.27	1,244,630,309.32	725,050,589.38	629,000,851.36
Investment income	4,720,728.66	6,257,200.30	2,445,320.16	982,534.54	1,106,428.53
Including: Investment income from associates and joint ventures	–	929,266.69	1,124,996.84	453,618.68	486,405.32
Credit impairment losses	–	(105,309,362.28)	1,962,487.57	22,325,920.00	(52,312.40)
Assets impairment losses	(39,996,417.99)	–	–	–	–
Gains/(losses) on disposal of assets	(49,250.00)	194,923.59	–	–	–
III. Operating profit	**306,177,867.92**	**356,440,391.80**	**484,885,132.88**	**314,174,027.91**	**177,124,356.56**
Add: Non-operating income	1,111,868.00	86,914.24	7,317.08	–	3,092,869.21
Less: Non-operating expenses	10,000.00	21,252,351.67	157,717,474.51	149,924,608.92	4,297,673.57
IV. Total profit	**307,279,735.92**	**335,274,954.37**	**327,174,975.45**	**164,249,418.99**	**175,919,552.20**
Less: Income tax expenses	(9,970,042.86)	(23,539,786.72)	12,414,845.73	14,050,534.61	28,040,005.73
V. Net profit	**317,249,778.78**	**358,814,741.09**	**314,760,129.72**	**150,198,884.38**	**147,879,546.47**
(I) Classified by continuing and discontinued operations					
Net profit from continuing operations	317,249,778.78	358,814,741.09	314,760,129.72	150,198,884.38	147,879,546.47
(II) Attributable to					
Owners of the Company	317,741,631.53	358,358,572.07	314,650,686.38	150,378,320.95	147,867,288.46
Non-controlling interests	(491,852.75)	456,169.02	109,443.34	(179,436.57)	12,258.01
VI. Other comprehensive income, net of income tax	**20,021,226.28**	**11,687,021.27**	**(50,153,747.09)**	**(27,803,497.21)**	**(23,982,969.55)**
Attributable to shareholders of the parent	20,021,226.28	11,687,021.27	(50,153,747.09)	(27,803,497.21)	(23,982,969.55)
(I) Items that will not be reclassified subsequently to profit or loss	–	26,454.10	205,305.57	–	(101,492.65)
Including:					
1. Equity instrument designated at fair value through other comprehensive income – Changes in fair value	–	26,454.10	205,305.57	–	(101,492.65)
(II) Items that may be reclassified subsequently to profit or loss	20,021,226.28	11,660,567.17	(50,359,052.66)	(27,803,497.21)	(23,881,476.90)
Including:					
1. Translation differences of financial statements presented in foreign currencies	20,021,226.28	11,660,567.17	(50,359,052.66)	(27,803,497.21)	(23,881,476.90)
VII. Total comprehensive income	**337,271,005.06**	**370,501,762.36**	**264,606,382.63**	**122,395,387.17**	**123,896,576.92**
Attributable to owners (Or shareholders) of the Company	337,762,857.81	370,045,593.34	264,496,939.29	122,574,823.74	123,884,318.91
Attributable to non-controlling interests	(491,852.75)	456,169.02	109,443.34	(179,436.57)	12,258.01

Summary Consolidated Balance Sheet

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	(RMB)	(RMB)	(RMB)	(RMB)
	(audited)	*(audited)*	*(audited)*	*(unaudited but reviewed)*
Current assets:				
Monetary fund	1,401,997,364.52	1,452,273,438.00	1,697,360,934.32	1,730,080,361.32
Notes receivable	–	420,000,000.00	810,000,000.00	100,000,000.00
Accounts receivable	5,333,418.29	8,511,554.56	19,176,170.87	171,268,548.32
Prepayments	207,539,145.15	370,146,140.48	48,526,843.22	46,343,788.71
Other receivables	7,251,582,966.38	8,290,756,751.29	6,742,759,906.38	7,573,694,261.24
Including:				
Dividends receivable	10,357,349.02	5,409,231.32	1,136,439.06	1,756,462.27
Inventories	21,005,599,348.97	23,428,983,130.31	22,685,483,718.25	22,054,019,519.02
Contract assets	–	135,229.60	–	–
Non-current assets due within one year	–	–	20,091,986.31	47,563,510.29
Other current assets	36,786,844.44	189,530,458.56	212,817,081.74	181,094,271.29
Total current assets	**29,908,839,087.75**	**34,160,336,702.80**	**32,236,216,641.09**	**31,904,064,260.19**
Non-current assets:				
Available-for-sale financial assets	47,947,700.00	–	–	–
Long-term equity investments	–	10,429,266.69	11,054,263.53	11,540,668.85
Other equity instrument investments	–	39,074,154.10	64,779,459.67	64,677,967.02
Investment properties	–	97,867,420.45	119,269,103.85	–
Net book value of fixed assets	2,059,057,126.13	1,998,469,264.56	2,259,165,269.40	2,191,589,993.25
Construction in progress	72,377,428.59	285,428,788.15	45,073,068.78	43,309,433.14
Right-of-use assets	–	4,627,745.57	4,327,567.49	–
Intangible assets	18,851,966,933.53	18,794,203,095.76	19,331,409,604.59	20,063,156,119.16
Long-term prepaid expenses	85,916,927.46	4,122,200.73	2,685,422.62	1,740,128.83
Deferred tax assets	70,932,816.21	97,260,156.78	96,769,534.89	71,747,332.99
Other non-current assets	749,059.27	24,906,271.18	291,582,213.38	162,287,544.03
Total Non-Current Assets	**21,188,947,991.19**	**21,356,388,363.97**	**22,226,115,508.20**	**22,610,049,187.27**
Total Assets	**51,097,787,078.94**	**55,516,725,066.77**	**54,462,332,149.29**	**54,514,113,447.46**
Current liabilities:				
Short-term loans	700,000,000.00	850,000,000.00	1,799,758,520.00	1,088,500,000.00
Notes payable	120,000,000.00	319,900,000.00	240,000,000.00	525,000,000.00
Accounts payable	92,689,357.66	192,005,642.61	194,350,878.14	131,300,155.17
Unearned revenue	160,883,751.00	2,588,539.84	44,844.92	–
Contract liabilities	–	52,743,289.69	36,275,042.96	32,253,380.07
Employee compensation payable	65,308.25	127,596.83	45,921.88	30,370.38
Taxes and surcharge payable	273,397,602.17	341,752,679.64	375,814,257.08	373,262,107.43
Other payables	1,583,640,570.63	1,674,985,376.16	1,654,409,689.48	2,467,685,063.46
Including: Interest payable	196,782,982.41	–	–	–
Non-current liabilities due within one year	1,712,223,516.52	5,109,713,286.74	3,845,913,687.72	3,946,794,477.37
Other current liabilities	1,021,992,000.00	550,749,388.42	719,728,634.94	730,732,908.60
Total Current Liabilities	**5,664.892,106.23**	**9,094,565,799.93**	**8,866,341,477.12**	**9,295,558,462.48**
Non-Current Liabilities:				
Long-term loans	6,019,634,000.00	6,228,583,200.00	6,107,332,400.00	5,829,282,000.00
Bonds payable	8,040,000,000.00	6,877,905,639.71	6,548,143,154.83	6,565,702,599.23
Long-term payables	2,145,978,344.06	2,932,393,001.62	2,410,302,807.53	2,390,582,023.62
Estimated liabilities	–	3,651,924.00	158,592,212.83	161,206,368.79
Total Non-Current Liabilities	**16,205,612,344.06**	**16,042,533,765.33**	**15,224,370,575.19**	**14,946,772,991.64**
Total Liabilities	**21,870,504,450.29**	**25,137,099,565.26**	**24,090,712,052.31**	**24,242,331,454.12**
Owner's Equity:				
Paid in capital	500,000,000.00	500,000,000.00	500,000,000.00	500,000,000.00
Capital reserve	26,650,593,102.96	27,431,034,213.46	27,158,422,426.30	26,925,896,326.16
Other comprehensive income	20,991,908.17	32,678,929.44	(17,474,817.65)	(41,457,787.20)
Surplus reserve	196,771,963.54	229,152,101.59	262,325,396.79	262,325,396.79
Undistributed profit	1,860,155,838.89	2,184,134,272.91	2,465,611,664.09	2,625,026,281.22
Total Owners' Equity of the Parent Company	**29,228,512,813.56**	**30,376,999,517.40**	**30,368,884,669.53**	**30,271,790,216.97**
Minority shareholders' equity	(1,230,184.91)	2,625,984.11	2,735,427.45	(8,223.63)
Total Owner's Equity	**29,227,282,628.65**	**30,379,625,501.51**	**30,371,620,096.98**	**30,271,781,993.34**
Total Liabilities and Owner's Equity	**51,097,787,078.94**	**55,516,725,066.77**	**54,462,332,149.29**	**54,514,113,447.46**

Summary Consolidated Cash Flow Statement

	For the year ended 31 December			For the six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	(RMB)	**(RMB)**	**(RMB)**	**(RMB)**	**(RMB)**
	(audited)	*(audited)*	*(audited)*	*(unaudited but reviewed)*	*(unaudited but reviewed)*
Net Cash Inflow/(Outflow) From Operating Activities	(415,916,045.77)	(589,382,604.18)	4,001,522,520.07	(189,207,697.09)	1,421,356,438.70
Net Cash Inflow/(Outflow) From Investing Activities	(6,451,525,798.78)	(1,401,097,754.53)	(1,821,529,604.61)	635,377,967.94	(1,181,390,387.86)
Net Cash Inflow/(Outflow) From Financing Activities	7,128,036,483.51	1,381,136,481.87	(2,218,116,221.46)	(298,754,809.36)	(241,847,036.16)
Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	(4,078,297.09)	504,548.52	4,680,748.30	1,433,511.27	594,727.92
Net Increase/(Decrease) in Cash and Cash Equivalents	**256,516,341.87**	**(608,839,328.32)**	**(33,442,557.70)**	**148,848,972.76**	**(1,286,257.40)**
Add: cash and cash equivalents at the beginning of the year	595,102,277.67	851,618,619.54	242,779,291.22	242,779,291.22	209,336,733.52
Cash and Cash Equivalents at the End of The Year	**851,618,619.54**	**242,779,291.22**	**209,336,733.52**	**391,628,263.98**	**208,050,476.12**

RISK FACTORS

An investment in the Bonds is subject to a number of risks. Investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below, before deciding to invest in the Bonds. The following describes some of the significant risks relating to the Group, the Group's business and the market in which the Group operates. PRC laws and regulations may differ from the laws and regulations in other countries. Some risks may be unknown to the Issuer, the Guarantor and the Group and other risks, currently believed to be immaterial, could in fact be material. Any of these could materially and adversely affect the business, financial condition, results of operations or prospects of the Issuer, the Guarantor or the Group or the value of the Bonds. All of these factors are contingencies which may or may not occur and the Issuer, the Guarantor or the Group is not in a position to express a view on the likelihood of any such contingency occurring. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular.

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

RISKS RELATING TO THE GROUP'S BUSINESS

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

The Guarantor is a state-owned company owned by the Wendeng SASC, and the Group's businesses and assets are primarily concentrated in the Wendeng District. Therefore, the Group's business, financial condition, results of operations and prospects have been, and will continue to be, heavily dependent on the social conditions, local government policies and level of economic activity in the Wendeng District.

In recent years, whilst the Group has received and benefited from various kinds of support (excluding credit support) as well as favourable government policies to promote the urban and economic development of the Wendeng District, there was a slowdown in the overall growth of the PRC's economy and it is difficult to predict how the economic development of the Wendeng District will be affected. In addition, there can be no assurance that the PRC government and the Government of Shandong Province will continue to implement favorable policies to support the development of the Wendeng District. As such, there can be no assurance that the level of economic development in the Wendeng District will continue to be maintained at the past rate of growth, if at all.

As the largest state-owned enterprise by asset size and a dominant development, construction and operation entity that focuses on project construction and affordable housing in the Wendeng District, the Group may not be able to establish or invest in any new businesses outside the Wendeng District in the future and it is expected that the Group's future business and operations will continue to be primarily concentrated in the Wendeng District. If economic growth in the Wendeng District slows, adverse changes in social conditions or local government policies arise or any severe natural disasters or catastrophic events occur in the Wendeng District, the Group's business, financial condition, results of operations and prospects would be materially and adversely affected.

The Group's business and future prospects depend to a large extent upon the public spending on infrastructure and fixed asset investments by the Wendeng SASC, the Municipal Government of Weihai and the Government of Shandong Province.

The Group focuses on project construction, sale of goods and leasing in the Wendeng District. As such, the Group's businesses largely depend on continued spending and investment by the Wendeng SASC, the Municipal Government of Weihai and the Government of Shandong Province to conduct government supported infrastructure projects such as urban districts construction projects, shanty town reconstruction projects, rural habitat environmental improvement projects and river improvement projects. As the largest state-owned enterprise by asset size and a dominant development, construction and operation entity that focuses on project construction and affordable housing in the Wendeng District, the Guarantor is designated to carry out the Wendeng SASC's directions, plans and policies for municipal development in the Wendeng District. Therefore, the Group's businesses, and in turn, the Group's results of operations and future prospects are significantly affected by the Wendeng SASC's budgets and policies, in particular those in relation to project construction. Any significant reduction in the public budgets of the Government of Shandong Province, the Municipal Government of Weihai or the Wendeng SASC and adverse changes in policies relating to project construction in Wendeng District in general could materially and adversely affect the Group's business.

There are a number of factors affecting the nature, scale, location and timing of the Wendeng SASC's investments in urban development. The key factors include government policies and priority relating to the development of different areas in the Wendeng District. The Wendeng SASC's investments in urban development are also affected by the level of government income and the general economic conditions in the PRC, the Shandong Province, Weihai City and the Wendeng District. If public budget or spending of the Wendeng SASC on project construction in the Wendeng District decreases or the Wendeng SASC adopts adverse changes in its policies, the Group's business, financial condition, results of operations and prospects could be materially and adversely affected.

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

The Guarantor is the largest state-owned enterprise by asset size and a dominant development, construction and operation entity that focuses on project construction and affordable housing in the Wendeng District. Given its state-owned background and the strategic role which the Group plays in the municipal development of the Wendeng District, the Group may not always make decisions, take action or invest or operate in businesses or projects that are in the Group's best interests or that aim to maximise the Group's profits. In addition, the Guarantor is a state-owned company wholly-owned by the Wendeng SASC, the Wendeng SASC is in a position to control and exert significant influence on the Group's major business decisions and strategies, including the scope of its activities, investment decisions and dividend policy. There can be no assurance that the Wendeng SASC would always take action that is in the Group's best interests or that aims to maximise the Group's profits. The Wendeng SASC may use its ability to influence the Group's business and strategy in a manner which is beneficial to the Wendeng District as a whole but which may not necessarily be in the Group's best interests. The Group may be commissioned to conduct business operations to promote the urban and economic development of the Wendeng District which may not generate a profitable return for the Group. The Wendeng SASC may also change its policies, intentions, preferences, views, expectations, projections, forecasts and opinions, as a result of changes in the economic, political and social environment as well as its projections of population and employment growth in the Wendeng District and any such change may have a material effect on the Group's business and prospects. Any amendment, modification or repeal of existing policies of the Wendeng SASC could result in a modification of the existing regulatory regime which in turn could have a material adverse effect on the Group's financial condition and results of operations.

The PRC government (including the Government of Shandong Province, the Municipal Government of Weihai and the Wendeng SASC) has no obligation to pay any amount under the Bonds.

The PRC government (including the Government of Shandong Province, the Municipal Government of Weihai and the Wendeng SASC) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds. This position has been reinforced by the Circular of the Ministry of Finance on Issues relevant to the Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises(財政部關於規範金融企業對

地方政府和國有企業投融資行有關問題的通知(財金[2018]23號))(the "**MOF Circular**") promulgated on 28 March 2018 and took effect on the same day, 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**") promulgated on 11 May 2018 and took effect on the same day and the Circular of the General Office of the National Development and Reform Commission on Relevant Requirements for Record-filing and Registration of Issuance of Foreign Debts by Local State-owned Enterprises(國家發展改革委辦公廳關於對地方國有企業發行外債申請備案登記有關要求的通知(發改辦外資[2019]666號))("**Circular 666**") promulgated on 6 June 2019 and took effect on the same day.

The PRC government, the Government of Shandong Province, the Municipal Government of Weihai and the Wendeng SASC have no obligation to pay any amount under the Bonds. Investments in the Bonds are relying solely on the credit risk of the Issuer and the guarantee of the Guarantor. In the event the Issuer or the Guarantor fails to fulfil its obligations under the Bonds or the guarantee, investors will only be able to claim as an unsecured creditor against the Issuer and the Guarantor and their respective assets, and not any other person including the PRC government, the Government of Shandong Province, the Municipal Government of Weihai, the Wendeng SASC or any other local or municipal government. The repayment obligation under the Bonds remain the sole obligation of the Issuer and the Guarantor and ownership or control by the PRC government (including the Government of Shandong Province, the Municipal Government of Weihai and the Wendeng SASC) does not provide assurance on the Issuer's or the Guarantor's financial condition. As the MOF Circular, the Joint Circular and Circular 666 are relatively new and given the limited volume of published decisions related to these circulars, the interpretation and enforcement of these laws and regulations involve uncertainties.

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

As a state-owned enterprise controlled by the Wendeng SASC, the Group from time to time receives financial supports and preferential treatments from the Wendeng SASC. These supports may come in various form, including but not limited to favourable policies, government grants and subsidies, asset transfers and capital injections. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the Group received government grants of approximately RMB851.48 million, RMB897.67 million, RMB1,244.63 million, RMB725.05 million and RMB629.00 million respectively.

There is no assurance that the Wendeng SASC will continue to provide such supports and preferential treatments to the Group or that existing government supports will not be adjusted or terminated. If the financial supports and preferential treatments which are currently available to the Group are reduced or eliminated in the future, the Group's businesses, financial condition, results of operations and prospects may be materially and adversely affected. In addition, the controlling relationship between the Wendeng SASC and the Group does not necessarily correlate to, or provide any assurance as to the Group's financial conditions.

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

The Group's results of operations and financial condition may be affected by changes in the regulations of the PRC government concerning local government's fiscal debts and the financing platforms of local governments from time to time.

For example, in accordance with the 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 on 18 March 2009, local governments are encouraged to establish financing platforms to issue financing instruments such as enterprise notes and medium-term notes. In order to strengthen the management of financing platforms and effectively prevent fiscal financial risks, the Circular of the State Council on Relevant Issues Concerning Strengthening the Management of Financing Platform Companies of Local Governments(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 Circular of the General Office of the NDRC on Relevant Issues Concerning Furthering Regulating the Issuance of Bonds of Local Government Investment and Financing Platform Enterprise(國家發展改革委辦公廳關於進一步規範地方政府投融資平台公司發行債券行為有關問題的通知)("**Circular 2881**") were separately promulgated on 10 June 2010 and 20 November 2010, respectively. In accordance with Circular 19, all levels of local governments shall clear up the debts of their respective financing platform. In accordance with Circular 2881, indebtedness of local governments will impact the financing platform's issuance of enterprise notes.

On 21 September 2014, State Council released Several Opinions of the State Council on Strengthening the Administration of Local Government Debts(國務院關於加強地方政府性債務管理的意見)("**Circular 43**"). In accordance with Circular 43, financing platform companies shall no longer function as a financing vehicle of the local government or incur new government debts. New public interest projects of a local government that are not for profit earning, such as project construction and primary land development, should not be financed by the investment vehicles of the local government in the form of corporate bond issuances. Instead, local governments should finance the development of such public interest projects by issuance of government bonds. Public interest projects that are profit earning, such as the construction of a non-toll free highway, may be developed either by private investors independently or by a special purpose company jointly set up by the local government and private investors. Such private investors and special purpose companies shall invest in accordance with market-oriented principles and development of the projects may be financed by bank loans, corporate bonds, project revenue bonds and asset-backed securitisation. Furthermore, private investors and the special purpose companies shall bear the obligation to repay their debts and the local government shall not be liable for any of the private investors' or the 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. There are a few stray cases where certain debts of the local financing platforms were classified as non-government debts since the release of Circular 43. However, whether the factual basis for such individual cases is comparable or relevant to other local governments' financing platforms or not is unclear, and different local governments' interpretation and application of Circular 43 may vary from one another. It is unclear what impact Circular 43 has on the existing government debts of the local financing platforms in the PRC.

In addition, on 23 October 2014, MOF promulgated the Methods to Clear up and Clarify the Existing Fiscal Debt of Local Governments and Integrate it into Budgetary Management(地方政府存量債務納入預算管理清理甄別辦法)("**Circular 351**") based on Circular 43. Circular 351 further requires local governments to clear up the existing debts of the financing platforms of the local governments and classify such existing fiscal debts of the local governments into government debts and non-government debts. On 9 November 2016, MOF promulgated the Circular on Local Government General Debt Budget Management(地方政府一般債務預算管理辦法)("**Circular 154**") and the Circular on Local Government Special Debt Budget Management(地方政府專項債務預算管理辦法)("**Circular 155**"), which aim to realise the monitoring of the entire process of borrowing, using and repaying local governments debts, enhance the transparency of local government debts, and strengthen the supervision of local government debt management by central government. Circular 154 and Circular 155 clarify the upper limit of local government debt, budget preparation and approval process, and provide that debts that are not in the form of government bonds shall be included in budget management.

On 11 May 2015, the Opinion on the Proper Solution of the Follow-up Financing Issues for Projects under Construction of Financing Platform of Local Governments issued jointly by MOF, PBOC and CBRC(財政部、人民銀行、銀監會關於妥善解決地方政府融資平臺公司在建項目後續融資問題意見)("**Circular 40**") was promulgated by the General Office of the State Council. In accordance with

Circular 40, local governments at all levels and banking financial institutions shall properly deal with follow-up financing issues for projects under construction of financing platform companies. Projects under construction refer to projects that have started construction upon the completion of examination, approval or filing procedures in accordance with relevant regulations manuscript by competent investment authorities before the date when Circular 43 was promulgated.

In addition, MOF, together with NDRC, PBOC, China Securities Regulatory Commission, CBRC and the Ministry of Justice of the PRC, released the Notice concerning Further Regulation of Local Government Borrowing and Financing Conduct（關於進一步規範地方政府舉債融資行為的通知）to emphasise the principles and policies set out in Circular 43 in April 2017.

Also, the PRC government issued 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. On 11 May 2018, the Joint Circular was released which reiterates the PRC government's position to isolate the debt of local government financing vehicles from the relevant local government and to control the increase of 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 include public interest assets in corporate assets. See "*– The PRC government (including the Government of Shandong Province, the Municipal Government of Weihai and the Wendeng SASC) has no obligation to pay any amount under the Bonds*".

On 13 September 2018, the Guiding Opinions on Strengthening Asset-Liability Constraints on State-owned Enterprises（關於加強國有企業資產負債約束的指導意見）(the "**Guiding Opinions**") was promulgated by the General Office of the CPC Central Committee and the General Office of the State Council and become effective on the same date. Pursuant to the Guiding Opinions, the average debt ratio of state-owned enterprises shall decrease by approximately 2 percentage points starting from the end of 2017 and by the end of 2020, and thereupon the debt ratio of state-owned enterprises shall be maintained basically at the average level of enterprises of the same size in the same industry. The Guiding Opinions also set forth the basic principles and indicating standards of constraining the debt ratio of state-owned enterprises.

The PRC government has released several additional regulations and rules relating to the financing vehicles of local governments in the PRC. Please refer to "*PRC Regulations – Regulation on Fiscal Debts of Local Governments*" for further details. The PRC government may also continue to release new policies or amend existing regulations to control the increase in local government debts in the PRC. The implementation and interpretation of the legislations, regulations and rules by the PRC central government and different local governments may vary from one to the other. It is uncertain how they will be implemented and how it will affect the Group's business and financial performance in the future. There is also no assurance that the Group's financing model and business model will not be materially affected by future changes in the regulatory regime concerning local government fiscal debts and the financing platforms of local governments.

The Group's business and results of operations are heavily influenced by governmental decisions and actions at various levels, over which the Group has no control and which may not be in the Group's best interest.

As a state-owned company wholly-owned by the Wendeng SASC, the Group collaborates with the PRC government, in particular the Government of Shandong Province, the Municipal Government of Weihai and the Wendeng SASC. As such, many aspects of the Group's business and activities are heavily influenced by, and significantly depend on, government decisions and actions at various levels. There can be no assurance that the governmental authorities would not make decisions or take actions which may have an adverse impact on the Group's business and results of operations.

The Group reported negative operating cash flows for the years ended 31 December 2020 and 2021 and the six months ended 30 June 2022. If the Group experiences negative operating cash flows in the future, the Group's liquidity and financial condition may be materially and adversely affected.

For the years ended 31 December 2020 and 2021 and the six months ended 30 June 2022, the Group incurred net cash outflow in operating activities of approximately RMB415.92 million, RMB589.38 million and RMB189.21 million respectively, while the Group incurred net cash inflow in operating activities of approximately RMB4,001.52 million and RMB1,421.36 million for the year ended 31 December 2022 and the six months ended 30 June 2023, respectively. Negative operating cash flows may reduce the Group's financial flexibility and its ability to obtain additional borrowings from banks. The Group's liquidity and financial condition may be materially and adversely affected should the Group's future operating cash flows remain negative, and there can be no assurance that it will have sufficient cash from other sources to fund its operations. If the Group resorts to other financing activities to generate additional cash, the Group may incur additional financing costs and there can be no assurance that the Group will be able to obtain the financing on terms commercially acceptable to the Group or at all.

In a single construction project, cash inflows are normally incurred at the settlement stage of the construction project, but the Group has to pay the construction units the progress payments as soon as after the commencement of the construction project in accordance with its actual progress. As such, the cash inflows and outflows of individual projects may fluctuate as the works proceed. Since the Group generally engages in a number of construction projects at a given period, the cash outflows of any individual projects could be compensated by the cash inflows of other projects. Nevertheless, if the Group undertakes a number of significant projects, which require substantial amount of expenditures while the Group has significantly less cash inflows during a particular point of time, the Group's cash flow position may be adversely affected.

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

The Group has substantial outstanding indebtedness. As at 30 June 2023, the Group's total indebtedness (comprising short-term loans, non-current liabilities maturing within one year, other current liabilities, long-term loans, bonds payable and long-term payables) amounted to approximately RMB19.48 billion, representing approximately 35.73 per cent. of the Group's total assets as at the same date, of which approximately RMB5.58 billion would become due within 12 months. In addition, as at 30 June 2023, the total current liabilities of the Group amounted to approximately RMB9,295.56 million, accounting for approximately 38.34 per cent. of the Group's total liabilities, and the Group's liability-to-asset ratio was approximately 44.47 per cent. For further details, please refer to the audited consolidated financial statements as at and for the years ended 31 December 2021 and 2022 and the unaudited but reviewed consolidated financial statements as at and for the six months ended 30 June 2023.

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

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

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

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

In incurring indebtedness and liabilities from time to time, members of the Group may create securities over their assets, receivables or equity interests in companies or entities held by them (which may include the Guarantor's subsidiaries) in favor of the relevant creditors. Should any of such secured indebtedness becomes immediately due and payable as a result of any default in payment or the occurrence of other events of default as defined under the relevant secured indebtedness, the relevant secured creditors would be entitled to take enforcement actions against such secured assets, receivables and equity interests. The secured creditors might take over the relevant subsidiaries' titles to the secured assets, receivables and equity interests or sell them through auction. In such an event, the value of the Group's assets portfolio will diminish and fewer assets and/or equity interests will be available for distribution to unsecured creditors if the relevant subsidiaries are in liquidation. If any member of the Group incurs additional debt, the risks that the Group faces as a result of its already substantial indebtedness and leverage could intensify.

The Group may be unable to comply with the restrictions and covenants in its current or future debt obligations and other agreements, which could trigger cross-acceleration or cross-default provisions, as applicable.

If the Guarantor or the relevant subsidiaries are unable to comply with the restrictions (including restrictions on the Group's future investments) and covenants in its current or future debt obligations and other agreements, a default under the terms of such agreements may occur. In the event of a default under such agreements, the holders of the debt could terminate their commitments to the Guarantor or its subsidiaries, including without limitation to the Issuer, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Some of the financing arrangements entered into by the Guarantor and its subsidiaries, including, without limitation, the Issuer, may contain cross-acceleration or cross-default provisions. As a result, a default by the Guarantor or any of its subsidiaries under any of such agreements may cause the acceleration of repayment of not only such debt but also other debts, or result in a default under other debt agreements. If any of these events occurs, there can be no assurance that the assets and cash flows of the Guarantor or its subsidiaries, including, without limitation, the Issuer, 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, including, without limitation, the Issuer, 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 faces risks associated with contracting with public bodies.

As primary investment and construction entity that focuses on project construction and affordable housing in the Wendeng District, the Group collaborates with, and relies on, the Wendeng SASC and its controlled agencies or entities and other governmental bodies in the Wendeng District for the operation of its businesses.

Although the Guarantor believes that the Group currently maintains a close working relationship with the Wendeng SASC, there can be no assurance that this close working relationship will continue in the future. The Wendeng SASC may (i) have economic or business interests or policy considerations that are inconsistent with the Group's best interests; (ii) take action or implement policies which are contrary to the Group's requests or objectives; (iii) be unable or unwilling to fulfil its contractual or other obligations; (iv) encounter financial difficulties; or (v) have disputes with the Group as to contractual terms or other matters. The Wendeng SASC, its controlled agencies or entities or other governmental bodies 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 the Wendeng District for reasons beyond the control of the Group, such as government budgeting. Please see "– *Failure to collect accounts receivable may affect the Group's liquidity and restrict the Group's business activities*" for further information about the risks relating to the failure of the Wendeng SASC or other governmental bodies to make timely payments to the Group. Failure by the Wendeng SASC or other governmental bodies to fulfil its contractual obligations or any adverse change to the policies or business plans may require the Group to adjust its construction or development plans which may in turn adversely affect its operating results.

If there is any material disagreement between the Group and the Wendeng SASC or any of its controlled agencies or entities, the Group may not be able to successfully resolve the disagreement in a timely manner. Disputes with public bodies may last for considerably longer period of time than for those with private sector counterparties, and payments from the public bodies may be delayed as a result. Any of these factors may materially and adversely affect the business relationship between the Group and the Wendeng District, which may in turn materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Group is exposed to risks in relation to the inventory it maintains.

The Group's businesses require a large amount of working capital prior to the completion of its projects and the subsequent buyback by the Wendeng SASC in respect of some of its construction projects. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group's inventories amounted to approximately RMB21,005.60 million, RMB23,428.98 million, RMB22,685.48 million and RMB22,054.02 million respectively, representing approximately 70.23 per cent., 68.59 per cent., 70.37 per cent. and 69.13 per cent. of the Group's total current assets respectively. As at 30 June 2023, the Group's inventories mainly comprised of raw materials, low-value consumables, inventory goods, operating materials, development costs and development products and contract fulfilment costs. Nevertheless, in accordance with the Group's accounting policies, the Group had not made provision for inventory price changes in the past three years. Any failure to effectively manage the Group's inventory level will have a material impact on the Group's cash flows and adversely affect its abilities to carry on ordinary business activities and to service its outstanding indebtedness, such as the Bonds, which, in turn, could materially and adversely affect the Group's business, financial condition, results of operations or prospects. Also, in the event that the value of the inventories decreases significantly, the Group's business, financial condition, results of operations or prospects could be materially and adversely affected.

Failure to collect accounts receivable 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 accounts receivable amounted to approximately RMB5.33 million, RMB8.51 million, RMB19.18 million and RMB171.27 million respectively, representing approximately 0.02 per cent., 0.02 per cent., 0.06 per cent., and 0.54 per cent. of the Group's total current assets, respectively. As at 30 June 2023, the Group's accounts receivable mainly comprised of accounts receivable for the leasing of sea area use rights and pipeline. There are inherent risks associated with the ability of the Wendeng District Government, the Finance Bureau of the Wendeng District Government or the Group's other customers or contractual parties to make timely payments which may impair the Group's accounts receivable. See "*– The Group faces risks associated with contracting with public bodies*". Any failure of the Wendeng District Government, the Finance Bureau of the Wendeng District Government or the Group's other customers or contractual parties to make timely payments and fulfil their contractual obligations could materially and adversely affect the value of the Group's accounts receivable and its liquidity and in turn affect its business, financial condition or results of operations.

Fluctuations in the global economy and financial markets may adversely affect the Group's business.

The Group's activities and results are substantially affected by general global macro-economic conditions. The outlook for the world economy and financial markets remains uncertain. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a result of liberal monetary policy or excessive foreign fund inflow, or both. The Brexit process took effect on 31 January 2020 has resulted in volatility in global financial markets and economic uncertainty to not only the economies of the United Kingdom and the European Union but also globally. In addition, sustained tension between the United States and the PRC over trade policies could significantly undermine the stability of the global economies. The military conflict between Russia and Ukraine has further resulted in an escalated regional instability and amplified the tensions between international relationships, as well as adversely affected global economic conditions and the sanctions imposed by various countries on Russia may pose adverse effects on global economy. The European Union and other countries such as the United States, the United Kingdom and Canada have introduced financial and economic sanctions and export controls against Russian entities and/or individuals, which could adversely affect the global economy and financial markets. The duration of such military conflict and the related sanctions, as well as their impact on the global financial markets, cannot be predicted. The World Trade Organisation expects that the world GDP at market exchange rates would be decelerated and the output in the Commonwealth of Independent States region would result in a sharp decrease. The international financial markets also experience significant volatility. In December 2016, the U.S. Federal Reserve raised interest rates for the first time in a year, and the second time since the 2008 financial crisis. The U.S. Federal Reserve further raised interest rates three times in 2017 and four times in 2018 but lowered them three times in 2019 and twice in 2020 as a result of the impact of the COVID-19 pandemic on the U.S. economy. In 2022, however, the U.S. Federal Reserve raised interest rates a few times in order to control inflation and signalled more rate hikes if inflation is not controlled. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected. Therefore, significant uncertainty remains for the overall prospects for the global and the PRC economy this year and beyond.

Instability in the global economy may materially and adversely affect markets in which the Group operates, which may lead to a decline in the general demand for the Group's services especially in relation to project construction. In addition, a reduction in liquidity in the global financial markets and in the PRC may negatively affect the Group's liquidity. Therefore, instability in the global economy may materially and adversely affect the Group's business, financial condition and results of operations.

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

The Group conducts businesses in various industries and is exposed to business, market and regulatory risks associated with multiple businesses and markets. The Group may from time to time expand its businesses to new industries and markets in which it has limited operating experience. The Group needs to devote substantial resources to become familiar with, and monitor changes in, different operating environments so that it can succeed in its businesses.

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

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

Failure to obtain sufficient capital on acceptable terms or in a timely manner may adversely affect the Group's business and growth prospects.

The Group's business requires and will continue to require substantial capital expenditure. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group made capital expenditures of approximately RMB6,454.00 million, RMB1,649.00 million, RMB1,797.00 million and RMB1,197.00 million, respectively. The Group has historically satisfied its capital requirements with cash flows generated from its operating activities, bank loans and other borrowings and equity contributions from its shareholder.

The Group's ability to access and raise capital depends upon a number of factors, such as the PRC's economic condition, the Group's relationships with key commercial banks, prevailing conditions in capital markets, regulatory requirements, the Group's financial condition, and costs of financing. Some of these factors are beyond the Group's control. There can be no assurance that the Group can be provided with sufficient amounts of capital in a timely manner. Also, there can be no assurance that additional financing will be available to the Group or, if available, that it can be obtained on terms commercially acceptable to the Group and within the covenants and limitations imposed by the Group's existing or any future financings and the applicable regulations which the Group may be subject to. If there is no sufficient funding to meet the Group's needs or such funding cannot be obtained on commercially acceptable terms, or at all, the Group may not be able to repay its existing loans, fund the operation and/or expansion of its business or maintain its competitiveness. As a result, the business, financial condition and results of operations of the Group could be materially and adversely affected.

The Group may not successfully expand its businesses and implement its growth strategies.

The Group may from time to time expand its businesses to new industries or markets in which it has limited operating experience. Such expansion may require the Group to devote substantial resources to become familiar with, and monitor changes in, different operating environments so that it may succeed in such new business. The Group's ability to successfully grow its new business and implement its expansion strategy depends on a variety of factors, including its ability to identify attractive projects, obtain required approvals from relevant regulatory authorities, obtain sufficient capital on acceptable terms in a timely manner and maintain working relationships with various governmental authorities and agencies, some of which may be out of the Group's control.

There is no assurance that the Group will be able to successfully grow its businesses, implement its expansion strategies, manage or integrate any newly-acquired operations with the Group's existing operations. Failure by the Group to grow new businesses or implement its expansion strategies could have a material adverse effect on its business, financial condition, results of operations and prospects.

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

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

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

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

The Group may consider expanding its business by acquiring certain interests in other companies. During the course of these transactions, the Group will conduct due diligence investigations with respect to the target companies, but the due diligence with respect to any acquisition opportunity may not reveal all relevant facts that are necessary or useful in evaluating such opportunity, which could subject the Group to unknown financial, legal and other risks and liabilities. When determining the consideration for any acquisition, the Group will consider various factors, including but not limited to the quality of the target business, estimated costs associated with the acquisition and the management of the target business, prevailing market conditions and intensity of competition. The Group may also face various issues arising from the acquisition after the relevant transaction is completed, such as integration of the business into its operations and allocation of internal resources. There can be no assurance that the Group will be able to address these issues effectively.

In addition, any major acquisition or transaction of similar nature may consume substantial management attention and financial resources of the Group or even cause the Group to incur significant indebtedness. Any material decrease in its financial resources may limit the Group's ordinary operating activities and increase pressure on its liquidity, and in turn could adversely affect its business, financial condition and results of operations.

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

The Group may not be able to execute successfully or fully its business strategy with respect to assets, projects or subsidiaries in which the Guarantor has minority interests (if any).

The Group may not be able to execute successfully or fully its business strategy with respect to assets, projects or subsidiaries in which the Guarantor has minority interests (if any). The Group may also fail to manage such assets, projects or subsidiaries effectively. The Group's involvement with such assets, projects and subsidiaries is generally subject to the terms of applicable agreements and arrangements. The Group may not have any board representation, veto power or power to exercise control over the management, policies, business and affairs of certain of its subsidiaries in which the Guarantor does not have majority interests.

The Group may face risks related to its joint ventures.

The Group may conduct some of its business activities through joint venture companies. The Group's joint venture partners may (i) have economic or business interests or goals that are inconsistent with that of the Group; (ii) be unable or unwilling to fulfil their obligations under the relevant joint venture or other agreements; or (iii) experience financial or other difficulties. Further, the Group may not be able to control the decision-making process of the joint ventures if it does not have majority control of the joint venture, and may only have the ability to influence certain material decisions through contractual provisions or representatives. Also, there can be no assurance that any of these strategic or business partners will not terminate their relationships with the Group in the future. These occurrences may in turn affect the business, financial condition, results of operations and prospects of the Group.

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

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

The Group may be exposed to credit risk relating to guarantees.

The Group provides guarantees in respect of indebtedness of entities in Weihai City which are not members of the Group from time to time. As at 30 June 2023, the balance of such guarantees amounted to approximately RMB10.93 billion. For details of such guarantees as at 30 June 2023, please see "*Notes to Financial Statements – IX. Contingencies and Commitment – 2. Contingencies – (3) External guarantee items*" of the Guarantor's unaudited but reviewed consolidated financial statements as at and for the six months ended 30 June 2023. If there is a downturn in the general economic conditions in Weihai City and the guaranteed entities are unable to fulfill their obligations under their respective indebtedness requiring the Group to pay the outstanding debt obligations on behalf of the guaranteed entities, the Group's financial condition, results of operations and prospects could be materially and adversely affected.

The Group's ability to generate cash to service its indebtedness depends on many factors beyond its control.

The Group's ability to make payments on and to refinance its indebtedness, including the Bonds, and to fund planned capital expenditures and project development will depend on the Group's ability to generate cash. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond the Group's control. For the years ended 31 December 2020 and 2021 and the six months ended 30 June 2022, the Group incurred net cash outflow in operating activities of approximately RMB415.92 million, RMB589.38 million and RMB189.21

million respectively, while the Group incurred net cash inflow in operating activities of approximately RMB4,001.52 million and RMB1,421.36 million for the year ended 31 December 2022 and for the six months ended 30 June 2023. There can be no assurance that the Group may generate sufficient cash flow from its operations to enable it to pay its indebtedness, including the Bonds, or to fund the Group's other liquidity needs. The Group may need to refinance all or a portion of its indebtedness, including the Bonds, on or before maturity. However, the Group may not be able to refinance any of its indebtedness, including the Bonds, on commercially reasonable terms or at all. If the Group is unable to service its indebtedness or obtain refinancing on terms acceptable to the Group, it may be forced to adopt an alternative strategy that may include reducing or delaying capital expenditures, disposal of assets or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

The Group is subject to extensive regulatory requirements and the non-compliance of which would materially and adversely affect the Group's financial condition and results of operations.

The Group is subject to extensive laws, policies and regulatory requirements promulgated by the relevant governmental authorities in the PRC and other jurisdictions, including but not limited to safety and health regulations. The Group is also subject to the supervision of a number of government ministries and departments, including NDRC, the Ministry of Housing and Urban-Rural Development, the Ministry of Emergency Management of the PRC and the SASAC. Any breach of the laws or regulations to which the Group is subject may result in the imposition of fines and penalties, the suspension or closure of its relevant operations or the suspension or revocation of its licences or permits to conduct its relevant businesses.

Given the magnitude and complexity of the laws and regulations to which the Group is subject to, compliance with such laws and regulations or the establishment of effective monitoring systems may be onerous or require a significant amount of financial and other resources. As at 30 June 2023, the Group had not received any notice regarding any material non-compliance with the applicable safety regulations or requirements from any government authority. There can be no assurance that the Group will be in compliance at all times. Any failure to comply with applicable laws and regulations could subject the Group to, among other things, civil and administrative liabilities and penalties.

In addition, PRC laws and regulations are constantly evolving. 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 and in turn, materially affect the Group's financial condition.

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

Pursuant to the applicable laws and regulations in the PRC, the Group is required to obtain or renew approvals, permits and licences with respect to its relevant operations. Some members of the Group may not be able to obtain all requisite permits and qualifications to conduct the businesses described in their business licences or may not register the property rights for their state-owned assets with the relevant authorities. There can be no assurance that the Group will be able to obtain or renew all necessary approvals, permits and licences on a timely basis or at all. Failure to comply with the applicable laws and regulations or the inability to obtain the relevant approvals, permits and licences could expose the Group to the imposition of sanctions, fines, penalties, revocation of licence or other punitive actions, including suspension of the Group's business operations or restrictions or prohibitions on certain of the Group's business activities, which may adversely affect the Group's financial condition and results of operations.

Some of the Group's members do not possess valid land use rights or building ownership certificates to certain properties and some of the Group's properties are subject to usage for special purposes and restrictions on transfer.

Some of the Group's members do not possess valid land use rights certificates or building ownership certificates to certain properties. Some of these members are in the process of applying for or will apply for the relevant certificate, permits or approvals for certain properties (including the construction in progress). There can be no assurance that such certificates and permits will be obtained in a timely manner, or at all, and any delay may result in a disruption to their business operations and may adversely affect their financial performance. Under PRC laws and regulations, approvals from, and payment of land premium to, the relevant land authorities are necessary for any transfer, lease, sale and disposal of such allocated land or the buildings attached thereto. There can be no assurance that the relevant PRC government will continue to allow the Group to use the land and properties allocated to it to the same extent as currently used or at all which may have an adverse effect on the Group's business and operations. In addition, restrictions of transfer of such land and properties may also have a material adverse impact on the liquidity of the Group's assets and the Group's financial condition.

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

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

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

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

Future changes in laws, regulations or enforcement policies in the PRC could adversely affect the Group's business.

Laws, regulations and enforcement policies in the PRC, including those regulating the infrastructure and resettlement housing construction industry, project construction industry and leasing of sea area use right industry are evolving and are subject to future changes. These changes could adversely impact the Group's business operations. In addition, different regulatory authorities may have different interpretation and enforcement of the policies affecting the industries in which the Group operates, which requires companies to meet policies requirements issued by the relevant regulatory authorities from time to time, and obtain applicable approvals and complete filings in accordance with the relevant regulatory authorities' interpretation and enforcement of such policies.

If applicable laws and regulations change adversely or the relevant regulatory authorities change their interpretation or enforcement of relevant policies in the future, the Group may be required to obtain further approvals or meet other additional regulatory requirements. In addition, if there are any future changes in applicable laws, regulations, administrative interpretations or regulatory documents, or stricter enforcement policies by the relevant PRC regulatory authorities, more stringent requirements could be imposed on the industries in which the Group is currently operating. Compliance with such new requirements could impose substantial additional costs or otherwise have a material adverse effect on the Group's business, financial condition and results of operations. In addition, if the Group fails to meet such new rules and requirements relating to approval, construction, environmental or safety compliance of its operations, the Group may be ordered by the relevant PRC regulatory authorities to change, suspend construction of or close the relevant production facilities. Alternatively, these changes may also relax some requirements, which could be beneficial to the Group's competitors or could lower market entry barriers and increase competition. As a result, the Group's business, financial condition and results of operations could be materially and adversely affected.

Any failure of the Group's key contractors may have an adverse effect on the Group's business.

The Group engages contractors for the operation of its various businesses, including but not limited to certain construction work for the project construction projects and resettlement housing construction projects and project construction. Whilst the Group has implemented a comprehensive selection process to select its contractors, there can be no assurance that services rendered by any of the Group's contractors will always be satisfactory and up to the standard specified in the relevant contracts. If the performance of any contractor is unsatisfactory, the Group may need to replace such contractor or take other necessary remedial action, which could increase costs and delay the construction progress of the affected projects. In addition, the Group is also exposed to the risk whereby its contractors may require additional capital in excess of the price originally tendered to complete their engagement and as a result, the Group may have to bear these additional costs. If any of the Group's key contractors fail to perform their contractual obligations, the Group's operations, business and financial condition may be materially and adversely affected.

In addition, the Group may not be able to find suitable alternative contractors at commercially reasonable terms, if at all, should the Group's contracts with its current contractors terminate or in the event its current contractors choose not to renew any expired contracts. This may cause delays in the completion of the Group's projects or incur additional costs, which could materially and adversely affect the Group's business, financial condition and results of operations.

The Group is not insulated from the rising operating costs of labour, prices of raw materials and construction materials and construction equipment.

As a result of economic growth in the PRC, wages for construction workers and the prices of raw materials and construction materials as well as building equipment have undergone substantial increases in recent years. In addition, the Labour Contract Law of the PRC (the "**Labour Contract Law**") became effective on 1 January 2008 and was amended on 28 December 2012, which became effective on 1 July 2013, enhanced the protection for employees and increased the liability of employers in many circumstances, which may further increase the Group's labour costs. The Group bears the risk in respect of fluctuations in wages, the price of raw materials and construction materials and is also exposed to the price volatility of construction equipment used in construction projects. If the Group is unable to pass on any increase in the cost of labour, raw materials and construction materials and construction equipment to its customers or contractual parties, its results of operations may be negatively affected. There can be no assurance as to the future price movements of any raw materials and construction materials required by the Group and any detrimental movements in the future could have a material adverse effect on the Group's financial condition and results of operations.

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

There are a number of construction, financing, operating and other risks inherently associated with project development in the PRC. Construction projects that the Group undertakes typically require substantial capital expenditure during the construction phase. The time taken and the costs involved in completing construction can be adversely affected by many factors, including shortages of raw materials, equipment and labour, adverse weather conditions, natural disasters, terrorism, labour disputes, disputes with subcontractors, accidents, changes in governmental priorities and other unforeseen circumstances. Please also see "*– 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*" for further information. Any of these events could give rise to delays in the completion of the Group's construction projects which in turn could lead to cost overruns. Construction delays can result in loss of operating income. In addition, as construction costs for new projects have generally increased due to factors that are generally beyond the Group's control, construction delays may further increase such costs. Although the majority of the Group's construction projects have been completed on schedule, there can be no assurance that this will remain the case or that future construction projects will be completed on time, or at all, and generate satisfactory returns.

Labour shortages or labour disputes could materially and adversely affect the Group's business, prospects and results of operations.

The Group relies on third-party contractors and extensive labour to carry out its project construction and sale of goods businesses. As such, labour shortages or labour disputes between the Group and third-party contractors could materially and adversely affect the Group's business, prospects and results of operations. Industrial action or other labour unrest could directly or indirectly prevent or hinder the construction progress, and, if not resolved in a timely manner, could lead to delays in completing the Group's projects.

In addition, as at 30 June 2023, the Group employed approximately 128 employees. Some of the Group's employees are currently represented by labour unions. Also, employees of some of the Group's suppliers, contractors or companies in which the Group has investments are or may become unionised in the future or experience labour-related instability. Although the Group enjoys good labour relations with its employees and has not experienced any labour disputes that could cause material adverse effect to the Group's operation and performance as at 30 June 2023, the Group is unable to predict the outcome of any future labour negotiations. Any conflicts with the Group's employees or contractors and/or their respective unions could have a material adverse effect on its financial condition and results of operations.

The PRC government may impose fines or penalties on the Group or revoke the land use rights with respect to certain idle land held by the Group.

Under applicable PRC laws and regulations, the PRC government may impose an idle land fee equal to 20 per cent. of the land premium or allocation fees if (i) the Group does not commence development on the land held by the Group for more than one year after the date specified in the relevant land use rights grant contract; (ii) the Group commences development on an area which is less than one-third of the area granted; (iii) the capital invested in the development is less than one-fourth of the total investment approved for the development; or (iv) the development is suspended for more than one year without governmental approval. The PRC government may revoke the land use rights certificate without compensation if the Group does not commence development for more than two years after the date specified in the relevant land use rights grant contract without compelling causes.

State Council issued the Notice on Promoting the Land Saving and Intensive Use (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. In addition, 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.

As at 30 June 2023, the Group did not hold any land that had not commenced development within the time stipulated in the relevant land use rights grant contracts. However, the Group may have idle land in the future and the imposition of fines and penalties in relation to any idle land could have a material and adverse effect on the Group's business, 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, in particular its project construction projects and resettlement housing construction projects, involved relocation of indigenous residents and businesses, and the Guarantor believes that similar situations may recur when the Group develops its future projects. If any indigenous resident or business is dissatisfied with the relocation compensation and refuses to move, the relevant entity of the Wendeng SASC will seek to resolve the dispute by negotiating with the relevant resident or business to reach a mutually acceptable relocation compensation arrangement, or apply to the relevant government authority for its mediation or determination on the relevant relocation compensation matters. The relevant government authority will then make a decision as to the proper relocation compensation and timetable. There can be no assurance that the relocation of indigenous residents or businesses will proceed smoothly or that they will agree to the compensation proposed by the relevant entity of the Wendeng SASC. In addition, the amount of compensation to be paid is subject to PRC governmental regulation and can be adjusted at any time. Any delays affecting such relocations of these indigenous residents or businesses may result in delays in the Group's construction schedules and/or increases in its development costs, any of which could have a material adverse effect on its business, financial condition and results of operations.

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

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

The Group is exposed to interest rate risk.

Interest rate fluctuations may influence the Group's financial performance. Any change in the prevailing interest rates may impact the Group's borrowing costs as a portion of the Group's borrowings bear floating interest rates. The Group may be susceptible to interest rate volatility if it is unable to match its floating rate liabilities with floating rate payments or secure appropriate hedges for the same.

While the Group's exposure to interest rate volatility may be hedged through the use of interest rate swaps and interest caps, the magnitude of the final exposure depends on the effectiveness of the hedge. There can be no assurance that fluctuations in interest rates will not have an adverse effect on the

Group's earnings or cash flows. If any of the various instruments and strategies which the Group uses to hedge its exposure to interest rate risk are or become ineffective, the Group may incur significant losses, which could have a material adverse effect on the Group's financial position and results of operations.

The Group may be subject to risks related to tax law changes.

On 23 March 2016, MOF and SAT issued the Circular of Full Implementation of Business Tax to Value-added Tax Reform(財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知)("**Circular 36**"), which stipulates that, as at 1 May 2016, all payers of business tax, including taxpayers engaged in the construction and real estate industries, shall be included in the scope of the pilot programme and subject to VAT instead of business tax. Circular 36 may have an impact on the Group's business model as it may increase the tax burden of the Group. On 4 April 2018, MOF and SAT issued the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates(財政部、稅務總局關於調整增值稅稅率的通知)("**Circular 32**"), which stipulates that the tax rate for provision of construction services and transfer of land use rights shall be reduced from 11 per cent. to 10 per cent. from 1 May 2018 onwards.

In addition, on 20 March 2019, MOF, SAT and the General Administration of Customs issued the Announcement on Relevant Policies for Deepening Value-Added Tax Reform(關於深化增值稅改革有關政策的公告)("**Circular 39**"), which stipulates that the tax rate for provision of construction services and transfer of land use rights shall be reduced from 10 per cent. to 9 per cent. from 1 April 2019 onwards.

As Circular 36, Circular 32 and Circular 39 are relatively new and given the limited volume of published decisions relating to their application, there are uncertainties as to the interpretation and enforcement of Circular 36, Circular 32 and Circular 39 and/or any tax-related laws and regulations which may be promulgated in the future from time to time. These tax law changes and the related uncertainties may have a material adverse effect on the Group's operating income and could in turn materially and adversely affect the Group's business, financial condition and results of operations.

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

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

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

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

Force majeure events, natural disasters, catastrophe or other events could result in severe personal injury to the Group's employees, property damage and environmental damage, which may curtail the Group's operations, cause delays in the construction progress of the Group's various construction and infrastructure projects and could in turn materially and adversely affect the Group's financial conditions and cash flows and accordingly, adversely affect its ability to repay any debt.

The Group's operations are mainly located in Weihai City, which is exposed to potential natural disasters including, but not limited to, earthquakes, typhoons, flooding, landslides, mudslides and drought. If any of the Group's projects and construction are damaged by severe weather or any other disasters, accidents, catastrophes or other events, the Group's operations may be significantly interrupted. The occurrence or continuance of any of such unforeseen events or similar events could increase the costs associated with the Group's operations and reduce its ability to operate its businesses effectively, thereby reducing its operating income and profits.

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

Risks of substantial costs and liabilities are inherent in the Group's principal operations and there can be no assurance that significant costs and liabilities will not be incurred, including those relating to claims for damages to property or persons. Insurance policies for civil liability and damages taken out by the Group could prove to be significantly inadequate, and there can be no assurance that the Group will always be able to maintain an adequate level of coverage at least equal to the Group's current coverage and at the same cost. The frequency and magnitude of natural disasters seen over the past few years, for example, landslides and typhoons in Weihai City in recent years, could have a significant impact on the capacities of the insurance and reinsurance market and on the costs of civil liability and damages insurance cover for the Group. Please see "– *The insurance coverage of the Group may not adequately protect it against all operational risks or any potential liabilities or losses*" for further information.

In addition, the Group's operations are subject to outbreaks of contagious diseases, including avian influenza, severe acute respiratory syndrome ("**SARS**"), swine influenza caused by the H1N1 virus or H1N1 influenza or variants thereof and COVID-19, may materially and adversely affect the Group's business and results of operations. Possible force majeure events may give rise to additional costs to be borne by the Group and have adverse effects on the quality of its assets, business, financial condition and results of operations. As at the date of this Offering Circular, the outbreak of COVID-19 has minimal impact on the Group's business and the Group has resumed its full operation.

In general, the occurrence of future outbreak of SARS, the H1N1 influenza virus, COVID-19 or of any other highly contagious disease may result in another economic downturn and the affected areas may have travel restrictions imposed and thus affecting the overall level of business in those areas. There may also be significant disruption to the Group's business operations in the event that the Group falls into such affected areas and consequently have an adverse effect on its financial condition and results of operations.

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

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

- construction interruptions caused by operational errors, electricity outages, raw material and construction material shortages, equipment failure and other operational risks;
- operating limitations imposed by environmental or other regulatory requirements;
- defective quality of the real estate property it develops;
- work-related personal injuries;
- on-site construction related accidents;
- credit risks relating to the performance of customers or other contractual third parties;
- disruption in the global capital markets and the economy in general;
- loss on investments;
- environmental or industrial accidents; and
- catastrophic events such as fires, earthquakes, explosions, floods or other natural disasters.

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

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

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

The success of the Group's business depends, to a large extent, on the strategic vision of its board of directors, the continued service of key managerial personnel including directors and key senior executives and the ability to attract and retain highly skilled personnel such as engineers. If the Group is not successful in recruiting or retaining its employees, its operations may be adversely affected. In addition, if any of them fails to observe and perform their obligations under their service agreements, or any labour unrest may cause disruption to the operations of the Group which, coupled with any increase in labour costs resulting from such dispute, may have a material adverse effect on the Group's results of operations and profits. Although the Group has not experienced any major labour disputes, there can be no assurance that the Group will not experience such disputes in the future.

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group may undergo certain organisational restructuring from time to time which may involve disposal by the Guarantor of certain subsidiaries or affect whether certain subsidiaries of the Guarantor will be consolidated in the Guarantor's consolidated financial statements. In addition, the Guarantor may issue shares to entities other than the Wendeng SASC which would in turn dilute the Wendeng SASC's existing shareholding in the Guarantor's registered share capital. There can be no assurance that any such organisational restructuring or changes in the Guarantor's shareholding structure will not have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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

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

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

RISKS RELATING TO DOING BUSINESS IN THE PRC

The Group's business, financial condition, results of operations and prospects could be adversely affected by slowdown in the PRC economy.

The Group's businesses are primarily concentrated in the Wendeng District in the Shandong Province and substantially all of the Group's assets are located in the PRC and substantially all of the Group's operating income is derived from its operating activities in the PRC. Therefore, the performance of the PRC economy affects, to a significant degree, the Group's business, prospects, financial condition and results of operations.

In 2015, the PRC government adopted intensive reforms with the primary aim of restructuring and rebalancing the PRC economy towards a more sustainable model by focusing more on domestic consumption and away from investment and export fuelled growth.

In recent years, as a result of recurring liquidity tightening in the banking system, alternative lending and borrowing outside of traditional banking practices, generally known as "shadow banking", has grown to become an integral and significant aspect of the PRC economy. Such alternative lending is loosely regulated and has led to an increase in the PRC's debt levels leading to concerns over rising bad debts and financial problems. As some of the funds obtained from shadow banking are being used for investments in speculative and risky products, should a widespread default on such investments occur, this could harm the growth prospects of the PRC economy. In 2014, there were reports of a number of shadow banking defaults in the PRC resulting in increased scrutiny and oversight by regulators who have proposed draft rules to control the industry. Even if the PRC government increases regulation over such alternative lending and borrowing, there can be no assurance that such regulations will be successful, or that they would not have an adverse impact on the overall loan markets and liquidity in the PRC, which will negatively impact the PRC economy. Although the PRC government has taken several measures with the intention of increasing investor confidence in the PRC economy, there can be no assurance that such measures will be effective. There can be no assurance that the PRC government will not implement any reforms which may conflict with such targeted growth. The Group's business, financial conditions and results of operations could be adversely affected by the PRC government's inability to effect timely economic reforms.

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.

Economic, political and social conditions in the PRC and government policies could affect the Group's business and prospects.

The PRC economy differs from the economies of developed countries in many respects, including, among other things, level of government involvement, level of economic development, growth rate, foreign exchange controls and resource allocation.

The PRC economy is in the process of transitioning from a centrally planned economy to a more market-oriented economy. For more than three decades, the PRC government has implemented various economic reform measures to utilise market forces in the development of the PRC economy. In addition, the PRC government continues to play a significant role in regulating certain industries and the economy through numerous policy measures. The Group cannot predict whether changes in the nation's economic, political or social conditions or in any laws, regulations and policies will adversely affect its business, financial condition or results of operations.

In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may not necessarily have a positive effect on the Group's operations and business development.

The Group's business, financial condition and results of operations may be adversely affected by:

- changes in PRC political, economic and social conditions;
- changes in policies of the PRC government, including changes in policies in relation to the Group's business segments;
- changes in laws and regulations or the interpretation of laws and regulations;
- measures that may be introduced to control inflation or deflation;
- changes in the rate or method of taxation;
- the imposition of additional restrictions on currency conversion and remittances abroad; and
- a reduction in tariff protection and other import restrictions.

If the PRC's economic growth slows down or if the PRC economy experiences a recession, the Group's business, results of operations and financial condition could be materially and adversely affected.

The operations of the Group may be affected by inflation and deflation within the PRC.

Economic growth in the PRC has historically been accompanied by periods of high inflation. Increasing inflation rates were caused by many factors beyond the Group's control, such as rising production and labour costs, high lending levels, changes in national and foreign governmental policies and regulation as well as 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 Group may be unable to increase the price of its services and products in amounts that are sufficient to cover its increasing operating costs. Further inflationary pressures within the PRC may have a material adverse effect on the Group's business, financial condition or results of operations.

Recently, concerns have arisen over deflationary pressures in the PRC as a result of weak domestic demand and a slowing economy. Inflation rates within the PRC have been on a downward trend in recent years. A prolonged period of deflation may result in falling profits, closure of plants and shrinking employment and incomes by companies and individuals, any of which could adversely affect the Group's business, financial condition or results of operations.

The PRC legal system is evolving and may cause uncertainty which could limit the legal protection available to or against the Group.

The Group is generally subject to laws and regulations of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but they have limited precedential value. Since 1979, PRC legislations and regulations have significantly enhanced the protections afforded to market participants in the PRC. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the enforcement of these laws, regulations and rules may be uncertain and their interpretation may not be as consistent or predictable as compared to other more developed jurisdictions. Such uncertainty may impede the Group's ability to enforce contracts that the Group has entered into with its investors, creditors, customers, suppliers and business partners. The Group cannot predict the effect of future developments in the PRC legal system or the integration of such developments under the legal systems of other jurisdictions, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the pre-emption of local regulations by national laws, or the overturn of local government's decisions by itself, provincial or national governments. This uncertainty may limit legal protections available to or against the Group. In addition, any litigation in the PRC may be protracted and could result in substantial costs and may divert the Group's resources or management's attention, all of which could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Certain PRC regulations governing PRC companies are less developed than those applicable to companies incorporated in more developed countries.

Substantially all members of the Group are established in the PRC and are subject to PRC regulations governing PRC companies. These regulations contain certain provisions that are required to be included in the joint venture contracts, articles of association and all other major operational agreements of these PRC companies and are intended to regulate the internal affairs of these companies. These regulations in general, and the provisions for protection of shareholders' rights and access to information in particular, are less developed than those applicable to companies incorporated in Hong Kong, the United States, the United Kingdom and other developed countries or regions.

It may be difficult to effect service of process upon, or to enforce against, the Guarantor or its directors or members of the Guarantor's senior management who reside in the PRC in connection with judgments obtained in non-PRC courts.

Substantially all of the Group's assets and the Group's members are located in the PRC. In addition, substantially all of the assets of the Guarantor's directors and the members of its senior management may be located within the PRC. Therefore, it may not be possible for investors to effect service of process upon the Guarantor or its directors or members of its senior management inside the PRC. The PRC has not entered into treaties or arrangements providing for the recognition of judgment made by courts of most other jurisdictions.

On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排)(the "**Choice of Court Arrangement**"), 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 Choice of Court Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for resolving 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. As a result, it may be difficult or impossible for investors to effect service of process against the Guarantor or the Guarantor's directors or members of its senior management in the PRC and/or to seek recognition and enforcement for foreign judgments in the PRC. On 18 January 2019, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters between the Courts of the Mainland

and of the Hong Kong Special Administrative Region(關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排)(the "**2019 Arrangement**"), which seeks to establish a bilateral legal mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between the courts of Hong Kong and the PRC. The 2019 Arrangement will be implemented by local legislation in Hong Kong and will take effect after both Hong Kong and the PRC have completed the necessary procedures to enable implementation and shall apply to judgments made by the courts of Hong Kong and the PRC on or after the date of the commencement of the 2019 Arrangement. Upon commencement of the 2019 Arrangement, the Choice of Court Arrangement shall be terminated, except for "choice of court" agreements in writing made between parties before the commencement of the 2019 Arrangement, in which case the Choice of Court Arrangement shall continue to apply. However, the recognition and enforcement of judgments rendered by a Hong Kong court in the PRC are subject to the provisions, limits, procedures and other terms and requirements of the 2019 Arrangement. There can be no assurance that investors can successfully effect service of process against the Guarantor or the Guarantor's directors or members of its senior management in the PRC and/or to seek recognition and enforcement for judgments rendered by a Hong Kong court in the PRC.

Furthermore, the PRC does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United States, the United Kingdom, or most other European countries or Japan. Hence, the recognition and enforcement in the PRC of judgment of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

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

The Guarantor operates some of its businesses through its operating subsidiaries in the PRC. The PRC laws require that dividends be paid only out of net profit, calculated according to the PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions. In addition, the PRC law requires enterprises set aside part of their net profit as statutory reserves before distributing the net profit for the current financial year. These statutory reserves are not available for distribution as cash dividends. Any legal restrictions on the availability and usage of dividend payments from the Guarantor's subsidiaries may impact the Group's ability to fund its operations and to service its indebtedness.

The Group is subject to restrictions on the remittance of Renminbi into and out of the PRC and governmental controls on currency conversion, and may be affected by the risks relating to fluctuations in exchange rates in the future.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and the remittance of currency out of the PRC. Substantially all of the Group's operating income is denominated in Renminbi, a portion of which may need to be converted into other currencies in order to meet the Group's foreign currency obligations, such as payments of principal and interests under the Bonds or other foreign currency denominated debt, if any.

Under the existing PRC laws and regulations on foreign exchange, payments of current account items, including profit distributions, interest payments and trade and service related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE provided that certain procedural requirements are complied with. Approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may, at its discretion, take measures to restrict access to foreign currencies for current account and capital account transactions under certain circumstances. If the foreign exchange control system prevents the Group from obtaining sufficient foreign currencies to satisfy the Group's foreign currency demands, the Group may not be able to pay interests and/or principal to holders of the Bonds or other foreign currency denominated debt, if any. In addition, there can be no assurance that new laws or regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of the PRC.

The proceeds from the offering of the Bonds will be received in U.S. dollars. As a result, any appreciation of Renminbi against the U.S. dollar or any other foreign currencies may result in the decrease in the value of the Group's foreign currency-denominated assets and the Group's proceeds from the offering of the Bonds. Conversely, any depreciation of Renminbi may adversely affect the Group's ability to service the Bonds.

The value of Renminbi against the U.S. dollar and other foreign currencies is subject to changes in the PRC policies, as well as international economic and political developments. On 21 July 2005, the PRC government adopted a more flexible managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. From 21 July 2005 to 17 March 2014, the floating band of interbank spot foreign exchange market trading price of Renminbi against the U.S. dollar was gradually widened from 0.3 per cent. to 2 per cent. On 11 August 2015, PBOC adjusted the mechanism for market makers to form the central parity rate by requiring them to consider the closing exchange rate of the last trading date, the supply and demand of foreign exchange and the rate change at primary international currencies. On 11 December 2015, the China Foreign Exchange Trade System, a sub-institutional organisation of PBOC, published the China Foreign Exchange Trade System (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. Although starting from 1 October 2016, Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund, there can be no assurance that the PRC government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that any pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting the remittance of Renminbi into or outside the PRC.

In addition, the value of Renminbi has depreciated significantly against the U.S. dollar since the end of 2015 and there can be no assurance that the Renminbi will not experience significant depreciation or appreciation against the U.S. dollar or against any other currency in the future. Furthermore, the Group is required to obtain SAFE's approval before converting significant amounts of foreign currencies into Renminbi. As a result, any significant increase in the value of Renminbi against foreign currencies could reduce the value of the Group's foreign currency-denominated revenue and assets and could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The enforcement of the Labour Contract Law and other labour-related regulations in the PRC may adversely affect the Group's business and results of operations.

The Labour Contract Law (中華人民共和國勞動合同法) became effective on 1 January 2008 and was amended on 28 December 2012, which became effective on 1 July 2013. It imposes more stringent requirements on employers in relation to entry into fixed-term employment contracts and dismissal of employees. Pursuant to the Labour Contract Law, the employer is required to make compensation payment to a fixed-term contract employee when the term of their employment contract expires, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or better than those stipulated in the current employment contract. In general, the amount of compensation payment is equal to the average monthly wage of the employee 12 months before the termination of the employment contract multiplied by the number of full years that the employee has worked for the employer. A minimum wage requirement has also been incorporated into the Labour Contract Law.

In addition, unless otherwise prohibited by the Labour Contract Law or objected to by the employees themselves, the employer is also required to enter into non-fixed-term employment contracts with employees who have previously entered into fixed-term employment contracts for two consecutive terms. In addition, under the Regulations on Paid Annual Leave for Employees(職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from five to fifteen days, depending on the length of the employees' working experience. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. Under the National Leisure and Tourism Outline 2013-2020(國民旅遊休閒綱要2013-2020)which became effective on 2 February 2013, all workers must receive paid annual leave by 2020. As a result of the Labour Contract Law, the Regulations on Paid Annual Leave for Employees and the National Leisure and Tourism Outline 2013-2020, the Group's labour costs (inclusive of those incurred by contractors) may increase.

Further, under the Labour Contract Law, when an employer terminates its PRC employees' employment, the employer may be required to compensate them for such amount which is determined based on their length of service with the employer, and the employer may not be able to efficiently terminate non-fixed-term employment contracts under the Labour Contract Law without cause. In the event the Group decides to significantly change or decrease the Group's workforce, the Labour Contract Law could adversely affect its ability to effect these changes in a cost-effective manner or in the manner that the Group desires.

As such, labour shortage, labour disputes or increase in labour costs of the Group or third-party contractors could directly or indirectly prevent or hinder the construction progress, and, if not being resolved in a timely manner, could lead to delays in completing the Group's projects which could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

RISKS RELATING TO FINANCIAL AND OTHER INFORMATION

The Guarantor's audited consolidated financial statements and unaudited but reviewed consolidated financial statements have been prepared and presented in accordance with PRC GAAP, which is different from IFRS in certain respects.

The Guarantor's audited consolidated financial statements and unaudited but reviewed consolidated financial statements included in this Offering Circular have been prepared and presented in accordance with PRC GAAP. PRC GAAP is substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. Please see "*Description of Certain Differences between PRC GAAP and IFRS*" for details. Each investor should consult its 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.

The unaudited but reviewed consolidated financial statements of the Guarantor included in this Offering Circular have not been audited by a certified public accountant.

The unaudited but reviewed consolidated financial statements of the Guarantor as at and for the six months ended 30 June 2023 have not been audited by a certified public accountant, and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. None of the Managers, the Trustee or the Agents or their respective representatives, agents, employees, affiliates, directors, officers or advisers makes any representation or warranty, express or implied, regarding the sufficiency of such unaudited but reviewed consolidated financial statements for an assessment of, and potential investors must exercise caution when using such data to evaluate, the Group's financial condition and results of operations. In addition, the unaudited but reviewed consolidated financial statements of the Guarantor as at and for the six months ended 30 June 2023 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.

Historical consolidated financial information of the Group is not 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. Such financial information is not intended to represent or predict the Group's results of operations of any future periods. The Group's future results of operations may change materially if its future growth deviates from the historical trends for various reasons, including factors beyond its control, such as changes in economic environment or government policies, PRC rules and regulations applicable to the Guarantor's businesses and the competitive landscape of the industries in which the Group operates its businesses.

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

The Guarantor from time to time issues debt securities 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 debt securities issued in the domestic capital markets. 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 periodical financial statements. The quarterly and 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. Accordingly, such 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 or reviewed information. The Guarantor makes no representation to and 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.

Certain facts and statistics in this Offering Circular are derived from publications not independently verified by the Issuer, the Guarantor, the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, affiliates or representatives.

This Offering Circular contains facts and statistics relating to the economy of the PRC, the Wendeng District and the industries in which the Group operates. While the Issuer and the Guarantor have taken reasonable care to select reliable information sources and ensure that the facts and statistics relating to the PRC, the Wendeng District and the industries in which the Group operates presented are accurately extracted from such sources, such facts and statistics have not been independently verified by the Issuer, the Guarantor, the Managers, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers, affiliates or representatives and, therefore, none of them makes any representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon.

There may be limited publicly available information about the Issuer and the Guarantor than is available in certain other jurisdictions.

As the Issuer and the Guarantor are both private companies, there may be less publicly available information about the Issuer and the Guarantor than is regularly made available by public companies in certain other jurisdictions.

RISKS RELATING TO THE BONDS AND THE GUARANTEE

The Bonds and the Guarantee are unsecured obligations.

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

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

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

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

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

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

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities.

The Bonds are redeemable in the event of certain withholding taxes being applicable.

No assurances are made by the Issuer as to whether or not payments on the Bonds may be made without withholding of PRC taxes if the Issuer is treated as a PRC tax resident enterprise. Although pursuant to the Terms and Conditions of the Bonds the Issuer is required to gross up payments in respect of the Bonds on account of any such withholding taxes or deductions, the Issuer also has the right to redeem the Bonds at any time in the event it has or will become obliged to pay additional amounts on account of any existing or future withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong, the PRC or any subdivision or authority therein or thereof having power to tax as a result of any change in, or amendment to, the laws or regulations of Hong Kong, the PRC or any subdivision or authority therein or thereof having power to tax, or any change in the application or official interpretation of, or the stating of an official position with respect to, such laws or regulations, which change, amendment or statement becomes effective or is announced, as the case may be.

The Issuer may not be able to meet its outstanding obligations under the Bonds.

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

The Group may issue additional Bonds in the future.

The Group may, from time to time, and without prior consultation of the Bondholders create and issue further bonds (see "*Terms and Conditions of the Bonds – Further Issues*") or otherwise raise additional capital through such means and in such manner as the Group 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.

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

The Issuer is incorporated under the laws of the Hong Kong. Pursuant to the Enterprise Income Tax Law of the PRC (the "**EIT Law**") and its implementation regulations, enterprises that are established under the laws of foreign countries and regions but whose "de facto management bodies" are within the PRC are treated as PRC tax resident enterprises for the purposes of the EIT Law. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purposes of the EIT Law and income or gains paid with respect to the Bonds may considered to be derived from sources within the PRC.

Under the EIT Law and its implementation rules, any income or gains realised by non-resident enterprises may be subject to PRC enterprise income tax if such income or gains are regarded as 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. In the event the Issuer or Guarantor is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, interest paid on the Bonds or Guarantee may be considered to be PRC source, in which case the Issuer or Guarantor, as the case may be, would be required to withhold income tax at a rate of 10 per cent. from payments of interest in respect of the Bonds to any non-resident enterprise Bondholders. Any capital gain realised by a non-resident enterprise from the transfer of the Bonds may be regarded as being derived from sources within the PRC and accordingly may be subject to a PRC tax of up to 10 per cent. if the Issuer is treated as a PRC tax resident. Pursuant to the Individual Income Tax Law of the PRC and its implementation regulations, if the Issuer or Guarantor is considered to be a PRC tax resident enterprise, the Issuer or Guarantor, as the case may be, may be obliged to withhold such individual income tax on payments of interests to non-resident individual Bondholders. Any capital gain realised by a non-resident individual Bondholder from transfer of the Bonds may also be regarded as being derived from sources within the PRC and be subject to PRC tax of up to 20 per cent. if the Issuer is a PRC tax resident enterprise.

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 (the "**Arrangement**") which was promulgated on 21 August 2006, Bondholders who are Hong Kong residents, including both enterprise Bondholders and individual Bondholders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds.

On 23 March 2016, MOF and SAT issued the Notice of Implementing the Pilot Programme of Replacing Business Tax with Value-Added Tax in an All-round Manner（財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知）(“**Circular 36**”), which introduced a new VAT from 1 May 2016. VAT is applicable where the entities or individuals provide services within the PRC. VAT is unlikely to apply to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to apply to gains realised upon such transfers, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 and laws and regulations pertaining to VAT are relatively new, and the interpretation and enforcement of such laws and regulations involve uncertainties.

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

The Issuer has no material assets and will rely on remittances from the Guarantor and its subsidiaries to make payments under the Bonds.

The Issuer will not conduct business or any other activities other than the offering, sale and issuance of debt securities and instruments and the lending of the proceeds thereof to any company controlled, directly or indirectly, by the Guarantor and any other activities in connection therewith or related thereto. The Issuer does not and will not have any material assets other than amounts due to it from the Guarantor or its subsidiaries, and its ability to make payments under the Bonds will depend on its receipt of timely remittances from the Guarantor or its subsidiaries.

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

The Terms and Conditions of the Bonds provide that the Trustee may (but shall not be obliged to), without the consent of the Bondholders, agree to any modification (except as mentioned in the Trust Deed and the Deed of Guarantee) of the Deed of Guarantee, the Trust Deed, the Terms and Conditions of the Bonds and/or the Agency Agreement which in the opinion of the Trustee will not be materially prejudicial to the interests of the Bondholders; to any modification of the Deed of Guarantee, the Trust Deed, the Terms and Conditions of the Bonds 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; and any waiver or authorisation of any breach of proposed breach, of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement and/or the Deed of Guarantee that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. The Trustee may request and conclusively rely upon an officer’s certificate or an opinion of counsel concerning the compliance with the above conditions in respect of any modification and amendments.

If the Issuer or the Guarantor is unable to comply with the restrictions and covenants in their respective debt agreements (if any), or the Bonds, there could be a default under the terms of these agreements, or the Bonds, which could cause repayment of the Issuer or the Guarantor’s 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, those debt agreements may contain cross-acceleration or cross-default provisions. As a result, the default by the Guarantor under one debt agreement may cause the acceleration of repayment of debt or result in a default under its other debt agreements, including the Bonds. If any of these events occur, there can be no assurance that there would be sufficient assets and cash flows to repay in full all of the Issuer's or the Guarantor's indebtedness, or that it would be able to find alternative financing. Even if the Issuer or the Guarantor could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer or the Guarantor.

If the Guarantor fails to complete the SAFE registration 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 Deed of Guarantee 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 to the local SAFE for registration in accordance with, and within the time period prescribed by, the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees(跨境擔保外匯管理規定). 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 timeframe. The Guarantor intends to register the Guarantee of the Bonds as soon as practicable and in any event before the Registration Deadline (being the day falling 90 business days after the Issue Date). If the SAFE registration is not completed within the Registration Deadline, the Issuer shall redeem, at the option of the holder of any Bond, such Bond pursuant to Condition 6(c) of the Terms and Conditions of the Bonds. If, however any Bondholders fail to receive any amount payable to them on redemption, they may be required to rely on the exercise of the Deed of Guarantee and may face logistical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of the SAFE registration in connection with the Deed of Guarantee in order to effect such remittance, although this does not affect the validity of the Guarantee itself.

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

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

While the Bonds are represented by the Global Certificate, the Issuer or, failing whom the Guarantor, will discharge its payment obligations under the Bonds by making payments to the Clearing System for distribution to their account holders.

A holder of a beneficial interest in the Global Certificate must rely on the procedures of the Clearing System(s) to receive payments under the Bonds. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

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

The Issuer and the Guarantor may not be able to raise the funds necessary to finance the purchase of Bonds upon occurrence of a Relevant Event.

Following the occurrence of a Relevant Event, Bondholders may require the Issuer to redeem their Bonds. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Events*". The source of funds for any such redemption would be the Group's available cash or third-party financing. However, there is no assurance that the Issuer or, failing whom the Guarantor, would have sufficient funds at that time to make the required redemption of the Bonds. In addition, agreements to which the Issuer or the Guarantor is a party at that time may restrict or prohibit such a payment.

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

As the Issuer and the Guarantor are incorporated under the laws of Hong Kong and the PRC, respectively, any insolvency proceeding relating to the Issuer or the Guarantor would likely involve Hong Kong 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 Bondholders are familiar.

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

In certain circumstances, including, without limitation, giving of notice to the Issuer and the Guarantor pursuant to Condition 9 of the Terms and Conditions of the Bonds and taking steps and/or actions and/or instituting proceedings pursuant to Condition 13 of the Terms and Conditions of the Bonds, the Trustee may, at its sole and absolute discretion, request the Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes steps and/or actions and/or institutes proceedings on behalf of the Bondholders. The Trustee shall not be obliged to take any such steps and/or actions and/or institute any such proceedings if not first indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such steps and/or actions can be taken and/or when such proceedings can be instituted. The Trustee may not be able to take steps and/or actions and/or to institute proceedings, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed or 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 laws or regulations, it will be for the Bondholders to take such steps and/or actions and/or to institute such proceedings directly.

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

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

RISKS RELATING TO THE MARKET

An active trading market for the Bonds may not develop.

There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. The Managers are not obligated to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time. 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 liquidity and price of the Bonds following this offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There can be no assurance that these developments will not occur in the future.

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 issues in other countries, including the PRC. Since the global financial crisis in 2008 and 2009, the international financial markets have experienced significant volatility. In Europe, several countries continue to face difficulties surrounding sovereign debt. The United Kingdom's exit from the European Union has resulted in volatility in global financial markets, and it is expected to create mid-to long-term economic uncertainty to not only the economies of the United Kingdom and the European Union but also globally. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In the Middle East, Eastern Europe and Africa, political unrest in various countries has resulted in economic instability and uncertainty. China's economic growth may slow due to weakened exports as well as recent developments surrounding the trade-war with the United States. Starting in April 2018, the United States imposed tariffs on steel and aluminum imports from China, and later on 6 July 2018, the United States imposed 25 per cent. tariffs on U.S.$34 billion worth of Chinese goods as part of President Donald Trump's tariffs policy. In turn, the PRC responded with similarly sized tariffs on United States' products. Significant further tariffs have been imposed by both countries since then. In December 2019, China and the United States announced a "phase one" trade deal, to which among other things, included a rollback by the United States of some existing tariffs. However, significant tariff remain and it is unclear when a resolution will be reaches. Since March 2022, the U.S. Federal Reserve has been increasing the federal funds rate by more than five percentage points to combat inflation. Interest rate fluctuations may increase the uncertainties relating to the prices of U.S. dollar denominated notes. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

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

As a result, the global economy is facing significant uncertainties, and the global financial markets are experiencing significant volatilities which may adversely affect the market price of the Bonds. Investors must exercise caution before making any investment decisions.

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

The Bonds are denominated and payable in U.S. Dollars. An investor who measures investment returns by reference to a currency other than U.S. Dollars would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which the Group has no control. Depreciation of the U.S. Dollars against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

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

The Bondholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Bonds, resulting in a capital loss for the Bondholders. However, the Bondholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Bonds may rise. The Bondholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

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

Bonds which have a denomination that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

The denominations of the Bonds are U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. Therefore, it is possible that the Bonds may be traded in amounts in excess of U.S.$200,000 that are not integral multiples of U.S.$1,000. In such a case, a Bondholder who, as a result of trading such amounts, holds a principal amount of less than U.S.$200,000 will not receive a definitive certificate in respect of such holding of Bonds (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 denominations. If definitive certificates are issued, Bondholders should be aware that Bonds with aggregate principal amounts that are not an integral multiple of U.S.$1,000 may be illiquid and difficult to trade.

TERMS AND CONDITIONS OF THE BONDS

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

The issue of the U.S.$98,000,000 8.50 per cent. guaranteed bonds due 2024 (the "**Bonds**", which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 15 and consolidated and forming a single series therewith) was authorised by a written resolution of the board of directors of Rowen International Co., Limited(魯威國際有限公司)(the "**Issuer**") passed on 20 October 2023. The guarantee of the Bonds was authorised by a resolution of the board of directors of Weihai Wendeng District Bluesea Investment & Development Co., Ltd(威海市文登區藍海投資開發有限公司)(the "**Guarantor**") passed on 31 August 2023 and a shareholder's resolution of the Guarantor passed on 1 September 2023. The Bonds are constituted by a trust deed (as amended and/or supplemented from time to time, the "**Trust Deed**") dated 6 November 2023 (the "**Issue Date**") between the Issuer, the Guarantor and Bank of Communications Trustee Limited (the "**Trustee**", which expression shall, where the context so permits, include all persons for the time being the trustee or trustees under the Trust Deed and any successor) as trustee for itself and for the holders of the Bonds. These terms and conditions (these "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. The Bonds have the benefit of a deed of guarantee (as amended and/or supplemented from time to time, the "**Deed of Guarantee**") dated 6 November 2023 executed by the Guarantor and the Trustee relating to the Bonds. An agency agreement (as amended and/or supplemented from time to time, the "**Agency Agreement**") dated 6 November 2023 relating to the Bonds has been entered into between the Issuer, the Guarantor, the Trustee, Bank of Communications Co., Ltd. Hong Kong Branch as the principal paying agent (in that capacity, the "**Principal Paying Agent**", which expression shall include any successor principal paying agent appointed from time to time), the transfer agent (in that capacity, the "**Transfer Agent**", which expression shall include any successor or additional transfer agent appointed from time to time) and the registrar (the "**Registrar**", which expression shall include any successor registrar appointed from time to time) and any other agents named in it. Copies of the Trust Deed, the Deed of Guarantee and the Agency Agreement 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) and 3:00 p.m. (Hong Kong time), Monday to Friday (other than public holidays)) at the specified office of the Trustee (being as at the Issue Date at 1/F, Far East Consortium Building, 121 Des Voeux Road Central, Central, Hong Kong) following prior written request and with proof of holding and identity to the satisfaction of the Trustee. "**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.

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

1 Form, Specified Denomination and Title

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

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

Title to the Bonds shall pass by transfer and registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as otherwise required by law, the holder (as defined below) of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate (other than the endorsed form of transfer) representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

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

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

2 Transfers of Bonds and Delivery of New Certificates

(a) **Transfer:** A holding of Bonds may, subject to Conditions 2(d) and 2(e) and the provisions of the Agency Agreement, be transferred in whole or in part in the specified denomination as provided by Condition 1 upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or the relevant Transfer Agent may require. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. No transfer of title to a Bond will be valid unless and until entered on the Register.

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

(b) **Delivery of New Certificates:** Each new Certificate to be issued upon transfer of Bonds pursuant to Condition 2(a) shall be made available for delivery within seven business days of receipt by the Registrar or, as the case may be, the Transfer Agent of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery 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 it may specify. In this Condition 2(b), "**business day**" means a day, other than a Saturday or Sunday or public holiday, on which commercial banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(c) **Transfer or Exercise Free of Charge:** Certificates, on transfer, 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 payment by the relevant Bondholder of any tax or other governmental charges that may be imposed in relation to them (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require).

(d) **Closed Periods:** No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Bond, (ii) after a Put Exercise Notice in respect of such Bond has been deposited pursuant to Condition 6(c), (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)) or (iv) after notice of redemption has been given pursuant to Condition 6(b).

(e) **Regulations:** All transfers of the Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer and registration of Bonds scheduled to the Agency Agreement. Each of the Issuer and the Registrar may change the regulations from time to time, with the prior written approval (in the case of any regulation proposed by the Issuer) of the Trustee and the Registrar. A copy of the current regulations will be made available for inspection by any Bondholder at the specified office of the Registrar at all reasonable times during usual business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time), Monday to Friday (other than public holidays)) following prior written request and proof of holding and identity to the satisfaction of the Registrar.

3 Guarantee and Status

(a) **Guarantee:** The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in respect of the Bonds (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 legislation and subject to Condition 4(a), at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

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

4 Covenants

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

(b) **Undertakings relating to the Guarantee:** The Guarantor undertakes to file or cause to be filed with the State Administration of Foreign Exchange or its local counterparts ("**SAFE**"), the Deed of Guarantee within the timeframe prescribed by, and 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) on or before the Registration Deadline and comply with all applicable PRC laws and regulations in relation to the issue of the Bonds and the Deed of Guarantee.

The Guarantor shall within 15 PRC Business Days after receipt of the registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE), provide the Trustee with (i) a certificate 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 and (ii) a copy of the relevant SAFE registration certificate or any other document evidencing the completion of registration issued by SAFE and the particulars of registration and a certified English translation thereof (the "**Registration Documents**"). In addition, the Guarantor shall procure that within 15 PRC Business Days after the documents comprising the Registration Documents are delivered to the Trustee, the Issuer gives notice to the Bondholders (in accordance with Condition 16) confirming the completion of the Cross-Border Security Registration.

The Trustee may rely conclusively on the Registration Documents and shall have no obligation or duty to monitor or ensure or assist with the registration of the Guarantee with SAFE on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the Cross-Border Security Registration and/or the Registration Documents or to translate or procure any translation of the Registration Documents thereof or to give notice to the Bondholders confirming the completion of the Cross-Border Security Registration, and shall not be liable to the Bondholders, the Issuer, the Guarantor or any other person for not doing so.

(c) **Issuer Activities:** So long as any Bond remains outstanding, the Issuer shall not, and the Guarantor will procure that the Issuer will not, carry on any business activity whatsoever other than in connection with the issue of bonds, notes, debentures, loan stock or other securities, and any other activities reasonably incidental thereto (such activities shall, for the avoidance of doubt, include the on-lending of the proceeds of such issue(s) to any other Subsidiaries of the Guarantor).

(d) **Financial Statements:** So long as any Bond remains outstanding, the Guarantor shall furnish the Trustee with (i) a Compliance Certificate of the Guarantor (on which the Trustee may rely conclusively as to such compliance and shall not be liable to any Bondholder or any other person for such reliance) and a copy of the Guarantor Audited Financial Reports within 150 calendar days of the end of each Relevant Period prepared in accordance with PRC GAAP (audited by a nationally or internationally recognised firm of independent accountants (which may be the auditor of the Guarantor as at the Issue Date)) and if such statements shall be in the Chinese language, together with an English translation of the same translated by (A) a nationally or an internationally recognised firm of accountants (which may be the auditor of the Guarantor as at the Issue Date) or (B) a professional translation service provider and checked by a nationally or an internationally recognised firm of accountants (which may be the auditor of the Guarantor as at the Issue Date), together in each such case with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate; and (ii) a copy of the Guarantor Unaudited Semi-Annual Management Accounts within 120 calendar days of the end of each Relevant Period and if such statements shall be in the Chinese language, together with an English translation of the same and translated by (A) a nationally or an internationally recognised firm of accountants (which may be the auditor of the Guarantor as at the Issue Date) or (B) a professional translation service provider and checked and confirmed by a nationally or an internationally recognised firm of accountants (which may be the auditor of the Guarantor as at the Issue Date) together in each such case with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate.

The Trustee shall not be required to review and may conclusively rely on the Guarantor Audited Financial Reports and/or the Guarantor Unaudited Semi-Annual Management Accounts delivered to it as contemplated in this Condition 4(d) and, if the same shall not be in the English language, shall not be required to request or obtain or arrange for an English translation of the same, and the Trustee shall not be liable to any Bondholder, the Issuer, the Guarantor or any other person for not doing so.

In these Conditions:

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

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

(i) no Relevant Event (as defined in Condition 6(c)), Event of Default (as defined in Condition 9) or Potential Event of Default (as defined in the Trust Deed) has occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

(ii) each of the Issuer and the Guarantor has complied with all its covenants and obligations under the Trust Deed, the Bonds and the Deed of Guarantee;

"**Guarantor Audited Financial Reports**" means, for a Relevant Period, the annual audited consolidated balance sheet, income statement and statement of cashflows of the Guarantor together with any statements, reports (including any auditors' reports) and notes attached to or intended to be read with any of them;

"**Guarantor Unaudited Semi-Annual Management Accounts**" means, for a Relevant Period, the unaudited and unreviewed consolidated balance sheet, income statement and statement of cashflows of the Guarantor, prepared on a basis consistent with the Guarantor Audited Financial Reports;

"**PRC**" means the People's Republic of China, and for the purpose of these Conditions only, excluding 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 and Taiwan;

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

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

"**Registration Deadline**" means the day falling 90 business days after the Issue Date;

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

"**Relevant Period**" means, in relation to the Guarantor Audited Financial Reports, each period of twelve months ending on the last day of the Guarantor's financial year (being 31 December of that financial year) and, in relation to the Guarantor Unaudited Semi-Annual Financial Reports, each period of six months ending on the last day of the first half of the Guarantor's financial year (being 30 June of that financial year); and

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

5 Interest

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 8.50 per cent. per annum, payable in arrear on 4 November 2024 (the "**Interest Payment Date**").

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 date on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (b) the date falling seven days after the Trustee or the Principal Paying Agent has notified the 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 Bondholder under these Conditions).

The amount of interest payable on the Interest Payment Date shall be U.S.$85 in respect of each Calculation Amount (as defined below) of the Bonds.

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 the Interest Period (and for any period less than a complete Interest Period) shall be equal to the product of the rate of interest specified above, the Calculation Amount and the relevant day-count fraction 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, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding 4 November 2024 is called the "**Interest Period**".

6 Redemption and Purchase

(a) **Final Redemption:** Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 4 November 2024 (the "**Maturity Date**"). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) **Redemption for Taxation Reasons:** The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount together with any interest accrued to, but excluding, the date fixed for redemption, if the Issuer (or, if the Guarantee is called, the Guarantor) satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in Condition 8) as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of Hong Kong or the PRC, 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, which change or amendment becomes effective on or after 3 November 2023, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due.

Prior to the publication by the Issuer of any notice of redemption pursuant to this Condition 6(b), the Issuer (or the Guarantor, as the case may be) shall deliver to the Trustee:

(A) a certificate in English signed by any Authorised Signatory of the Issuer (or a certificate of the Guarantor signed by any Authorised Signatory of the Guarantor, as the case may be) stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it; and

(B) an opinion addressed to and in form and substance satisfactory to the Trustee of independent tax or legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment or statement.

The Trustee shall be entitled (but shall not be obliged) to accept and rely conclusively upon such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(b), in which event such certificate and opinion shall be conclusive and binding on the Bondholders.

All Bonds in respect of which any notice of redemption is given under this Condition 6(b) shall be redeemed on the date specified in such notice in accordance with this Condition 6(b).

Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption under this Condition 6(b) or any Put Exercise Notice under Condition 6(c) and shall not be liable to the Bondholders, the Issuer, the Guarantor or any other person for not doing so.

(c) **Redemption for Relevant Events:** At any time following the occurrence of a Relevant Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with any interest accrued up to but excluding such Put Settlement Date. In order to exercise such right, the holder of the relevant Bond must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, substantially in the form scheduled to the Agency Agreement, obtainable from the specified office of the Principal Paying Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to the Bondholders by the Issuer in accordance with Condition 16.

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

The Issuer shall give notice to the Bondholders in accordance with Condition 16 (such notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent by not later than 14 days following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 6(c), the requirements that holders must satisfy in order to do so, and the following:

(A) a statement that either a Change of Control or a No Registration Event has occurred;

(B) the date by which the Put Exercise Notice must be given;

(C) the redemption amount and the method by which such amount will be paid;

(D) the names and addresses of all Paying Agents;

(E) a statement that a Put Exercise Notice, once validly given, may not be withdrawn.

Unless it has received notice pursuant to this Condition 6(c), the Trustee shall be entitled to assume that no Relevant Event has occurred. Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur and none of them shall have any obligation or duty to verify the accuracy, validity and/or genuineness of any documents in relation to or connection with the Registration Conditions and none of them shall be liable to Holders, the Issuer, the Guarantor or any other person for not doing so.

In this Condition 6:

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

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

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

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

"**Controlling Person**" mean the Weihai Wendeng District State-owned Assets Service Centre (威海市文登區國有資產服務中心) or its successors;

a "**No Registration Event**" occurs when the Registration Conditions have not been satisfied in full on or before the Registration Deadline;

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

“**Registration Conditions**” means the receipt by the Trustee of the Registration Documents; and

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

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

(d) **Notices of Redemption:** All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 6(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail. Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying any calculations of any amounts payable under any notice of redemption and shall not be liable to the Bondholders, the Issuer, the Guarantor or any other person for not doing so.

(e) **Purchase:** The Issuer, the Guarantor and their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for, among other things, the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 9, 12(a) and 13.

(f) **Cancellation:** All Certificates representing Bonds redeemed or purchased by or on behalf of the Issuer, the Guarantor and 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.

7 Payments

(a) **Method of Payment:**

(i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7(a)(ii) below.

(ii) Interest on each Bond shall be paid on the due date to the person shown on the Register at the close of business on the 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 wire transfer to the registered account of the Bondholder. For the purposes of this Condition 7(a)(ii), a Bondholder’s “**registered account**” means the U.S. dollar denominated account maintained by or on behalf of it with a bank, details of which appear on the Register at the close of business on the Record Date.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

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

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

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

(vi) **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 any Agent and to appoint additional or other Paying Agents and/or Transfer Agents according to the Agency Agreement, provided that the Issuer and the Guarantor shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, and (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 in writing by the Trustee.

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

(vii) **Delay in Payment:** The 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).

(viii) **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 or if a cheque mailed in accordance with Condition 7(a) (ii) arrives after the due date for payment. In this Condition 7, "**Payment Business Day**" means a day (other than a Saturday, a Sunday or a public holiday) on which commercial banks and foreign exchange markets are generally open for business in New York City and the place in which the specified office of the Registrar is located and where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency.

8 Taxation

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

Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC at the rate up to and including the rate applicable on 3 November 2023 (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 the Bondholders equals the amount which would otherwise have been receivable by them had no such withholding or deduction been required.

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

(a) **Other Connection:** to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with Hong Kong (in the case of payments made by the Issuer) or the PRC (in the case of payments made by the Issuer or the Guarantor) other than the mere holding of the Bond; or

(b) **Surrender more than 30 days after the Relevant Date:** in respect of which the Certificate representing it is presented or surrendered (where presentation or surrender is required) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on presenting or, as the case may be, surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days (as if such last day were a Payment Business Day).

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

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, assessment, governmental charges, withholding or other payment referred to in this Condition 8 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 tax, duty, assessment, governmental charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in 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.

9 Events of Default

If any of the following events (each an "**Event of Default**") occurs the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in 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 that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with any accrued and unpaid interest:

(a) **Non-Payment:** the Issuer and the Guarantor each fail to pay (i) the principal of or any premium (if any) on any of the Bonds when due or (ii) interest on any of the Bonds when due; or

(b) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations under the Bonds, the Trust Deed or the Deed of Guarantee (where applicable) (other than where such default gives rise to a right of redemption pursuant to Condition 6(c)), which default is, in the opinion of the Trustee, incapable of remedy or, if such default is, in the opinion of the Trustee, capable of remedy, such default is not remedied within 30 days after notice in writing of such default shall have been given to the Issuer or the Guarantor (as the case may be) by the Trustee; or

(c) **Cross-default:** (i) any other present or future indebtedness of the Issuer or the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds U.S.$20,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 9(c) operates); or

(d) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer or the Guarantor or any of their respective Subsidiaries and is not discharged or stayed within 30 days; or

(e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or the Guarantor or any of their respective Subsidiaries on the whole or any material part of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged or stayed within 30 days; or

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

(g) **Winding-up:** an order is made by a court of competent jurisdiction or an effective resolution is passed for the winding-up or dissolution of the Issuer or the Guarantor or any of their respective Subsidiaries, or the Issuer or the Guarantor 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 reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, (ii) in the case of a Subsidiary, whereby the undertaking and assets of the Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor and/or any of their respective Subsidiaries; or

(h) **Nationalisation:** (i) any step is taken by any person acting under the authority of any national, regional or local government with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Subsidiaries or (ii) the Issuer, the Guarantor or any of their respective Subsidiaries is prevented by any such person from exercising normal control over all or a material part of its undertaking, assets and revenues; or

(i) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Trust Deed and the Deed of Guarantee (as applicable), (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Trust Deed and the Deed of Guarantee admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

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

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

(l) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs of this Condition 9.

10 Prescription

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

11 Replacement of Certificates

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

12 Meetings of the Bondholders, Modification and Waiver

(a) **Meetings of the Bondholders:** The Trust Deed contains provisions for convening meetings of the Bondholders to consider matters affecting their interests, including without limitation the sanctioning by the Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed, the Agency Agreement and/or the Deed of Guarantee. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee if requested in writing by the Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all 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 the Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or cancel the Deed of Guarantee (subject to Condition 12(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 the Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution (A) in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding or (B) passed by the 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 the 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.

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear, Clearstream or the Alternative Clearing System, a resolution passed by the 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 the Bondholders duly convened and held.

(b) **Modification and Waiver:** The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement and/or the Deed of Guarantee, that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed and the Deed of Guarantee), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement and/or the Deed of Guarantee that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer to the Bondholders as soon as practicable. The Trustee may request and conclusively rely upon an officer's certificate and/or an opinion of counsel concerning the compliance with the above conditions in respect of any modification and amendments.

(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 12) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the interests of, or be responsible for the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Issuer, the Guarantor or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13 Enforcement

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

14 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility including without limitation provisions relieving it from taking steps and/or actions and/or instituting proceedings to enforce its rights under the Trust Deed, the Agency Agreement, the Deed of Guarantee and/or these Conditions and in respect of the Bonds and to enforce payment or taking steps and/or actions and/or instituting proceedings unless first indemnified and/or secured and/or pre-funded to its satisfaction and to be paid or reimbursed for its fees, costs, expenses and indemnity payments and any liabilities incurred by it in priority to the claims of the Bondholders. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity related (directly or indirectly) to the Issuer or the Guarantor without accounting for any profit.

The Trustee may rely conclusively and without liability to the Bondholders, the Issuer, the Guarantor or any other person on any report, confirmation, certificate or information from or any advice or opinion of any legal counsel, 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 in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, information, advice or opinion, in which event such report, confirmation, certificate, information, advice or opinion shall be binding on the Issuer, the Guarantor and the Bondholders. The Trustee shall not be responsible or liable to the Issuer, the Guarantor, the Bondholders or any other person for any loss occasioned by acting on or refraining from acting on any such report, information, confirmation, certificate, opinion or advice.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement, the Deed of Guarantee or these Conditions or by law 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 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 the Extraordinary Resolution or clarification of any directions, and the Trustee shall be entitled to rely on any such directions or clarification and shall not be responsible or liable for any loss or liability incurred by the Issuer, the Guarantor, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking or refraining from such action, making such decision or giving such direction as a result of seeking such direction or clarification of any directions from the Bondholders or in the event that no direction or clarification is given to the Trustee by the Bondholders.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Guarantor and any other person appointed by the Issuer and/or the Guarantor in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer or the Guarantor 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 shall be liable to any Bondholder, the Issuer, the Guarantor or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely conclusively on any direction, request or resolution of the Bondholders given by holders of the requisite principal amount of the Bonds outstanding or passed at a meeting of the Bondholders convened and held in accordance with the Trust Deed. Neither the Trustee nor any of the Agents shall be under any obligation to ascertain whether any Event of Default, Potential Event of Default (as defined in the Trust Deed) or Relevant Event has occurred or monitor the performance or compliance of the Issuer or the Guarantor in the fulfilment of their respective obligations under the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or these Conditions.

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 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.

15 Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further bonds either having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first payment of interest on them and the timing for complying with the requirements set out in these Conditions in relation to the Cross-Border Security Registration) and so that such further issue shall be consolidated and form a single series with the outstanding bonds of any series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Bonds include (unless the context requires otherwise) any other bonds issued pursuant to this Condition 15 and consolidated and forming a single series with the Bonds. Any further bonds forming a single series with the outstanding bonds of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental to it shall, and any other bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of bonds of other series.

16 Notices

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

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

17 Contracts (Rights of Third Parties) Act 1999

Save as contemplated in Condition 13, no person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

18 Governing Law and Jurisdiction

(a) **Governing Law:** The Trust Deed, the Agency Agreement, the Deed of Guarantee 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 Trust Deed or the Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Deed of Guarantee, the Trust Deed or the Agency Agreement ("**Proceedings**") may be brought to such courts. Each of the Issuer and the Guarantor has irrevocably submitted to the exclusive jurisdiction of such courts and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) **Agent for Service of Process:** The Guarantor irrevocably appoints the Issuer at its registered office at 11/F, Central Tower, 28 Queen's Road Central, Hong Kong as its authorised agent in Hong Kong to accept service of process in any Proceedings based on any of the Bonds, the Deed of Guarantee, the Trust Deed or the Agency Agreement. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Guarantor). If for any reason the Guarantor ceases to have such an agent in Hong Kong, it will promptly appoint a substitute process agent and deliver to the Trustee and the Agents a copy of the agent's acceptance of that appointment within 30 days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.

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

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the 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:

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

Under the Global Certificate, the Issuer, for value received, promises to pay such principal and interest on the Bonds to the Bondholder on such date or dates as the same may become payable 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 selected by the Issuer and approved in writing by the Trustee, the Principal Paying Agent and the Registrar through which the Bonds are held (an "**Alternative Clearing System**") is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

The individual definitive Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Certificate. Such exchange will be effected in accordance with the provisions of the Trust Deed, the Agency Agreement and the regulations concerning the transfer and registration of the Bonds scheduled thereto and, in particular, shall be effected without charge to the relevant Bondholder by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment by the relevant Bondholder of any tax or other governmental charges that may be imposed in relation to them (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require).

In such circumstances, the Issuer at its own expenses will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Bondholders. 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 Bondholder'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.

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

Payment

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

Calculation of Interest

So long as the Bonds are represented by the Global Certificate and such Global Certificate is held on behalf of a clearing system, the Issuer has promised, *inter alia*, to pay interest in respect of such Bonds from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Terms and Conditions of the Bonds, save that the calculation will be made in respect of the total aggregate amount of the Bonds represented by such Global Certificate.

Trustee's Powers

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

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

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 Bondholders 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 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 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 Bondholder 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 for which the Global Certificate is issued.

Bondholder's Redemption

The Bondholder's redemption option in Condition 6(c) of the Terms and Conditions of the Bonds may be exercised by the holder of this Global Certificate giving notice to the Principal Paying Agent within the time limits set out in that Condition, in accordance with the rules and procedures of Euroclear and Clearstream and any Alternative Clearing System, as applicable, failing which, in the form of the notice of redemption available from any Paying Agent and stating 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 6(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.

USE OF PROCEEDS

The gross proceeds from the offering of the Bonds will be U.S.$98,000,000. The proceeds will be used for repaying the existing U.S.$91,000,000 7.50 per cent. guaranteed bonds of the Issuer (the "**2022 Bonds**").

EXCHANGE RATE

PRC

PBOC 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. PBOC also takes into account other factors such as general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including US dollars, has been based on rates set by PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to July 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. Although PRC Governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of SAFE and other relevant authorities. 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. PBOC authorised the China Foreign Exchange Trading Center, effective since 4 January 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi at 9:15 AM each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over the counter exchange rate for that business day. On 18 May 2007, PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank foreign exchange spot market of Renminbi against the US dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the US dollar by up to 0.5 per cent. above or below the central parity rate published by PBOC. On 19 June 2010, PBOC announced that it intended to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate and the band was expanded to 1.0 per cent. on 16 April 2012 and it was further expanded to 2.0 per cent. on 17 March 2014. More adjustments may be made to the exchange rate system by the PRC government in the future. Currently, the PROC announces the closing price of a foreign currency traded against Renminbi in the inter-bank foreign exchange spot market after the closing of the market on each business day, and makes it the central parity for the following business day.

On 11 August 2015, PBOC announced that the exchange rates between the Renminbi and foreign currencies would become more market driven, taking into account of the closing exchange rates on the previous trading day, supply and demand of foreign currencies and the fluctuations of exchanges rates between major international currencies. From 11 August to 13 August 2015, the value of the Renminbi depreciated by approximately 4.4 per cent. against the US dollar and has stabilised since then. The PRC governments may make further adjustments to the exchange rate system in the future.

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

Period	Noon Buying Rate			
	Period End	Average[1]	High	Low
	(RMB per U.S.$1.00)			
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.2990	6.3879	6.2221
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
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	6.9042	7.1681	6.5208
2021	6.3726	6.4382	6.5716	6.3435
2022	6.8972	6.7518	7.3048	6.3084
2023				
January	6.7540	6.7904	6.9135	6.7010
February	6.9325	6.8380	6.9545	6.7266
March	6.8676	6.8909	6.9630	6.8188
April	6.9110	6.8876	6.9320	6.8776
May	7.1100	6.9794	7.0792	6.9094
June	7.2513	7.1614	7.2515	7.0827
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 (through 27 October)	7.3171	7.3063	7.3171	7.2948

Note:

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

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated total borrowings (both current and non-current portions), total equity and total capitalisation of the Guarantor as at 30 June 2023 and adjusted to give effect to the issue of the Bonds. The table should be read in conjunction with the Guarantor's consolidated financial statements and the related notes included elsewhere in this Offering Circular.

	As at 30 June 2023			
	Actual		As Adjusted	
	(RMB)	*(U.S.$)*[1]	*(RMB)*	*(U.S.$)*[1]
Current indebtedness:				
Short-term loans[2]	908,500,000.00	125,287,879.41	908,500,000.00	125,287,879.41
Non-current liabilities maturing within one year	3,946,794,477.37	544,287,848.71	3,946,794,477.37	544,287,848.71
Other current liabilities	727,846,010.50	100,374,554.98	727,846,010.50	100,374,554.98
Bonds to be issued	–	–	710,627,400.00	98,000,000.00
Total current indebtedness	**5,583,140,487.87**	**769,950,283.10**	**6,293,767,887.87**	**867,950,283.10**
Non-current indebtedness:				
Long-term loans	5,829,282,000.00	803,894,749.91	5,829,282,000.00	803,894,749.91
Bonds payable[3]	6,565,702,599.23	905,451,794.74	6,565,702,599.23	905,451,794.74
Long-term payables[4]	1,500,070,899.62	206,869,237.19	1,500,070,899.62	206,869,237.19
Total non-current indebtedness	**13,895,055,498.85**	**1,916,215,781.84**	**13,895,055,498.85**	**1,916,215,781.84**
Total indebtedness	**19,478,195,986.72**	**2,686,166,064.94**	**20,188,823,386.72**	**2,784,166,064.94**
Total equity	**30,271,781,993.34**	**4,174,669,644.52**	**30,271,781,993.34**	**4,174,669,644.52**
Total capitalisation[5]	**49,749,977,980.06**	**6,860,835,709.47**	**50,460,605,380.06**	**6,958,835,709.47**

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 Bank of New York on 30 June 2023.

(2) Representing interest-bearing portion of short-term loans.

(3) On 25 June 2021, 30 July 2021, 29 September 2021, 12 November 2021, 14 June 2023 and 21 July 2023, the Guarantor issued privately placed corporate bonds of approximately RMB650.00 million, RMB600.00 million, RMB580.00 million, RMB450.00 million, RMB650.00 million and RMB600.00 million respectively, all of which are listed on the Shanghai Stock Exchange.

(4) Representing interest-bearing portion of long-term payables.

(5) Total capitalisation represents the sum of total current indebtedness, total non-current indebtedness and total equity.

Except as disclosed in the Offering Circular, there has been no material adverse change in the Guarantor's consolidated capitalisation and indebtedness since 30 June 2023.

DESCRIPTION OF THE ISSUER

Overview

The Issuer was incorporated in Hong Kong as a company limited by shares on 3 June 2019 under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (company registration number: 2836558). The Issuer was converted from a private company to a public company on 12 May 2020 and its registered office is at 11/F., Central Tower, 28 Queen's Road Central, Hong Kong.

Business Activity

The Issuer is a directly wholly-owned subsidiary of the Guarantor. As at the date of this Offering Circular, the Issuer has not been engaged, since its incorporation, in any material activities other than those in connection with the Bonds and the 2022 Bonds.

Directors

The directors of the Issuer are Lin Sen（林森）and Liu Gang（劉剛）.

Share Capital

As at the date of this Offering Circular, the issued share capital of the Issuer is U.S.$1,000,000.00. None of the equity securities of the Issuer is listed or dealt in on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought as at the date of this Offering Circular.

Legal Proceedings

As at the date of this Offering Circular, to the best knowledge of the Issuer, there are currently no litigation or arbitration proceedings against the Issuer or its directors that could have a material adverse effect on its business, financial condition and results of operation.

DESCRIPTION OF THE GROUP

OVERVIEW

Established in April 2012, the Guarantor is a state-owned company wholly-owned by the Wendeng SASC. The Wendeng SASC is a government institution controlled and managed by the People's Government of the Wendeng District.

The Guarantor is the largest state-owned enterprise by asset size and a dominant development, construction and operation entity that focuses on project construction and sale of goods in the Wendeng District. As a state-owned company directly and wholly-owned by the Wendeng SASC, the Guarantor plays a key role in promoting the social, economic and urban development of the Wendeng District and is designated to carry out the Wendeng SASC's directions, plans and policies for municipal development in the Wendeng District. The Group is also engaged in leasing business, surveying and mapping business and other businesses.

The Group primarily conducts its business within Weihai City and Wendeng District. Weihai City is the regional central city (區域中心城市) of Jiaodong Peninsula (膠東半島) and is a prefecture-level city which consists of two districts and two county-level cities. Located in the eastern end of Shandong Peninsula (山東半島), Weihai City is also one of the subsidiary centre of the Qingdao Metropolitan Area (青島都市圈) and one of the central district of the Shandong Peninsula Urban Agglomeration (山東半島城市群). With a transportation network connecting to major cities in China, including waterway traffic facilities, multiple railways, highways as well as flight routes, Weihai City serves as one of the transportation hubs in Shandong Province. For the years ended 31 December 2020, 2021 and 2022, according to the Shandong Provincial Bureau of Statistics (山東省統計局), the GDP of Shandong Province amounted to approximately RMB7,312.9 billion, RMB8,309.6 billion and RMB8,743.5 billion, respectively.

Surrounded by the Yellow Sea (黃海) to the north, east and south in the Pacific Ocean, facing South Korea and Liaodong Peninsula (遼東半島) across the sea, Weihai City plays an important role in terms of political, economic and cultural development in the PRC. For the years ended 31 December 2020, 2021 and 2022, according to the Weihai Municipal Bureau of Statistics (威海市統計局), Weihai City's GDP amounted to approximately RMB301.8 billion, RMB346.4 billion and RMB340.8 billion, respectively, with year-on-year growth rates of approximately 3.0 per cent., 7.5 per cent. and 1.5 per cent., respectively. Wendeng District also contributes to the economy and advancement of Weihai City. For the years ended 31 December 2020, 2021 and 2022, according to the Wendeng District Bureau of Statistics (文登區統計局), Wendeng District's GDP amounted to approximately RMB47.5 billion, RMB54.0 billion and RMB50.9 billion, respectively, with year-on-year growth rates of approximately 3.2 per cent., 6.5 per cent. and 1.5 per cent., respectively. Furthermore, Wendeng District was ranked 31th in the Top 100 Comprehensive Strength Districts 2022 (2022年度全國綜合實力百強區) announced by Guangming Daily (光明日報) and was listed as one of the awardees of the Shangdong Province Counties of Private Enterprise Economy High Quality Development Advancement 2022 (2022年度民營經濟高質量發展先進縣) by the Shandong Province Fostering Non-public Economy Development Work Guidance Group (山東省促進非公有制經濟發展工作領導小組).

Weihai City has a well-established industry chain owing to the synergistic development of traditional and emerging industries. Advanced traditional industries, such as specialized equipment manufacturing and chemical industry along with the rapidly developing emerging industries, such as high-tech industry, electronic communication and IT industry, have presented valuable business opportunities and attracted strong capital inflow to Weihai City. In addition, Weihai City is also an important base for China's domestic and international trade.

Having enjoyed the above-mentioned geographical advantages, Weihai City also has outstanding transport infrastructure with railways and expressways passing through the city including Taocun–Weihai Railway (桃威鐵路) and Qingdao–Rongcheng Intercity Railway (青榮城際鐵路). Weihai

Railway Station (威海站), Weihai North Railway Station (威海北站), Wendeng East Railway Station (文登東站) and Weihai Dashuibo International Airport (威海大水泊國際機場) are all located in Weihai City which connect Weihai City with other major Chinese cities. As such, Wendeng District can be benefitted from the excellent geographical locations and solid economic performances of Shandong Province and Weihai City and will continue to support the business growth of the Group.

As at 30 June 2023, the Guarantor had a paid-in capital of RMB0.5 billion and total assets of approximately RMB54.51 billion. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the Group reported a total operating revenue of approximately RMB2,876.97 million, RMB3,110.94 million, RMB2,990.27 million, RMB1,492.64 million and RMB1,507.63 million respectively and a net profit after tax of approximately RMB317.25 million, RMB358.81 million, RMB314.76 million, RMB150.20 million and RMB147.88 million respectively.

To perform its function as the core operating entity carrying out municipal development activities and providing public services in Weihai City and Wendeng District, the Group has developed a diversified business portfolio. The Group's principal business segments are as follows:

Project Construction

The Group conducts its project construction business primarily through the Guarantor and Weihai Taihe. Since its establishment in 2012, the Group is tasked with the construction and management of a number of key construction projects in the Wendeng District, which primarily include river improvement projects, water conservancy projects and cultural tourism investment and development projects.

As the primary entity of the Wendeng SASC designated to carry out municipal and urban development in the Wendeng District, the Group is tasked with the construction of various types of key infrastructure in the Wendeng District, including construction of urban districts, reconstruction of shanty town, construction of municipal roads and sewage treatment. In addition, the Group is designated by the Wendeng SASC to carry out the development and construction of resettlement housing in the Wendeng District.

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the operating revenue derived from the Group's project construction business amounted to approximately RMB625.07 million, RMB526.97 million, RMB545.67 million, RMB41.13 million and RMB829.01 million respectively, representing approximately 21.73 per cent., 16.94 per cent., 18.25 per cent., 2.76 per cent. and 54.99 per cent. of the Group's total operating revenue respectively.

Sale of Goods

The Group conducts its sale of goods business primarily through the Guarantor. The Group's sale of goods business segment can be broadly divided into two sub-segments, namely, sale of resettlement housing and sale of water in which the Group derives most revenue under this business segment from the former.

As at 30 June 2023, the Group has completed the Weihai Wendeng District Resettlement Housing Construction Project (2016) (威海市文登區安置房建設工程(16年)), Weihai Wendeng District Resettlement Housing Construction Project (2017) (威海市文登區安置房建設工程(17年)), Jinhua River Project (金花河項目) and Integrated Urbanisation Project (整體城鎮化項目) and the Group generated revenue from selling the houses, commercial centres and underground car park lots from these projects.

The Guarantor owns the rights of use to the Mishan Reservoir (米山水庫), which has a total area of approximately 16,192,700 square meters. The Mishan Reservoir is the largest reservoir in the Jiaodong Area (膠東地區) which enables the Guarantor to have a steady supply of water.

The Guarantor's sale of goods business segment constituted one of the Guarantor's major business segments in terms of operating revenue. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the operating revenue derived from the Group's sales of goods business amounted to approximately RMB1,945.48 million, RMB2,272.95 million, RMB2,133.52 million, RMB1,298.29 million and RMB523.49 million respectively, representing approximately 67.62 per cent., 73.06 per cent., 71.35 per cent., 86.98 per cent. and 34.72 per cent. of the Group's total operating revenue respectively.

Leasing

The Group's leasing business comprises of two sub-segments, namely, leasing of sea area use rights and pipeline leasing. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the operating revenue derived from the Group's leasing business amounted to approximately RMB303.32 million, RMB307.99 million, RMB308.75 million, RMB152.19 million and RMB152.92 million, representing approximately 10.54 per cent. 9.90 per cent., 10.33 per cent., 10.20 per cent. and 10.14 per cent. of the Group's total operating revenue respectively.

The Group conducts its leasing of sea area use rights business primarily through the Guarantor. As at 30 June 2023, the Group owned the right of use to 51 sea areas in the Wendeng District, one of which is other industrial sea area and the rest are open-type aquaculture sea areas.

The Group conducts its pipeline leasing business primarily by contractual arrangement through the Guarantor. As at 30 June 2023, the Group had a network of pipelines and underground cables with a total length of approximately 781,310 meters.

Surveying and Mapping

The Group engages in surveying and mapping business.

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the operating revenue derived from the Group's surveying and mapping business amounted to approximately RMB2.39 million, RMB1.48 million, RMB1.01 million, RMB0.55 million and RMB0.75 million respectively, representing approximately 0.08 per cent., 0.05 per cent., 0.03 per cent., 0.04 per cent. and 0.05 per cent. of the Group's total operating revenue respectively.

Other Businesses

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the operating revenue derived from the Group's other businesses amounted to approximately RMB0.70 million, RMB1.55 million, RMB1.32 million, RMB0.47 million and RMB1.45 million respectively, representing approximately 0.02 per cent., 0.05 per cent., 0.04 per cent., 0.03 per cent. and 0.10 per cent. of the Group's total operating revenue respectively.

HISTORY AND DEVELOPMENT

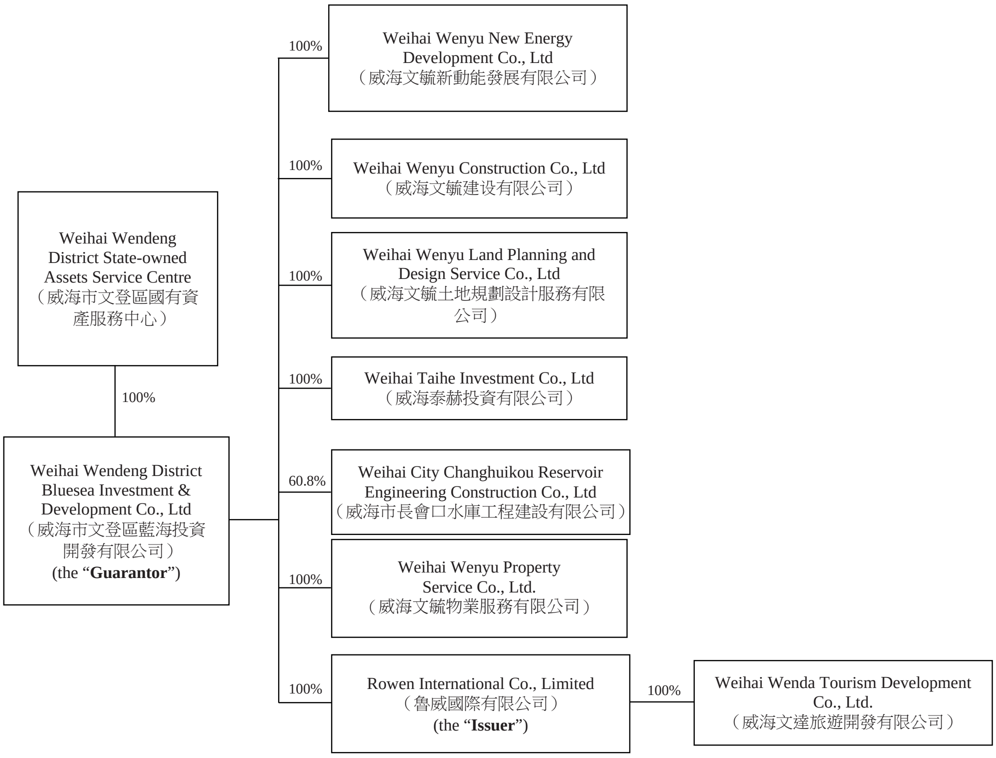
The Guarantor is a company directly and wholly-owned by the Wendeng SASC. The Guarantor was established on 13 April 2012 with a registered capital of RMB100 million and was formerly known as Wendeng Bluesea Investment & Development Co., Ltd.（文登市藍海投資開發有限公司）. In April 2014, Wendeng Bluesea Investment & Development Co., Ltd changed its name to Weihai Wendeng District Bluesea Investment & Development Co., Ltd（威海市文登區藍海投資開發有限公司）. As at 30 June 2023, the Guarantor had a paid-in capital of RMB0.5 billion.

The table below sets forth selected key milestones in the Group's development history:

Time	Milestone
2012	The Guarantor was established in April 2012 with a registered capital of RMB100 million. The Guarantor was formerly known as Wendeng Bluesea Investment & Development Co., Ltd. The Wendeng SASC (formerly known as Weihai Wendeng District State-owned Assets Administration Bureau) and Weihai Yucheng Jian'an Land Co., Ltd (威海市宇程建安置業有限責任公司)(formerly known as Wendeng Yucheng Jian'an Land Co., Ltd) held 90 per cent. and 10 per cent. of the equity interests in the Guarantor, respectively. In May 2012, the Wendeng SASC made a capital contribution of RMB70 million in cash to the Guarantor to replace the capital contribution of RMB70 million in specie (via a transfer of a landed property) to the Guarantor. In May 2012, the Guarantor's paid-in capital was increased to RMB100 million.
2014	Wendeng Bluesea Investment & Development Co., Ltd changed its name to Weihai Wendeng District Bluesea Investment & Development Co., Ltd.
2015	Weihai Yucheng Jian'an Land Co., Ltd transferred 10 per cent. of its equity interests in the Guarantor to the Wendeng SASC. The Wendeng SASC became the Guarantor's sole shareholder. In March 2015, the Wendeng SASC made a capital contribution of RMB400 million in cash to the Guarantor. The Guarantor's registered capital was increased to RMB500 million.
2019	The Group expanded its business portfolio into pipeline leasing by entering into the Weihai City Nanhai New Area Overall Urban Districts Construction (Phase One) Pipeline Project Maintenance Agreement (威海南海新區整體城鎮化建設(一期工程)項目管網維護協議) with Weihai Wendeng District Municipal Engineering Management Office (威海市文登區市政工程管理處).
2020	Weihai Wendeng District State-owned Assets Administration Bureau (威海市文登區國有資產管理局) changed its name to Weihai Wendeng District State-owned Assets Service Centre (威海市文登區國有資產服務中心).

CORPORATE STRUCTURE

The following chart sets forth a simplified corporate structure of the Group, which shows the Guarantor and its key subsidiaries as at 30 June 2023:



COMPETITIVE STRENGTHS

The Guarantor believes that the Group has the following competitive strengths:

The largest state-owned enterprise by asset size and a dominant development, construction and operation platform that focuses on infrastructure construction and affordable housing in the Wendeng District.

The Guarantor is the largest state-owned enterprise by asset size and a dominant development, construction and operation entity that focuses on project construction and affordable housing in the Wendeng District. In particular, the Guarantor has been tasked to implement government policies relating to shanty town reconstruction and urban districts construction and has undertaken a number of key project construction projects within the Wendeng District. For example, the Group is responsible for the construction of various major infrastructure and resettlement housing construction projects in the Wendeng District including Weihai City Nanhai New Area Overall Urban Districts Construction (Phase One) Qitongyiping Project (Traffic, Electricity, Water, Drainage, Telecommunication, Cable TV, Coal Gas and Natural Land Consolidation（威海南海新區整體城鎮化建設(一期工程)七通一平項目）, Wendeng District Shantytown Reconstruction Project（文登區棚戶區改造項目）, Weihai Wendeng District Rural Habitat Environmental Improvement Project Phase One（威海市文登區農村人居環境整治工程一期）and Weihai Wendeng District Resettlement Housing Construction Project（威海市文登區安置房建設項目）. In addition, the Group is tasked with a number of key project construction projects such as Wendeng District Urban and Rural Water Supply and Water Conservancy Project（文登區城鄉供水水利工程）and Changyang River Improvement Project（昌陽河河段治理）.

The Group also plays a strategic role in promoting municipal, social and economic development of the Wendeng District. Given the Group's strong track record in the project construction industries, the Guarantor believes that the Group is in an advantageous position to capture the business opportunities in the Wendeng District arising from the policies of the Municipal Government of Weihai and the Wendeng District Government as well as the strong and rapid economic growth of the Weideng District.

Strong support (but not including credit support) from the Wendeng SASC.

The Guarantor is directly and wholly-owned by the Wendeng SASC. In light of the Group's state-owned background and the strategic role it plays in the municipal development and construction of urban districts in the Wendeng District, the Group has received, and expects to continue to receive, various kinds of support (excluding credit support) from the Wendeng SASC for the development and operation of its business. For example, the Wendeng SASC has enhanced the Group's financial strength by increasing the Guarantor's capital via capital injections. The Guarantor has received various capital injections from the Wendeng SASC in an aggregate amount of approximately RMB500 million since its establishment. In addition, the Group has received government support in the form of government grants to support the Group's operations. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the Group received government grants of approximately RMB851.48 million, RMB897.67 million, RMB1,244.63 million, RMB725.05 million and RMB629.00 million respectively.

In addition to financial support, the Wendeng SASC also closely monitors the Group's operations and continues to provide talent support to the Group. As at 30 June 2023, five of the Guarantor's directors and senior management were appointed by the Wendeng SASC. In addition, the Group continues to benefit from the favourable policies implemented by the Wendeng SASC.

With continued strong support (but not including credit support) from the Wendeng SASC, the Guarantor believes that the Group will be able to continue to operate and invest in key capital-intensive and large-scale construction projects and further expand its business operations to consolidate its existing position in the Wendeng District.

Weihai City is an important part of the PRC's national marine economy development strategy

Weihai City is a seaport city located at the eastern side of the Shandong province and was featured in the "Blue Shandong Peninsula Economic Zone Development Plan"(山東半島藍色經濟區發展規劃) promulgated by the State Council in January 2011. The Blue Shandong Peninsula Economic Zone Development Plan is a strategic plan setting out the direction and pathway for the development of the peninsula of the Shandong province and was the first regional development plan in the PRC with an objective to develop marine economy. The Shandong province, and hence Weihai City as well as the Wendeng District, have therefore become an important part for the development of the national marine economy. In particular, due to their close proximity, the Yantai-Weihai region is able to enjoy a close trade relation with South Korea and Japan. The Yantai-Weihai region also focuses on developing and facilitating an export-oriented economy together with a high-end marine industry. The Yantai-Weihai region not only has now become an important base for nation-wide marine industry, but is also clustered with leisure resorts. It is expected that further new development opportunities will be brought to the Shandong province and Weihai City as a result of the Blue Shandong Peninsula Economic Zone Development Plan. Accordingly, the Guarantor believes that the Group has been, and will continue to be, well positioned to seize such opportunities and benefit from the Blue Shandong Peninsula Economic Zone Development Plan".

The Wendeng District plays a strategic role in implementing the PRC government's and the Government of Shandong Province's policies.

The Wendeng District is a county-level area established in 2014, formerly the Wendeng City, being a city-level division due to the adjustment of administrative divisions. The Wendeng District plays a significant role in the policies of the PRC government, the Government of Shandong Province, the Municipal Government of Weihai and the Wendeng District Government. The Wendeng District lies in the eastern part of the Jiaodong Peninsula. It stretches westward to Yantai City and southward to the Yellow Sea. The Wendeng District is strategically located in the central area between Yantai City, Weihai City and Qingdao City in the Bohai Economic Rim (環渤海經濟圈) which is an important economic growth pole of the PRC.

In addition, the Wendeng District's connection with various railway and highway networks in the PRC makes it highly accessible and convenient for conducting businesses. In terms of railway, the Wendeng District lies at the intersection of two railways, namely, Taowei Railway (桃威鐵路) and Qingrong Intercity Railway (青榮城際鐵路). In terms of highway, Weiqing Highway (威青高速公路) and 309 National Highway (309國道) intersect at the Wendeng District, making it an important transportation hub in the Bohai Economic Rim. Moreover, the Wendeng District is also accessible by air and sea. With approximately 10 domestic air routes to the major cities across the PRC such as Beijing and Shanghai as well as international air routes via Weihai City Dashuibo Airport (威海大水泊機場) located in the Wendeng District, the Wendeng District is an aviation bridge in the Bohai Economic Rim. In addition, the Wendeng District is closely connected to the airports in Qingdao City and Weihai City. In terms of transportation by sea, with easy access to the Qingdao Port (青島港) and Yantai Port (煙臺港), the Wendeng District is a major shipping logistics centre and is located in proximity to the major ports of the Bohai Economic Rim.

The favourable government policies and the strategic location as well as the strong and stable economic growth of the Wendeng District have benefited the Group's business development, in particular, in the businesses of project construction. Leveraging the favourable government policies, the Guarantor believes that the Group is well positioned to further develop its various businesses in the Wendeng District, including project construction and leasing of sea area use rights. As the Group's business operations and investments are primarily located in the Wendeng District, the Guarantor believes that the Group's business has benefited, and will continue to benefit, from the development and growth of the Wendeng District.

Diversified business portfolio enhancing the Group's risk resilience.

The Group has a diversified business portfolio which enhances its risk resilience and provides it with a steady stream of operating revenue from its businesses. The Group is primarily engaged in the businesses of project construction, sale of goods, leasing and other businesses. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the Group's operating revenue derived from its sale of goods business amounted to approximately RMB1,945.48 million, RMB2,272.95 million, RMB2,133.52 million, RMB1,298.29 million and RMB523.49 million respectively, representing approximately 67.62 per cent., 73.06 per cent., 71.35 per cent., 86.98 per cent. and 34.72 per cent. of the Group's total operating revenue respectively. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the operating revenue derived from the Group's project construction business amounted to approximately RMB625.07 million, RMB526.97 million, RMB545.67 million, RMB41.13 million and RMB829.01 million respectively, representing approximately 21.73 per cent., 16.94 per cent., 18.25 per cent., 2.76 per cent. and 54.99 per cent. of the Group's total operating revenue respectively. While the Group's project construction business and sale of goods business are the major sources of the Group's operating revenue, the Group's leasing business, surveying and mapping business and other businesses also provide attractive returns and cash flows to the Group. The Group's diversified business portfolio minimises the risk of business concentration and the level of volatility in its overall earnings and financial position as a result of changes in economic conditions, construction costs or other factors within any one sector. The Guarantor believes that the Group's diversified sources of income and cash flows will enhance the Group's stability as well as flexibility in managing its operations.

Diversified sources of funding and strong credit position.

The Group has access to various sources of funding including bank loans and corporate bonds. For example, the Guarantor issued RMB2.5 billion listed privately placed corporate bonds in 2019, U.S.$38.75 million guaranteed bonds in 2019, four phases of corporate bonds listed privately in 2021 totaled RMB2.28 billion and two series of corporate bonds listed privately in 2023 totaled RMB1.25 billion. As at 30 June 2023, the Group had an outstanding balance of bonds in the principal amount of approximately RMB7.75 billion and U.S.$91.00 million. In addition to cash generated from its operations, the Group also maintains long term relationships with a number of banks, such as Industrial and Commercial Bank of China Limited, Bank of Communications Co., Ltd., Industrial Bank Co., Ltd. and Bank of Qingdao Co., Ltd. As at 30 June 2023, the Group had aggregated banking facilities of approximately RMB12.70 billion, of which approximately RMB1.54 billion were unused. As such, the Guarantor believes that the Group has a robust liquidity position with access to diversified funding sources.

In addition, the Group actively manages its cash flow and capital commitments to ensure that it has sufficient funds to meet its existing and future cash flow requirements. The Group's ability to access diversified source of funding and its strong financing capability has enabled it to fulfil the capital need of its businesses and capitalise on various business opportunities.

Prudent financial structure.

The Group puts great emphasis on maintaining a prudent financial structure, which the Guarantor believes is the key to sustainable business development and maximising returns on the Group's investments. The Group has adopted prudent financial management policies to achieve greater financial efficiency. For example, the Group has maintained an adequate level of cash balance and current assets to fulfil its liquidity needs and has made investments which are in line with the Group's business strategies. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group held cash and cash equivalents of approximately RMB0.85 billion, RMB0.24 billion, RMB0.21 billion and RMB0.21 billion respectively, while the Group's total current assets were approximately RMB29.91 billion, RMB34.16 billion, RMB32.24 billion and RMB31.90 billion respectively. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group's total liabilities were approximately RMB21.87 billion, RMB25.14 billion, RMB24.09 billion and RMB24.24 billion respectively. In addition, as at 30 June 2023, the Group had total indebtedness[(1)] of approximately RMB19.48 billion, of which approximately 28.66 per cent. and 71.34 per cent. were current indebtedness and non-current indebtedness, respectively. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group's leverage ratios[(2)] were approximately 42.80 per cent., 45.28 per cent., 44.23 per cent. and 44.47 per cent. respectively. The Group will continue to closely manage the level of its debt ratio to avoid any potential liquidity risk. With respect to its investment management, the Group has implemented effective control measures from the commencement to the completion of its projects, which enable it to control operational costs to improve its results of operations.

Notes:

(1) Total indebtedness is calculated by adding up short-term loans, non-current liabilities maturing within one year, other current liabilities, long-term loans, bonds payable and long-term payables.

(2) Leverage ratio is calculated by dividing total liabilities by total assets.

Experienced management team with support from a dedicated team of staff.

The Group has an experienced management team with extensive knowledge in the industries in which the Group operates. The Guarantor believes that the team's industry knowledge and technical expertise enable the Group to make prudent business decisions so as to strengthen its operations in the relevant sectors in the Wendeng District. Please see "*Directors, Supervisors and Senior Management*" for further information on the Group's senior management team.

The Group's experienced management team is also supported by a dedicated team of staff with extensive technical and industry knowledge. As at 30 June 2023, the Group had a total of approximately 128 employees, approximately 64 per cent. of whom hold an undergraduate degree or above.

The Guarantor believes in the benefits of improving the skills and knowledge of its management team and employees, and conducts both in-house and external management and professional training programmes from time to time.

BUSINESS STRATEGIES

The Guarantor's objective is to maintain the Group's leading position in the various business segments in which it operates and to continue to expand its business operations. The Guarantor intends to implement the following strategies to achieve this objective:

Continue to fulfil its role as the largest state-owned enterprise by asset size and a dominant development, construction and operation platform and to focus on project construction and affordable housing in the Wendeng District.

The Guarantor plans to continue to actively leverage the strategic importance of the Wendeng District in the policies of the PRC government and the Government of Shandong Province as well as the strong and rapid economic growth of the Wendeng District and increase its focus on project construction. By completing a number of large-scale project construction projects in recent years, the Group has built a strong presence and established itself as a leading market player in the project construction industry in the Wendeng District. Going forward, the Group will continue to leverage on its close relationship with the Wendeng SASC and the Group's ample land resources and sea area use rights to continue focusing on undertaking key project construction and projects construction projects in the Wendeng District, and to expand its business to new activities such as renovation and upgrade of the existing municipal facilities in the Wendeng District. By leveraging on its state-owned background and its extensive industry and project execution experience in project construction, the Guarantor believes that the Group will continue to play a key role in executing the Wendeng District's development and urban districts construction plans. The Guarantor intends to continue to work closely with the Wendeng SASC to explore further opportunities to participate in major project construction projects, and to further strengthen the Group's leading market position in the infrastructure and project construction industries in the Wendeng District.

Continue to diversify the Group's businesses and to increase investment in businesses that synergies with the Group's core businesses.

While the Group primarily focuses on project construction and sale of goods businesses, the Group also conducts leasing business, surveying and mapping business and other businesses. The Guarantor believes that the Group's diversified business portfolio will bring stable returns to the Group. In addition, the Group plans to utilise its abundant resources in the Wendeng District to strengthen its business operations, in particular, the Group plans to further develop and utilise the Group's sea area use rights to increase its operating revenue. With the aim to ensure the preservation, appreciation and rational use of the Group's assets, the Group plans to implement a new bidding management system for the transfer and leasing of the Group's idle assets. It will continue to invest in the areas that are in line with the Group's business strategies to strengthen its profitability. The Guarantor believes that the Group's diversified sources of income will contribute to a steady growth of the Group's operating revenue.

Strengthen management structure and internal control systems.

The Group will continue to improve and streamline its management structure and internal control systems so as to further increase its capability in terms of safety and quality control. In addition, the Group considers that effective project management is critical for the Group to enhancing its overall operational efficiency. The Group will allocate more resources to the research and development of construction methods, new technologies as well as project and operation management methods, while gradually implementing a centralised management system over its fixed assets, such as key technical equipment.

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

The Guarantor believes that a prudent financial management system can reduce operational and financial risks and help achieve a long-term sustainable growth. The Group has established standardised capital management mechanism to monitor capital, capital efficiency and capital risk prevention. For financial management, the Group focuses on financial risk control, value creation, implementation of budget management and establishment of information platform in order to encourage communications and interactions between business operations, contribute to the sustainable, healthy and rapid development of the Group and provide financial stability. For interest rate risks, the Group will adjust its composition of onshore and offshore debts as well as its direct and indirect financing structure in accordance with its credit policies and market changes. The Group has developed a set of prudent liquidity management indicators to control its liquidity risks and will maintain its liquidity ratio, accounts receivable turnover ratio, inventory turnover ratio and other relevant liquidity ratios at a reasonable level. It will also maintain a sufficient amount of banking facilities to support the Group's business operations. The Group strives to prudently manage its financials while fulfilling investment and development needs to drive its profitability.

Explore new financing channels.

The Group has traditionally funded its business operations and working capital through bank loans and issuance of debt securities in the domestic market. The Guarantor intends to explore and employ new financing channels, such as issuing bonds in international capital markets. In addition, the Group seeks to build and reinforce co-operative relationships with financial institutions to secure funding on more favourable terms to better support the Group's financing needs for development, in particular for its construction projects and maintain a reasonable and balanced debt structure.

Continue to build a professional management team.

The Guarantor believes that the Group's experienced management team has been a key factor in contributing to its growth and development, in particular, in achieving its market position in the various industries in which the Group operates. The Group will continue to build a professional management team with well-qualified and experienced personnel, carry out regular training so as to enable the Group to continue to improve the efficiency of its operations and achieve its strategic goals through the expertise, and continuity, of the Group's management team.

BUSINESS SEGMENTS

As a company directly and wholly-owned by the Wendeng SASC and the largest state-owned enterprise by asset size and a dominant development, construction and operation entity that focuses on project construction and affordable housing in the Wendeng District, the Guarantor is designated to carry out the Wendeng SASC's directions, plans and policies for municipal development in the Wendeng District.

The Group is engaged in five business segments, namely, sale of goods, project construction, leasing, surveying and mapping and other businesses.

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

Business Segment	For the year ended 31 December						For the six months ended 30 June			
	2020		2021		2022		2022		2023	
	(RMB million)	*per cent.*	*(RMB million)*	*per cent.*	*(RMB million)*	*per cent.*	*(RMB million)*	*per cent.*	*(RMB million)*	*per cent.*
Sale of Goods	1,945.48	67.62	2,272.95	73.06	2,133.52	71.35	1,298.29	86.98	523.49	34.72
Project Construction	625.07	21.73	526.97	16.94	545.67	18.25	41.13	2.76	829.01	54.99
Leasing	303.32	10.54	307.99	9.90	308.75	10.33	152.19	10.20	152.92	10.14
Surveying and Mapping	2.39	0.08	1.48	0.05	1.01	0.03	0.55	0.04	0.75	0.05
Other businesses	0.70	0.02	1.55	0.05	1.32	0.04	0.47	0.03	1.45	0.10
Total	2,876.97	100.00	3,110.94	100.00	2,990.27	100.00	1,492.64	100.00	1,507.63	100.00

Project Construction Business Segment

The Group conducts its project construction business primarily through Weihai Wenyu Construction Co., Ltd.（威海文毓建設有限公司） and Weihai Taihe. Since its establishment in 2012, the Group is tasked with the construction and management of a number of key construction projects in the Wendeng District, which include, among others, river improvement projects, water conservancy projects and cultural tourism investment and development projects.

The Guarantor's project construction business segment constituted one of the Guarantor's major business segments in terms of operating revenue. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the Group's operating revenue from its project construction business amounted to approximately RMB625.07 million, RMB526.97 million, RMB545.67 million, RMB41.13 million and RMB829.01 million respectively, representing approximately 21.73 per cent., 16.94 per cent., 18.25 per cent., 2.76 per cent. and 54.99 per cent. of the Group's total operating revenue respectively.

Business Model

The Group confirms the scope and budget of a proposed construction project according to the overall basic infrastructure construction planning of the Wendeng District or the proposed project scope and budget as instructed by the People's Government of the Wendeng District. Subsequently, the Group enters into project construction contracts with the Wendeng District Government or the Finance Bureau of the Wendeng District Government which set out the agreed scope of work to be undertaken by the Group for such projects, including the type of infrastructure to be constructed, construction and management arrangement, specifications, payment schedule and rights and obligations of the parties.

The Group is mainly commissioned by other state-owned enterprises in the Wendeng District and other project principals, which usually adopt a marketisation approach and look for companies that are capable of managing project constructions. As a result of the rapid growth of the economy and urbanisation of the Wendeng District, there are a large amount of infrastructure construction projects in the Wendeng District, and the Group is capable of seising such opportunities as it implements a marketisation approach in its project construction business.

Upon acceptance of the project, the Group typically commissions construction companies selected by the Group to perform certain aspects of construction projects, and carry out the remaining parts of the construction projects by itself.

The Group primarily relies on its own funds as well as external financing to finance its project construction projects including but not limited to bank loans, onshore corporate bonds and debt financing. Upon completion of an project construction project, the People's Government of the Wendeng District typically inspects the completed infrastructure to ensure that the infrastructure is constructed in accordance with the specifications stated in the contracts. Upon the acceptance and approval of the completed infrastructure, the project fee payable to the Group will typically be reviewed and approved by the People's Government of the Wendeng District. The project fee typically includes the total construction costs incurred by the Group plus a mark-up percentage.

Key revenue generated from Project Construction business

The following table sets forth the costs and revenue generated by the Group's project construction business as at 30 June 2023.

No.	Project Name	Revenue (RMB million)	Per cent. of total operating revenue	Costs (RMB million)	Per cent. of total operating costs
1.	Weihai Wendeng District Rural Habitat Environmental Improvement Project Phase One (威海市文登區農村人居環境整治(一期)項目)	787.95	95.05	696.22	94.72
2.	Renovation of Chiropractic Hospital (整骨醫院裝修)	11.62	1.40	11.01	1.50
3.	Others	29.44	3.55	27.80	3.78
	Total	829.01	100.00	735.03	100.00

The following table sets forth certain information about the Group's key project construction projects under construction as at 30 June 2023:

No.	Project name	Total investment amount	Actual investment amount	Scheduled completion year
		(RMB million)	(RMB million)	
1.	Wendeng District Shanty Town Reconstruction Project (文登區棚戶區改造項目)	9,138.59	8,410.52	2024
2.	Weihai Wendeng District Rural Habitat Environmental Improvement Project Phase One (威海市文登區農村人居環境整治(一期)項目)	9,089.97	8,182.04	2023
3.	Weihai Wendeng District Underground Integrated Utility Tunnel Construction Project (威海市文登區地下綜合管廊建設項目)	80.23	33.32	2023
4.	Weihai Wendeng District Sponge City Municipal Infrastructure Construction Project (威海市文登區海綿城市市政基礎設施建設項目)	2,808.90	2,692.79	2023
5.	Weihai Wendeng District Chemical Industrial Park Sewage Treatment Plant and Supporting Pipeline Network Project (威海市文登區化工產業園污水處理廠及配套管網工程)	181.01	60.40	2023
6.	Kunyushan Forestry Ecological Protection (Phase II) Construction Project (昆嵛山林業生態保護(二期)建設工程項目)	924.10	746.45	2023
7.	Weihai Wendeng District Old District Redevelopment Project (威海市文登區老舊小區改造項目)	1,500.10	1,155.65	2023
8.	Weihai City Upgrading of Rural Human Settlements in Wendeng District (威海市文登區農村人居環境提升工程)	1,205.57	1,199.27	2023

Wendeng District Shanty Town Reconstruction Project (文登區棚戶區改造項目)

The Group commenced construction of the Wendeng District Shanty Town Reconstruction Project in 2015 and is estimated to be completed by 2024. The scope of work undertaken by the Group for the project includes vacating and transformation of the land in the urban area of Wendeng District, consolidation of villages through reclamation of rural construction land, and construction of a new residential community.

Weihai Wendeng District Rural Habitat Environmental Improvement Project Phase 1 (威海市文登區農村人居環境整治(一期)項目)

The Group commenced construction of the Weihai Wendeng District Rural Habitat Environmental Improvement Project in 2016. The project aims to improve the infrastructure and supporting facilities in the rural area of the Wendeng District. The scope of work undertaken by the Group for the project includes construction of roads and pipelines, sewage treatment and river improvement. Pursuant to the contract entered into by the Group in respect of this project, the project fee includes the total construction costs incurred plus a mark-up of at least 15 per cent., and is paid periodically to the Group in accordance with the construction progress.

Weihai Wendeng District Underground Utility Tunnel Construction Project (威海市文登區地下綜合管廊建設項目)

The Group commenced construction of the Weihai Wendeng District Underground Utility Tunnel Construction Project in 2018. The project aims to provide construction space for power, communication, and water supply tunnels. The scope of work undertaken by the Group for the project includes construction of underground tunnel, drainage channel renovation, greening and parking lot construction above the underground drainage and enhancing the capacity of the parking lot.

Weihai Wendeng District Sponge City Municipal Infrastructure Construction Project (威海市文登區海綿城市市政基礎設施建設項目)

The Group commenced the construction of Weihai Wendeng District Sponge City Municipal Project in March 2018 and is estimated to complete the project in 2023. This project will generate revenue from leasing, advertising fee and sale of sludge.

Weihai Wendeng District Chemical Industrial Park Sewage Treatment Plant and Supporting Pipeline Network Project (威海市文登區化工產業園汙水處理廠及配套管網工程)

The Group commenced the Weihai Wendeng District Chemical Industrial Park Sewage Treatment Plant and Supporting Pipeline Network Project in 2019 and is estimated to complete the project by 2023. The project will generate revenue by disposal of sewage.

Kunyushan Forestry Ecological Protection (Phase II) Construction Project (昆嵛山林業生態保護(二期)建設工程項目)

The Group commenced the construction of the Kunyushan Forestry Ecological Protection (Phase II) Construction Project in 2020 and is estimated to complete the project by 2023. This project will generate revenue through receiving project fee upon the acceptance and approval of the completed project by the People's Government of the Wendeng District.

Weihai Wendeng District Old District Redevelopment Project (威海市文登區老舊小區改造項目)

The Group commenced the construction of Weihai Wendeng District Old District Redevelopment Project in 2020 and is estimated to complete the project in 2023. This project will generate income through receiving project fee upon the acceptance and approval of the completed project by the People's Government of the Wendeng District.

Weihai Upgrading of Rural Human Settlements in Wendeng District (威海市文登區農村人居環境提升工程)

The Group commenced the Weihai Upgrading of Rural Human Settlements in Wendeng District construction project in 2020 and is estimated to complete the project in 2023. This project will generate income through receiving project fee upon the acceptance and approval of the completed project by the People's Government of the Wendeng District.

Key Completed Project Construction Projects

The following table sets forth certain information about the Group's key completed project construction projects as at 30 June 2023:

No.	Project name	Total investment amount	Recognised operating revenue	Year of completion
		(RMB million)	(RMB million)	
1.	Wendeng District Economic Development Zone Underground Integrated Utility Tunnel Construction Project (文登經濟開發區地下綜合管廊建設工程)	873.40	917.07	2016
2.	Wendeng District Mishan Reservoir Basin Comprehensive Improvement Project (I) Phase One (文登米山水庫流域綜合治理工程(一)標段一期)	1,000.00	1,043.43	2016
3.	Weihai Wendeng District Baolong River Upstream Comprehensive Improvement Project (威海市文登區抱龍河上游流域綜合治理工程)	47.48	49.85	2016
4.	Wendeng District Shengjing Mountain Tourism Development and Construction Project (文登聖經山旅遊開發建設項目)	400.00	418.02	2016
5.	Jinhua River Basin Integrated Engineering Work Construction Project (金花河流域綜合治理工程項目)	465.64	528.56	2016
6.	Nanhai New Area North Saline-alkali Land Leveling and Project construction Project (南海新區北部鹽鹼地平整及基礎設施建設項目)	500.00	522.52	2016
7.	Wendeng District Mishan Reservoir Basin Comprehensive Improvement Project (I) Phase Two (文登米山水庫流域綜合治理工程(一)標段二期)	620.00	647.93	2017
8.	Wendeng District Mishan Reservoir Basin Comprehensive Improvement Project (II)(文登米山水庫流域綜合治理工程(二)標段)	230.00	240.36	2017
9.	Weihai Wendeng District Rural Road Reconstruction Project (Phase One)(威海市文登區農村道路改建工程(一期)項目)	340.00	355.32	2017
10.	Weihai Nanhai New Town Urbanization Construction Project (Phase One)(威海南海新區整體城鎮化建設(一期工程)項目)	3,098.30	1,802.01	2019
11.	Weihai Wendeng District Village Road Reconstruction Project (威海市文登區農村道路改建工程項目)	957.89	783.50	2021
12.	Wendeng Rural Drinking Water Safety Project Construction Project in Weihai City (威海市文登區農村飲水安全工程建設項目)	600.31	670.00	2022
13.	Wendeng District Economic Development Zone Marine Equipment Manufacturing Featured Industrial Park Construction Project (文登經濟開發區海洋裝備製造特色產業園建設項目)	1,912.22	0.00	2022

Sale of Goods Business Segment

The Group conducts its sale of goods business primarily through the Guarantor. The Group's sales of goods business segment can be broadly divided into two sub-segments, namely, sale of resettlement housing and sale of water.

The Guarantor's sale of goods business segment constituted one of the Guarantor's major business segments in terms of operating revenue. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the Group's operating revenue from its sale of goods business amounted to approximately RMB1,945.48 million, RMB2,272.95 million, RMB2,133.52 million, RMB1,298.29 million and RMB523.49 million respectively, representing approximately 67.62 per cent., 73.06 per cent., 71.35 per cent., 86.98 per cent. and 34.72 per cent. of the Group's total operating revenue respectively.

Sale of Resettlement Housing Business

In support of the Wendeng SASC's promotion of urban and economic development in the Wendeng District, the Group is also designated by the Wendeng SASC to carry out the development and construction of resettlement housing in the Wendeng District. The Group's sale of resettlement housing business primarily involves the construction, development, management and sale of resettlement housing in the Wendeng District. Resettlement housing refers to the type of housing generally constructed for residents who were relocated from their residential bases as a result of the implementation and construction of certain governmental infrastructure or public projects.

Business Model

The Group carried out its resettlement housing construction business as the main contractor. For each resettlement housing construction project, the Group will obtain the necessary land use right certificates and building ownership certificate of the resettlement housing, register the ownership of the resettlement housing, conduct environmental assessment and the bidding and tendering of the construction work as well as coordinating its inspection and acceptance. Upon the acceptance of the resettlement housing units, the Group will typically entrust the majority of the construction work to the construction companies selected by the Group and the Group will generate income through the sale of the resettlement housing units, the ancillary commercial units and the parking lots as well as the rental of the billboards.

As at 30 June 2023, the Group had completed the Weihai Wendeng District Resettlement Housing Construction Project (2016)(威海市文登區安置房建設項目(16年)), the Weihai Wendeng District Resettlement Housing Construction Project (2017)(威海市文登區安置房建設項目(17年)), Jinhua River Project(金花河項目) and Integrated Urbanisation Project(整體城鎮化項目).

Water Supply Business

The Group conducts its water supply business primarily through the Guarantor. The Guarantor owns the rights of use to the Mishan Reservoir(米山水庫), which has a total area of approximately 16,192,700 square meters and a book value of approximately RMB3.49 billion as at 30 June 2023. The Mishan Reservoir is the largest reservoir in the Jiaodong Area(膠東地區) and plays a key role in supplying freshwater in Weihai City.

Leasing Business Segment

The Group's leasing business comprises of two sub-segments, namely, leasing of sea area use rights and pipeline leasing, in which the former is the major source of revenue under the leasing business segment. The Group conducts its leasing business primarily through the Guarantor. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the operating revenue derived from the Group's leasing business amounted to approximately RMB303.32 million, RMB307.99 million, RMB308.75 million, RMB152.19 million and RMB152.92 million, representing approximately 10.54 per cent. 9.90 per cent., 10.33 per cent., 10.20 per cent and 10.14 per cent. of the Group's operating revenue respectively.

Leasing of Sea Area Use Rights Business

As at 30 June 2023, the Group owned the right of use to 51 sea areas in the Wendeng District, one of which is an industrial sea area and the rest are open-type aquaculture sea areas. Since January 2016, the Group has leased the right of use to 7 sea areas amounting to approximately 1,293.35 hectares to Weihai Zehong Sea Products Cultivation Co., Ltd.(威海澤鴻海產品養殖有限公司), 9 sea areas amounting to approximately 1,656.33 hectares to Wanze Marine Technology Co., Ltd.(威海萬澤海洋科技有限公司) and 7 sea areas amounting to approximately 1,236.34 hectares to Weihai Shengyuan Aquatic Products Cultivation Co., Ltd.(威海盛源水產品養殖有限公司). As at 30 June 2023, the Guarantor leased the right of use to a total of 23 sea areas with a total leased sea area of approximately 4,186.02 hectares. Pursuant to the lease agreements entered into by the Guarantor, the Guarantor could receive an aggregate amount of RMB203.00 million (including tax) as rental every year.

Pipeline Leasing Business Segment

The Group conducts its pipeline leasing business through the Guarantor which enters into contractual arrangements with leasees. The Weihai City Nanhai New Area Overall Urban Districts Construction (Phase One) Project (Traffic, Electricity, Water, Drainage, Telecommunication, Cable TV, Coal Gas and Natural Land Consolidation)(威海南海新區整體城鎮化建設(一期工程)項目) was completed in January 2019, in connection to which the Guarantor has entered into the Weihai City Nanhai New Area Overall Urban Districts Construction (Phase One) Pipeline Project Maintenance Agreement (威海南海新區整體城鎮化建設(一期工程)項目管網維護協議) with Weihai Wendeng District Municipal Engineering Management Office (威海市文登區市政工程管理處) for a term of 15 years in January 2020. Pursuant to such agreement, the Guarantor would be entitled to a pipeline maintenance management fee of RMB112.00 million (including tax) each year and the rental would be paid before 25 December each year as the fee of maintenance management.

As at 30 June 2023, the Group had a network of pipelines and underground cables with a total length of approximately 781,310 meters. As at 30 June 2023, the Weihai Wendeng District Finance Bureau (威海市文登區財政局) was responsible for arranging the using units and the rental is also paid by it.

Surveying and Mapping Business Segment

The Group engages in surveying and mapping business.

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the operating revenue derived from the Group's surveying and mapping businesses amounted to approximately RMB2.39 million, RMB1.48 million, RMB1.01 million, RMB0.55 million and RMB0.75 million respectively, representing approximately 0.08 per cent., 0.05 per cent., 0.03 per cent., 0.04 per cent. and 0.05 per cent. of the Group's total operating revenue respectively.

Other Businesses Segment

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the operating revenue derived from the Group's other businesses amounted to approximately RMB0.70 million, RMB1.55 million, RMB1.32 million, RMB0.47 million and RMB1.45 million respectively, representing approximately 0.02 per cent., 0.05 per cent., 0.04 per cent., 0.03 per cent. and 0.10 per cent. of the Group's total operating revenue respectively.

OPERATION PROCESS

The Group's operation process for its project construction business segments primarily involves identification of projects, financing, monitoring of project construction, on-site management, quality management and completion of the project.

Identification of Projects

As a state-owned company directly and wholly-owned by the Wendeng SASC, the Group generally relies on the People's Government of the Wendeng District and the Wendeng SASC to select and propose new projects to be undertaken by the Group. Following the selection of a potential project by the People's Government of the Wendeng District, the Group typically receives a proposal from the People's Government of the Wendeng District setting out the relevant details of the potential project. The Group will then evaluate the feasibility of undertaking the project, taking into account the scope of work, the required specification and costs of such project. Once the Group has decided to undertake a project, the Group would typically enter into an agreement with the People's Government of the Wendeng District or other government entities to set out the detailed agreement, specifications, time schedule and costs for the project.

Financing

The Group primarily relies on its own funds and external financing to finance its project construction projects including but not limited to bank loans onshore corporate bonds, debt financing tools and leasing. The Group typically enters into discussions with the relevant financial institutions and undergoes a review of the PRC's latest bank borrowing policies to determine the appropriate financing arrangement. Proposals for any financing arrangements will need to be reviewed and approved by the Group's senior management.

On-site Management

The Group generally appoints a project manager to facilitate communication and coordination between contractors, supervisors and government supervisory departments. The project manager typically prepares and submits progress reports to the Group's personnel in charge of the projects.

Monitoring of Project Construction

Construction progress reports would be regularly prepared to monitor the actual progress of each project. In particular, the Group monitors the progress of its contractors to ensure that they comply with the project schedule, the required specifications and its quality control standards. Contractors who fail to meet their obligations under the relevant contracts may be liable to pay damages to the Group.

Quality Management

The Wendeng SASC generally requires the Group to provide a project quality assurance certificate when the Group enters into a project agreement. The quality of construction work is generally monitored by an independent third party who would provide quality control reports to the Group.

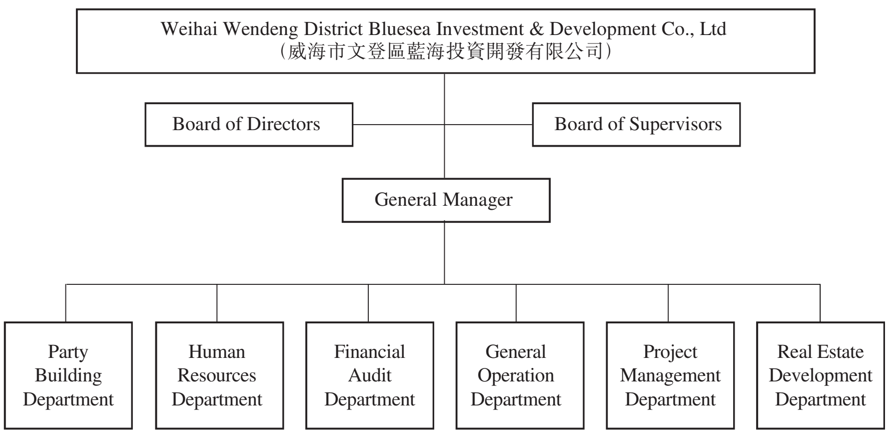
Completion

The Group would perform final assessment and inspection to determine whether a project has been completed in accordance with the requirements and specifications specified in the relevant agreement.

CORPORATE GOVERNANCE STRUCTURE

The Guarantor has established a sound corporate governance structure comprising the board of directors, board of supervisors and operating management entities.

The following diagram sets forth a simplified corporate governance structure of the Guarantor as at 30 June 2023:



Party Building Department

The party building department is responsible for, among others, drawing up and implementing work plans for party building.

Human Resources Department

The human resources department is responsible for, among others, staff recruitment and training, maintaining employment records, formulating remuneration and incentive systems and other related administrative and logistics works.

Financial Audit Department

The financial audit department is responsible for, among others, handling the Group's audit matters, establishing various policies regarding audit work and funds management, preparing the annual financial budget and financial analysis report.

General Operation Department

The general operation department is responsible for, among others, managing the overall operation of the Group, including preparing feasibility report, liaising with financial institutions for external financing of the Group and the inspection, assessment and documentation of construction projects.

Project Management Department

The project management department is responsible for, among others, the management of the Group's construction projects and establishment and implementation of Group's plans relating to usage of funds and the inspection of the Group's construction projects, preparation, inspection and supervision of reconstruction of the Group's shanty town projects.

Real Estate Development Department

The real estate development department is responsible for, among others, the filing, registration and coordination matters prior to the commencement of construction of the projects.

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 strategic management, financial and capital management, asset management, investment management, connected transaction and information disclosure. 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 adopts 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 applicable to its operations and projects. As at 30 June 2023, the Group had not been subject to any fines or administrative action that had been filed with any PRC government authorities involving material non-compliance with any relevant safety regulations, nor was it required to take any specific compliance measures.

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 Guarantor believes that the Group is in compliance in all material respects with applicable environmental laws and regulations. As at 30 June 2023, the Group was not aware of any material environmental proceedings or investigations to which it is or might become a party.

EMPLOYEES

As at 30 June 2023, the Group had a total of approximately 128 employees, approximately 64 per cent. of whom hold an undergraduate degree or above. The Group maintains a good working relationship with its employees and as at 30 June 2023, the Group had not experienced any labour disputes that could cause material adverse effect to the operation and performance of the Group.

In accordance with the applicable regulations in regions where the Group has business operations, the Group makes contributions to the pension contribution plan, medical insurance and personal injury insurance. The Group generally enters into employment contracts with employees in accordance with applicable PRC laws. Such contracts typically include provisions on wages, vacation, employee benefits, training programmes, health and safety, confidentiality obligations and grounds for termination.

The Group's ability to attract, retain and motivate qualified personnel is critical to its success. The Guarantor believes that the Group offers its employees competitive compensation and is able to attract and retain qualified personnel. Remuneration to employees is based on their respective performance, working experience, duties and the prevailing market rates.

INSURANCE

The Group is covered by insurance policies which primarily cover fire, flood, other material damage to property and public liability. The Guarantor believes that the Group's properties are covered with adequate insurance provided by reputable independent insurance companies and with commercially reasonable deductibles and limits on coverage, which are normal for the type and location of the properties to which they relate.

The Group maintains insurance coverage in amounts that the Guarantor believes are commensurate with its risk of loss and industry practice. Damage to the vehicles, buildings, facilities, equipment or other properties as a result of occurrences such as fire, flood, water damage, explosion, power loss, typhoons and other natural disasters or terrorism, or any decline in the Group's business as a result of any threat of war, outbreak of disease or epidemic, may potentially have a material adverse effect on the Group's financial condition and results of operations. Please see "*Risk Factors – Risks Relating to the Group's Business – The insurance coverage of the Group may not adequately protect it against all operational risks or any potential liabilities or losses*" in this Offering Circular for a discussion of the risks associated with the Group's insurance coverage.

LEGAL AND REGULATORY PROCEEDINGS

The Group is involved, from time to time, in legal proceedings arising in the ordinary course of its operations. See "*Risk Factors – Risks Relating to the Group's Businesses – The Group may be subject to legal, litigation and regulatory proceedings*".

To the best of the knowledge of the Guarantor, none of the Issuer, the Guarantor or any member of the Group is involved in any litigation or arbitration proceedings which could have a material and adverse effect on the condition (financial or other), prospects, results of operations or general affairs of the Issuer, the Guarantor or the Group.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

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

Name	Position
Mr. Li Haiqiang (李海強)	Chairman of the board of directors and legal representative
Mr. Tao Jian (陶健)	Director and general manager
Ms. Rong Rixia (榮日霞).	Employee director

Mr. Li Haiqiang (李海強)

Mr. Li is the chairman of the board of directors and the legal representative of the Guarantor. He previously served as a technician at Wendeng Education Real Estate Development Co., Ltd. (文登市教育房地產開發公司), the head of Business Inspection Department of Wendeng Administrative Approval Service Centre (文登市行政審批服務中心), the head of Engineering Department of Wendeng Construction Bureau Nanhai Branch (文登市建設局南海分局), the head of Engineering Department and a member of the Party's Committee of Wendeng Urban and Rural Construction Bureau Nanhai New District Branch (文登市城鄉建設局南海新區分局), the chief engineer and member of the Party's Committee of Wendeng Urban and Rural Construction Bureau (文登市城鄉建設局), a director of Highway Construction Management Office and a member of the Party's Committee of Weihai Wendeng Transportation Bureau (威海市文登區交通運輸局), a director of Weihai Wendeng Municipal Engineering Management Office (威海市文登區市政工程管理處) and the chairman of Weihai Wendeng Urban Assets Management Co., Ltd. (威海市文登區城市資產經營有限公司). Mr. Li holds an undergraduate degree.

Mr. Tao Jian (陶健)

Mr. Tao is a director and the general manager of the Guarantor. He previously served at Wendeng District People's Procuratorate (文登區人民檢察院), Wendeng Bureau of Radio and Television (文登市廣播電視局), Wendeng Radio and Television Station (文登市廣播電視台), Wendeng Gaocun Town (文登市高村鎮), Wendeng Economic Development Zone Management Committee (文登經濟開發區管理委員會) and Weihai City Wendeng District Sports Affairs Service Centre (威海市文登區體育事務服務中心). He also served as a member of Weihai City Wendeng District Education and Sports Bureau Party Committee (威海市文登區教育和體育局), a manager of Sports Affairs Service Centre (體育事務服務中心) and Sports Development Centre (體育發展中心). Mr. Tao holds an undergraduate degree.

Ms. Rong Rixia (榮日霞)

Ms. Rong is an employee director of the Guarantor. She previously worked as the deputy manager of Weihai Wendeng District Publicly-Owned Asset Management Company (威海市文登區公有資產經營公司), the division chief of the Division of Comprehensive Planning of the Weihai Wendeng District Comprehensive Agricultural Development Office (威海市文登區農業綜合開發辦公室綜合計劃科) and the deputy director of the Wendeng District Finance Bureau Resident Management Office (文登市財政局駐廠員管理所). Ms. Rong holds an undergraduate degree.

BOARD OF SUPERVISORS

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

Name	Position
Mr. Wang Shucai (王書才)	Chairman of the board of supervisors
Mr. Hong Tao (洪濤)	Supervisor
Mr. Dong Bin (董彬).	Supervisor
Ms. Liu Qianyu (劉千鈺).	Supervisor
Ms. Liu Yuping (柳玉萍).	Supervisor

Mr. Wang Shucai (王書才)

Mr. Wang is the chairman of board of supervisors of the Guarantor. He served as the office director and the assistant general manager of Wendeng City Public Transport Company (文登市公共交通公司) and the general manager of Weihai Longsheng Trading Co., Ltd. (威海龍盛貿易有限公司). Mr. Wang holds an undergraduate degree.

Mr. Hong Tao (洪濤)

Mr. Hong is a supervisor of the Guarantor. He worked as the declarant and sales director of Yantai Branch of Shandong Province Haifeng International Freight Declaration Co., Ltd (山東省海豐國際貨運報關有限公司煙臺分公司) and the deputy general manager of Weihai Runxing Real Estate Development Co., Ltd (威海潤興房地產開發有限公司). Mr. Hong holds an undergraduate degree.

Mr. Dong Bin (董彬)

Mr. Dong is a supervisor of the Guarantor. He worked as the field supervisor of Zhuoda Shandong Real Estate Sales Company (卓達山東房地產銷售公司) and the assistant general manager of the Weihai Kaifeng Stone Co., Ltd (威海凱峰石材有限公司). Mr. Dong holds an undergraduate degree.

Ms. Liu Qianyu (劉千鈺)

Ms. Liu is a supervisor of the Guarantor. She previously worked as the general staff of Weihai Wendeng District Tianfu Police Station (威海市文登區天福派出所) and the director of the Guarantor. Mr. Liu holds an undergraduate degree.

Ms. Liu Yuping (柳玉萍)

Ms. Liu is a supervisor of the Guarantor. She previously worked at Wendeng City Transport Passenger Management Centre (文登市交通社會客運管理中心). Ms. Liu holds an undergraduate degree.

SENIOR MANAGEMENT

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

Name	Position
Mr. Li Haiqiang (李海強)	Chairman of the board of directors and legal representative
Mr. Tao Jian (陶健)	Director and general manager

Mr. Li Haiqiang (李海強)

Please refer to the profile of Mr. Li in "*Directors, Supervisors and Senior Management – Board of Directors*" above.

Mr. Tao Jian (陶健)

Please refer to the profile of Mr. Tao in "*Directors, Supervisors and Senior Management – Board of Directors*" above.

PRC REGULATIONS

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

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 PRC ("**MOHURD**") (formerly Ministry of Construction of the PRC, the "**MOC**") and the competent local departments of MOHURD at various levels are responsible for the comprehensive supervision over the construction industry as well as the real estate development qualifications. Such management mainly includes: management on the competency and qualification of market players, approval and verification of the qualifications of various construction enterprises for access to market, examination and approval of occupational qualifications of individuals in the construction industry, supervision over and management on construction projects, and establishment of industrial standards, etc.

- Ministry of Transport of the PRC ("**MOT**") and the competent local departments of MOT at various levels are responsible for the construction projects of ports and highways nationwide.

- National Railway Administration of the PRC (formerly Ministry of Railways of the PRC) and its competent local departments at various levels are responsible for the railway construction projects nationwide.

- NDRC and the local development and reform commissions at various levels are responsible for the investment planning, examination and approval of city project construction projects.

- Ministry of Environmental Protection of the PRC (formerly State Environmental Protection Administration, the "**SEPA**") and its competent local departments at various levels are responsible for the environmental protection management of construction projects.

MAJOR LAWS AND REGULATIONS

Regulation on Fiscal Debts of Local Governments

In accordance with Administrative Provisions on the Construction Cost of Capital Construction Project (基本建設項目建設成本管理規定)("**Provisions**") issued by MOF on 6 July 2016 and came into effect on 1 September 2016, various types of expenses are specified, such as the investment expenditure into construction and installation projects as well as equipment, deferred investment expenses (including land use tax and other taxes) and management cost for the construction of projects. The construction management fee shall be assessed and paid based on the progress of projects and construction quality. Such assessment and payment shall also be related to the tasks constructed by agents and their performance, and the policy of rewarding the good and punishing the bad shall apply. 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, Circular 19 and Circular 2881 were separately promulgated in June 2010 and November 2010. In accordance with Circular 19, all levels of local governments shall clear up the debts of their respective financing platform. In accordance with Circular 2881, indebtedness of local governments will impact a financing platform's issuance of enterprise bonds.

On 21 September 2014, Circular 43 was promulgated by State Council. Circular 43 aims at regulating the financing system of local government and three channels are presented. In accordance with Circular 43, financing platforms shall no longer serve the fiscal financing functions nor incur new government debts. Public interest projects may be funded by the government through issuing government bonds, since the new Budget Law of the PRC (the "**New Budget Law**"), which took effect on 1 January 2015, empowers local governments to issue government bonds, and public interest projects with income generated, such as city project 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, the 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. Financing platform companies refer to the economic entities with independent legal person status that are established by local governments and relevant departments and institutions thereof through fiscal allocations or by injecting capitals such as land or equity to undertake financing functions for government investment projects. 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.

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

- **Support stock financing needs for projects under construction.** Local governments at all levels and banking financial institutions shall ensure the orderly development of projects under construction. For the loans to the projects under construction of financing platform companies, if the loan contracts with legal effect have been signed before 31 December 2014 and the loans have been granted but the contracts have not yet expired, banking financial institutions shall, under the premise of fully controlling risks and implementing credit conditions, continue to grant loans as agreed in the contracts, and shall not blindly call in loans in advance, delay or suspend the granting of loans.

- **Regulate increment financing for projects under construction.** Local governments at all levels shall pay close attention to the incremental financing needs which are expected to be given fiscal support for the projects under construction of the financing platform companies, and shall, under the premise of compliance with laws and regulations and standard administration, make overall arrangements for various kinds of capitals such as fiscal capital and social capital and ensure the continuation and completion of projects under construction. For the projects under construction of financing platform companies for which the loan amount in the contracts that have been signed fails to meet the construction needs, if it is suitable for them to adopt a government and social capital cooperation model, they shall prioritise such model to make up the needs. And if they are in compliance with the relevant state provisions without any other funding sources for construction, but temporarily the government and social capital cooperation model is not suitable, the incremental financing needs shall be incorporated into government budget management and solved through issuing government bonds by local governments as required by laws and relevant regulations.

- Administer in an effective and proper manner follow-up financing for projects under construction. Banking financial institutions shall carefully check the destinations of the loans, and focus on supporting the projects under construction of financing platform companies, such as farmland water conservancy facilities, affordable housing projects and urban railway systems.

- Improve supporting measures. Under the premise of ensuring fiscal expenditure needs, in the regions where there are corresponding amount of government bonds issuance and where the treasury balances exceed the treasury payment for one and a half months, the local financial departments are allowed to, within the limit of the amount of government bonds issuance, make more efforts to effectively use the stock of fiscal funds in the previous years and use the surplus amount of the treasury for capital flow before government bond issuance, so as to address the time difference between the financing for projects under construction and government bonds issuance.

Regulation on the Issuance of Foreign Bonds

Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號))(the "**NDRC Circular**"), which was promulgated by NDRC and became effective on 14 September 2015, where domestic enterprises, overseas enterprises controlled by them or their overseas branches issue foreign debts, which are debt instruments of not less than one year that are denominated in domestic currency or foreign currency with the capital repaid and interest paid as agreed, including bonds issued overseas and long and medium-term international commercial loans, the enterprises shall apply to NDRC for dealing with the formalities of record-filing and registration before issuance. NDRC shall decide to accept it or not within five working days upon the receipt of the application and provide the Record-filing and Registration Certification of Issuance of Foreign Debts by Enterprises within seven working days after acceptance. The enterprises shall submit the issuance information to NDRC within 10 working days of the end of issuance each time.

Qualification of Construction Enterprises

In accordance with the Construction Law of the PRC (中華人民共和國建築法) amended by Standing Committee of the National People's Congress ("**SCNPC**") on 22 April 2011 and became effective on 1 July 2011, Regulations on Qualification Management of Construction Enterprises (建築業企業資質管理規定) promulgated by MOHURD on 22 January 2015 which became effective on 1 March 2015. 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) issued by MOHURD on 31 January 2015 which became effective on 1 March 2015 and was amended on 9 October 2015 and 9 November 2015, respectively, Criterion for Qualification of Construction Enterprises (建築業企業資質標準) promulgated by MOHURD on 6 November 2014 which became effective on 1 January 2015 and was amended on 9 October 2015, and Criterion for Premium Qualification of Construction General Contracting Enterprises (施工總承包企業特級資質標準) issued by MOC on 13 March 2007 and became effective on the same date, Provisions on the Management of Survey and Design Qualification of Construction Projects (建設工程勘察設計資質管理規定) promulgated by MOC on 26 June 2007 which became effective on 1 September 2007 and was amended on 4 May 2015, Detailed Rules of Provisions on the Management of Survey and Design Qualification of Construction Projects (建設工程勘察設計資質管理規定實施意見) issued by MOC and became effective on 21 August 2007 which was amended on 16 June 2016, Provisions on Qualification Management of Project Supervision Enterprises (工程監理企業資質管理規定) promulgated by MOC on 26 June 2007 which became effective on 1 August 2007 and was amended on 4 May 2015, Detailed Rules of Provisions on Qualification Management of Project Supervision Enterprises (工程監理企業資質管理規

定實施意見)issued by MOC and became effective on 31 July 2007 which was amended on 16 June 2016, 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.

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 29 March 2000 and amended on 4 May 2015 which 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.

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

Quality Management

Laws and regulations on project quality mainly include Construction Law of the PRC, Regulation on Quality Management of Construction Projects(建設工程質量管理條例)issued by State Council on 30 January 2000 and became effective on the same date, Administrative Measures for Quality Management of Construction Project Survey(建設工程勘察質量管理辦法)amended by MOC on 22 November 2007 and became effective on the same date, Interim Measures for the Administration of Quality Warranty Funds of Construction Projects(建設工程質量保證金管理暫行辦法)issued jointly by MOC and MOF on 12 January 2005 and became effective on the same date, Administrative Measures for Completion Acceptance Record of Building Construction and Municipal Infrastructure Projects(房屋建築和市政基礎設施工程竣工驗收備案管理辦法)issued by MOHURD on 19 October 2009 and became effective on the same date, Measures for Quality Warranty of Building Construction Projects(房屋建築工程質量保修辦法)issued by MOC on 30 June 2000 and became effective on the same date, Measures for Completion Acceptance of Port Works(港口工程竣工驗收辦法)promulgated by MOT on 12 April

2005 which became effective on 1 June 2005 and amended on 5 September 2014 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.

Work Safety Management

Major laws and regulations on work safety during the project contracting process include Work Safety Law of the PRC (中華人民共和國安全生產法) promulgated by SCNPC on 29 June 2002 which became effective on 1 November 2002, and amended on 31 August 2014 which amendment became effective on 1 December 2014, Regulation on Work Safety Management of Construction Projects (建設工程安全生產管理條例) promulgated by State Council on 24 November 2003 which became effective on 1 February 2004, Regulation on Work Safety Licenses (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 ((生產安全事故報告和調查處理條例)罰款處罰暫行規定) 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 Licenses 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 PRC, Regulation on Work Safety Licenses 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 PRC (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 PRC (中華人民共和國環境影響評價法) promulgated by SCNPC on 28 October 2002 which was amended on 2 July 2016 and became effective on 1 September 2016, Administrative Regulations on Environmental Protection of Construction Projects (建設項目環境保護管理條例) issued by State Council on 29 November 1998 and became effective on the same date, and Administrative Measures for Environmental Protection Acceptance of Construction Projects upon Completion (建設項目竣工環境保護驗收管理辦法) promulgated by SEPA on 27 December 2001 which became effective on 1 February 2002 and amended on 22 December 2010 which amendment became effective on the same date.

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

Labour

Employment Contracts

The Labour Contract Law, promulgated by 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; and where an employment relationship is established after the implementation of the Labour Contract Law, a written contract shall be concluded within one month after such relationship is established.

Employee Funds

Under applicable PRC laws, regulations and rules, including the Social Insurance Law of the PRC (中華人民共和國社會保險法), promulgated by SCNPC on 28 October 2010, which became effective on 1 July 2011, 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 State Council on 22 January 1999, which became effective on 22 January 1999, and Administrative Regulations on the Housing Provident Fund (住房公積金管理條例), promulgated by State Council on 3 April 1999, which became effective on 3 April 1999 and as amended on 24 March 2002, 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 AND ACQUISITION ACTIVITIES

NDRC supervision

According to the Measures for the Administration of Overseas Investment (企業境外投資管理辦法) effective from 1 March 2018, the procedure of approval and filing shall be respectively applied to different overseas investment projects. Specifically, if the project is related to sensitive countries, regions or industries, regardless of the investment amount, the projects shall be subject to the approval of NDRC.

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

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

According to the NDRC Circular, which was issued by NDRC on 14 September 2015 and came into effect on the same day, if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a maturity of more than one year, such enterprise must, in advance of issuing such bonds, file certain prescribed documents with NDRC and procure a registration certificate from NDRC in respect of such issue.

The NDRC Circular relates to the matters as listed below:

- remove the quota review and approval system for the issuance of foreign debts by enterprises, reform and innovate the ways that foreign debts are managed, and implement the administration of record-filing and the registration system. Realise the supervision and administration of the size of foreign debts borrowed on a macro level with the record-filing, registration, and information reporting of the issuance of foreign debts by enterprises;

- before the issuance of foreign debts, enterprises shall first apply to NDRC for the handling of the record-filing and registration procedures and shall report the information on the issuance to NDRC within 10 working days of completion of each issuance;

- record-filing and registration materials to be submitted by an enterprise for the issuance of foreign debts shall include: application report for the issuance of foreign debts and issuance plan, including the currency, size, interest rate, and maturity of foreign debts, the purpose of the funds raised, back flow of funds, etc. The applicant shall be responsible for the authenticity, legality, and completeness of the application materials and information;

- NDRC shall decide whether to accept the application for record-filing and registration within 5 working days of receiving it and shall issue a Certificate for Record-filing and Registration of the Issuance of Foreign Debts by Enterprises within 7 working days of accepting the application and within the limit of the total size of foreign debts;

- the issuer of foreign debts shall handle the procedures related to the outflow and inflow of foreign debt funds with the Certificate for Record-filing and Registration according to the regulations. When the limit of the total size of foreign debts is exceeded, NDRC shall make a public announcement and no longer accept applications for record-filing and registration;

- if there is a major difference between the actual situation of the foreign debts issued by the enterprises and the situation indicated in the record-filing and registration, an explanation shall be given when reporting relevant information. NDRC shall enter the poor credit record of an enterprise which maliciously and falsely reports the size of its foreign debts for record-filing and registration into the national credit information platform.

MOFCOM supervision

MOFCOM issued the new version of the Administration of Overseas Investment (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 shall, with regard to an enterprise so verified or filed, issue thereto an Enterprise Overseas Investment Certificate (企業境外投資證書). If two or more enterprises make joint investment to establish an overseas enterprise, the larger (or largest) shareholder shall be responsible for the verification or filing procedure after soliciting written consent of other investing parties.

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

Other than those overseas investments subject to MOFCOM verification as described above, all other overseas investments are subject to a filing requirement. The investing enterprise shall fill complete the filing form through the Overseas Investment Management System, an online system maintained by MOFCOM and print out a copy of such filing form for stamping with the company chop, and then submit such stamped filing form together with a copy of its business licence, for filing at MOFCOM (for a central enterprise) or the provincial department of commerce (for a local enterprise) respectively. MOFCOM or the provincial department of commerce shall accept the filing and issue the Enterprise Overseas Investment Certificate within 3 working days of receipt of such filing form.

The investing enterprise must carry out the investment within 2 years of the date of the relevant Enterprise Overseas Investment Certificate, otherwise such Certificate will automatically expire and a new filing or verification application has to be made by the investing enterprise after such expiry. In addition, if any item recorded in such Certificate is changed, the investing enterprise shall handle an updating process at MOFCOM or the provincial department of commerce (as the case may be).

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

The New Overseas Investment Rules specifically provide that an overseas invested Company cannot use the words of "China"("**中國**" or "**中華**") in its name, unless otherwise approved.

Foreign exchange administration

According to Circular of SAFE on Further Improving and Revising the Foreign Exchange Control Policy on Direct Investment (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知), corporations, enterprises or other economic organisations (domestic investors) that have been permitted to make outbound investment shall go through the procedures of registration to the Foreign Exchange Bureau (外匯管理機構). The Foreign Exchange Bureau shall issue the Foreign Exchange Registration Certificate (外匯登記證) for overseas direct investment or an IC card to the domestic institution. The domestic institution shall go through the formalities for outward remittance of funds for overseas direct investment at a designated foreign exchange bank by presenting the approval document issued by the department in charge of overseas direct investment and the Foreign Exchange Registration Certificate for overseas direct investment. The scope of foreign exchange funds for overseas direct investment of domestic institutions includes their own foreign exchange funds, domestic loans in foreign currencies in compliance with relevant provisions, foreign exchange purchased with Renminbi, material objects, intangible assets and other foreign exchange funds approved by the Foreign Exchange Bureaus for overseas direct investment. The profits gained from overseas direct investment of domestic institutions may be deposited in overseas banks and used for overseas direct investment.

On 13 February 2015, SAFE promulgated Circular of the SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知, the "**2015 SAFE Circular**"), which became effective on 1 June 2015. The 2015 SAFE Circular aims to deepen the reform of foreign exchange administration of capital accounts, promote and facilitate the capital operation of enterprises in making cross-border investments, regulate the direct investment-related foreign exchange administration business, improve the administration efficiency. The 2015 SAFE Circular cancel (i) the verification and approval of foreign exchange registration under domestic direct investment, and (ii) the verification and approval of foreign exchange registration under overseas direct investment. Instead, banks shall, in accordance with the 2015 SAFE Circular and the Operating Guidelines for Foreign Exchange Services under Direct Investment (see Appendix) attached hereto, directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment (hereinafter collectively referred to as "**Foreign Exchange Registration of Direct Investment**"). SAFE and the Foreign Exchange Bureau shall conduct indirect regulation of Foreign Exchange Registration of Direct Investment via banks.

State-owned assets supervision

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

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

(1) where an overseas enterprise is established by way of investment, division or consolidation, or the property right of an overseas enterprise is obtained for the first time by way of acquisition or equity investment;

(2) where any change occurs to an overseas enterprise's basic information including its name, registration place, registered capital and the main business scope, or the overseas enterprise's property right information changes due to any changes in the capital contributors, amount of capital contributions and proportions of capital contributions;

(3) where an overseas enterprise no longer keeps state-owned property right due to dissolution, bankruptcy, or property right transfer and capital reduction; or

(4) other circumstances in which property right registration needs to be made.

TAXATION

The following summary of certain PRC and Hong Kong tax consequences of the purchase, ownership and disposition of 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. Persons considering the purchase of Bonds should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of Bonds.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as (a) non-PRC Bondholders, or (b) beneficial owners who are entities or individuals located outside of the PRC in this "*Taxation – PRC*" section. In considering whether to invest in the Bonds, investors should consult their individual tax advisers 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.

Income Tax

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under the laws of foreign countries and regions whose "de facto management bodies" are within the territory of the PRC are treated as PRC tax resident enterprises for the purpose of the EIT Law. The EIT Law provides that the "de facto management body" of an enterprise is the organisation that exercises substantial and overall management and control over the production, employees, books of accounts and properties of the enterprise. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the territory of the PRC, the Issuer may be treated as a PRC tax resident enterprise for the purpose of the EIT Law and income or gains paid with respect to the Bonds may considered to be derived from sources within the PRC.

Taxation on Interest

The EIT Law and its implementation regulations impose withholding tax at the rate of 10 per cent., or a lower rate if tax treaty benefits are available, on PRC-source income paid to a "non-resident enterprise" that does not have an establishment or place of business in the PRC or that has an establishment or place of business in the PRC but the relevant income is not effectively connected therewith. Pursuant to these provisions of the EIT Law, in the event the Issuer is considered to be a PRC resident enterprise by the PRC tax authorities in the future, interest payable to non-resident enterprise Bondholders may be treated as income derived from sources within the PRC and be subject to such PRC withholding tax at a rate of 10 per cent. Further, in accordance with the Individual Income Tax Law of the PRC which was amended on 30 June 2011 and took effect on 1 September 2011 and its implementation regulations, if the Issuer is considered to be a PRC tax resident enterprise, interest payable to non-resident individual Bondholders may be treated as income derived from sources within the PRC and be subject to a 20 per cent. individual income tax which the Issuer would be obliged to withhold from payments of interests to non-resident individual Bondholders. 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 Bondholders.

As confirmed by the Issuer, as at the date of this Offering Circular, the Issuer has not been given notice or informed by the PRC tax authorities that it is considered a PRC tax resident enterprise for the purpose of the EIT Law. On that basis, non-resident enterprise Bondholders will not be subject to income tax imposed by any governmental authority in the PRC in respect of the holding of the Bonds or any repayment of principal and payment of interest made thereon. However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future.

In addition, given the fact that the Guarantor is a PRC tax resident enterprise for the purpose of the EIT Law and, in the event that the Guarantor is required to fulfill its obligations under the Guarantee by making interest payments on behalf of the Issuer, such interest payments under the Guarantee may considered to be derived from sources within the PRC. In such case, the Guarantor will be obliged to withhold PRC tax at a rate of 10 per cent. on such payments to non-PRC resident enterprise Bondholders and 20 per cent. for non-resident individual Bondholders. To the extent that the PRC has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, which allows a lower rate of withholding tax, such lower rate may apply to qualified Bondholders. Repayment of the principal will not be subject to PRC withholding tax.

Taxation on Capital Gains

The EIT Law and its implementation regulations impose a tax at the rate of 10 per cent., or a lower rate if tax treaty benefits are available, on income derived from sources within the PRC realised by a "non-resident enterprise" that does not have an establishment or place of business in the PRC or that has an establishment or place of business in the PRC but the relevant gain is not effectively connected therewith. The Individual Income Tax Law of the PRC and its implementation regulations impose a tax at the rate of 20 per cent. on income derived from sources within the PRC realised by non-resident individuals. If the Issuer is considered a PRC resident enterprise by the PRC tax authorities in the future, and if the capital gains realised by Bondholders are treated as income derived from sources within the PRC, such gains will be subject to such PRC tax. 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 tax, such lower rate may apply to qualified non-resident Bondholders.

VAT

On 23 March 2016, MOF and SAT issued the Circular of Full Implementation of Business Tax to VAT Reform（關於全面推開營業稅改徵增值稅試點的通知）Caishui [2016] No. 36, "**Circular 36**") which provides for that the VAT pilot programme will cover construction industry, real estate industry, finance industry and life service industry on a nation-wide basis from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, entities and individuals providing services within China are subject to VAT. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Bonds may be regarded as financial services by Bondholders and the payments under the Bonds may be subject to VAT if the Issuer is a PRC resident enterprise for PRC tax purposes. Any taxable activities of taxpayers providing finance services shall be subject to a tax rate of 6 per cent. and the surcharges thereon (normally as 12 per cent. of the value-added tax payable).

Where a Bondholder who is an individual resells the Bonds, the VAT may be exempted according to Circular 36 if the resale of Bonds is treated as resale of financial products. Where a Bondholder who is an entity located outside of the PRC resells the Bonds to an entity or individual located outside of the PRC and derives any gain, since the services is not provided in China, Circular 36 should not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, where a Bondholder who is an entity resells the Bonds, there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC.

In the event that the Guarantor is required to fulfill its obligations under the Guarantee by making interest payments on behalf of the Issuer, the interest and other interest like earnings received by a non-PRC resident Note holder from the Guarantor will be subject to a tax rate of 6 per cent. and the surcharges if the tax authorities deem this to be taxable item within the scope of Circular 36.

Circular 36 has been issued quite recently, the above statement may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

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 Bondholders is maintained outside the PRC and the issuance and the sale of the Bonds is made outside of the PRC.

HONG KONG

Withholding Tax

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

Profits Tax

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

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 addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 of Hong Kong (the "**Amendment Ordinance**") came into effect on 1 January 2023. Under the Amendment Ordinance, certain foreign-sourced interest on the Bonds accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong is regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when it is received in Hong Kong. The Amendment Ordinance also provides for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

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

Stamp Duty

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

DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

The consolidated financial statements of the Group included in this Offering Circular have been prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain modifications that still exist between PRC GAAP and IFRS, which might be relevant to the financial information of the Group included herein.

The following is a general summary of certain differences between PRC GAAP and IFRS as applicable to the Group. The differences identified below are limited to those significant differences that are appropriate to the Group's financial statements. The Group is responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there can be no assurance regarding the completeness of the summary. The Group 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 Group, other potentially significant accounting and disclosure differences may be 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 standard. 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 Group, 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.

REVERSAL OF AN IMPAIRMENT LOSS

Under PRC GAAP, once an impairment loss is recognised for a long term asset (including fixed assets, intangible assets and goodwill, etc.), it shall not be reversed in any subsequent period. Under IFRS, an impairment loss recognised in prior periods for an asset other than goodwill could be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

RELATED PARTY DISCLOSURES

Under PRC GAAP, government-related entities are not treated as related parties except such government- related entities can exercise significant influence over the reporting entity. Under IFRS, government-related entities are treated as related parties.

APPROPRIATION OF SURPLUS RESERVE

Under PRC GAAP, surplus reserve is recognised according to the Company Law of PRC and company's articles of association. Under IFRS, surplus reserve is not recognised.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Managers dated 3 November 2023 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Managers, and the 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.

The Subscription Agreement provides that the 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 Managers are subject to certain conditions precedent and entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

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

In connection with the offering of the Bonds, the Managers and/or their respective affiliate(s) may act as an investor for its own account and may take up Bonds in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the Bonds being offered should be read as including any offering of the Bonds to the Managers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so. The Managers or their respective affiliates may purchase the Bonds for its own account or for the accounts of its 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 Group and its subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds).

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 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 the offering and are subject to additional requirements under the SFC Code.

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

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

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including Private Banks as the case may be) in the order book and book messages.

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

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

When placing an order for the Bonds, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private Banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Manager(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order.

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

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

Underlying investor information in relation to omnibus order should be sent to: dcm@ztsc.com.hk, dcm@ccigsec.com, dcm@swhyhk.com, dcm@cinda.com.hk, DCM@chinastock.com.hk and clairefu@excellenttide.com.hk.

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

General

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

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

United States

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

In addition, until 40 days after the commencement of the offering of the Bonds and the Guarantee, an offer or sale of Bonds or Guarantee 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 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 any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(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 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.

PRC

Each of the 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 the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

Singapore

Each of the Managers has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Managers has represented, warranted and undertaken that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase, and will not offer or sell such Bonds or cause such 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 such Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

*Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 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).*

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended) (the "**Financial Instruments and Exchange Act**") and each of the 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, regulations and ministerial guidelines of Japan.

GENERAL INFORMATION

1. **Clearing Systems**: The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 270616992 and ISIN XS2706169922.

2. **Legal Entity Identifier**: The legal entity identifier of the Issuer is 300300B5WQFZAJ7NP650.

3. **Authorisations**: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by a written resolution of the board of directors of the Issuer passed on 20 October 2023. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of the Guarantee. The giving of the Guarantee was authorised by a resolution of the board of directors of the Guarantor passed on 31 August 2023 and shareholders' resolutions of the Guarantor dated 1 September 2023.

4. **No Material Adverse Change**: Except as otherwise disclosed in this Offering Circular, there has been no change, or any development or event involving a prospective change, in the condition (financial or other), prospects, results of operations or general affairs of the Issuer, the Guarantor or the Group, which is material and adverse in the context of the issue and offering of the Bonds since 30 June 2023.

5. **Litigation**: To the best of the knowledge of the Issuer and the Guarantor, as at 30 June 2023, none of the Issuer, the Guarantor or any member of the Group is involved in any litigation or arbitration proceedings which could have a material and adverse effect on the condition (financial or other), prospects, results of operations or general affairs of the Issuer, the Guarantor or the Group, and neither the Issuer nor the Guarantor is aware that any such proceedings are pending or threatened. The Group may be involved, from time to time, in legal proceedings arising in the ordinary course of its operations.

6. **Available Documents**: So long as any of the Bonds is outstanding, copies of the Trust Deed, the Agency Agreement and the Deed of Guarantee will be available for inspection from the Issue Date at all reasonable times during normal business hours (being 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time)) on any weekday (other than public holidays), at the specified office of the Trustee, which at the date of this Offering Circular is at 1/F, Far East Consortium Building, 121 Des Voeux Road Central, Central, Hong Kong following prior written request and proof of holding and identity to the satisfaction of to the Trustee. Copies of the following documents will be available for inspection from the Issue Date at the registered office of the Issuer:

   - the articles of association of the Issuer;
   - the articles of association of the Guarantor;
   - the audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2021 and 2022;
   - the unaudited but reviewed consolidated financial statements of the Guarantor as at and for the six months ended 30 June 2023;
   - the Trust Deed;
   - the Deed of Guarantee; and
   - the Agency Agreement.

7. **Financial Statements**: The audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2021 and 2022, which are included elsewhere in this Offering Circular, have been audited by Peking, the Guarantor's independent auditor. The unaudited but reviewed consolidated financial statements of the Guarantor as at and for the six months ended 30 June 2023, which are included elsewhere in this Offering Circular, have been reviewed by Peking.

   The audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2021 and 2022 and the unaudited but reviewed consolidated financial statements of the Guarantor as at and for the six months ended 30 June 2023 have been prepared in Chinese only and the English translation to them has been prepared and included in this Offering Circular for reference only. None of the Managers, the Trustee or the Agents or any of their respective affiliates, directors, employees, representatives, agents, officers and advisers has independently verified or checked the accuracy of such translation and can give no assurance that the information contained in such translation is accurate, truthful or complete.

8. **Listing of Bonds**: Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only.

INDEX TO FINANCIAL STATEMENTS

Pages F-211 to F-214 of the Offering Circular are in Chinese and they include copies of the Auditor's business license dated 23 March 2023, the practice license of the Auditor dated 11 November 2020 and the Certificate of Certified Public Accountant of the responsible auditors.

Pages F-318 to F-321 of the Offering Circular are in Chinese and they include copies of the Auditor's business license dated 10 February 2022, the practice license of the Auditor dated 11 November 2020 and the Certificate of Certified Public Accountant of the responsible auditors.

Weihai Wendeng District Bluesea Investment & Development Co., Ltd

Independent Review Report

(2023) Qinxin Review No. 6004

Contents

Peking Certified Public Accountants
Add: 10th floor, No. 112 Yangguang Building,
Xizhimenwai Street, Beijing, China
Tel: (86-10) 68360123
Fax: (86-10) 68360123-3000
Post Code: 100044

Note: This auditor's review report has been issued in Chinese. The following is an English translation prepared for your reference only. If there is any conflict between the Chinese and English version, the Chinese version shall prevail.

[Translation]

Independent Review Report

【2023】 Qinxin Review No. 6004

To Weihai Wendeng District Bluesea Investment & Development Co., Ltd:

We have reviewed the accompanying financial statements of Weihai Wendeng District Bluesea Investment & Development Co., Ltd (hereinafter referred to as "the Company") which comprise the consolidated and the Company's balance sheets as at 30 June 2023, and the consolidated and the Company's income statements, and the consolidated and the Company's statement of cash flows, and the consolidated and the Company's Statements of changes in equity for the period ended 30 June 2023, and notes to the financial statements.

The Directors of the Company are responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standard for Business Enterprises of China and designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review based on these provided interim financial statements in accordance with Standards of Review for Chinese Certified Public Accountants No. 2101 - Review of Financial Statements. Those standards require us to plan and perform a review to obtain limited assurance that the above financial statements are free from material misstatement. A review primarily includes making inquiries of company personnel and applying analytical procedures to management's financial data, and provides a lower level of assurance than an audit. We did not perform an audit and therefore we do not express an audit opinion.

Based on our review, we have not noticed anything that leads us to believe that the above financial statements have not been prepared in accordance with the requirements of the Accounting Standards for Business Enterprises and fail to reflect fairly in all material respects the consolidated and the Company's financial position as of 30 June 2023, and the consolidated and the Company's financial performance and cash flows from January to June 2023.

Peking Certified Public Accountants

Beijing

August 25, 2023

Chinese Certified Public Accountant

Liang Haiyong

Wu Nanyi

CONSOLIDATED BALANCE SHEETS

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd   Currency: CNY

Items	Notes	30 June 2023	31 December 2022
Current assets:			
Monetary fund	V.1.	1,730,080,361.32	1,697,360,934.32
Trading financial assets			
Derivative financial assets			
Notes receivable	V. 2.	100,000,000.00	810,000,000.00
Accounts receivable	V. 3.	171,268,548.32	19,176,170.87
Receivables financing			
Prepayments	V.4.	46,343,788.71	48,526,843.22
Other receivables	V.5.	7,573,694,261.24	6,742,759,906.38
Including: Interest receivable			
Dividends receivable		1,756,462.27	1,136,439.06
Inventories	V. 6.	22,054,019,519.02	22,685,483,718.25
Contract assets			
Assets held for sale			
Non-current assets due within one year	V.7.	47,563,510.29	20,091,986.31
Other current assets	V.8.	181,094,271.29	212,817,081.74
Total current assets		31,904,064,260.19	32,236,216,641.09
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	V.9.	11,540,668.85	11,054,263.53
Other equity instrument investments	V.10.	64,677,967.02	64,779,459.67
Other non-current financial assets			
Investment properties	V.11.		119,269,103.85
Net book value of fixed assets	V.12.	2,191,589,993.25	2,259,165,269.40
Construction in progress	V.13.	43,309,433.14	45,073,068.78
Productive biological Assets			
Oil and gas assets			
Right-of-use assets	V.14.		4,327,567.49
Intangible assets	V.15.	20,063,156,119.16	19,331,409,604.59
Development expenditures			
Goodwill			
Long-term prepaid expenses	V.16.	1,740,128.83	2,685,422.62
Deferred tax assets	V.17.	71,747,332.99	96,769,534.89
Other non-current assets	V.18.	162,287,544.03	291,582,213.38
Total Non-Current Assets		22,610,049,187.27	22,226,115,508.20
Total Assets		54,514,113,447.46	54,462,332,149.29

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative: 强李 印海 3710811137763   **Chief Financial Officer:** 霞荣 印日   **Head of Accounting Department:** 春刘 印雨

CONSOLIDATED BALANCE SHEETS (CONTINUED)

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd　　Currency: CNY

Items	Notes	30 June 2023	31 December 2022
Current liabilities:			
Short-term loans	V.19.	1,088,500,000.00	1,799,758,520.00
Transactional financial liabilities			
Derivative financial liabilities			
Notes payable	V.20.	525,000,000.00	240,000,000.00
Accounts payable	V.21.	131,300,155.17	194,350,878.14
Unearned revenue	V.22.		44,844.92
Contract liabilities	V.23.	32,253,380.07	36,275,042.96
Employee compensation payable		30,370.38	45,921.88
Taxes and surcharge payable	V.24.	373,262,107.43	375,814,257.08
Other payables	V.25.	2,467,685,063.46	1,654,409,689.48
Including:Interest payable			
Dividends payable			
Holding for sale liabilities			
Non-current liabilities due within one year	V.26.	3,946,794,477.37	3,845,913,687.72
Other current liabilities	V.27.	730,732,908.60	719,728,634.94
Total Current Liabilities		9,295,558,462.48	8,866,341,477.12
Non-Current Liabilities:			
Long-term loans	V.28.	5,829,282,000.00	6,107,332,400.00
Bonds payable	V.29.	6,565,702,599.23	6,548,143,154.83
Including:Preferred stock			
Perpetual bond			
Lease liabilities			
Long-term payables	V.30.	2,390,582,023.62	2,410,302,807.53
Long-term employee benefits payable			
Estimated liabilities	V.31.	161,206,368.79	158,592,212.83
Deferred Income			
Deferred tax liabilities			
Other non-current liabilities			
Total Non-Current Liabilities		14,946,772,991.64	15,224,370,575.19
Total Liabilities		24,242,331,454.12	24,090,712,052.31
Owner's Equity			
Paid in capital	V.32.	500,000,000.00	500,000,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual bond			
Capital reserve	V.33.	26,925,896,326.16	27,158,422,426.30
Less: treasury stocks			
Other comprehensive income		-41,457,787.20	-17,474,817.65
Specialized reserve			
Surplus reserve	V.34.	262,325,396.79	262,325,396.79
Undistributed profit	V.35.	2,625,026,281.22	2,465,611,664.09
Total Owners' Equity of the Parent Company		30,271,790,216.97	30,368,884,669.53
Minority shareholders' equity		-8,223.63	2,735,427.45
Total Owner's Equity		30,271,781,993.34	30,371,620,096.98
Total Liabilities and Owner's'Equity		54,514,113,447.46	54,462,332,149.29

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative: 李海 强印 3710811137763　　**Chief Financial Officer:** 荣日 霞印　　**Head of Accounting Department:** 刘雨 春印

BALANCE SHEET

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd **Currency: CNY**

Items	Notes	30 June 2023	31 December 2022
Current assets:			
Monetary fund		719,979,273.03	427,103,666.43
Trading financial assets			
Derivative financial assets			
Notes receivable			
Accounts receivable	XII.1.	159,170,918.80	1,670,924.80
Receivables financing			
Prepayments		75,845,362.38	64,009,855.44
Other receivables	XII.2.	5,419,088,051.51	5,204,690,185.54
Including: Interest receivable			
Dividends receivable		1,756,462.27	1,136,439.06
Inventories		22,022,342,653.45	22,721,427,124.98
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		159,547,625.58	180,189,579.49
Total current assets		28,555,973,884.75	28,599,091,336.68
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	XII.3.	2,510,721,052.29	2,720,074,196.21
Other equity instrument investments		38,947,700.00	38,947,700.00
Other non-current financial assets			
Investment properties			
Net book value of fixed assets		2,162,872,030.05	2,225,630,844.67
Construction in progress		43,309,433.14	46,375,006.24
Productive biological Assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		11,496,808,677.74	10,585,513,836.09
Development expenditures			
Goodwill			
Long-term prepaid expenses			3,487,778.00
Deferred tax assets		67,575,480.21	67,575,480.21
Other non-current assets		147,056,803.70	141,056,803.70
Total Non-Current Assets		16,467,291,177.13	15,828,661,645.12
Total Assets		45,023,265,061.88	44,427,752,981.80

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative: 强李印海 **Chief Financial Officer:** 霞宋印日 **Head of Accounting Department:** 春刘印雨

BALANCE SHEETS（CONTINUED）

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd **Currency: CNY**

Items	Notes	30 June 2023	31 December 2022
Current liabilities:			
Short-term loans		229,000,000.00	230,000,000.00
Transactional financial liabilities			
Derivative financial liabilities			
Notes payable		606,995,000.00	321,995,000.00
Accounts payable		6,508,190.39	5,936,290.20
Unearned revenue			
Contract liabilities		20,799,043.98	10,879,968.75
Employee compensation payable			
Taxes and surcharge payable		311,331,598.79	311,097,990.39
Other payables		3,336,089,317.36	2,659,781,325.84
Including:Interest payable			
Dividends payable			
Holding for sale liabilities			
Non-current liabilities due within one year		3,579,026,949.68	3,570,175,834.26
Other current liabilities		1,871,913.96	979,197.19
Total Current Liabilities		8,091,622,014.16	7,110,845,606.63
Non-Current Liabilities:			
Long-term loans		5,829,282,000.00	6,107,332,400.00
Bonds payable		6,565,702,599.23	6,548,143,154.83
Including:Preferred stock			
Perpetual bond			
Lease liabilities			
Long-term payables		2,040,167,377.15	2,118,485,431.67
Long-term employee benefits payable			
Estimated liabilities		161,206,368.79	158,592,212.83
Deferred Income			
Deferred tax liabilities			
Other non-current liabilities			
Total Non-Current Liabilities		14,596,358,345.17	14,932,553,199.33
Total Liabilities		22,687,980,359.33	22,043,398,805.96
Owner's Equity			
Paid in capital		500,000,000.00	500,000,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual bond			
Capital reserve		19,036,861,647.67	19,263,100,208.02
Less: treasury stocks			
Other comprehensive income			
Specialized reserve			
Surplus reserve		262,325,396.79	262,325,396.79
Undistributed profit		2,536,097,658.09	2,358,928,571.03
Total Owner's Equity		22,335,284,702.55	22,384,354,175.84
Total Liabilities and Owner's'Equity		45,023,265,061.88	44,427,752,981.80

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative: 强李印海 **Chief Financial Officer:** 霞荣印日 **Head of Accounting Department:** 春刘印雨

CONSOLIDATED INCOME STATEMENTS

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd — Currency: CNY

Items	Notes	For the period ended 30 June 2023	For the year ended 31 December 2022	For the period ended 30 June 2022
1. Total operating revenue		1,507,628,886.86	2,990,271,376.92	1,492,636,547.11
Including: Operating revenue	V.36.	1,507,628,886.86	2,990,271,376.92	1,492,636,547.11
2. Total operating costs		1,960,559,497.79	3,754,424,361.09	1,926,821,563.12
Including: Operating costs	V.36.	1,320,462,702.25	2,609,550,579.15	1,312,711,710.73
Taxes and surcharges	V.37.	34,680,858.93	95,888,538.96	47,765,340.67
Selling expenses				
Administrative expenses		406,438,162.69	796,479,813.63	393,844,848.82
Research and development expenses				
Financial expenses	V.38.	198,977,773.92	252,505,429.35	172,499,662.90
Including: Interest expense		163,287,182.10	216,688,040.93	171,572,720.43
Interest income		22,654,200.43	42,253,158.06	18,562,633.79
Add: Other income	V.39.	629,000,851.36	1,244,630,309.32	725,050,589.38
Investment income (losses expressed with "-")	V.40.	1,106,428.53	2,445,320.16	982,534.54
Including: Investment income from associates and joint ventures		486,405.32	1,124,996.84	453,618.68
Gains from derecognition of financial assets measured at amortized costs				
Gains on hedge of a net position (losses expressed with "-")				
Gains from changes in fair value (losses expressed with "-")				
Credit impairment losses (lossed expressed with "-")	V.41.	-52,312.40	1,962,487.57	22,325,920.00
Assets impairment losses (losses expressed with "-")				
Gains on disposal of assets (losses expressed with "-")				
3. Operating profit (loss expressed with "-")		177,124,356.56	484,885,132.88	314,174,027.91
Add: Non-operating income	V.42.	3,092,869.21	7,317.08	
Less: Non-operating expenses	V.43.	4,297,673.57	157,717,474.51	149,924,608.92
4. Total profit (loss expressed with "-")		175,919,552.20	327,174,975.45	164,249,418.99
Less: Income tax expenses	V.44.	28,040,005.73	12,414,845.73	14,050,534.61
5. Net profit (net loss expressed with "-")		147,879,546.47	314,760,129.72	150,198,884.38
A. Classified by continuing and discontinued operations				
Net profit from continuing operations		147,879,546.47	314,760,129.72	150,198,884.38
Net profit from discontinued operations				
B. Attributable to				
Owners of the Company		147,867,288.46	314,650,686.38	150,378,320.95
Non-controlling interests		12,258.01	109,443.34	-179,436.57
6. Other comprehensive income, net of income tax		-23,982,969.55	-50,153,747.09	-27,803,497.21
Attributable to shareholders of the parent		-23,982,969.55	-50,153,747.09	-27,803,497.21
A. Items that will not be reclassified subsequently to profit or loss		-101,492.65	205,305.57	
1. Remeasurement of defined benefit liability /(asset)				
2. Other comprehensive income that cannot be reclassified to profit or loss under equity method				
3. Equity instrument designated at fair value through other comprehensive income - Changes in fair value		-101,492.65	205,305.57	
4. Own credit risk - Changes in fair value				
5. Others				
B. Items that may be reclassified subsequently to profit or loss		-23,881,476.90	-50,359,052.66	-27,803,497.21
1.Other comprehensive income that can be reclassified to profit or loss under equity method				
2. Debt instrument measured at fair value through other comprehensive income - Changes in fair value				
3. Other comprehensive income from reclassification of financial assets				
4. Other debt investment- Credit loss allowance				
5. Cash flow hedge reserve (Effective portion of gains or losses on cash flow hedge)				
6. Translation differences of financial statements presented in foreign currencies		-23,881,476.90	-50,359,052.66	-27,803,497.21
7. Others				
*Attributable to non-controlling interests				
7. Total comprehensive income		123,896,576.92	264,606,382.63	122,395,387.17
Attributable to owners (Or shareholders) of the Company		123,884,318.91	264,496,939.29	122,574,823.74
*Attributable to non-controlling interests		12,258.01	109,443.34	-179,436.57

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative: 李海强印 **Chief Financial Officer:** 宋日霞印 **Head of Accounting Department:** 刘雨春印

INCOME STATEMENTS

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd **Currency: CNY**

Items	Notes	For the period ended 30 June 2023	For the year ended 31 December 2022	For the period ended 30 June 2022
1.Operating revenue	XII.4.	1,463,760,633.27	2,422,297,273.02	1,448,783,887.59
Less:Operating costs	XII.4.	1,279,806,067.21	2,087,304,668.07	1,286,613,633.11
Taxes and surcharges		25,311,721.24	51,902,449.42	23,852,630.23
Selling expenses				
Administrative expenses		219,899,631.05	407,158,384.26	192,609,098.26
Research and development expenses				
Financial expenses		190,262,556.40	235,686,690.88	170,060,669.26
Including: Interest expense		138,641,518.96	184,006,863.32	153,644,601.01
Interest income		6,242,554.57	3,296,192.72	345,872.41
Add: Other income	XII.5.	429,000,843.67	875,130,282.32	518,050,282.32
Investment income (losses expressed with "-")	XII.6.	620,023.21	1,320,323.32	528,915.86
Including: Investment income from associates and joint ventures				
Gains from derecognition of financial assets measured at amortized costs (losses expressed with "-")				
Gains on hedge of a net position (losses expressed with "-")				
Gains from changes in fair value (losses expressed with "-")				
Credit impairment losses (lossed expressed with "-")			-36,444,700.73	22,420,000.00
Assets impairment losses (losses expressed with "-")				
Gains on disposal of assets (losses expressed with "-")				
2. Operating profit (loss expressed with "-")		178,101,524.25	480,250,985.30	316,647,054.91
Add: Non-operating income		3,092,725.10		
Less: Non-operating expenses		4,025,162.29	157,629,208.51	149,768,748.92
3. Total profit (loss expressed with "-")		177,169,087.06	322,621,776.79	166,878,305.99
Less: Income tax expenses			-9,111,175.18	5,605,000.00
4. Net profit (net loss expressed with "-")		177,169,087.06	331,732,951.97	161,273,305.99
Net profit from continuing operations		177,169,087.06	331,732,951.97	161,273,305.99
Net profit from discontinued operations				
5. Other comprehensive income, net of income tax				
A. Items that will not be reclassified subsequently to profit or loss				
1. Remeasurement of defined benefit liability /(asset)				
2. Other comprehensive income that cannot be reclassified to profit or loss under equity method				
3. Equity instrument designated at fair value through other comprehensive income - Changes in fair value				
4. Own credit risk - Changes in fair value				
5. Others				
B. Items that may be reclassified subsequently to profit or loss				
1.Other comprehensive income that can be reclassified to profit or loss under equity method				
2. Debt instrument measured at fair value through other comprehensive income - Changes in fair value				
3. Other comprehensive income from reclassification of financial assets				
4. Other debt investment- Credit loss allowance				
5. Cash flow hedge reserve (Effective portion of gains or losses on cash flow hedge)				
6. Translation differences of financial statements presented in foreign currencies				
7. Others				
6. Total comprehensive income		177,169,087.06	331,732,951.97	161,273,305.99

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative: 李海强印 **Chief Financial Officer:** 荣霞印 **Head of Accounting Department:** 刘春雨印

CONSOLIDATED CASH FLOW STATEMENTS

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd

Currency: CNY

Items	Notes	For the period ended 30 June 2023	For the year ended 31 December 2022	For the period ended 30 June 2022
I. Cash flows from operating activities:				
Cash received from sales of goods or rendering of services		1,369,758,195.81	3,001,791,058.57	670,699,391.38
Refunds of taxes and surcharges		219,676.46	4,562,176.23	
Cash received relating to other operating activities		1,366,399,101.88	6,003,705,452.65	1,746,829,798.87
Sub-Total of Cash Inflows		2,736,376,974.15	9,010,058,687.45	2,417,529,190.25
Cash paid for goods and services		291,157,515.57	1,391,457,121.62	826,368,291.55
Cash paid to and for employees		8,387,613.79	19,937,278.77	7,212,374.85
Cash paid for all types of taxes		43,204,792.83	153,551,005.26	153,105,642.38
Other cash paid relating to operating activities		972,270,613.26	3,443,590,761.73	1,620,050,578.56
Sub-Total of Cash Outflows		1,315,020,535.45	5,008,536,167.38	2,606,736,887.34
Net Cash Inflow/Outflow From Operating Activities		1,421,356,438.70	4,001,522,520.07	-189,207,697.09
II.Cash flows from investing activities:				
Cash received from disposal of investments		16,672,459.82		
Cash received from return on investments				1,557.20
Net cash received from disposal of fixed assets,intangible assets and other long-term assets				
Cash received from disposal of subsidiaries and other business units			500,000.00	500,000.00
Other cash received relating to investing activities			1,613,206.06	1,104,202,561.64
Sub-Total of Cash Inflows from Investing Activities		16,672,459.82	2,113,206.06	1,104,704,118.84
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		1,196,812,393.48	1,796,992,045.98	4,720,397.39
Cash paid for acquisition of investments			25,500,000.00	
Cash paid for acquisition of subsidiaries and other business units				
Other cash paid relating to investing activities		1,250,454.20	1,150,764.69	464,605,753.51
Sub-Total of Cash Outflows		1,198,062,847.68	1,823,642,810.67	469,326,150.90
Net Cash Inflow/Outflow From Investing Activities		-1,181,390,387.86	-1,821,529,604.61	635,377,967.94
III. Cash Flows from Financing Activities:				
Cash received from investors				
Including: Investment in subsidiaries from minority				
Cash from Loans		1,659,900,000.00	6,179,391,000.00	1,935,800,000.00
Other cash received relating to financing activities		1,201,050,422.02	1,657,927,683.54	1,046,688,830.15
Sub-Total of Cash Inflows from Financing Activities		2,860,950,422.02	7,837,318,683.54	2,982,488,830.15
Cash repayments of borrowings		2,281,027,297.24	7,837,251,951.80	1,553,870,400.00
Cash paid for dividends, profits distribution or interest		344,916,613.81	1,297,350,518.36	424,589,852.54
Including: Dividends and profits paid by subsidiaries to minority shareholders				
Other cash paid relating to financing activities		476,853,547.13	920,832,434.84	1,302,783,386.97
Sub-Total of Cash Outflows from Financing Activities		3,102,797,458.18	10,055,434,905.00	3,281,243,639.51
Net Cash Inflow/Outflow from Financing Activities		-241,847,036.16	-2,218,116,221.46	-298,754,809.36
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		594,727.92	4,680,748.30	1,433,511.27
V.Net Increase/Decrease in Cash and Cash Equivalents		-1,286,257.40	-33,442,557.70	148,848,972.76
Add: cash and cash equivalents at the beginning of the year		209,336,733.52	242,779,291.22	242,779,291.22
VI. Cash and Cash Equivalents at the End of The Year		208,050,476.12	209,336,733.52	391,628,263.98

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative: 强李印海 3710511137763

Chief Financial Officer: 霞常印日

Head of Accounting Department: 春刘印雨

CASH FLOW STATEMENTS

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd **Currency: CNY**

Items	Notes	For the period ended 30 June 2023	For the year ended 31 December 2022	For the period ended 30 June 2022
I.Cash flows from operating activities:				
Cash received from sale of goods and rendering of services		1,337,705,615.12	2,468,403,398.90	664,345,046.20
Refund of taxes				
Other cash received relating to operating activities		1,082,290,725.79	5,710,782,281.88	1,539,050,352.22
Sub-Total of Cash Inflows		2,419,996,340.91	8,179,185,680.78	2,203,395,398.42
Cash paid for goods and services		276,430,526.78	948,218,802.65	1,114,560,779.83
Cash paid to and for employees		2,709,554.29	5,490,611.71	2,309,763.58
Cash paid for all types of taxes		24,049,491.41	59,347,339.76	79,728,564.97
Other cash paid relating to operating activities		336,901,695.34	1,629,415,735.54	542,920,304.69
Sub-Total of Cash Outflows		640,091,267.82	2,642,472,489.66	1,739,519,413.07
Net Cash Inflow/Outflow From Operating Activities		1,779,905,073.09	5,536,713,191.12	463,875,985.35
II.Cash flows from investing activities:				
Cash received from disposal of investments		16,672,459.82		
Cash received from return on investments				
Net cash received from disposal of fixed assets,intangible assets and other long-term assets				
Cash received from disposal of subsidiaries and other business units				
Other cash received relating to investing activities			1,613,206.06	1,101,613,206.06
Sub-Total of Cash Inflows from Investing Activities		16,672,459.82	1,613,206.06	1,101,613,206.06
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		1,196,563,301.43	1,788,455,602.54	1,253,559.76
Cash paid for acquisition of investments		59,316.29	13,271,459.87	207,879.87
Cash paid for acquisition of subsidiaries and other business units				
Other cash paid relating to investing activities			1,150,764.69	627,424,934.92
Sub-Total of Cash Outflows		1,196,622,617.72	1,802,877,827.10	628,886,374.55
Net Cash Inflow/Outflow From Investing Activities		-1,179,950,157.90	-1,801,264,621.04	472,726,831.51
III. Cash Flows from Financing Activities:				
Cash received from investors				
Cash from Loans		1,167,400,000.00	4,022,307,000.00	1,626,300,000.00
Other cash received relating to financing activities		935,089,727.58	844,540,366.87	379,000,000.00
Sub-Total of Cash Inflows from Financing Activities		2,102,489,727.58	4,866,847,366.87	2,005,300,000.00
Cash repayments of borrowings		1,897,022,383.95	6,761,813,854.16	1,553,870,400.00
Cash paid for dividends, profits distribution or interest		344,359,313.81	1,257,337,363.36	424,589,852.54
Other cash paid relating to financing activities		452,989,522.81	581,580,387.57	1,008,128,112.59
Sub-Total of Cash Outflows from Financing Activities		2,694,371,220.57	8,600,731,605.09	2,986,588,365.13
Net Cash Inflow/Outflow from Financing Activities		-591,881,492.99	-3,733,884,238.22	-981,288,365.13
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents				
V.Net Increase/Decrease in Cash and Cash Equivalents		8,073,422.20	1,564,331.86	-44,685,548.27
Add: cash and cash equivalents at the beginning of the year		124,677,304.40	123,112,972.54	123,112,972.54
VI. Cash and Cash Equivalents at the End of The Year		132,750,726.60	124,677,304.40	78,427,424.27

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative: **Chief Financial Officer:** **Head of Accounting Department:**

CONSOLIDATED STATEMENTS OF CHANGES IN OWNERS' EQUITY

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd

Currency: CNY

Items	For the period ended 30 June 2023												
	Total Owners' Equity of Parent Company											Non-controlling interests	Total Owners' equity
	Paid-in capital	Other equity instruments			Capital reserve	Less: treasury stocks	Other comprehensive income	Specialized reserve	Surplus reserve	Undistributed profit	Subtotal		
		Preferred stock	Perpetual share	Other									
I. Closing balance of prior year	500,000,000.00				27,158,422,426.30		-17,474,817.65		262,325,396.79	2,465,611,664.09	30,368,884,669.53	2,735,427.45	30,371,620,096.98
Add: changes in accounting policies													
Corrections of prior period errors													
Merger of enterprises under the same control													
Others													
II. Opening balance of current year	500,000,000.00				27,158,422,426.30		-17,474,817.65		262,325,396.79	2,465,611,664.09	30,368,884,669.53	2,735,427.45	30,371,620,096.98
III. Changes in current year (decrease expressed with "-")					-232,526,100.14		-23,982,969.55			159,414,617.13	-97,094,452.56	-2,743,651.08	-99,838,103.64
(i) Total comprehensive income for the year							-23,982,969.55			147,867,288.46	123,884,318.91	12,258.01	123,896,576.92
(ii)Capital contributed by owners and decreases					-232,526,100.14					11,547,328.67	-220,978,771.47	-2,755,909.09	-223,734,680.56
1. Capital contributions from owners													
2. Capital contributions from other equity instruments holders													
3. Share-based payments recognized in shareholders' equity													
4. Others					-232,526,100.14					11,547,328.67	-220,978,771.47	-2,755,909.09	-223,734,680.56
(iii) Profit distribution													
1. Appropriation to surplus reserve													
2. Appropriation to general risk reserve													
3. Distributions to shareholders													
4. Others													
(iv) Internal transfer of owners' equity													
1. Capitalization of capital reserve													
2. Capitalization of surplus reserve													
3. Making up losses from surplus reserve													
4. Transfer of changes in defined benefit plans to retained earnings													
5. Transfer of other comprehensive income to retained earnings													
6. Others													
(v) Special reserve													
1. Appropriation to special reserve													
2. Use of special reserve													
(vi) Others													
IV. Closing balance of current year	500,000,000.00				26,925,896,326.16		-41,457,787.20		262,325,396.79	2,625,026,281.22	30,271,790,216.97	-8,223.63	30,271,781,993.34

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

Legal Representative: Chief Financial Officer: Head of Accounting Department:

CONSOLIDATED STATEMENTS OF CHANGES IN OWNERS' EQUITY（CONTINUED）

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd | Currency: CNY

Items	For the year ended 31 December 2022												
	Total Owners' Equity of Parent Company											Non-controlling interests	Total Owners' equity
	Paid-in capital	Other equity instruments			Capital reserve	Less: treasury stocks	Other comprehensive income	Specialized reserve	Surplus reserve	Undistributed profit	Subtotal		
		Preferred stock	Perpetual share	Other									
I. Closing balance of prior year	500,000,000.00				27,431,034,213.46		32,678,929.44		229,152,101.59	2,184,134,272.91	30,376,999,517.40	2,625,984.11	30,379,625,501.51
Add: changes in accounting policies													
Corrections of prior period errors													
Merger of enterprises under the same control													
Others													
II. Opening balance of current year	500,000,000.00				27,431,034,213.46		32,678,929.44		229,152,101.59	2,184,134,272.91	30,376,999,517.40	2,625,984.11	30,379,625,501.51
III. Changes in current year (decrease expressed with "-")					-272,611,787.16		-50,153,747.09		33,173,295.20	281,477,391.18	-8,114,847.87	109,443.34	-8,005,404.53
(i) Total comprehensive income for the year							-50,153,747.09			314,650,686.38	264,496,939.29	109,443.34	264,606,382.63
(ii)Capital contributed by owners and decreases					-272,611,787.16						-272,611,787.16		-272,611,787.16
1. Capital contributions from owners													
2. Capital contributions from other equity instruments holders													
3. Share-based payments recognized in shareholders' equity													
4. Others					-272,611,787.16						-272,611,787.16		-272,611,787.16
(iii) Profit distribution									33,173,295.20	-33,173,295.20			
1. Appropriation to surplus reserve									33,173,295.20	-33,173,295.20			
2. Appropriation to general risk reserve													
3. Distributions to shareholders													
4. Others													
(iv) Internal transfer of owners' equity													
1. Capitalization of capital reserve													
2. Capitalization of surplus reserve													
3. Making up losses from surplus reserve													
4. Transfer of changes in defined benefit plans to retained earnings													
5. Transfer of other comprehensive income to retained earnings													
6. Others													
(v) Special reserve													
1. Appropriation to special reserve													
2. Use of special reserve													
(vi) Others													
IV. Closing balance of current year	500,000,000.00				27,158,422,426.30		-17,474,817.65		262,325,396.79	2,465,611,664.09	30,368,884,669.53	2,735,427.45	30,371,620,096.98

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative: 李海强印

Chief Financial Officer: 荣日霞印

Head of Accounting Department: 刘雨春印

STATEMENTS OF CHANGES IN OWNERS' EQUITY

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd

Currency: CNY

Items	For the period ended 30 June 2023										
	Paid-in capital	Other equity instruments			Capital reserve	Less: treasury stocks	Other comprehensive income	Specialized reserve	Surplus reserve	Undistributed profit	Total Owners' equity
		Preferred stock	Perpetual share	Other							
I. Closing balance of prior year	500,000,000.00				19,263,100,208.02				262,325,396.79	2,358,928,571.03	22,384,354,175.84
Add: changes in accounting policies											
Corrections of prior period errors											
Others											
II. Opening balance of current year	500,000,000.00				19,263,100,208.02				262,325,396.79	2,358,928,571.03	22,384,354,175.84
III. Changes in current year (decrease expressed with "-")					-226,238,560.35					177,169,087.06	-49,069,473.29
(i) Total comprehensive income for the year										177,169,087.06	177,169,087.06
(ii)Capital contributed by owners and decreases					-226,238,560.35						-226,238,560.35
1. Capital contributions from owners											
2. Capital contributions from other equity instruments holders											
3. Share-based payments recognized in shareholders' equity											
4. Others					-226,238,560.35						-226,238,560.35
(iii) Profit distribution											
1. Appropriation to surplus reserve											
2. Distributions to shareholders											
3. Others											
(iv) Internal transfer of owners' equity											
1. Capitalization of capital reserve											
2. Capitalization of surplus reserve											
3. Making up losses from surplus reserve											
4. Transfer of changes in defined benefit plans to retained earnings											
5. Transfer of other comprehensive income to retained earnings											
6. Others											
(v) Special reserve											
1. Appropriation to special reserve											
2. Use of special reserve											
(vi) Others											
IV. Closing balance of current year	500,000,000.00				19,036,861,647.67				262,325,396.79	2,536,097,658.09	22,335,284,702.55

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative: Chief Financial Officer: Head of Accounting Department:

STATEMENTS OF CHANGES IN OWNERS' EQUITY (CONTINUED)

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd **Currency: CNY**

Items	For the year ended 31 December 2022										
	Paid-in capital	Other equity instruments			Capital reserve	Less: treasury stocks	Other comprehensive income	Specialized reserve	Surplus reserve	Undistributed profit	Total Owners' equity
		Preferred stock	Perpetual share	Other							
I. Closing balance of prior year	500,000,000.00				19,390,615,231.86				229,152,101.59	2,060,368,914.26	22,180,136,247.71
Add: changes in accounting policies											
Corrections of prior period errors											
Others											
II. Opening balance of current year	500,000,000.00				19,390,615,231.86				229,152,101.59	2,060,368,914.26	22,180,136,247.71
III. Changes in current year (decrease expressed with "-")					-127,515,023.84				33,173,295.20	298,559,656.77	204,217,928.13
(i) Total comprehensive income for the year										331,732,951.97	331,732,951.97
(ii)Capital contributed by owners and decreases					-127,515,023.84						-127,515,023.84
1. Capital contributions from owners											
2. Capital contributions from other equity instruments holders											
3. Share-based payments recognized in shareholders' equity											
4. Others					-127,515,023.84						-127,515,023.84
(iii) Profit distribution									33,173,295.20	-33,173,295.20	
1. Appropriation to surplus reserve									33,173,295.20	-33,173,295.20	
2. Distributions to shareholders											
3. Others											
(iv) Internal transfer of owners' equity											
1. Capitalization of capital reserve											
2. Capitalization of surplus reserve											
3. Making up losses from surplus reserve											
4. Transfer of changes in defined benefit plans to retained earnings											
5. Transfer of other comprehensive income to retained earnings											
6. Others											
(v) Special reserve											
1. Appropriation to special reserve											
2. Use of special reserve											
(vi) Others											
IV. Closing balance of current year	500,000,000.00				19,263,100,208.02				262,325,396.79	2,358,928,571.03	22,384,354,175.84

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative: 强李 印海 37108111137763

Chief Financial Officer: 霞宋 印日

Head of Accounting Department: 春刘 印雨

WEIHAI WENDENG DISTRICT BLUESEA INVESTMENT & DEVELOPMENT

Notes to the Financial Statements

For The Period Ended 30 June 2023

(Unless otherwise specified, the currency is CNY)

I. Company Profile

1. Overview of the company

Weihai Wendeng District Bluesea Investment & Development Co., Ltd ((hereinafter referred to as "the Company") is a wholly owned subsidiary of Weihai Wenteng District State-owned Assets Service Center. On April 13th 2012, the Company completed the industrial and commercial registration in Wendeng District Market Supervision Administration of Weihai city. The registered name is Wendeng Bluesea Investment & Development Co., Ltd, a limited liability company jointly funded by Weihai Wendeng District State-owned Assets Administration Bureau and Weihai Yucheng Jian 'an real estate Co., Ltd. The registered capital of the Company is RMB 100.00 million, the paid-in capital of the Company is RMB 100.00 million, of which 90% is owned by Weihai Wendeng District State-owned Assets Administration Bureau and 10% is owned by Weihai Yucheng Jian 'an real estate Co., Ltd. In 2014, Wendeng changed from a city to a district, the Company changed name to Weihai Wendeng District Bluesea Investment & Development Co., Ltd on April 28th 2014. On March 3rd 2015, Weihai Wendeng District State-owned Assets Administration Bureau purchased 10% equity of the Company held by Weihai Yucheng Jian 'an real estate Co., Ltd for RMB 10.00 million, while Weihai Wendeng District State-owned Assets Administration Bureau held 100% equity of the Company. On April 2nd 2015, Weihai Wendeng District State-owned Assets Administration Bureau increased RMB 400.00 million, after the change ,both the registered capital and the paid-in capital became to RMB 500.00 million. On January 14th 2020, Weihai Wendeng District State-owned Assets Administration Bureau changed its name to State-owned Assets Service Center of Wendeng District of Weihai City. The unified social credit code is No. 91371081593630023B and the legal representative of the Company is Haiqiang Li. The registered address of the Company is No.106-2 of Tianfubanwenchang Street, Wendeng District, Weihai City of Shandong province.

The Company's business scope includes: foreign investment and investment project management with its own funds within the scope permitted by laws and regulations; real estate development and management; landscaping; municipal engineering construction; installation of pipeline equipment; development of cultural tourism; renovation of shanty towns and concentrated housing and water conservancy projects for farmers; lease the right to the use of sea areas; forest farm construction; sales of construction materials (excluding paint), sand, stone.

The financial statements were approved by the Company's board of directors on August 25th 2023.

2. Scope of consolidation

To the end of the report's period, a total of eight subsidiaries have been included in the scope of consolidated financial statements. Please refer to Note VII, "Equity in Other Entities".

The changes of the scope of consolidated financial statements during the reporting period are shown in Note VI ,"Changes of Consolidated Scope".

II. Basis of Preparation of Financial Statements

1. Establishment basis

This financial statement is based on the actual transactions and events, in accordance with the Accounting Standards for Business Enterprises -- Basic Standards, specific Accounting Standards for Business Enterprises, Guidelines for the application of Accounting Standards for Business Enterprises, interpretation of Accounting Standards for Business Enterprises and other relevant provisions promulgated by the Ministry of Finance (collectively referred to as “CAS”), And the disclosure provisions of China Securities Regulatory Commission "Information Disclosure and Reporting Rules for Companies that Publicly Issue Securities No. 15 -- General Provisions for Financial Reports".

2. Continuous operation

The Company has evaluated its continuous operation ability for the 12 months since the end of the reporting period, and no matters affecting the Company's continuous operation ability have been found, and it is reasonable for the Company to prepare its financial statements on continuous operation basis.

III. Significant Accounting Policies and Accounting Estimates

1. Statement of Compliance with CAS

The financial statements prepared by the Company meet the requirements of the CAS, which presented truthfully and completely for the Company’s consolidated and parent Company’s financial position as of 30 June 2023, and financial performance and cash flows for the period ended 30 June 2023.

2. Accounting Period

The financial year of the Group is calendar year from 1 January to 31 December.

3. Operating Cycle

A normal operating cycle refers to the period from the purchase of assets for processing to the realization of cash or cash equivalent. The Company takes 12 months as an operating cycle, and takes it as the liquidity division standard of assets and liabilities.

4. Functional Currency

Renminbi (“RMB”) is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The overseas subsidiaries of the Company may determine their own functional currencies.

5. Accounting treatment methods for business combinations involving enterprises under and not under common control

(1) Business Combinations Under Common Control

The assets and liabilities acquired by the Company in the business combination shall be measured on the combination date according to the carrying amount of the acquired party in the consolidated financial statements of the ultimate controlling party. Among them, if the accounting policies adopted by the merged party and the company before the business merger are different, the accounting policies are unified based on the principle of importance, that is, the carrying amount of the merged party's assets and liabilities is adjusted according to the company's accounting policies. The assets and liabilities acquired by the merging party in a business merger (including goodwill formed by the final controlling party's acquisition of the merged party) are measured based on the carrying amount of the merged party's assets and liabilities in the final controlling party's consolidated financial statements on the merger date. Difference between the carrying amount of net assets acquired by the combining party and the carrying amount of paid consideration (or total par value of the shares issued) shall adjust capital reserve (share premium), and then adjust retained earnings if capital reserve (share premium) balance is reduced to zero.

(2) Business Combination Not Under Common Control

The identifiable assets and liabilities of the purchaser acquired by the Company in the business combination shall be measured at their fair value on the purchase date. Among them, if the accounting policies adopted by the purchaser are different from those adopted by the Company before the merger, the accounting policies shall be unified based on the materiality principle, that is, the book value of the assets and liabilities of the purchaser shall be adjusted according to the accounting policies of the company. The combination costs include the assets that paid by the acquirer on acquisition date in order to obtain the control on the acquiree, the incurred or assumed liabilities, the fair value of issued equity securities. The difference between the cost of the merger and the share of the fair value of the identifiable net assets of the purchaser obtained in the merger is recognized as goodwill; The difference between the merger cost less than the fair value share of the identifiable net assets of the purchaser obtained in the merger shall be recorded in the current profit and loss. All identifiable assets, liabilities and contingent liabilities of the purchaser that meet the conditions of recognition acquired in the merger shall be measured at fair value on the purchase date.

(3) Related Expenses Incurred For The Merger

The directly related expenses incurred for the merger of enterprises are recognized in the current profit and loss when incurred; The transaction costs of issuing equity or debt securities for the purpose of business merger are included in the initial recognition amount of equity or debt securities.

6. Preparation Method of Consolidated Financial Statements

(1) Identification Of The Scope Of The Consolidation

The scope of consolidation of the financial statement shall be determined on the basis of control, including not only subsidiaries determined based on voting rights (or similar voting rights) themselves or in combination with other arrangements, but also structured entities determined based on one or more contractual arrangements.

The Group controls an investee when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The scope of consolidation includes the Company and all its subsidiaries. Subsidiary is the entity controlled by the Group.

Control means that the Company has the power over the investee, enjoys variable returns by participating in related activities of the investee, and has the ability to use its power over the investee to influence the amount of such returns. The merger covers the Company and all of its subsidiaries. Subsidiary refers to the entity controlled by the Company (including the divisible part of the enterprise and the invested unit, as well as the structured subject controlled by the enterprise). The structured subject refers to the subject designed without voting rights or similar rights as a decisive factor in determining its controller (Note: sometimes referred to as special purpose subject).

(2) Merger Process

The company prepares the consolidated financial statements on the basis of the financial statements of itself and its subsidiaries and other relevant information. The company compiles consolidated financial statements, regards the whole enterprise group as an accounting entity, and compiles consolidated financial statements in accordance with the recognition, measurement and presentation requirements of relevant accounting standards for enterprises and unified accounting policies to reflect the overall financial position, operating results and cash flow of the company's group. If a subsidiary uses accounting policies or reporting period other than those adopted by the Group, appropriate adjustments are made to those subsidiaries' financial statements in preparing the consolidated financial statements to ensure the conformity with the Group's accounting policies and reporting period. All significant intragroup balances, transactions and unrealized profits are eliminated upon consolidation.If the internal transaction indicates the impairment loss of the relevant assets, the partial loss shall be recognized in full.

The shares of minority shareholders in the owner's equity, current net profit and loss and current comprehensive income of subsidiaries are listed separately under the owner's equity item in the consolidated balance sheet, the net profit item in the consolidated income statement and the total comprehensive income item. When the loss attributable to non-controlling interests exceeds the opening balance of non-controlling interest in the subsidiary, the loss shall continue to offset the non-controlling interests.

(3) Increase The Handling Of Subsidiaries Or Businesses

During the reporting period, the operating results and cash flows of the subsidiaries or businesses combined from the beginning of the current period to the end of the reporting period shall be incorporated into the consolidated financial statements for the subsidiaries or the merged parties under the same control and the related items of the comparative financial statements shall be adjusted. It is deemed that the consolidated reporting entity has existed since the time when the final controller began to control.

If the investee under the same control can be controlled due to additional investment and other reasons, the equity investment held before obtaining the control of the merged party has recognized the relevant gains and losses, other comprehensive income and other changes in net assets from the later of the date of acquisition of the original equity and the date of the same control of the merged party and the merged party to the date of consolidation, and the retained earnings at the beginning of the period or the current gains and losses during the comparative statement period are offset respectively.

During the reporting period, if subsidiaries or businesses are increased due to business combinations not under the same control, they shall be included in the consolidated financial statements on the basis of the fair value of identifiable assets, liabilities and contingent liabilities determined on the acquisition date.

If the investor is able to exercise control over the investor not under the same control due to additional investment or other reasons, the equity held by the purchaser before the purchase date shall be remeasured according to the fair value of the equity on the purchase date, and the difference between the fair value and the book value shall be included in the current investment income. The equity held by the purchaser before the purchase date involves other comprehensive income which can be reclassified into profit and loss in the future, and other changes in owner's equity under the equity method of accounting are converted into the current investment income of the purchase date.

From the date of obtaining the actual control over the net assets and production and operation decisions of the subsidiaries, the company will begin to incorporate them into the scope of consolidation; It shall be suspended from the date of loss of actual control. For subsidiaries disposed of, the operating results and cash flows before the disposal date have been properly included in the consolidated income statement and the consolidated cash flow statement; For subsidiaries disposed of in the current period, the opening balance of the consolidated balance sheet shall not be adjusted. For subsidiaries increased by business combination not under the same control, their operating results and cash flows after the acquisition date have been properly included in the consolidated income statement and the consolidated cash flow statement, and the opening balance and comparative balance of the consolidated financial statements are not adjusted.

(4) Disposal Of Subsidiaries

If the Group loses control of a subsidiary due to partial disposal of equity investments or other reasons, the Group recognizes any investment retained in the former subsidiary at its fair value when control is lost. The difference between the sum of the consideration obtained from the disposal of equity and the fair value of the remaining equity, minus the sum of the share of net assets and goodwill of the original subsidiary continuously calculated from the acquisition date or the merger date calculated according to the original shareholding ratio, shall be included in the investment income of the current period when the control right is lost.When it loses control of the subsidiary, the Group shall account for all amounts previously recognized in other comprehensive income in relation to the subsidiary on the same basis as would have been required if the acquiree had directly disposed of the related assets or liabilities. Then, any investment retained shall be subsequently measured according to Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments or Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments. Refer to Note III-15 “Long-term Equity Investments”or Note III-10 “Financial Instruments” .

If the Company disposes of the equity investment in the subsidiary until the loss of control through multiple transactions step by step, it is necessary to distinguish whether the transactions that dispose of the equity investment in the subsidiary until the loss of control is package deal. The terms, conditions, and economic impact of the disposal of transactions with respect to equity investments in subsidiaries are consistent with one or more of the following conditions, which generally indicate that multiple transactions should be accounted for as a package deal: ① these transactions are made at the same time or with regard to each other;② these transactions as a whole can achieve a complete commercial outcome; ③ the occurrence of a transaction depends on the occurrence of at least one other transaction; ④ a package deal is not economic, but when considered together with other transactions is economic. Do not belong to the package, each of them a deal circumstances respectively in accordance with the "do not lose control of part of the disposal of subsidiaries of a long-term equity investment" (see the Note III-15 (2)④) and "part for disposal of equity investment or other reasons lose control" of the original unit (see earlier) applicable principles of accounting treatment. If the transactions that dispose of the equity investment of the subsidiary until the loss of control are package transactions, the transactions shall be treated as a transaction that disposes of the subsidiary and loses the control; However, the difference between the disposal price and the disposal investment corresponding to the net asset share of the subsidiary before the loss of control right shall be recognized as other comprehensive income in the consolidated financial statements, and shall be transferred into the profit and loss of the current period when the control right is lost.

（5） Special Considerations in Consolidation Offset

① Long-term equity investments of the Company held by subsidiaries shall be regarded as Treasury stocks of the Company, which shall be deducted from owners' equity and shown as " less: Treasury stocks " under the owners' equity item in the consolidated balance sheet.

For long-term equity investments held by subsidiaries, the shares of long-term equity investments and the corresponding owners' equity of subsidiaries shall be set off against each other in accordance with the offset method of the Company's equity investments in subsidiaries.

② "Special reserve" and "general risk reserve" items do not belong to paid-in capital (or equity), capital reserve, and are different from retained earnings and undistributed profits. After the mutual offset between long-term equity investment and the owner's equity of the subsidiary, the share attributable to the owner of the parent company will be restored.

③ If there is a temporary difference between the carrying value of the assets or liabilities in the consolidated balance sheet and the tax basis of the tax subject to which they belong due to the offset of unrealized internal sales gains and losses, the deferred income tax assets or deferred income tax liabilities shall be recognized in the consolidated balance sheet and the income tax expenses in the consolidated income statement shall be adjusted at the same time. The exception is deferred income tax related to transactions or events directly recorded in owners' equity and business combinations.

④ The Company's unrealized internal transaction gains and losses from the sale of assets to subsidiaries shall be fully offset against the "net profit attributable to the owner of the parent company". The unrealized profit or loss of internal transaction arising from the sale of assets by a subsidiary to the Company shall be set off between "net profit attributable to the owner of the parent company" and "profit or loss of minority shareholders" in accordance with the proportion of the Company's distribution to the subsidiary. The profit or loss of unrealized internal transaction arising from the sale of assets between subsidiaries shall be allocated and offset between "net profit attributable to the owner of the parent company" and "profit or loss of minority shareholders" according to the proportion of distribution of the Company to the subsidiary of the seller.

⑤ Where the current loss shared by the minority shareholders of a subsidiary exceeds the minority shareholders' share in the initial owners' equity of the subsidiary, the balance of the minority shareholders' equity shall still be charged to reduce the shareholders' equity

(6) Accounting For Special Transactions

① Purchase of minority equity

When the Company purchases the equity of the subsidiary owned by minority shareholders, the investment cost of the long-term equity investment newly acquired by the purchase of minority shares is measured according to the fair value of the consideration paid in individual financial statements. In the consolidated financial statements, the capital reserve (capital premium or equity premium) shall be adjusted for the difference between the newly acquired long-term equity investment due to the purchase of minority shares and the net asset share that the subsidiary shall enjoy since the purchase date or the merger date based on the proportion of newly added shares. If the capital reserve is insufficient to be written off, the surplus reserve and undistributed profit shall be successively written off.

② Acquiring the control of subsidiaries step by step through multiple transactions

A. Realize the enterprise merger under the same control step by step through multiple transactions

On the merger date, the company determines the initial investment cost of long-term equity investment in individual financial statements according to the share of the net assets of subsidiaries attributable to the merger in the book value of the consolidated financial statements of the final controller; The difference between the initial investment cost and the sum of the book value of the long-term equity investment before the merger and the book value of the newly paid consideration for further shares obtained on the merger date shall be adjusted to the capital reserve (capital premium or equity premium). If the capital reserve (capital premium or equity premium) is insufficient to offset, the surplus reserve and undistributed profit shall be offset in turn.

In the consolidated financial statements, the assets and liabilities of the combined party obtained by the combining party in the merger shall be measured at the book value in the consolidated financial statements of the final controller on the merger date, except for adjustments due to different accounting policies; The capital reserve (equity premium/capital premium) shall be adjusted according to the difference between the sum of the book value of the investment held before the merger and the book value of the newly paid consideration on the merger date and the book value of the net assets obtained in the merger. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

If the equity investment held by the combining party before obtaining the control of the combined party is accounted for according to the equity method, the relevant gains and losses, other comprehensive income and other changes in owner's equity have been recognized from the later of the date of acquisition of the original equity and the date of final control of the combining party and the combined party to the date of merger, and the retained earnings at the beginning of the period of the comparative statement shall be offset respectively.

B. Realize the enterprise merger under different control step by step through multiple transactions

On the merger date, in individual financial statements, the sum of the book value of the long-term equity investment originally held plus the cost of new investment on the merger date shall be taken as the initial investment cost of long-term equity investment on the merger date.

In the consolidated financial statements, the equity of the acquiree held before the acquisition date is remeasured according to the fair value of the equity on the acquisition date, and the difference between the fair value and its book value is included in the current investment income; If the equity of the acquiree held before the acquisition date involves other comprehensive income under the equity method, the other comprehensive income related to it shall be converted to the current income on the acquisition date, except for other comprehensive income arising from the change in net assets or net liabilities of the defined benefit plan re measured by the acquiree. In the notes, the company discloses the fair value of the equity of the acquiree held by it before the acquisition date on the acquisition date and the amount of relevant gains or losses arising from re measurement at fair value.

③ The Company disposes of long-term equity investments in subsidiaries without losing control

The parent company partially disposes of the long-term equity investment in the subsidiary without losing control. In the consolidated financial statements, the difference between the disposal price and the share of net assets of the subsidiary continuously calculated from the purchase date or the merger date corresponding to the disposal of the long-term equity investment shall be adjusted to the capital reserve (capital premium or equity premium). If the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

④ The Company disposes of long-term equity investments in subsidiaries and loses control

A. One transaction disposal

If the Group loses control of a subsidiary due to partial disposal of equity investments or other reasons, when preparing the consolidated financial statements, the Group recognizes any investment retained in the former subsidiary at its fair value when control is lost. Excess of the sum of fair value of the consideration received from the disposal of equity investments and fair value of any investment retained, over the Group's previous pro rata share in the former subsidiary's net assets calculated since acquisition date, shall be recognized in investment income in the period when control is lost.

Other comprehensive income and other changes in owners' equity related to the equity investment of Atomic Company shall be transferred to current profit and loss upon the loss of control, except other comprehensive income arising from the change in net liabilities or net assets of the investor due to the remeasurement and setting of the benefit plan.

B. Multiple transactions step by step disposal

In consolidated financial statements, the first judgment should be made as to whether the step-by-step transaction is a "package deal".

If the multiple transactions is not a "package deal", in individual financial statements, the transactions before the loss of the control of the subsidiary shall be carried forward to the book value of the long-term equity investment corresponding to each disposal of equity, and the difference between the proceeds and the book value of the disposal of long-term equity investment shall be included in the current investment income; In the consolidated financial statements, it shall be handled in accordance with the relevant provisions of "the parent company shall dispose of the long-term equity investment in the subsidiary without losing the right of control".

If the multiple transaction belongs to a "package deal", each transaction shall be accounted for as a transaction to dispose of subsidiaries and lose control; In individual financial statements, the difference between the disposal price of each disposal before the loss of control and the book value of long-term equity investment corresponding to the equity disposed of is recognized as other comprehensive income first, and then transferred to the current profit and loss after the loss of control; In the consolidated financial statements, for each transaction before the loss of control, the difference between the disposal price and the share of net assets of the subsidiary corresponding to the disposal of investment shall be recognized as other comprehensive income, which shall be transferred to the profits and losses of the current period when the loss of control.

Multiple transactions are usually accounted for as a "package deal" if the terms, conditions, and economic impact of each transaction meet one or more of the following conditions:

（a）The multiple transactions are entered into at the same time or in contemplation of each other.

（b）They form a single transaction designed to achieve an overall commercial effect.

（c）The occurrence of one transaction is dependent on the occurrence of at least one other transaction.

（d）One transaction considered on its own is not economically justified, but it is economically justified when considered together with other transactions.

⑤ Dilution of equity ratio owned by parent company due to capital increase of minority shareholders of factor company

Other shareholders of the subsidiary (minority shareholders) increase the capital of the subsidiary, thereby diluting the parent company's shareholding ratio in the subsidiary. In the consolidated financial statements, its share in the book net assets of the subsidiary before the capital increase shall be calculated according to the parent company's share ownership ratio before the capital increase, and the difference between the share and the book net assets share of the subsidiary after the capital increase calculated according to the parent company's share ratio after the capital increase shall be adjusted for the capital reserve (capital premium or equity premium). If the capital reserve (capital premium or equity premium) is insufficient for write-off, Adjust retained earnings.

7. Types of Joint Arrangements and Accounting Treatment for Joint Operations

A joint arrangement is an arrangement of which two or more parties have joint control. Based on the rights and obligations of the parties to the arrangement, the Group classifies a joint arrangement as a joint operation or a joint venture. A joint operation is a joint arrangement whereby the Group that has joint control of the arrangement and has rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement which is structured through a separate vehicle over which the Group has joint control together with other parties and only has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances.

The Group is using equity method for investment in a joint venture, and is treated according to the accounting policies described in Note III-15 (2)②, "Long term equity investment" for using the Equity method".

The Company recognizes the following items related to its share of interests in the joint operation and makes accounting treatment in accordance with the provisions of relevant accounting standards for enterprises: recognizing assets held separately, liabilities assumed separately, and assets held jointly and liabilities assumed jointly according to the Company's share; Recognize the income arising from the sale of the Company's share in the output of the joint operation; Recognition of income arising from the sale of output from joint operations in accordance with the Company's share; Recognize the expenses incurred by the Company alone, as well as the expenses incurred by the Company's share in the joint operation.

When the Group, as a joint operator, enters into a transaction with a joint operation, for a contribution or sale of assets (the assets do not constitute a business, the same below), or for a purchase of assets, before the assets are sold to a third party, the Group shall recognize gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation. When such assets are subject to an impairment loss in accordance with the "Accounting Standards for Business Enterprises No. 8 – Impairment of Assets", the Group shall fully recognize the loss in the case that the Group contributes or sells assets to the joint operation; the Group shall recognize its share of the loss in the case that the Group purchases assets from the joint operation.

8. Cash and Cash Equivalents

When the Company prepares the cash flow statement, cash refers to cash on hand and deposits that can be used for payment at any time. Cash equivalents refer to investments that are held for short-term (which means it has a short maturity of three months or less from the date of acquisition) highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

9. Foreign Currency Transactions and Translation to the Presentation Currency

(1) Reporting Foreign Currency Transactions

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount [the spot exchange rate between the functional currency and the foreign currency] at the date of the transaction; However, foreign currency exchanges and relevant transactions are translated to the functional currency at the actual exchange rate.

At the end of each reporting period, foreign currency monetary items are translated using the spot exchange rate at the reporting date.The exchange difference arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate on the initial recognition or the previous balance sheet date shall be included in the current profit and loss.Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured, the amount differences between the functional currency and the foreign currency are recognized as changes in fair value (including exchange differences), and recorded in profit or loss or other comprehensive income.

(2) Translation to the Presentation Currency

Before translating the financial statements of overseas operations of enterprises, the accounting period and accounting policy of overseas operations shall be adjusted to make them consistent with the accounting period and accounting policy of enterprises, and then the financial statements in the corresponding currency (currency other than the bookkeeping standard currency) should be prepared according to the adjusted accounting policies and accounting periods, and then the financial statements of the overseas operations should be translated in the following procedures: Assets and liabilities in the statement of financial position are translated at the spot exchange rate at the reporting date; Equity items for statement of financial position presented, other than "undistributed profits", are translated at the spot exchange rate of the date of transaction. Income and expenses in the statement of comprehensive income are translated at the spot exchange rate between the functional currency and the foreign currency or the average exchange rate for the current period at the date of the transaction. Foreign currency cash flows and cash flows of a foreign subsidiary, shall be translated at the the spot exchange rate between the functional currency and the foreign currency at the date of the cash flows. The effect of exchange rate changes on cash in a foreign currency is separately presented in the statement of cash flows as reconciliation.

Opening balance of undistributed profits is the translated closing balance of undistributed profits of prior year; Closing balance of undistributed profits is calculated based on translated profit distribution items; Difference between translated assets and the sum of translated liabilities and owners' equity, is recorded as "translation differences of financial statements presented in foreign currencies" and recognized in other comprehensive income. Opening balances of current year and amounts of prior year are presented after translation of prior year's financial statements.

On the disposal of all the owners' equity in a foreign operation, or in the event of loss of control of a foreign operation due to partial disposal of equity investments or other reasons, the cumulative amount of the exchange differences relating to that foreign operation, as accumulated in owners' equity of the statement of financial position, shall be reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

In the event of reduction in the Group's ownership interest in a foreign operation due to the partial disposal of equity investments or other reasons, which, however, does not involve the Group's loss of control of the foreign operation, the Group shall re-attribute the proportionate share of the cumulative amount of the exchange differences, which are related to the disposal of the foreign operation, to the non-controlling interests in that foreign operation, instead of reclassifying that to profit or loss. In partial disposal of equity investments in a foreign operation which is a joint venture or an associate, the Group shall reclassify to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognized.

When the consolidated financial statements involves a foreign operation, exchange differences arising on a monetary item that forms part of the reporting entity's net investment in the foreign operation, shall be accounted for as "translation differences of financial statements presented in foreign currencies" and recognized in other comprehensive income, and reclassified from equity to profit or loss on disposal of the net investment.

10. Financial Instruments

The Group recognizes a financial asset or a financial liability when the Group becomes party to the contractual provisions of the instrument.

(1) Classification, Recognition and Measurement of Financial Assets

The Group classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

At initial recognition, the Group measures a financial asset at its fair value. For financial assets measured at fair value through profit or loss, related transaction costs are directly recorded in profit or loss; for other types of financial assets, related transaction costs are recorded in the amount initially recognized. Trade receivables or notes receivable that arise from sale of goods or rendering of services, which do not contain or involve a significant financing component, shall be measured, at the initial recognition, at the amount of consideration to which the Group expects to be entitled.

① Financial Assets Measured at Amortized Cost

For a financial asset measured at amortized cost, it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and its contractual cash flow characteristics are consistent with those of a basic lending arrangement, that is, the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group applies effective interest method and subsequently measures this type of financial assets at amortized costs, a gain or loss arising from amortization or impairment is recognized in profit or loss.

② Financial Assets Measured at Fair Value Through Other Comprehensive Income

For a financial asset at fair value through other comprehensive income, it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and its contractual cash flow characteristics are consistent with those of a basic lending arrangement. A gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for: impairment gains or losses, foreign exchange gains and losses, and interest calculated using the effective interest method, which are recognized in profit or loss.

In addition, the Group designates particular investments in equity instruments that are not held for trading as financial assets measured at fair value through other comprehensive income. Dividends on such investments are recognized in profit or loss; changes in fair values of the investments are recognized in other comprehensive income. Upon derecognition of these financial assets, cumulative gains or losses presented in other comprehensive income will be subsequently transferred to retained earnings, but not to profit or loss.

③ Financial Assets Measured at Fair Value Through Profit or Loss

A financial asset is measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income in accordance with preceding paragraphs. In addition, the Group designates some financial assets as measured at fair value through profit or loss when doing so eliminates or significantly reduces accounting mismatches. The Group subsequently measures this type of financial assets at fair value; changes in fair values are recognized in profit or loss.

(2) Classification, Recognition and Measurement of Financial Liabilities

At initial recognition, financial liabilities are classified as financial liabilities at fair value through profit or loss, or other financial liabilities. For financial liabilities at fair value through profit or loss, related transaction costs are directly recorded in profit or loss; for other financial liabilities, related transaction costs are recorded in the amount initially recognized.

① Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss comprise financial liabilities held for trading (including derivatives that are financial liabilities) and financial liabilities designated as at fair value through profit or loss at initial recognition.

Financial liabilities held for trading (including derivatives that are liabilities) are subsequently measured at fair value; except for those related to hedge accounting, the changes in fair values are recognized in profit or loss.

For a financial liability designated as at fair value through profit or loss, the Group presents its gain or loss based on the following: (a) the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, upon derecognition of the liability, cumulative change in fair value recognized other comprehensive income, which is attributable to changes in the credit risk of that liability, will be subsequently transferred to retained earnings; and (b) the remaining amount of change in the fair value of the liability shall be presented in profit or loss. However, if the treatment of the effects of changes in the liability's credit risk described in (a) would create or enlarge an accounting mismatch in profit or loss, the Group will present all gains or losses on that liability (including the effects of changes in the credit risk of that liability) in profit or loss.

② Other Financial Liabilities

Other financial liabilities, except for financial guarantee contracts and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, are classified as financial liabilities measured at amortized cost, and are subsequently measured at amortized cost; gains or losses arising from derecognition or amortization will be recognized in profit or loss.

（3） Recognition and Measurement of Transfers of Financial Assets

A financial asset that meets one of the following conditions shall be derecognized: (a) the contractual rights to the cash flows from the financial asset expire; (b) the company transfers the financial asset, and it transfers substantially all the risks and rewards of the ownership of the financial asset to the transferee; (c) the company transfers the financial asset, it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, however, it has not retained control of the financial asset.

When a company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, and has retained control of the financial asset, the company shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset, and recognize an associated liability. The extent of the company's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

If a company transfers a financial asset in a transfer that qualifies for derecognition in its entirety, the difference between: (a) the carrying amount of the financial asset transferred, and (b) the sum of consideration received and cumulative changes in fair value that have been previously recognized in other comprehensive income, shall be recognized in profit or loss.

If the transferred asset is part of a larger financial asset, and the part transferred qualifies for the derecognition in its entirety, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of the relative fair values of those parts on the date of the transfer. The difference between: (a) the sum of the consideration received for the part derecognized and cumulative changes in fair value allocated to the part derecognized which have been previously recognized in other comprehensive income, and (b) the carrying amount allocated to the part derecognized, shall be recognized in profit or loss.

For a financial asset sold with recourse, or a financial asset transferred through endorsement, the Group determines whether it transfers substantially all the risks and rewards of the ownership of the financial asset. If the Group transfers substantially all the risks and rewards of ownership of the financial asset, it shall derecognize the financial asset; if the Group retains substantially all the risks and rewards of ownership of the financial asset, it shall continue to recognize the financial asset; if the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it shall determine whether it has retained control of the financial asset, and make corresponding accounting treatment based on preceding principles.

（4） Derecognition of Financial Liabilities

A financial liability (or a part of a financial liability) is derecognized when the present obligation specified in the contract is discharged or cancelled or expires. If, as an existing borrower, the Group signs agreement with an existing lender, to replace original financial liability with a new financial liability, and the exchange of debt instruments has substantially different terms, the Group shall derecognize the original financial liability and recognize the new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) shall be recognized in profit or loss.

(5) Offsetting a Financial Asset and a Financial Liability

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, the Group: (a) currently has a legally enforceable right to set off the recognized amounts; and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. In all other circumstances, financial assets and financial liabilities are presented separately in the statement of financial position.

(6) The fair value determination method of financial assets and financial liabilities

Fair value, it is to point to the orderly trade that market participant takes place in measurement day, sell an asset place can receive or transfer the price that a liability needs to pay. If an active market exists for a financial instrument, the company shall use the quotation in the active market to determine its fair value. Quotes in active markets are prices that are readily available on a regular basis from exchanges, brokers, trade associations, pricing services, etc., and represent market transactions that actually take place in fair trading. If there is no active market for financial instruments, the Company shall use valuation technology to determine their fair value. Valuation techniques include reference to prices used in recent market transactions by familiar and willing trading parties, reference to current fair values of substantially identical other financial instruments, cash flow discounting and option pricing models, etc. In valuation, the Company uses valuation techniques applicable in the current circumstances and supported by sufficiently available data and other information to select input values that are consistent with the characteristics of the asset or liability considered by market participants in the transaction of the relevant asset or liability and uses relevant observable input values in preference to the extent possible. Use non-input values where the relevant observable input values are not available or are not practicable to obtain.

(7) Equity Instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group recognizes changes in equity when it issues (including refinancing), repurchases, sells or cancels equity instruments. The Group does not recognize changes in fair values of equity instruments. Transaction costs of an equity transaction are accounted for as a deduction from equity.

11. Impairment of Financial Assets

The financial assets for which the company needs to recognize impairment losses are financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income and lease receivables, mainly including notes receivable, accounts receivable, accounts receivable financing, other receivables, debt investments, other debt investments, long-term receivables, etc. In addition, provision for impairment and recognition of credit impairment losses shall also be made for contractual assets and part of financial guarantee contracts in accordance with the accounting policies described in this Part.

(1) Confirmation method of expected credit losses

On the basis of expected credit losses, the Company shall make provision for impairment and recognize credit impairment losses for the above items according to the applicable measurement method of expected credit losses (general method or simplified method).

Expected credit losses refer to the weighted average value of credit losses of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contract cash flows discounted and receivable under the contract and all expected cash flows received by the company at the original actual interest rate, namely, the present value of all cash shortfalls. For the financial assets purchased or originated with credit impairment, the Company discounts the financial assets according to the real interest rate of credit adjustment.

Expected credit losses and the method of measuring means, the company at each balance sheet date to assess financial assets (including assets, and other applicable project contract, hereinafter the same) after the initial recognition of credit risk has increased significantly, if credit risk increased significantly since the initial confirmation, the company in accordance with the equal to the sum of the expected throughout the duration of the credit loss measurement loss; If the credit risk has not increased significantly since the initial recognition, the Company measures the loss provision at an amount equivalent to the expected credit loss within the next 12 months. In assessing expected credit losses, the Company considers all reasonable and evidence-based information, including forward-looking information.

For financial instruments with low credit risk at the balance sheet date, the Company assumes that the credit risk has not increased significantly since the initial recognition and chooses to measure the loss provision in accordance with the expected credit losses in the next 12 months.Instead of choosing a simplified treatment method, the loss provision is measured based on whether its credit risk has increased significantly since initial recognition, and the amount of expected credit loss in the next 12 months or the whole duration.

(2) Judgment criteria on whether credit risk has increased significantly since the initial confirmation

If the default probability of a financial asset in the expected lifetime determined on the balance sheet date is significantly higher than the default probability in the expected lifetime determined at the initial recognition, it indicates that the credit risk of the financial asset has increased significantly. Except in exceptional circumstances, the Company uses the change in default risk occurring within the next 12 months as a reasonable estimate of the change in default risk occurring throughout the duration to determine whether the credit risk has increased significantly since the initial recognition.

(3) Portfolio method for assessing expected credit risk based on portfolio

The company evaluates individual credit risks of financial assets with significantly different credit risks, such as accounts receivable from related parties; Receivables in dispute with the other party or involved in litigation or arbitration; Receivables where there is a clear indication that the debtor is likely to be unable to meet repayment obligations.

In addition to financial assets for individual credit risk assessment, the Company divides financial assets into different groups based on common risk characteristics and evaluates credit risk on a portfolio basis.

(4) Accounting treatment of financial asset impairment

At the end of the period, the Company calculates the expected credit loss of various financial assets. If the expected credit loss is greater than the carrying amount of its current impairment reserve, the difference will be recognized as an impairment loss. If it is less than the carrying amount of the current impairment provision, the difference is recognized as an impairment gain.For a financial asset measured at amortized cost, the loss reserve is set against the carrying value of the financial asset as shown in the balance sheet; For debt investments measured at fair value and whose changes are included in other comprehensive income, the Company recognizes its loss provision in other comprehensive income and does not offset the carrying value of the financial asset.

If the Company no longer reasonably expects that the cash flow of the financial asset contract can be recovered in whole or in part, it will directly write down the book balance of the financial asset. Such a write-down constitutes the termination of recognition of the underlying financial asset. This usually occurs when the Company determines that the debtor does not have assets or sources of income that can generate sufficient cash flow to repay the amount that will be written down.

(5) Determination methods of credit losses of various financial assets

① Notes Receivable

The company measures the loss provision for notes receivable in accordance with the amount of expected credit losses equivalent to the entire term of existence. Based on the credit risk characteristics of notes receivable, they are divided into different portfolios:

Items	Basis for Grouping
Bank acceptance draft	The drawer has a high credit rating, no bill default in history, very low risk of credit loss, and strong ability to fulfill its obligations to pay contract cash flow in a short term
Commercial acceptance draft	The classification is based on the credit risk of acceptor, which is the same as the classification of "accounts receivable" portfolio

For notes receivable divided into portfolios, the Company calculates expected credit losses based on default risk exposure and expected credit loss rates over the lifetime, taking into account historical credit loss experience, current conditions and projections of future economic conditions.

② Accounts receivable and contract assets

For receivables and contract assets that do not contain significant financing elements, the Company shall measure the loss provision according to the amount of expected credit losses equivalent to the entire term of existence.

For receivables, contract assets and lease receivables that contain a significant financing component, the Company elects to always measure the loss provision at an amount equal to the expected credit loss over the life of the company.Instead of choosing a simplified treatment, the loss provision is measured by the amount of expected credit losses over the next 12 months or over the entire duration, based on whether the credit risk has increased significantly since the initial recognition.

In addition to the receivables for individual credit risk assessment, they are divided into different portfolios based on their credit risk characteristics:

Items	Basis for Grouping
Accounts receivable:	
Portfolio 1: risk-free combination method	This portfolio refers to the accounts receivable from related parties, the money recovered after the period, the receivables receivable from government units and other receivables. This portfolio is a portfolio without recovery risk, and no provision for bad debts is made
Portfolio 2: aging analysis method	This portfolio takes the aging of accounts receivable as the credit risk feature, and makes provision for bad debts based on the aging portfolio.
Contract assets:	
Portfolio 1: aging analysis method	This portfolio represents the outstanding amount of construction works paid by the Owner
Portfolio 2: risk-free combination method	This portfolio is a warranty

a. The expected credit loss rate of the portfolio using the aging analysis method is as follows:

Aging	Percentage of allowance for doubtful accounts to accounts receivable (%)
Within 1 year (including 1 year)	0.00
1-2 years (including 2 years)	5.00
2-3 years (including 3 years)	10.00
3-4 years (including 4 years)	30.00

Aging	Percentage of allowance for doubtful accounts to accounts receivable (%)
4-5 years (including 5 years)	70.00
Above 5 years	100.00

For the accounts receivable divided into portfolios, the Company makes reference to the historical credit loss experience, combined with the current situation and the forecast of the future economic situation, and prepares the comparison table of the expected credit loss rate of the accounts receivable over the entire aging period to calculate the expected credit loss.

For the contract assets divided into portfolios, the Company calculates expected credit losses based on the default risk exposure and expected credit loss rate over the entire duration by referring to historical credit loss experience, combining the current situation and the forecast of future economic conditions.

③ Other receivables

Based on whether the credit risk of other receivables has increased significantly since the initial recognition, the company uses the amount equivalent to the expected credit loss within the next 12 months or the entire duration to measure the impairment loss. In addition to other receivables that are individually assessed for credit risk, they are divided into different groups based on their credit risk characteristics:

Items	Basis for Grouping
Portfolio 1: risk-free combination method	According to the credit risk assessment results and historical experience data, it is a portfolio of very low credit risk for related party receivables, money recovered after a certain period, normal employee reserves, deposits, deposits, government receivables, etc.
Portfolio 2: aging analysis method	In addition to the portfolio of risk-free portfolio method, the receivables are applicable to the portfolio of aging analysis.

a. The expected credit loss rate of the portfolio using the aging analysis method is as follows:

Aging	Percentage of allowance for doubtful accounts to other receivables (%)
Within 1 year (including 1 year)	0.00
1-2 years (including 2 years)	5.00
2-3 years (including 3 years)	10.00
3-4 years (including 4 years)	30.00
4-5 years (including 5 years)	70.00
Above 5 years	100.00

For other receivables classified as portfolios, the Company calculates expected credit losses based on default exposure and expected credit loss rates over the next 12 months or over the duration, using historical credit loss experience combined with current conditions and projections of future economic conditions.

④ Debt investments、Other debt investments

According to whether its credit risk has increased significantly since the initial recognition, the company uses the amount equivalent to the expected credit loss within the next 12 months or the entire duration to measure the impairment loss.

⑤ Long-term receivables

In addition to the long-term receivables for individual credit risk assessment, they are divided into different portfolios based on their credit risk characteristics:

Items	Basis for Grouping
Portfolio 1:Project receivables	This portfolio represents the owner's outstanding construction works.
Portfolio 2: Other receivables	The portfolio takes the aging of long-term receivables as the credit risk feature.

For long-term receivables classified as portfolio 1, the Company calculates expected credit losses based on default risk exposure and expected credit loss rates throughout the duration, taking into account historical credit loss experience, current conditions and projections of future economic conditions.

For the long-term receivables classified as portfolio 2, the Company makes reference to the historical credit loss experience, combined with the current situation and the forecast of future economic conditions, and prepares the comparison table of the expected credit loss rate of the receivables over the entire aging period to calculate the expected credit loss.

12. Inventories

(1) Classification of Inventories

Inventories mainly include materials, work in progress and semi-finished goods, reusable materials, finished goods, and merchandise, Development costs, Product development,contract performance costs, etc.

Inventories refer to finished products or commodities held by the Company for sale in daily activities, products in the process of production, materials and supplies consumed in the process of production or provision of services, mainly including materials, work in progress and semi-finished goods, reusable materials, finished goods, and merchandise, Development costs, Product development,contract performance costs, etc.

(2) Cost Measurement for Inventories

When acquired, the cost of inventories shall be measured at the actual costs, which comprise costs of purchase, costs of conversion and other costs. Inventories mainly include inventory materials, development products under construction (development costs), completed development products and development products intended for sale but temporarily leased. The cost of developing products includes land transfer fees, infrastructure and supporting facilities expenses, construction and installation project expenses, borrowing costs incurred before the completion of the development project and other related expenses during the development process. When inventories are dispatched, the weighted average method is used to determine their actual cost.

(3) Measurement of Net Realizable Value and Write-Down

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale, and related taxes and surcharges. Estimates of net realizable value are based on reliable evidence available at the time the estimates are made, at the same time, take into consideration the purpose for which the inventory is held and effect of subsequent events after the reporting date.

For inventory directly used for sale, such as materials used for sale of finished products of the company, in the normal process of production and operation, its net realisable value shall be determined by the estimated selling price of the inventory minus the estimated selling expenses and related taxes and fees. For inventories held for the execution of sales contracts or labor contracts, the contract price shall be taken as the measurement basis of their net realisable value; If the quantity of inventory held is more than the quantity ordered in the sales contract, the net realisable value of the excess inventory is measured on the basis of the general sales price. Materials for sale shall be measured at the market price as the basis of their net realisable value. For the inventory of materials that need to be processed, in the normal process of production and operation, its net realisable value shall be determined by the estimated selling price of the finished products produced minus the estimated cost to be incurred at the time of completion, the estimated selling expenses and relevant taxes and fees.

Inventory depreciation reserves are generally withdrawn according to a single inventory item. For inventory with large quantity and low unit price, inventory depreciation reserves are withdrawn according to inventory categories. On the balance sheet date, inventory is measured at the lower of cost and net realisable value. When the circumstances that previously caused inventories to be written down below cost no longer exist and the net realizable value is higher than the carrying amount, the amount of the write-down is reversed (i.e. the reversal is limited to the amount of the original write-down), and the amount of reversal is recorded in profit or loss.

(4) Inventory Counting

Inventory counting is performed using the perpetual inventory system,inventory is taken at least once a year, and the amount of inventory profit and loss is included in the profit and loss of the current year

(5) Amortization of Low-Cost Consumables and Packaging Materials

When used, low-cost consumables are amortized by using one-off amortization method; packaging materials are amortized by using one-off amortization method.

13. Contract Assets

The company lists contract assets or contract liabilities in the balance sheet according to the relationship between the performance of performance obligations and customer payments. The Company lists in the balance sheet as the contract assets the customer has not yet paid the contract consideration, but the Company has performed its performance obligations pursuant to the contract and is not entitled to receive payment from the customer unconditionally (i.e., only subject to the passage of time). Contract assets and liabilities under the same contract shall be shown on a net basis, and those under different contracts shall not be set off.

For the determination method and accounting treatment method of expected credit loss of contract assets, refer to Note III-11. Impairment of Financial Assets.

14. Contract Cost

Contract cost includes contract performance cost and contract acquisition cost.

The cost incurred to perform the contract is recognized as an asset if it does not fall within the standard scope of accounting standards for enterprises other than Accounting Standards for Business Enterprises No. 14 - Revenue (revised in 2017) and simultaneously satisfies the following conditions: ① The cost is directly related to a current or prospective contract, including direct labor, direct materials, manufacturing costs (or similar), costs expressly borne by the customer and other costs incurred solely as a result of the contract; ② The cost increases the company's resources for future performance obligations; ③ The cost is expected to be recovered.The asset is presented in inventory or other non-current assets based on whether the amortization period exceeds a normal operating cycle at the time of its initial recognition.

The incremental cost incurred by the Company to obtain a contract is recognized as an asset if it is expected to be recovered as a contract acquisition cost. However, if the amortization period of the asset does not exceed one year, it is included in the current profit or loss when it occurs.

Assets related to contract costs are amortized on the same basis as the recognition of commodity income related to the assets and included in the current profit and loss.

15. Long-term Equity Investments

Long-term equity investments refer to the long-term equity investment in which the Group has control or joint control of, or significant influence over, the investee, and equity investments in joint ventures.Where the company can exert significant influence on the invested entity, it is a joint venture of the company.

Joint 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

(1) Cost of Investments

For long-term equity investments recognized in a business combination under common control, on the combination date, the initial cost shall be measured at the proportionate share of the carrying amount of the acquiree's owners' equity in the acquiree's ultimate controlling party's consolidated financial statements. Difference between the initial cost of long-term equity investments and the carrying amount of consideration paid (including any cash paid, non-cash assets transferred or liabilities assumed) shall adjust capital reserve, and then adjust retained earnings if capital reserve balance is reduced to zero. If a company issues equity interests in exchange for control of the acquiree, on the combination date, the initial cost of long-term equity investments shall be measured at the proportionate share of the carrying amount of the acquiree's owners' equity in the acquiree's ultimate controlling party's consolidated financial statements, the total par value of the shares issued shall be recognized as share capital, difference between the initial cost of long-term equity investments and the total par value of the shares issued shall adjust capital reserve, and then adjust retained earnings if capital reserve balance is reduced to zero.

For long-term equity investments recognized in a business combination not under common control, on the acquisition date, the initial cost shall be measured at the cost of combination, which includes fair values of the assets transferred by the acquirer, the liabilities incurred or assumed by the acquirer, and the equity interests issued by the acquirer in exchange for control of the acquiree.

Professional fees such as audit, legal, valuation fees and general administrative costs incurred for the business combination are accounted for as expenses in the periods in which the costs are incurred and the services are received.

Equity investments, other than those arise in business combinations, are recognized at cost on initial recognition; based on ways of acquisition, the cost is accounted for at the amount of cash paid by the Group, the fair value of equity interests issued by the Group, the agreed value in the investment contract, the fair value or original carrying amount of non-cash assets transferred by the Group, or the fair value of the long-term equity investments, etc. Any direct expense, tax and necessary cost are recognized in the cost of investments. For additional investments that result in significant influence over or joint control of the investee (and do not result in control), the cost of long-term equity investments is the sum of fair value of previously held equity interest in the investee and the additional cost of investments, according to Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments.

(2) Subsequent Measurement and Recognition of Profit or Loss

Long-term equity investments where the Group has joint control (except for joint operation) of or significant influence over the investee are accounted for by equity method. The Group accounts for long-term equity investments at cost where the Group has control of the investee.

① Long-term Equity Investments Measured at Cost

Long-term equity investments are recognized at cost on initial recognition; if the Group increases or recovers the cost of its investments in the investee, the cost of long-term equity investments shall be adjusted accordingly. The Group accounts for investment income for current period at the amount of its share of cash dividends declared and profits to be distributed by the investee, except for: (a) cash dividends declared but undistributed or (b) undistributed profits, which are included in the consideration paid for the investments.

② Long-term Equity Investments Using Equity Method

Under equity method, when the initial cost of long-term equity investments exceeds the Group's proportionate share in the acquisition-date fair values of the investee's identifiable net assets, the initial cost of investments is not subject to adjustment; when the initial cost of investments is lower than the Group's proportionate share in the acquisition-date fair values of the investee's identifiable net assets, the difference shall be recognized in profit or loss, and the cost of investments shall be adjusted at the same time.

The carrying amount of long-term equity investments is adjusted to recognize the Group's share of the profit or loss of the investee and the Group's proportionate interest in the investee arising from changes in the investee's other comprehensive income, at the same time, the Group's share of the investee's profit or loss is recognized in investment income, and the Group's proportionate interest in the investee arising from changes in the investee's other comprehensive income is recognized in the Group's other comprehensive income. The Group's share of profits to be distributed or cash dividends declared by the investee reduce the carrying amount of long-term equity investments. Other changes in investee's equity, except for profit or loss, other comprehensive income and profit distribution, shall be recognized in owner's equity, and the carrying amount of long-term equity investments shall be adjusted accordingly. Appropriate adjustments to the Group's share of the investee's profit or loss after acquisition are made in order to account for the net identifiable assets based on their fair values at the acquisition date. If the investee's accounting policy and accounting period are not in conformity with those of the Group, appropriate adjustments shall be made based on the Group's accounting policy and accounting period, in order to recognize the amounts of investment income and other comprehensive income. As for transactions between the Group and its associate or joint venture, when the contributed or sold assets do not constitute a business, the Group's share in the associate's or joint venture's unrealized gains or losses resulting from these transactions is eliminated; on that basis, investment income is recognized. However, if the unrealized losses are impairment losses of assets sold or contributed during the transactions, they shall not be eliminated. When the contributed assets from the Group to its joint venture or associate constitute a business, and consequently the Group gains long-term equity investments but not control of the investee, the Group shall account for the additional long-term equity investments at fair value of the contributed business; difference between the initial cost of investments and the carrying amount of contributed business, shall be recognized in full in profit or loss. When the sold assets from the Group to its joint venture or associate constitute a business, the difference between consideration received and the carrying amount of the business shall be recognized in full in profit or loss. When the purchased assets from its associate or joint venture constitute a business, the Group shall fully recognize relevant profit or loss, according to Accounting Standards for Business Enterprises No. 20 – Business Combination.

If the Group's share of losses of an investee equals or exceeds the carrying amount of the long-term equity investments in the investee together with any long-term interests that, in substance, form part of the Group's net investment in the investee, the Group discontinues recognizing its share of further losses. If the Group has incurred obligations to assume additional losses for the investee, the Group shall recognize a liability and relevant loss in current period. If the investee subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

For any long-term equity investment in its associate or joint venture held before initial application of the new accounting standards, the Group recognizes the amortized amount of the existing debit balance of the investment, using straight-line method over the original remaining term, in profit or loss.

③ Disposal of Long-term Equity Investments

In the consolidated financial statements, for the partial disposal of long-term equity investments without losing control of the subsidiary, the difference between consideration received and the proportionate share of the subsidiary's net assets for the disposed investments shall be recognized in equity; for the partial disposal of long-term equity investments that results in loss of control of the subsidiary, see Note III-6. "Preparation Method of Consolidated Financial Statements" - (2) for the accounting treatment.

In other circumstances of disposal of long-term equity investments, the difference between the carrying amount of the disposed investments and the consideration received shall be recognized in profit or loss.

After the disposal of long-term equity investments accounted for using equity method, if the equity method still applies for the investments retained, the Group shall account for the proportionate amounts previously recognized in other comprehensive income on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. Any equity previously recognized for changes of investee's equity excluding changes in investee's net profit or loss, other comprehensive income and profit distribution, is proportionately reclassified to profit or loss.

After the Group disposes long-term equity investments measured at cost, if the investments retained are still measured at cost, the Group shall account for the amounts previously recognized in other comprehensive income, that are recognized according to equity method or recognition and measurement requirements of financial instruments before the Group obtains control of the investee, on the same basis as would have been required if the investee had directly disposed of related assets or liabilities, and the proportionate amounts shall be reclassified to profit or loss; any equity previously recognized under equity method for changes of investee's equity excluding changes in investee's net profit or loss, other comprehensive income and profit distribution, is proportionately reclassified to profit or loss.

After the Group loses control of an investee due to partial disposal of equity investments, if the Group has joint control of, or significant influence over, the investee, the Group shall account for the investments retained using equity method in its individual financial statements, and apply equity method retrospectively to the date of acquisition; if the Group has neither joint control of, nor significant influence over, the investee, the Group shall account for the investments retained according to the recognition and measurement requirements of financial instruments, the difference between the fair value and carrying amount of the investments retained shall be recognized in profit or loss when the control is lost. When the Group loses control of the investee, the Group shall account for the amounts previously recognized in other comprehensive income, that are recognized according to equity method or recognition and measurement requirements of financial instruments before the Group obtains control of the investee, on the same basis as would have been required if the investee had directly disposed of related assets or liabilities; any equity previously recognized under equity method for changes of investee's equity excluding changes in investee's net profit or loss, other comprehensive income and profit distribution, is reclassified to profit or loss when the control is lost. If the investments retained are accounted for using equity method, the above-mentioned other comprehensive income and equity are proportionately reclassified; if the investments retained are accounted for according to the recognition and measurement requirements of financial instruments, the above-mentioned other comprehensive income and equity are reclassified in full.

After the Group loses joint control of, or significant influence over, the investee due to partial disposal of equity investments, the retained investments are accounted for according to the recognition and measurement requirements of financial instruments, the difference between the fair value and carrying amount of the investments retained shall be recognized in profit or loss when the joint control or significant influence is lost. When the Group discontinues the use of the equity method, the Group shall account for the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the investee had directly disposed of related assets or liabilities; any equity previously recognized under equity method for changes of investee's equity excluding changes in net profit or loss, other comprehensive income and profit distribution, is reclassified in full to profit or loss.

16. Investment Properties

Investment property is held to earn rentals or for capital appreciation or both, which includes leased land use rights, land use rights readily transferable after capital appreciation, and leased buildings, etc. In addition, if the board of directors (or equivalent body) has a written resolution on a vacant building held to be leased out, and it is clearly stated that the building will be leased out and that intention will not change in the short-term, the building shall be presented as an investment property.

An investment property is measured initially at its cost. When it is probable that the future economic benefits that are associated with the investment property will flow to the Group, and the cost can be measured reliably, costs incurred subsequently in relation to the investment property shall be recognized in the cost of investment property when incurred. All other costs incurred subsequently shall be recognized in profit or loss when incurred.

The Group chooses cost model for subsequent measurement of investment property, the depreciation or amortization methods applied to the investment property shall be consistent with those of properties and buildings or land use rights.

For impairment test and measurement of impairment, see Note III-22 “Impairment of Non-current and Non-financial Assets”.

A transfer from owner-occupied property or inventories to investment property, or a transfer from investment property to owner-occupied property, does not change the carrying amount of the property transferred.

When there is a change in use to owner-occupation, from that date, the Group shall transfer the investment property to fixed asset or intangible asset. When there is change in use from owner-occupation to earning rentals or capital appreciation, from that date, the Group shall transfer the fixed asset or intangible asset to investment property. If an owner-occupied property becomes an investment property measured using cost model, the property shall be accounted for at its previous carrying amount before the transfer occurs. If an owner-occupied property becomes an investment property that will be carried at fair value, the property shall be accounted for at fair value on the date of transfer.

An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from sales, transfer, retirement of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and related taxes and surcharges shall be recognized in profit or loss.

17. Fixed Assets

（1）Recognition

Fixed assets are tangible items that: a) are held for use in the production or supply or goods or services, for rental to others, or for administrative purposes; and b) are expected to be used during more than one financial year. A fixed asset shall be recognized only when (a) it is probable that future economic benefits associated with the item will flow to the Group, and (b) the cost of the item can be measured reliably.

（2）Classification, Measurement, and Depreciation

From the subsequent month after a fixed asset gets ready for its intended use, the Group depreciates the fixed asset on a monthly basis over its useful life. Useful life, residual value rate, and annual depreciation rate for each class of fixed assets are as follows:

Class of fixed assets	Depreciation method	Useful life (Year)	Residual value rate (%)	Annual depreciation rate (%)
Buildings	straight-line depreciation	20-30	5	4.75-3.17
Machinery and equipments	straight-line depreciation	10-12	5	9.50-7.92
Transport equipments	straight-line depreciation	5	5	19.00
Office supplies	straight-line depreciation	5-10	5	9.50-19.00
Electronic equipments	straight-line depreciation	5	5	19.00
Pipe network	straight-line depreciation	15	5	6.33

(3) Impairment Test and Measurement of Impairment

For impairment test and measurement of impairment of fixed assets, see Note III-22 "Impairment of Non-current and Non-financial Assets".

(4) Others

Fixed assets are initially measured at cost and taking into account the impact of expected disposal costs.Subsequent costs incurred for a fixed asset are recognized in the carrying amount of the fixed asset if (a) it is probable that future economic benefits associated with the asset will flow to the entity and (b) the costs can be measured reliably; and the carrying amount of the replaced parts of the asset is derecognized. Otherwise, subsequent costs are recognized in profit or loss as incurred.

The carrying amount of a fixed asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The difference between (a) the net disposal proceeds arising from sales, transfer, retirement of the asset and (b) the carrying amount of the fixed asset and related taxes and surcharges is recognized in profit or loss when the asset is disposed.

The Group reviews the useful lives, residual values and depreciation methods applied to fixed assets at least at each financial year-end; any change is accounted for as a change in accounting estimate.

18. Construction in Progress

Construction in progress is measured at cost, which includes costs of construction during the construction period, borrowing costs capitalized before the asset gets ready for intended use and other relevant costs. Construction in progress is recognized as fixed asset when it is ready for intended use. Construction in progress is carried forward to fixed assets after reaching the expected usable state. For the fixed assets built that have reached the expected usable state but have not yet handled the final settlement of completion, from the date of reaching the expected usable state, according to the project budget, cost or actual cost of the project, they shall be transferred to fixed assets at the estimated value, and the depreciation of fixed assets shall be withdrawn according to the company's fixed assets depreciation policy.

After the final settlement of completion, the original estimated value shall be adjusted according to the actual cost, However, the depreciation amount that has been withdrawn will not be adjusted.

For impairment test and measurement of impairment of construction in progress, see Note III-22 "Impairment of Non-current and Non-financial Assets".

19. Borrowing Costs

Borrowing costs include interest expense, amortization of discounts or premiums, ancillary expenses incurred in connection with the borrowing of funds, and exchange differences arising from foreign currency borrowings, etc. The Group begins capitalizing borrowing costs, which are directly attributable to the acquisition, construction or production of a qualifying asset, on the date when the Group first meets all of the following conditions: (a) it incurs expenditures for the asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. The Group ceases capitalizing borrowing costs when the qualifying asset gets ready for its intended use or sale. Other borrowing costs are recognized as an expense in the period in which they are incurred.

If the Group borrows funds specifically for the purpose of obtaining a qualifying asset (specific-purpose borrowings), the amount of borrowing costs eligible for capitalization is the actual interest expense incurred on that borrowing for the period less any interest income from depositing the unused borrowings or any investment income on the temporary investment of those borrowings. If the Group borrows funds generally (general-purpose borrowings) and uses them for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset. The expenditures on that asset shall be calculated as the weighted average of the excess of accumulated expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is calculated as the weighted average of the interest rates applicable to general-purpose borrowings of the Group.

During the capitalization period, exchange differences in connection with a specific-purpose borrowing denominating in foreign currency are all capitalized. Exchange differences in connection with a general-purpose borrowing are recognized in profit or loss as incurred.

A qualifying asset is a fixed asset, an investment property, or an inventory that necessarily takes a substantial period of time of acquisition, construction or production activities to get ready for its intended use or sale.

The Group suspends capitalization of borrowing costs during periods in which the acquisition, construction or production of a qualifying asset is delayed by activities other than those necessary to prepare the asset for its intended use or sale, and the delay is for a continuous period of more than 3 months; the Group resumes capitalization of borrowing costs after it restarts the acquisition, construction or production activities of the qualifying asset.

20. Right-of-use assets

For the determination method and accounting treatment method of the right-of-use assets, please refer to Note III-31 "Lease".

21. Intangible Assets

（1）Recognition and Measurement of Intangible Assets

Intangible assets are identifiable non-monetary assets without physical substance, which are possessed or controlled by the Group.

The intangible assets are initially measured at cost. Expenditure on the intangible assets, if it is probable that the expected economic benefits that are attributable to the assets will flow to the entity, and the cost of the assets can be measured reliably, shall be included in the cost of the intangible assets. Expenditure other than these shall be included in profit or loss as incurred.

The land use right is usually recognized as intangible asset. For buildings such as plants that are developed and constructed by the Group, relevant land use rights and buildings are recognized as intangible assets and fixed assets respectively. For purchased buildings, the payments shall be reasonably allocated to land use right and buildings, if it is difficult to allocate reasonably, then all are treated as fixed assets.

For the intangible asset with a finite useful life, when it is available for use, its original value less estimated residual value and accumulative impairment shall be amortized using straight line method over its useful life. The intangible asset with an indefinite useful life shall not be amortized.

Among them, the useful life and amortization methods of intangible assets with limited useful life are as follows:

Items	Useful life（Year）	Amortization method	依据
Land use right	40	straight-line amortization	Statutory right to use
Software	5	straight-line amortization	The service life is determined by referring to the period that can bring economic benefits to the company

The useful life and amortization method of intangible asset with a finite useful life shall be reviewed at period end, and the change is accounted for as a change in accounting estimate. The useful life of the intangible asset with an indefinite useful life shall be reviewed as well, if there is evidence showing a foreseeable limit to the period over which such asset is expected to generate economic benefits for the entity, it, over its estimated useful life, shall be amortized according to the policy for intangible asset with a finite useful life.

（2）Research and Development Expenditure

The internally generated research and development expenditure is divided into expenditure for the research phase and for the development phase.

Expenditure on the research phase shall be included in profit or loss when it is incurred.

Expenditure on the development phase shall be recognized as intangible asset if the Group can demonstrate all of the following; otherwise, it shall be included in profit or loss:

①The technical feasibility of completing the intangible asset so that it will be available for use or sale;

②Its intention to complete the intangible asset and use or sell it;

③How the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

④The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;

⑤Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

If research expenditure cannot be distinguished from development expenditure, all expenditure will be recorded in profit or loss as a whole.

(3) Impairment Test and Measurement of Impairment for Intangible Assets

Please see Note III-22 "Impairment of Non-current and Non-financial Assets".

22. Impairment of Non-current and Non-financial Assets

For fixed assets, construction in progress, intangible assets with finite useful lives, investment property measured at cost model, long-term equity investment on subsidiaries, joint-ventures or associates, goodwill and other non-current and non-financial assets, the Group assesses at the reporting date whether there is any indication that the asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset and carries out impairment test. Goodwill, intangible assets with indefinite useful lives or intangible assets not yet available for use will be tested for impairment annually, irrespective of whether there is any indication of impairment.

If impairment test shows that the recoverable amount of the asset is less than its carrying amount, the difference shall be recorded as loss allowance and recognized as impairment loss. The recoverable amount of the asset is the higher of its fair value less costs of disposal and its present value of expected future cash flows. The fair value of the asset is determined by price as agreed in the sales agreement in an arm's length transaction. Where there is no sales agreement, but there is active market, the fair value is determined by the quoted price by the buyer of the asset. Where there is neither sales agreement nor active market, the fair value is estimated based on the best information available. Costs of disposal include legal costs, related taxes and surcharges, costs of removing the asset, and direct incremental costs to bring the asset into condition for its sale. Present value of the expected future cash flow is calculated by estimating the future cash flows to be derived from continuing use of the asset and from its ultimate disposal, and applying the appropriate discount rate to those future cash flows. Impairment is calculated and recognized for the individual asset, if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash-generating unit to which the said asset belongs. A cash-generating unit is the smallest group of assets that generates cash inflows that are independent of the cash inflows from other assets or groups of assets.

For the purpose of impairment testing, the carrying amount of the goodwill presented separately in the financial statement is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination. The impairment loss is recognized for the cash-generating unit or group of the cash-generating units to which goodwill has been allocated if the recoverable amount of the unit (group of units) is less than the carrying amount of the unit (group of units). The impairment loss is allocated to first reduce the carrying amount of the goodwill allocated to the cash-generating unit (group of units), and then, to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units).

Above impairment loss, once recognized, shall not be reversed in a subsequent period.

23. Long-term Prepaid Expenses

The long-term prepaid expenses are expenses which have been paid but will be amortized within the period over one year, including the current reporting period during which the expenses were incurred and the subsequent reporting period. Long-term prepaid expenses are amortized on a straight-line basis over the expected benefit period.

24. Contract Liabilities

The Company lists contract assets or contract liabilities in the balance sheet according to the relationship between the performance of performance obligations and customer payments. Contract liabilities refer to the company's obligation to transfer goods to customers after receiving or receivable consideration from customers. If the customer has paid the contract consideration or the company has obtained the unconditional right to receive payment before the company transfers the goods to the customer, the company shall, at the earlier point of time when the customer actually pays the amount and the amount due and payable, shall pay the amount received or payable. Receivables are presented as contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis, and contract assets and contract liabilities under different contracts are not offset.

25. Employee Benefits

The employee benefits refers to various forms of remuneration or compensation other than share based payment given by the company for the purpose of obtaining services provided by employees or terminating labor relations. The employee benefits of the Group include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

Short-term employee benefits include salaries, bonuses allowances and subsidies, welfare, health insurance, maternity insurance, work injury insurance, housing funds, labor union funds, employee education funds, and other non-monetary benefits. The actual short-term employee benefits for the accounting period when the employee has rendered service to the Group are recognized as liability, and recorded in profit or loss or in the cost of related asset. The non-monetary benefits are measured at fair value.

Post-employee benefits include basic pensions, unemployment insurance and annuity. Post-employee benefit plans include defined contribution plan and defined benefit plan. Under defined contribution plan, the contribution payable is recorded in the cost of related asset or in the profit or loss as incurred. The Group adopts a defined benefit plan benefit unit method. Under such defined benefit plan, the Group hires an independent actuary, using the projected unit credit method, and unbiased and mutually compatible actuarial assumption to make estimates about demographic variables and financial variables and determine the defined benefit obligations and the reporting periods that the obligations shall be recognized. At the reporting date, the Group shall present the present value of the defined benefit obligations, and recognize the current service cost in profit or loss.

In the event that the Group decides to terminate an employee's employment before the contract is expired, or the Group offers benefits in exchange of an employee's decision to accept the redundancy, the liabilities related to the termination benefits shall be recognized at the earlier date when the Group cannot unilaterally withdraw the offer of those benefits, and when the Group recognizes costs for restructuring and involves the payment of termination benefits, and recorded in profit or loss. If the termination benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period, the Group shall apply the requirements for other long-term employee benefits.

Same principle as above termination benefits shall be applied for early retirement plan of employee. The Group recognizes the compensation and social security contributions payable to the employee under the early retirement plan for the period since the date when the employee no longer renders any service till the normal retirement date in profit or loss (termination benefit), only if the criteria for recognition of provisions is met.

Other long-term employee benefits the Group offers, if meeting the requirements for defined contribution plan, shall be accounted for as defined contribution plan accordingly. Otherwise, accounting treatment of defined benefit plan shall be applied.

26. Lease Liabilities

For the determination method and accounting treatment method of lease liabilities, please refer to Note III-31 "Lease".

27. Estimated Liabilities

An obligation related to contingencies is recognized as an expected liability if it simultaneously meets the following conditions :(1) the obligation is a current obligation of the company; (2) the performance of the obligation is likely to result in outflow of economic benefits; (3) The amount of the obligation can be measured reliably.

At the balance sheet date, the projected liability is measured at the best estimate of the expenditure required to fulfill the relevant current obligation, taking into account the risks, uncertainties and time value of money associated with the contingencies.The carrying value of projected liabilities is reviewed at each balance sheet date. If there is conclusive evidence that the carrying value does not reflect the current best estimate, the carrying value is adjusted according to the current best estimate.

If all or part of the expenses required to repay the estimated liabilities are expected to be compensated by a third party, the amount of compensation shall be recognized separately as an asset when it is basically determined to be received, and the amount of compensation recognized shall not exceed the book value of the estimated liabilities.

(1) Loss Contract

A loss making contract is a contract in which the cost inevitably incurred in fulfilling the contractual obligations exceeds the expected economic benefits. If the contract to be executed becomes a loss contract and the obligations arising from the loss contract meet the recognition conditions of the above estimated liabilities, the part of the estimated loss of the contract exceeding the recognized impairment loss (if any) of the underlying assets of the contract shall be recognized as estimated liabilities.

(2) Reorganization Obligation

For the reorganization plan with detailed, formal and announced to the public, the amount of estimated liabilities shall be determined according to the direct expenditure related to the reorganization on the condition that the recognition conditions of the aforementioned estimated liabilities are met. For the restructuring obligation to sell part of the business, the obligation related to the restructuring is recognized only when the company undertakes to sell part of the business (i.e., when a binding sale agreement is signed).

28. Revenue

The Group shall recognize the consideration received as revenue when the customer obtains control of promised goods or services if the contract with customer meets all of the following criteria : the parties to the contract have approved the contract and are committed to perform their respective obligations; each party's rights and obligations regarding the goods or services to be transferred are identified; the payment terms for the goods or services to be transferred are identified; the contract has commercial substances, i.e. the risk, timing or amount of the Group's future cash flow is expected to change as a result of the contract; it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

At contract inception, the Group shall identify every single performance obligation in the contract, and allocate the transaction price in proportion to each performance obligation based on the stand-alone selling prices of the promised goods or services underlying each obligation. When determining the transaction price, the Group shall consider the effects of variable consideration, the existence of a significant financing component in the contract, non-cash consideration and consideration payable to a customer.

For each of the performance obligation, the Group shall recognize the revenue over time at an amount of transaction price allocated to that performance obligation based on its progress towards complete satisfaction of the performance obligation, If one of the following criteria is met: a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; b) the Group's performance creates work in progress that the customer controls as it is created; and c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Progress towards complete satisfaction of a performance obligation is measured in accordance with input methods or output methods based on the nature of the goods or services to be transferred. If the Group may not be able to reasonably measure the progress towards complete satisfaction of a performance obligation, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group shall recognize revenue only to the extent of the costs incurred until such time that it can reasonably measure the progress towards complete satisfaction of that performance obligation.

If any of above criteria is not satisfied, the Group shall recognize revenue at an amount of transaction price allocated to the performance obligation at a point in time at which the customer obtains control of the promised goods or services. In determining the point in time at which a customer obtains control of the promised goods or services, the Group shall consider following indicators: a) the Group has a present right to payment for the promised goods or services, i.e. the customer is presently obliged to pay for such goods or services; b) the Group has transferred the legal title of the promised goods or services to the customer, i.e. the customer has legal tile to such goods or services; c) the Group has transferred physical possession of the promised goods or services, i.e. the customer has physical possession of such goods or services; d) the Group has transferred the significant risks and rewards of ownership of the promised goods or services to the customer, i.e. the customer has the significant risks and rewards of ownership of such goods or services; and e) the customer has accepted the promised goods or services, and other indicators of the transfer of control.

The specific methods for revenue recognition of the company are as follows:

① Sales Contract

The contract for the sale of goods between the Company and the customer contains the performance obligation to transfer the goods, which is the performance obligation at a certain point.

The following conditions shall be met for the recognition of product sales revenue: the Company has delivered the product to the customer according to the contract and the customer has accepted the product, the payment has been recovered or the receipt of payment has been obtained and the relevant consideration is likely to be recovered, the main risks and rewards in the ownership of the product have been transferred, and the legal ownership of the product has been transferred;

② Construction Contract

The construction contract between the Company and the customer contains performance obligations for the construction of the project, and since the customer has control over the goods under construction in the course of the Company's performance, the Company regards them as performance obligations to be performed within a certain period of time and recognizes revenue based on performance progress, except where performance progress cannot be reasonably determined. The Company determines the performance progress of the services provided in accordance with the input method. The performance progress shall be determined according to the proportion of the contract cost actually incurred for the performance of the contract to the estimated total contract cost or the proportion of the completed contract workload to the estimated total contract workload. At the balance sheet date, the Company reestimates the progress of completed or completed services to reflect changes in performance.

③ BT Contract

For the company providing infrastructure construction services, the contract performance cost shall be recognized at the construction stage, and the relevant infrastructure construction service income and cost shall be recognized after the completion of the construction and the receipt of the settlement notice. The infrastructure construction service income shall be measured at the consideration received or entitled to receive, and the contract assets shall be recognized at the same time of recognizing the income, and the major financing components in the contract arrangements shall be accounted for. When it has the right to collect consideration unconditionally, it will be transferred to "long-term receivables" and offset after receiving the payment paid by the owner.

29. Government Grants

Government grants refer to monetary grants and non-monetary grants the Group receives from the government for free, excluding the capital invested by the government as an investor and in return the government can enjoy the corresponding owner's equity. Government grants involve grants related to assets and grants related to income. Monetary government grants shall be measured at the amount received or expected to be received. Non-monetary government grants shall be measured at fair value, and otherwise measured at nominal amount if the fair value cannot be reliably obtained. Government grants measured at nominal amount shall be recognized directly in profit or loss. The company defines the government subsidies obtained for the acquisition, construction or other forms of long-term assets as government subsidies related to the assets; The remaining government subsidies are defined as government subsidies related to income. If the object of subsidy is not clearly specified in the government documents, the subsidy shall be divided into government subsidy related to income and government subsidy related to assets in the following ways: (1) If the government documents clearly define the specific project for which the subsidy is targeted, the division shall be made according to the relative proportion of the expenditure amount of assets formed and the expenditure amount recorded into expenses in the budget of the specific project. The division proportion shall be reviewed on each balance sheet date and changed if necessary; (2) If the purpose is only generally stated in government documents without specifying specific projects, it shall be regarded as government subsidies related to income.

The company will confirm and measure the government subsidy according to the actual amount when it is actually received. However, if there is conclusive evidence at the end of the period that it can meet the relevant conditions stipulated by the financial support policy and is expected to receive the financial support fund, it shall be measured according to the amount receivable. The government subsidies measured according to the amount of receivables shall also meet the following conditions :(1) the amount of receivables has been confirmed by the competent government department in a document, or can be reasonably calculated according to the relevant provisions of the officially issued financial fund management measures, and it is expected that there is no major uncertainty in the amount; (2) is based on the local financial department formally issued and shall be in accordance with the provisions of the government information disclosure regulations and active public project and its financial support measures for the management of financial funds, and the management measures should be universality (any conform to the requirements as prescribed in the enterprise application), rather than specific to a particular enterprise set; (3) The appropriation period has been clearly promised in the relevant subsidy approval document, and the appropriation of the money is guaranteed by the corresponding financial budget, so it can be reasonably guaranteed to be received within the specified period; (4) Other relevant conditions (if any) to be met according to the specific situation of the Company and the subsidy item.

Government subsidies related to assets shall be recognized as deferred income, and shall be recorded into current profits and losses by stages in a reasonable and systematic way during the service life of relevant assets. Government subsidies related to income, used to compensate for related costs or losses in subsequent periods, shall be recognized as deferred income, and shall be recorded into current profit and loss during the period in which related costs, expenses or losses are recognized; Compensation for incurred costs or losses shall be directly recorded into current profits and losses.

If the government grants comprise both grants related to assets and grants related to income, the Group shall treat them separately, and if they cannot be distinguished from each other, they shall be accounted for as government grants related to income as a whole.

Government grants related to the daily operation of the Group shall be recognized in other income or by deducting related costs based on the nature of such economic business. Government grants unrelated to daily operation shall be recognized in non-operating revenue or expenses.

When the government grants become repayable, repayment of such grants shall be applied first against the remaining amount of deferred income recognized in respect of the grants. To the extent that the repayment exceeds any such deferred income, the repayment shall be recognized in profit or loss. For other conditions, the repayment shall be recognized immediately in profit or loss.

30. Deferred Tax Assets and Deferred Tax Liabilities

Income tax expenses include current income tax and deferred income tax.Except that the current income tax and deferred income tax related to transactions and events recognized as other comprehensive income or directly included in shareholders' equity are included in other comprehensive income or shareholders' equity, and the book value of goodwill adjusted by deferred income tax arising from business combinations, the rest current income tax and deferred income tax expenses or income are included in the current profit and loss.

(1) Current income tax

On the balance sheet date, the current income tax liabilities (or assets) formed in the current and previous periods are measured at the amount of income tax that is expected to be paid (or returned) calculated in accordance with the provisions of the tax law. The taxable income on which the current income tax expenses are calculated is calculated after corresponding adjustments to the pre-tax accounting profits of the reporting period in accordance with the provisions of the relevant tariff laws.

(2) Deferred Tax Assets and Deferred Tax Liabilities

For temporary differences between the carrying amount and tax base of certain assets or liabilities, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the "balance sheet liability method".The Company does not discount deferred tax assets and deferred tax liabilities.

The deferred tax liability shall not be recognized if it relates to the initial recognition of goodwill or the taxable temporary differences related to the initial recognition of assets or liabilities arising from a transaction that is neither a business combination nor occurs and does not affect accounting profit and taxable income (or deductible losses). In addition, the deferred income tax liabilities related to taxable temporary differences related to investments of subsidiaries, associated enterprises and joint ventures shall not be recognized if the Company can control the time when the temporary differences are reversed and such temporary differences are unlikely to be reversed in the foreseeable future.In addition to the above exceptions, the Company acknowledges all other taxable temporary differences arising from deferred tax liabilities.

The deferred tax assets shall not be recognized for the deductible temporary differences that are related to the initial recognition of assets or liabilities arising from transactions that are neither a business combination nor occur and do not affect accounting profits and taxable income (or deductible losses). In addition, the deferred tax assets related to the deductible temporary differences related to investments of subsidiaries, associated enterprises and joint ventures shall not be recognized if the temporary differences are not likely to be reversed in the foreseeable future or the taxable income amount used to offset the deductible temporary differences is not likely to be obtained in the future. In addition to the above exceptions, the Company shall recognize the deferred tax assets arising from other deductible temporary differences to the limit of the taxable income amount that is likely to be obtained to offset the deductible temporary differences.

For the deductible losses and tax deductions that can be carried forward in the following years, the corresponding deferred tax assets shall be recognized to the limit of the future taxable income that is likely to be used to offset the deductible losses and tax deductions.

On the balance sheet date, the deferred income tax assets and deferred income tax liabilities shall be measured according to the applicable tax rates during the expected collection of related assets or repayment of related liabilities according to the provisions of the tax law.

On the balance sheet date, the book value of the deferred income tax asset is reviewed. If it is likely that sufficient taxable income amount cannot be obtained to offset the benefits of the deferred income tax asset in the future, the book value of the deferred income tax asset will be written down.When it is likely to obtain sufficient taxable income, the amount written down shall be reversed.

(3) Offset of income tax

When it has the statutory right to settle on a net and intends to settle on a net or acquire assets and pay off liabilities at the same time, the company's current income tax assets and current income tax liabilities are presented at the net amount after offsetting.

When it has the statutory right to settle current income tax assets and current income tax liabilities on a net basis, and the deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax administration department on the same taxpayer or related to different taxpayers. However, in the period during which important deferred income tax assets and liabilities are reversed in the future, when the taxpayer involved intends to settle the current income tax assets and liabilities on a net basis or obtain assets and settle liabilities at the same time, the company's deferred income tax assets and deferred income tax liabilities are presented at the net amount after offsetting.

31. Leases

A lease is a contract that conveys the right to control the use of an identified asset or assets for a period of time in exchange for consideration. At inception of a contract, the Group assesses whether the contract is, or contains, a lease. If the contract includes a number of separate leases at the same time, the company will split the contract and account for each separate lease. If the following conditions are met at the same time, the right to use the identified assets constitutes a separate lease in the contract: ① the lessee may profit from the use of the assets alone or together with other resources that are readily available; ② The asset is not highly dependent or highly related to other assets in the contract.

(1) The Group as the Lessee

The major class of the leased assets is sea area use rights, pipeline assets, buildings,etc..

① Initial Measurement

At the commencement date, the Group recognizes the right to use the underlying asset during the lease term as right-of-use asset, and recognizes lease liability excluding short-term leases and leases of low-value assets at the present value of the lease payments that are not paid a that date. Right of use assets refers to the right of the lessee to use the leased assets during the lease term. On the commencement date of the lease term, the right of use assets is initially measured at cost. This cost includes: the initial measurement amount of the lease liability; The amount of the lease payment paid on or before the start date of the lease term, if there is a lease incentive, less the amount related to the lease incentive already enjoyed; Initial direct expenses incurred by the Lessee; The costs that the Lessee expects to incur to demolish and remove the leased asset, rehabilitate the premises where the leased asset is located, or restore the leased asset to its condition as agreed in the lease terms.The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

② Subsequent Measurement

The Group applies the depreciation requirements in Accounting Standards for Business Enterprises No. 4 – Fixed Assets (see Note III-17 "Fixed Assets") in depreciating the right-of-use asset. If it is reasonably certain that the Group will obtain the ownership of the underlying asset by the end of lease term, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the lease term or the end of the useful life of the right-of-use asset.

For lease liabilities, the initial measurement shall be based on the present value of the outstanding lease payments on the commencement date of the lease term. The lease payment amount includes the following five contents: fixed payment amount and substantial fixed payment amount. If there is lease incentive, the amount related to lease incentive is deducted; Variable lease payments depending on the index or ratio; The exercise price of the purchase option if the Lessee reasonably determines that the option will be exercised; The amount payable to exercise the option to terminate the lease, provided that the lease term reflects that the Lessee will exercise the option to terminate the lease; The amount expected to be paid based on the remaining value of the security provided by the lessee. The difference between the lease payment amount and its present value is regarded as an unrecognized financing expense, and the interest expense for each period of the lease term is calculated at the discount rate of the present value of the lease payment amount recognized during each period of the lease term, and is included in the current profit or loss. Variable lease payments that are not included in the measurement of lease liabilities are recognised in current profit or loss when actually incurred.

After the commencement date, when there are changes in (a) in-substance fixed payments, (b) expected payments of guaranteed residual value, (c) index or rate in measurement of lease payments, or (d) results of assessment or exercise of options to purchase the underlying asset or options to extend or terminate the lease, the Group remeasures the lease liability at present value of the lease payments after the changes, and recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognizes any remaining amount of the remeasurement in profit or loss.

③ Impairment Test and Measurement of Impairment

For impairment test and measurement of impairment of Right-of-use assets, see Note III-22 "Impairment of Non-current and Non-financial Assets".

④ Short-term Leases and Leases of Low-value Assets

For short-term leases (lease term of 12 month or less) and leases of low-value assets, a simplified method is adopted. Instead of recognizing right-of-use asset and lease liability, the Group recognizes the lease payments associated with those leases as an expense or in carrying amount of relevant assets on either a straight-line basis over the lease term or another systematic basis.

(2) The Group as the Lessor

At the commencement date, the Group classifies each of its leases as either an operating lease or a finance lease, based on the substance of the transaction. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset. An operating lease is a lease other than a finance lease.

① Operating Leases

The Group recognizes lease payments from operating leases as income on a straight-line basis over the lease term. Variable lease payments not included in measurement of the lease payments from operating leases shall be recognized in profit or loss when occur.

② Finance Leases

At commencement date, the Group recognizes a receivable under a finance lease, and derecognizes the underlying assets. At initial measurement, the receivable is an amount equal to the net investment in the lease (i.e., present value of the sum of unguaranteed residual value and lease payments that are not received at the commencement date, discounted at the interest rate implicit in the lease). The Group recognizes interest income over the lease term based on constant periodic interest rate.

The termination recognition and impairment of financial lease receivables are accounted for in accordance with " Note III -10, Financial Instruments".

Income relating to variable lease payments not included in the measurement of the net investment in the lease shall be recognized in profit or loss when occurs.

(3) Accounting for lease changes

① Lease change as a separate lease

If the lease is changed and the following conditions are met, the Company will account for the lease change as a separate lease: The lease change expands the lease scope by increasing the use of one or more leased assets; The increased consideration is equivalent to the amount of the separate price for most of the expansion of the lease adjusted for the circumstances of the contract.

② The lease change is not treated as a separate lease

The Company as Lessee: On the effective date of the lease change, the Company redetermines the lease term and discounts the changed lease payment at the revised discount rate to remeasure the lease liability. When calculating the present value of the lease payment after the change, the intrinsic interest rate of the lease during the remaining lease period is used as the discount rate. If the inherent interest rate of the lease for the remaining lease period cannot be determined, the incremental borrowing interest rate on the effective date of the lease change is used as the discount rate. The impact of the above adjustment of lease liabilities is accounted for in the following cases: If the lease change leads to the reduction of the lease scope or the shortening of the lease term, the carrying value of the right to use assets is adjusted, and the gains or losses related to the partial or complete termination of the lease are included in the current profit or loss; For other lease changes, the book value of the right to use assets shall be adjusted accordingly.

The Company as lessor: If the operating lease is changed, the Company will account for it as a new lease from the effective date of the change, and the amount received in advance or receivable from the lease before the change will be regarded as the amount received from the new lease. If the change of the finance lease is not accounted for as a separate lease, the Company shall deal with the changed lease under the following circumstances: If the lease change takes effect on the commencement date of the lease, the lease will be classified as an operating lease, and the Company will account for it as a new lease from the effective date of the lease change, and take the net lease investment before the effective date of the lease change as the book value of the lease asset; If the lease change takes effect on the commencement date of the lease, the lease will be classified as a finance lease, and the Company will account for it in accordance with the provisions for modifying or renegotiating the contract.

(4) Leaseback

The Company assesses whether the transfer of assets in a sale and leaseback transaction is a sale in accordance with the provisions of Note III - 28 Revenue.

① The Company as seller (lessee)

Where the transfer of assets in a sale and leaseback transaction is not a sale, the Company continues to recognize the transferred assets, while recognizing a financial liability equal to the transfer income, and accounting for the financial liability in accordance with Notes III-10. If the transfer of the asset is a sale, the Company measures the asset of the right to use resulting from the sale and leaseback according to the portion of the book value of the original asset related to the right to use the leaseback, and recognizes the related gain or loss only in respect of the right transferred to the lessor.

② The Company as buyer (lessor)

Where the transfer of assets in a sale and leaseback transaction is not a sale, the Company does not recognize the transferred assets, but recognizes a financial asset equal to the transfer income and accounts for the financial asset in accordance with Notes III-10. If the asset transfer is a sale, the Company shall account for the asset purchase and the asset rental in accordance with other applicable business accounting standards.

32. Changes in Accounting Policies, Accounting Estimates

(1) Changes in Accounting Policies

During the reporting period, the company has no changes in accounting policies.

(2) Changes in Accounting Estimates

During the reporting period, the company has no significant changes in accounting estimates.

IV. TAX

1. Major Taxes and Tax Rates

Categories of taxes	Taxation basis	Tax rate
Value-added tax ("VAT")	Project construction project,	9%
	lease project	5%、9%
Land use taxes	The area of land actually occupied	8 yuan/㎡, 4.8 yuan/㎡
Property tax	Based on 70% of the original value of the property (or rental income)	1.2% (or 12%)
City construction taxes	Turnover tax payable	7%
Educational surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%
Income tax	Taxable income	25%

2. Tax incentives and approvals

None.

V. Significant Items in Consolidated Financial Statements

1. Monetary fund

Items	30 June 2023	31 December 2022
Cash on hand	41,531.04	6,148.08
Bank deposits	338,538,830.28	1,556,854,786.24
Other cash balances	1,391,500,000.00	140,500,000.00
Total	1,730,080,361.32	1,697,360,934.32

The restricted cash/bank balances are as follows:

Items	30 June 2023	31 December 2022
Bank deposit	966,000,000.00	1,216,000,000.00
ETC frozen capital	13,000.00	13,000.00
Performance bond	425,500,000.00	140,500,000.08
Wage deposit	8,788,338.77	9,584,838.77
Judicial frozen capital	121,728,546.43	121,926,361.95
Total	1,522,029,885.20	1,488,024,200.80

2. Notes Receivable

(1) Classification of notes receivable

Items	30 June 2023	31 December 2022
Bank acceptance draft	100,000,000.00	610,000,000.00
Commercial acceptance draft		200,000,000.00
Subtotal	100,000,000.00	810,000,000.00
Minus Bad Debts Provision		-
Total	100,000,000.00	810,000,000.00

(2) Notes Receivable that has been Endorsed or Discounted But Not Yet Mature at Year End

Items	Amount derecognized at 30 June 2023	Amount not derecognized at 30 June 2023
Bank acceptance draft		100,000,000.00
Commercial acceptance draft		
Total		100,000,000.00

3. Accounts receivable

(1) Accounts receivable are shown by age of account

Aging	30 June 2023	31 December 2022
Within 1 year (including 1 year)	169,318,143.97	16,886,136.79
1 to 2 years (including 2 years)	852,732.56	782,732.56
2 to 3 years (including 3 years)	536,550.99	520,245.46
3 to 4 years (including 4 years)	446,826.59	1,138,156.44

Aging	30 June 2023	31 December 2022
4 to 5 years (including 5 years)	403,890.72	169,266.40
More than 5 years	2,210,436.25	2,240,436.25
Subtotal	173,768,581.08	21,736,973.90
Minus Bad Debts Provision	2,500,032.76	2,560,803.03
Total	171,268,548.32	19,176,170.87

(2) Discloure According to the bad debt withdrawal method

Categories	30 June 2023				
	Gross carrying amount		Provision for Bad Debts		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with single amount and separate provision for bad debts					
Including:					
Accounts receivable with provision for bad debts based on the combination risk characteristics	173,768,581.08	100.00	2,500,032.76	1.44	171,268,548.32
Including:					
1. Accounts receivable for bad debt provision according to aging analysis method	117,110,572.33	67.39	2,500,032.76	2.13	114,610,539.57
2. Accounts receivable with provision for bad debts based on nature analysis combination method	56,658,008.75	32.61			56,658,008.75
Total	173,768,581.08	--	2,500,032.76	--	171,268,548.32

(Continued)

Categories	31 December 2022				
	Gross carrying amount		Provision for Bad Debts		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with single amount and separate provision for bad debts					
Including:					
Accounts receivable with provision for bad debts based on the combination risk characteristics	21,736,973.90	100	2,560,803.03	11.78	19,176,170.87
Including:					
1. Accounts receivable for bad debt provision according to aging analysis method	13,561,591.19	62.39	2,560,803.03	18.88	11,000,788.16
2. Accounts receivable with provision for bad debts based on nature analysis combination method	8,175,382.71	37.61			8,175,382.71
Total	21,736,973.90	--	2,560,803.03	--	19,176,170.87

(3) Provision for bad debts

Categories	31 December 2022	Changes in the current period				30 June 2023
		Accrual	Take back or switch back	Resale or write-off	Other changes	
Bad debt provision for accounts receivable	2,560,803.03	-60,770.27				2,500,032.76
Total	2,560,803.03	-60,770.27				2,500,032.76

(4) Top Five Debtors According to Closing Balances

Debtor name	30 June 2023	Proportion of total Accounts receivables	Allowance for doubtful accounts
Weihai Wendeng District Finance Bureau	55,999,998.00	32.23%	
Weihai Wanze Marine Technology Co., Ltd	39,999,996.00	23.02%	
Weihai Zehonghai Product Breeding Co., Ltd	31,500,000.00	18.13%	
Weihai Shengyuan Aquatic Products Breeding Co., Ltd	30,000,000.00	17.26%	
Wendeng Fuqi Real Estate Development Co., Ltd	4,342,502.84	2.50%	
Total	161,842,496.84	93.14%	

4. Prepayments

Aging	30 June 2023		31 December 2022	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	12,730,253.68	27.47	10,531,105.95	21.70
1 to 2 years	5,388,819.77	11.63	28,534,945.56	58.80
2 to 3 years	19,302,323.55	41.65	1,356,878.46	2.80
More than 3 years	8,922,391.71	19.25	8,103,913.25	16.70
Total	46,343,788.71	100.00	48,526,843.22	100.00

5. Other Receivables

Items	30 June 2023	31 December 2022
Interests receivable		
Dividends receivable	1,756,462.27	1,136,439.06
Other receivables	7,571,937,798.97	6,741,623,467.32
Total	7,573,694,261.24	6,742,759,906.38

(1) Dividends Receivable

① Classification of dividends receivable

Investee	30 June 2023	31 December 2022
Weihai Yuquan New Building Materials Co., Ltd.	1,756,462.27	1,136,439.06
Subtotal	1,756,462.27	1,136,439.06

Investee	30 June 2023	31 December 2022
Minus Bad Debts Provision		
Total	1,756,462.27	1,136,439.06

(2) Other Receivables

① Aging Analysis

Aging	30 June 2023	31 December 2022
Within 1 year (including 1 year)	6,877,868,107.02	6,050,851,468.72
1 to 2 years (including 2 years)	301,804,968.52	328,625,272.78
2 to 3 years (including 3 years)	352,957,369.24	323,632,151.86
3 to 4 years (including 4 years)	110,518,842.90	114,250,770.37
4 to 5 years (including 5 years)	4,496,770.37	403,920.00
More than 5 years	208,781,040.16	308,377,220.16
Subtotal	7,856,427,098.21	7,126,140,803.89
Minus Bad Debts Provision	284,489,299.24	384,517,336.57
Total	7,571,937,798.97	6,741,623,467.32

② Classification by nature of payment

nature of payment	30 June 2023	31 December 2022
Scurity deposit	104,842,241.46	94,016,197.92
Accounts and others	7,751,584,856.75	7,032,124,605.97
Subtotal	7,856,427,098.21	7,126,140,803.89
Minus Bad Debts Provision	284,489,299.24	384,517,336.57
Total	7,571,937,798.97	6,741,623,467.32

③ Provision of bad debts

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment has occurred)	
Opening balance	384,517,336.57			384,517,336.57
In the current period:				
—Move to the second stage				
—Move to the third stage				
—Switch back to the second stage				
—Switch back to the first stage				
Withdrawal for the current period	-28,037.33			-28,037.33

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment has occurred)	
Revert this period				
Resale of the current period				
Write off this period	100,000,000.00			100,000,000.00
Other changes				
Ending Balanc	284,489,299.24			284,489,299.24

④ Bad debt provision situation

Categories	31 December 2022	Changes in the current period				30 June 2023
		Accrual	Take back or switch back	Resale or write-off	Other changes	
Provision for bad debts of other receivables	384,517,336.57	-28,037.33		100,000,000.00		284,489,299.24
Total	384,517,336.57	-28,037.33		100,000,000.00		284,489,299.24

⑤ Top Five Debtors According to Closing Balances

Debtor name	Nature of payment	30 June 2023	Aging	Proportion of total other receivables	bad-debt provision of Closing balance
Weihai Qingwen Industrial Co., Ltd	Current accounts	3,103,846,429.03	Within 1 year	39.51%	
Wendeng Hengda Construction Engineering Co., Ltd	Current accounts	623,420,183.73	Within 1 year	7.94%	
Weihai Chuangwen Construction Engineering Co., Ltd.	Current accounts	492,101,838.38	Within 1 year	6.26%	
Weihai Tengda Trading Co., Ltd	Current accounts	347,200,000.00	Within 1 year	4.42%	
Weihai Shunsheng Construction Engineering Co., Ltd	Current accounts	335,125,928.00	Within 1 year	4.27%	
Total	—	4,901,694,379.14	—	62.39%	

6. Inventories

Items	30 June 2023		
	Gross carrying amount	Reserve for inventory decline/impairment of contract performance costs	Carrying amount
Raw materials	2,750,233.46		2,750,233.46
Low-value consumables	162,099.41		162,099.41

Items	30 June 2023		
	Gross carrying amount	Reserve for inventory decline/impairment of contract performance costs	Carrying amount
Merchandise	82,851,623.80		82,851,623.80
Reusable materials	10,258,000.62		10,258,000.62
Development cost and product development	21,855,202,944.92		21,855,202,944.92
Contract performance costs	102,794,616.81		102,794,616.81
Total	22,054,019,519.02		22,054,019,519.02

（Continued）

Items	31 December 2022		
	Gross carrying amount	Reserve for inventory decline/impairment of contract performance costs	Carrying amount
Raw materials	2,886,856.47		2,886,856.47
Low-value consumables	161,042.35		161,042.35
Merchandise	81,915,264.65		81,915,264.65
Reusable materials	10,254,448.41		10,254,448.41
Development cost and product development	22,479,511,543.08		22,479,511,543.08
Contract performance costs	110,754,563.29		110,754,563.29
Total	22,685,483,718.25		22,685,483,718.25

7. Non-current assets due within one year

Items	30 June 2023	31 December 2022
Fixed deposit interest due within one year	47,563,510.29	20,091,986.31
Total	47,563,510.29	20,091,986.31

8. Other Current Assets

Items	30 June 2023	31 December 2022
Provisional input tax and Pending deduct VAT on purchase	57,225,787.80	81,604,018.72
Advance income tax	123,822,373.90	130,470,427.41
Fixed deposit interest	46,109.59	742,635.61
Total	181,094,271.29	212,817,081.74

9. Long-term Equity Investments

Investee	Opening balance (carrying amount)	Increase/decrease in current year				
		Increase in investments	Decrease in investments	Investment gain or loss recognized under equity method	Adjustment in other comprehensive income	Other changes in equity
Joint ventures						
Shandong Sinotrans Eurasia Internet of Things Operation Co., Ltd.	11,054,263.53			486,405.32		
Weihai Comprehensive Bonded Zone Xinxing Development Co., Ltd						
Total	11,054,263.53			486,405.32		

(Continued)

Investee	Increase/decrease in current year			Closing balance (carrying amount)	Closing balance of impairment loss
	Cash dividends declared and profits to be distributed	Impairment loss	Others		
Joint ventures					
Shandong Sinotrans Eurasia Internet of Things Operation Co., Ltd.				11,540,668.85	
Weihai Comprehensive Bonded Zone Xinxing Development Co., Ltd					
Total				11,540,668.85	

10. Other Equity Instrument Investments

Items	30 June 2023	31 December 2022
Weihai Yuquan New Building Materials Co., Ltd	38,947,700.00	38,947,700.00
Weihai Huiwen New Material Technology Co., Ltd.	96,478.77	117,945.01
Shandong Haiwen Enterprise Management Co., Ltd	25,633,788.25	25,713,814.66
Total	64,677,967.02	64,779,459.67

11. Investment Properties

Investment properties measured at cost measurement model shall be disclosed as follows:

Items	Buildings	Total
I. Total gross carrying amount		
1.Opening balance	124,388,240.62	124,388,240.62
2.Increase in current year		
(1)Transfer of construction in progress		
3.Decrease in current year	124,388,240.62	124,388,240.62

Items	Buildings	Total
(1)Others	124,388,240.62	124,388,240.62
4.Closing balance		
II. Accumulated depreciation (amortization)		
1.Opening balance	5,119,136.77	5,119,136.77
2.Increase in current year	995,604.33	995,604.33
(1)Provision or amortization	995,604.33	995,604.33
3.Decrease in current year	6,114,741.10	6,114,741.10
(1)Others	6,114,741.10	6,114,741.10
4.Closing balance		
III. Cumulative amount of impairment loss		
1.Opening balance		
2.Increase in current year		
(1)Provision		
3.Decrease in current year		
(1)Others		
4.Closing balance		
IV. Total carrying amount		
1.Closing balance		
2.Opening balance	119,269,103.85	119,269,103.85

12. Fixed Assets

Items	30 June 2023	31 December 2022
Fixed assets	2,191,589,993.25	2,259,165,269.40
Disposal of fixed assets		
Total	2,191,589,993.25	2,259,165,269.40

(1) Fixed Assets

① Fixed Assets

Items	Buildings	Transportation equipment	Office equipment	Electronic equipment	Machinery Equipment	Pipe network	Total
I. Total gross carrying amount							
1.Opening balance	1,207,383,374.69	3,682,811.70	3,023,383.79	3,139,696.17	8,805,780.87	1,503,740,050.23	2,729,775,097.45
2.Increase in current year	2,302,232.49		170,668.30				2,472,900.79
(1) Purchase	2,302,232.49		170,668.30				2,472,900.79
(2)Transfer of construction in progress							-

Items	Buildings	Transportation equipment	Office equipment	Electronic equipment	Machinery Equipment	Pipe network	Total
3.Decrease in current year	3,898,000.00	246,460.35	719,403.55	165,574.95	2,300,000.00		7,329,438.85
(1)Disposal or scrap							-
(2)Others	3,898,000.00	246,460.35	719,403.55	165,574.95	2,300,000.00		7,329,438.85
4.Closing balance	1,205,787,607.18	3,436,351.35	2,474,648.54	2,974,121.22	6,505,780.87	1,503,740,050.23	2,724,918,559.39
II.Accumulated depreciation							
1.Opening balance	86,440,183.49	2,713,424.04	2,083,856.06	2,294,242.99	2,496,475.10	374,581,646.37	470,609,828.05
2.Increase in current year	18,960,882.62	171,685.09	128,662.47	57,030.76	394,502.34	47,818,933.56	67,531,696.84
(1)Provision	18,960,882.62	171,685.09	128,662.47	57,030.76	394,502.34	47,818,933.56	67,531,696.84
3.Decrease in current year	3,703,100.00	219,425.25	625,034.04	156,379.46	109,020.00		4,812,958.75
(1)Disposal or scrap							
(2)Others	3,703,100.00	219,425.25	625,034.04	156,379.46	109,020.00		4,812,958.75
4.Closing balance	101,697,966.11	2,665,683.88	1,587,484.49	2,194,894.29	2,781,957.44	422,400,579.93	533,328,566.14
III. Total impairment loss							
1.Opening balance							
2.Increase in current year							
(1)Provision							
3.Decrease in current year							
(1)Disposal or scrap							
4.Closing balance							
IV..Total carrying amount							
1.Closing balance	1,104,089,641.07	770,667.47	887,164.05	779,226.93	3,723,823.43	1,081,339,470.30	2,191,589,993.25
2.Opening balance	1,120,943,191.20	969,387.66	939,527.73	845,453.18	6,309,305.77	1,129,158,403.86	2,259,165,269.40

② Fixed Assets Without Certificates of Ownership

Items	Carrying amount	Reason for not obtaining certificates of ownership
Uderground garage of Wanli City	17,181,098.82	The final account of completion has not been processed
Wenxin Jiayuan community	397,933.00	The final account of completion has not been processed
Garage No. 26-5, Zhengqi Road	63,985.35	Without a license
Total	17,643,017.17	

13. Construction in Progress

Items	30 June 2023	31 December 2022
Construction in Progress	43,309,433.14	45,073,068.78

Items	30 June 2023	31 December 2022
Construction materials		
Total	43,309,433.14	45,073,068.78

(1) Construction in Progress

Items	30 June 2023			31 December 2022		
	Gross carrying amount	Impairment loss	Carrying amount	Gross carrying amount	Impairment loss	Carrying amount
Wanli City Building	38,684,012.14		38,684,012.14	40,447,647.78		40,447,647.78
Guangzhou East road buildings	4,625,421.00		4,625,421.00	4,625,421.00		4,625,421.00
Total	43,309,433.14		43,309,433.14	45,073,068.78		45,073,068.78

14. Right-of-use Assets

Items	Buildings	Total
I.Total gross carrying amount		
1.Opening balance	4,627,745.57	4,627,745.57
2.Increase in current year		
(1) Transfer of inventories		
3.Decrease in current year	4,627,745.57	4,627,745.57
(1)Others	4,627,745.57	4,627,745.57
4.Closing balance		
II.Accumulated depreciation		
1.Opening balance	300,178.08	300,178.08
2.Increase in current year		
(1)Provision		
3.Decrease in current year	300,178.08	300,178.08
(1)Others	300,178.08	300,178.08
4.Closing balance		
III. Total impairment loss		
1.Opening balance		
2.Increase in current year		
(1)Provision		
3.Decrease in current year		
(1)Others		
4.Closing balance		
IV.Total carrying amount		

Items	Buildings	Total
1.Closing balance		
2.Opening balance	4,327,567.49	4,327,567.49

15. Intangible Assets

Items	Land usage right	Maritime usage right	Reservoir areas	Softwares	Total
I.Total gross carrying amount					
1.Opening balance	16,582,509,430.39	3,423,668,586.00	3,918,633,200.00	276,696.20	23,925,087,912.59
2.Increase in current year	1,190,433,986.14				1,190,433,986.14
(1) Purchase	1,190,433,986.14				1,190,433,986.14
3.Decrease in current year	1,195,700.00				1,195,700.00
(1)Disposal	1,195,700.00				1,195,700.00
4.Closing balance	17,771,747,716.53	3,423,668,586.00	3,918,633,200.00	276,696.20	25,114,326,198.73
II. Accumulated amortization					-
1.Opening balance	1,393,761,250.76	2,802,423,578.34	397,305,866.03	187,612.87	4,593,678,308.00
2.Increase in current year	218,562,169.74	206,436,188.81	32,655,276.66	25,848.47	457,679,483.68
(1)Provision	218,562,169.74	206,436,188.81	32,655,276.66	25,848.47	457,679,483.68
3.Decrease in current year	187,712.11				187,712.11
(1)Disposal	187,712.11				187,712.11
4.Closing balance	1,612,135,708.39	3,008,859,767.15	429,961,142.69	213,461.34	5,051,170,079.57
III. Total impairment loss					
1.Opening balance					
2.Increase in current year					
(1)Provision					
3.Decrease in current year					
(1)Disposal or scrap					
4.Closing balance					
IV.Total carrying amount					
1.Closing balance	16,159,612,008.14	414,808,818.85	3,488,672,057.31	63,234.86	20,063,156,119.16
2.Opening balance	15,188,748,179.63	621,245,007.66	3,521,327,333.97	89,083.33	19,331,409,604.59

① Intangible Assets Without Certificates of Ownership

Items	Carrying amount	Reason for not obtaining certificates of ownership
Land use rights of Hushan East Road, duying Henan and Wenshan East Road North	147,344,924.45	Warrants is being processed
Land use rights of Century Avenue West and Jiufa Road South	38,777,891.93	Warrants is being processed

Items	Carrying amount	Reason for not obtaining certificates of ownership
Land use rights of Shenghai Road East and Miaoshan Road South	28,733,963.31	Warrants is being processed
Land use rights of Shenghai Road East and Miaoshan Road South	7,742,964.44	Warrants is being processed
Land use rights of Shenghai Road West and Miaoshan Road South	121,167,008.00	Warrants is being processed
Land use rights of Xiushan Road North and Century Avenue East	80,020,173.95	Warrants is being processed
Land use rights of Wenshan Road South, Wenchang Road West	201,231,647.39	Warrants is being processed
Total	625,018,573.47	

16. Long-term Prepaid Expenses

Items	31 December 2022	Increase in current year	Amortization in current year	Other decrease	30 June 2023
The right to use the building	1,414,112.37		97,525.02		1,316,587.35
Service charge	811,259.12		811,259.12		-
Renovation costs	460,051.13		36,509.65		423,541.48
Total	2,685,422.62		945,293.79	-	1,740,128.83

17. Deferred Tax Assets

Items	30 June 2023		31 December 2022	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Impairment loss for assets	286,989,332.00	71,747,332.99	387,078,139.60	96,769,534.89
Total	286,989,332.00	71,747,332.99	387,078,139.60	96,769,534.89

18. Other Non-current Assets

Items	30 June 2023			31 December 2022		
	Gross carrying amount	Write-down	Carrying amount	Gross carrying amount	Write-down	Carrying amount
Renovation costs				53,360,856.23		53,360,856.23
Fixed deposit interest	59,724,332.19		59,724,332.19	61,739,356.18		61,739,356.18
Temporary facilities	774,301.99		774,301.99	774,301.99		774,301.99
Advance for purchase	147,056,803.70		147,056,803.70	195,799,685.29		195,799,685.29
Less: portion due within one year	45,267,893.85		45,267,893.85	20,091,986.31		20,091,986.31
Total	162,287,544.03		162,287,544.03	291,582,213.38		291,582,213.38

19. Short-term Loans

(1) Classification

Items	30 June 2023	31 December 2022
Mortgage loans	120,000,000.00	120,000,000.00

Items	30 June 2023	31 December 2022
Guaranteed loans	459,900,000.00	459,900,000.00
Pledged loans	9,600,000.00	9,858,520.00
Guaranteed &Mortgage loans	319,000,000.00	320,000,000.00
Discounted bills	180,000,000.00	890,000,000.00
Total	1,088,500,000.00	1,799,758,520.00

(2) Guaranteed &Mortgage loans

Lenders	30 June 2023	Life of loan	Guarantor &Mortgage
Weihai Branch of Hengfeng Bank Co., Ltd.	139,000,000.00	2023/4/19-2024/4/17	Weihai Taihe Investment Co., Ltd as guarantee and it's land use right as mortgage
Weihai Branch of China Minsheng Bank Co., Ltd	90,000,000.00	2022/12/28-2023/12/28	Weihai Taihe Investment Co., Ltd as guarantee and it's land use right as mortgage
Weihai Branch of China Everbright Banl Co., Ltd	90,000,000.00	2023/2/16-2024/2/15	Weihai Wendeng Urban Assets Management Co., Ltd as guarantee and it's land use right as mortgage
Total	319,000,000.00		--

(3) Mortgage loans

Lenders	30 June 2023	Life of loan	Mortgage
Weihai Wendeng sub branch of Rizhao Bank Co., Ltd	120,000,000.00	2022/9/29-2023/9/20	Mortgage of land use right of Weihai Wendeng Urban Assets Management Co., Ltd
Total	120,000,000.00		--

(4) Guaranteed loans

Lenders	30 June 2023	Life of loan	Guarantor
Weihai Branch of Qilu Bank Co., Ltd	9,900,000.00	2023/4/26-2024/4/25	Weihai Wendeng District Bluesea Investment & Development Co., Ltd
Weihai Wendeng sub branch of Qingdao Bank Co., Ltd.	450,000,000.00	2022/9/20-2023/8/10	Weihai Wendeng District Bluesea Investment & Development Co., Ltd
Total	459,900,000.00		--

(5) Pledged loans

Lenders	30 June 2023	Life of loan	Pledge
Weihai Wendeng branch of Industrial and Commercial Bank of Co., Ltd.	9,600,000.00	2023/3/20-2024/3/19	Pledge of certificates of deposit
Total	9,600,000.00		--

(6) Discounted bills

Discount Banks	30 June 2023	Life of bills
Bank of Beijing Co., Ltd. Jinan Branch	80,000,000.00	2022/12/14-2023/12/14
Wendeng branch of Weihai Commercial Bank Co., Ltd	100,000,000.00	2022/7/6-2023/7/6
Total	180,000,000.00	

20. Notes Payable

Items	30 June 2023	31 December 2022
Bank acceptance draft		40,000,000.00
Letter of credit	525,000,000.00	200,000,000.00
Total	525,000,000.00	240,000,000.00

21. Accounts Payable

Aging	30 June 2023	31 December 2022
Within 1 year (including 1 year)	54,461,650.84	110,036,883.52
1-2 years (including 2 years)	42,583,940.51	71,016,513.48
2-3 years (including 3 years)	25,480,521.24	7,060,230.59
More than3 years	8,774,042.58	6,237,250.55
Total	131,300,155.17	194,350,878.14

22. Unearned Revenue

Aging	30 June 2023	31 December 2022
Within 1 year (including 1 year)		44,844.92
More than1 years		
Total		44,844.92

23. Contract Liabilities

Items	30 June 2023	31 December 2022
Contract liabilities related to the sale of goods	20,799,043.98	17,122,920.18
Contract liabilities related to construction	11,274,675.34	18,986,404.71
Mapping fee	26,336.63	26,336.63
Property fee	153,324.12	139,381.44
Less: Included in other non-current liabilities		
Total	32,253,380.07	36,275,042.96

24. Taxes and Surcharge Payable

Items	30 June 2023	31 December 2022
VAT	310,504,342.24	311,621,032.82
City construction taxes	24,409,600.90	24,419,790.92
Land use taxes	17,836,942.68	18,391,670.98
Property taxes	2,127,687.91	2,886,571.50
Individual income taxes	4,987.48	6,656.75
Education surcharges (including local education surcharges)	17,434,753.61	17,441,967.58

Items	30 June 2023	31 December 2022
Others	943,792.61	1,046,566.53
Total	373,262,107.43	375,814,257.08

25. Other Payables

Items	30 June 2023	31 December 2022
Interest payable		
Dividend payable		
Other Payables	2,467,685,063.46	1,654,409,689.48
Total	2,467,685,063.46	1,654,409,689.48

(1) Other Payables

① Other Payables Presented by Aging

Items	30 June 2023	31 December 2022
Within 1 year (including 1 year)	734,818,134.19	119,181,000.72
1-2 years (including 2 years)	117,598,369.92	648,923,057.41
2-3 years (including 3 years)	767,101,781.91	47,601,177.05
More than3 years	848,166,777.44	838,704,454.30
Total	2,467,685,063.46	1,654,409,689.48

② Significant Other Payables at the end of the year

Items	30 June 2023	Reasons for outstanding or carry over
Weihai Wendeng District Financial Assets Operation Co., Ltd	640,841,586.09	Unpaid
Weihai Senwei Industrial Co., Ltd	626,778,951.59	Unpaid
Wendeng Jintan Investment Management Co., Ltd	200,747,225.30	Unpaid
Total	1,468,367,762.98	

26. Non-current Liabilities Due Within One Year

Items	30 June 2023	31 December 2022
Long-term loans due within one year	1,420,700,800.00	1,347,332,800.00
Bonds payable due within one year	1,307,168,540.61	1,115,065,522.10
Long-term payables due within one year	1,218,925,136.76	1,383,515,365.62
Lease liabilities due within one year		
Total	3,946,794,477.37	3,845,913,687.72

27. Other Current Liabilities

Items	30 June 2023	31 December 2022
Short-term bonds payable	689,503,797.39	640,680,709.43

Items	30 June 2023	31 December 2022
Pending transfer tax	2,886,898.10	3,000,384.54
Other short-term loans	38,342,213.11	76,047,540.97
Total	730,732,908.60	719,728,634.94

Including: short-term bonds payable

Bond name	Par value	Issue date	Maturity date	Amount issued	30 June 2023	31 December 2022
Wendenglanhai bonds 2022	$100.00	2022/11/8	2023/11/7	$91,000,000.00	689,503,797.39	640,680,709.43

28. Long-term Loans

Items	30 June 2023	31 December 2022
Pledged loans	1,153,104,400.00	1,335,258,200.00
Mortgage loans	1,335,650,000.00	1,390,750,000.00
Guaranteed loans	259,300,000.00	264,300,000.00
Guaranteed& Mortgage loans	1,695,000,000.00	1,729,000,000.00
Mortgage& Pledged loans	935,500,000.00	692,500,000.00
Guaranteed& Pledge loan	571,428,400.00	642,857,000.00
Guaranteed& Pledged & Mortgage loans	1,300,000,000.00	1,400,000,000.00
Less: the part due within one year	1,420,700,800.00	1,347,332,800.00
Total	5,829,282,000.00	6,107,332,400.00

(1) Pledged loans

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Pledge
Weihai Branch of Industrial Bank Co., Ltd.	339,350,000.00	35,700,000.00	2018/2/9-2032/12/20	Account receivables
Weihai Wendeng Branch of China Construction Bank Co., Ltd.	21,950,000.00	1,300,000.00	2017/4/1-2034/11/7	Account receivables
Weihai Wendeng Branch of China Construction Bank Co., Ltd.	15,800,000.00	800,000.00	2017/4/11-2034/11/7	Account receivables
Weihai Wendeng Branch of China Construction Bank Co., Ltd.	15,350,000.00	900,000.00	2018/3/30-2034/11/7	Account receivables
Weihai Wendeng Branch of China Construction Bank Co., Ltd.	30,312,400.00	2,000,000.00	2018/3/30-2038/3/30	Account receivables
Weihai Wendeng Branch of China Construction Bank Co., Ltd.	14,000,000.00	800,000.00	2018/4/2-2034/11/7	Account receivables
Weihai Wendeng Branch of China Construction Bank Co., Ltd.	25,000,000.00	1,200,000.00	2018/4/2-2034/11/7	Account receivables
Weihai Wendeng Branch of China Construction Bank	20,470,000.00	1,300,000.00	2018/4/25-2038/4/25	Account receivables

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Pledge
Co., Ltd.				
Weihai Wendeng branch of Industrial and Commercial Bank of Co., Ltd.	232,000,000.00	16,000,000.00	2017/10/30-2037/10/13	Account receivables
Weihai Wendeng branch of Industrial and Commercial Bank of Co., Ltd.	72,000,000.00	8,000,000.00	2017/1/1-2031/12/29	Account receivables
Weihai Wendeng branch of Industrial and Commercial Bank of Co., Ltd.	88,968,000.00	4,448,400.00	2018/3/2-2043/1/2	Account receivables
Weihai Wendeng branch of Industrial and Commercial Bank of Co., Ltd.	67,728,000.00	3,386,400.00	2018/3/5-2043/1/2	Account receivables
Weihai Wendeng branch of Industrial and Commercial Bank of Co., Ltd.	210,176,000.00	10,508,800.00	2018/4/20-2043/1/2	Account receivables
Total	1,153,104,400.00	86,343,600.00		--

（2）Mortgage loans

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Mortgage
Weihai Branch of China Minsheng Bank Co., Ltd	167,500,000.00	60,000,000.00	2019/9/29-2024/9/27	Land use rights
Weihai Branch of China Minsheng Bank Co., Ltd	172,500,000.00	60,000,000.00	2020/9/29-2024/9/27	Land use rights
Shandong Wendeng Rural Commercial Bank Co. Ltd	81,650,000.00	100,000.00	2023/6/26-2025/6/24	Land use rights
Weihai Wendeng branch of Industrial and Commercial Bank of Co., Ltd.	208,000,000.00	46,000,000.00	2021/7/2-2027/12/1	Land use rights
Weihai Wendeng branch of Industrial and Commercial Bank of Co., Ltd.	246,000,000.00	54,000,000.00	2022/10/20--2027/12/1	Land use rights
Weihai Wendeng Branch of Communications Bank Co. Ltd	245,000,000.00	3,400,000.00	2021/10/15-2037/10/14	Land use rights
Weihai Wendeng Branch of Communications Bank Co. Ltd	215,000,000.00		2022/1/1-2037/12/31	Land use rights
Total	1,335,650,000.00	223,500,000.00		--

（3）Guaranteed loans

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Guarantor
Weihai Branch of Qilu Bank Co., Ltd	175,000,000.00	175,000,000.00	2020/7/27-2023/7/26	Weihai Wendeng District City Assets Management Co., Ltd
Zhongrong International Trust Co., Ltd.	16,900,000.00		2022/8/17-2024/8/17	Weihai Wendeng District City Assets Management Co., Ltd
Zhongrong International Trust Co., Ltd.	7,800,000.00		2022/8/19-2024/8/17	Weihai Wendeng District City Assets Management Co., Ltd
Zhongrong International Trust Co., Ltd.	4,600,000.00		2022/8/24-2024/8/17	Weihai Wendeng District City Assets Management Co., Ltd

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Guarantor
Zhongrong International Trust Co., Ltd.	7,000,000.00		2022/8/26-2024/8/17	Weihai Wendeng District City Assets Management Co., Ltd
Zhongrong International Trust Co., Ltd.	10,000,000.00		2022/8/31-2024/8/17	Weihai Wendeng District City Assets Management Co., Ltd
Zhongrong International Trust Co., Ltd.	3,000,000.00		2022/9/7-2024/8/17	Weihai Wendeng District City Assets Management Co., Ltd
Zhongrong International Trust Co., Ltd.	6,800,000.00		2022/9/9-2024/8/17	Weihai Wendeng District City Assets Management Co., Ltd
Zhongrong International Trust Co., Ltd.	6,000,000.00		2022/9/16-2024/8/17	Weihai Wendeng District City Assets Management Co., Ltd
Zhongrong International Trust Co., Ltd.	4,800,000.00		2022/9/21-2024/8/17	Weihai Wendeng District City Assets Management Co., Ltd
Zhongrong International Trust Co., Ltd.	17,400,000.00		2022/9/23-2024/8/17	Weihai Wendeng District City Assets Management Co., Ltd
Total	259,300,000.00	175,000,000.00		--

(4) Guaranteed& Mortgage loans

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Guarantor &Mortgage
Wendeng branch of Weihai Commercial Bank Co., Ltd	28,000,000.00	28,000,000.00	2020/12/23-2023/12/23	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee and it's land use right as mortgage;
Wendeng branch of Weihai Commercial Bank Co., Ltd	295,000,000.00	295,000,000.00	2021/1/4-2024/1/4	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee and it's land use right as mortgage;
Weihai Wendeng District Branch of Agricultural Development Bank of China	194,000,000.00	28,000,000.00	2020/8/30-2030/7/23	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee and it's land use right as mortgage; Weihai Taihe Investment Co., Ltd as it's land use right as mortgage
Weihai Wendeng District Branch of Agricultural Development Bank of China	350,000,000.00	24,000,000.00	2021/2/19-2035/2/6	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee and it's land use right as mortgage; Weihai Taihe Investment Co., Ltd as it's land use right as mortgage
Weihai Wendeng District Branch of Agricultural Development Bank of China	200,000,000.00	16,000,000.00	2021/6/23-2035/2/6	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee and it's land use right as mortgage; Weihai Taihe Investment Co., Ltd as it's land use right as mortgage
Weihai Wendeng District Branch of Agricultural Development Bank of China	340,000,000.00	20,000,000.00	2022/3/1-2035/2/6	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee and it's land use right as mortgage; Weihai Taihe Investment Co., Ltd as it's land use right as mortgage
Weihai Wendeng sub branch of Qingdao Bank	234,000,000.00	43,000,000.00	2022/3/4-2030/3/1	Weihai Wendeng District City Assets Management Co., Ltd. as

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Guarantor &Mortgage
Co., Ltd.				guarantee and it's land use right as mortgage;
Weihai Wendeng sub branch of Qingdao Bank Co., Ltd.	20,000,000.00		2022/8/9-2030/3/1	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee and it's land use right as mortgage;
Weihai Wendeng sub branch of Qingdao Bank Co., Ltd.	34,000,000.00		2022/9/16-2030/3/1	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee and it's land use right as mortgage;
Total	1,695,000,000.00	454,000,000.00		--

(5) Mortgage& Pledged loans

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Mortgage & Pledge
Weihai Wendeng District Branch of Agricultural Development Bank of China	180,000,000.00	44,000,000.00	2017/6/30-2027/12/15	Wendeng Jintan Investment Management Co., Ltd as it's land use right as mortgage; Weihai Wendeng District Bluesea Investment & Development Co., Ltd as it's accounts receivable pledge
Weihai Wendeng District Branch of Agricultural Development Bank of China	100,000,000.00		2017/7/27-2029/12/14	
Weihai Wendeng District Branch of Agricultural Development Bank of China	150,000,000.00		2018/4/25-2033/6/15	
Weihai Wendeng District Branch of Agricultural Development Bank of China	50,000,000.00		2018/5/18-2034/6/15	
Weihai Wendeng sub branch of Qingdao Bank Co., Ltd.	105,500,000.00	70,000,000.00	2020/3/4-2025/3/3	Mortgage of houses and buildings ; pledge of income from future operational properties
China Development Bank Shandong Branch	50,000,000.00		2022/12/29-2052/12/28	Weihai Wendeng District City Assets Management Co., Ltd. as it's land use right as mortgage; Weihai Wendeng District Bluesea Investment & Development Co., Ltd as it's accounts receivable pledge and it's land use right as mortgage
China Development Bank Shandong Branch	100,000,000.00		2023/4/27-2052/12/28	
Weihai Wendeng sub branch of Qingdao Bank Co., Ltd.	200,000,000.00	25,000,000.00	2023/4/25-2031/1/6	Mortgage of houses and buildings ; pledge of income from future operational properties
Total	935,500,000.00	139,000,000.00		--

(6) Guaranteed& Pledge loan

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Guarantor & Pledge
Weihai Branch of Industrial Bank Co., Ltd	285,714,200.00	71,428,600.00	2017/1/3-2027/1/2	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee ; the Company's account receivables as pledge

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Guarantor & Pledge
Weihai Branch of Industrial Bank Co., Ltd	57,142,840.00	14,285,720.00	2017/3/20-2027/1/2	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee ; the Company's account receivables as pledge
Weihai Branch of Industrial Bank Co., Ltd	57,142,840.00	14,285,720.00	2017/3/24-2027/1/2	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee ; the Company's account receivables as pledge
Weihai Branch of Industrial Bank Co., Ltd	57,142,840.00	14,285,720.00	2017/3/30-2027/1/2	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee ; the Company's account receivables as pledge
Weihai Branch of Industrial Bank Co., Ltd	114,285,680.00	28,571,440.00	2017/6/13-2027/1/2	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee ; the Company's account receivables as pledge
Total	571,428,400.00	142,857,200.00		--

（7）Guaranteed& Pledged & Mortgage loans

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Guarantor/Mortgag/ Pledge
Weihai Wendeng District Branch of Agricultural Development Bank of China	500,000,000.00	200,000,000.00	2015/8/6-2025/11/14	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee and it's land use right as mortgage; the Company's account receivables as pledge; Land use rights of the Company
Weihai Wendeng District Branch of Agricultural Development Bank of China	200,000,000.00		2015/10/30-2026/11/13	
Weihai Wendeng District Branch of Agricultural Development Bank of China	200,000,000.00		2017/4/11-2030/7/16	
Weihai Wendeng District Branch of Agricultural Development Bank of China	400,000,000.00		2016/12/20-2028/11/15	
Total	1,300,000,000.00	200,000,000.00		--

29. Bonds Payable

Bond name	Par value	Issue date	Bond term	Amount issued	30 June 2023	31 December 2022
16 Wenlanhai	100.00	2016/10/26	7 years	1,500,000,000.00	306,786,505.57	300,391,954.36
20 Wenlan 02	100.00	2020/8/11	5 years	1,200,000,000.00	104,572,813.75	101,504,027.01
20 wenlanhai licai 01	100.00	2020/8/7	3 years	650,000,000.00	689,714,973.19	667,774,706.95
20 lanhaitouzi MTN001	100.00	2020/12/18	5 years	420,000,000.00	433,245,047.03	419,458,341.43
21 Wenlan 01	100.00	2021/6/25	2+2+1 years	650,000,000.00	0.00	656,908,041.37
21 Wenlan 02	100.00	2021/7/30	2+2+1 years	600,000,000.00	623,695,893.23	602,644,759.06
21 Wenlan 03	100.00	2021/9/29	2+2+1 years	580,000,000.00	605,625,928.88	586,554,941.62
21 Wenlan 04	100.00	2021/11/12	2+2+1 years	450,000,000.00	462,456,710.24	447,162,723.69
21 Lanhai 01	100.00	2021/8/18	7 years	600,000,000.00	574,074,108.88	551,961,872.92
21 Lanhai 02	100.00	2021/9/24	7 years	600,000,000.00	583,508,133.97	561,803,191.59
21 Lanhai 03	100.00	2021/11/26	7 years	600,000,000.00	576,499,829.13	552,859,835.79

Bond name	Par value	Issue date	Bond term	Amount issued	30 June 2023	31 December 2022
22 Lanhai bonds	100.00	2022-3-28	7 years	200,000,000.00	196,609,628.69	202,385,740.77
22 Lu Wendeng Bluesea ZR001	100.00	2022-6-24	3 years	400,000,000.00	395,312,528.82	393,462,453.64
22 Wenlan 01	100.00	2022-7-25	2+3 years	800,000,000.00	839,413,937.22	812,710,330.62
22 Wenlan 02	100.00	2022-8-23	2+3 years	800,000,000.00	832,585,867.62	805,625,756.11
23 Wenlan 01	100.00	2023-6-15	5 years	650,000,000.00	648,769,233.62	
Less: Bonds payable due within one year					1,307,168,540.61	1,115,065,522.10
Total					6,565,702,599.23	6,548,143,154.83

30. Long-term Payables

Items	30 June 2023	31 December 2022
Long-term payables	1,500,070,899.62	1,519,791,683.53
Special payables	890,511,124.00	890,511,124.00
Total	2,390,582,023.62	2,410,302,807.53

(1) Long term accounts payable by nature

Items	30 June 2023	31 December 2022
Loans	2,718,996,036.38	2,903,307,049.15
Less: Long-term payments due within one year	1,218,925,136.76	1,383,515,365.62
Total	1,500,070,899.62	1,519,791,683.53

(2) Special payables

Items	30 June 2023	31 December 2022
Special funds for the renovation of old residential areas	676,000,000.00	676,000,000.00
Special funds for shantytown renovation items	214,511,124.00	214,511,124.00
Total	890,511,124.00	890,511,124.00

31. Estimated liabilities

Items	30 June 2023	31 December 2022	Formation reason
Outstanding lawsuit	161,206,368.79	158,592,212.83	See"Note IX.Contingencies and Commitment"
Total	161,206,368.79	158,592,212.83	

32. Paid-in Capital

Name of Investors	31 December 2022		Increase in current year	Decrease in current year	30 June 2023	
	Amount invested	Proportion (%)			Amount invested	Proportion (%)
Weihai Wenteng District State-owned Assets Service Center	500,000,000.00	100.00			500,000,000.00	100.00
Total	500,000,000.00	100.00			500,000,000.00	100.00

33. Capital Reserve

Items	31 December 2022	Increase in current year	Decrease in current year	30 June 2023
Capital premiums				
Other capital reserve	27,158,422,426.30	26,350,000.00	258,876,100.14	26,925,896,326.16
Including: Appropriate funds transferred in	17,760,156,219.24	26,350,000.00		17,786,506,219.24
Assets transferred in	9,398,266,207.06		258,876,100.14	9,139,390,106.92
Total	27,158,422,426.30	26,350,000.00	258,876,100.14	26,925,896,326.16

Note: The decrease of capital reserves in the current period is the 100% equity of Weihai Kunyushan Construction and Development Co., Ltd. and 51% equity of Shandong Wendeng Bone Rehabilitation And Health Co., Ltd. transferred out without compensation, and the Tianfu Mountain Cultural Tourism Center transferred out without compensation.

The increase in this period is mainly due to the free injection of monetary funds by the Finance Bureau of Wendeng District, Weihai City.

34. Surplus Reserve

Items	31 December 2022	Increase in current year	Decrease in current year	30 June 2023
Statutory surplus reserve	262,325,396.79			262,325,396.79
Total	262,325,396.79			262,325,396.79

Note: In accordance with the Corporation Law and the Company's articles of association, the company shall withdraw 10% of its net profit as its legal surplus reserve.If the cumulative amount of statutory surplus reserve is more than 50% of the registered capital of the company, it may not be withdrawn.

35. Undistributed profits

Items	For the period ended 30 June 2023	For the year ended 31 December 2022
Adjust the undistributed profits of the previous period	2,465,611,664.09	2,184,134,272.91
Adjust total amount of undistributed profits at the beginning balance (increase by a "+", decrease by a "—")		
Adjusted opening balance of undistributed profits	2,465,611,664.09	2,184,134,272.91
Add: net profits attribute to owners of the parent company during the current period	147,867,288.46	314,650,686.38
Less: Extraction of statutory surplus reserve		33,173,295.20
Extraction of discretionary surplus reserve		
Withdraw General contingency reserve		
Common stock dividends payable		
Common stock dividends converted to paid-in capital		
Others	-11,547,328.67	

Items	For the period ended 30 June 2023	For the year ended 31 December 2022
Closing balance	2,625,026,281.22	2,465,611,664.09

36. Operating Revenue and Operating Costs

（1）Operating revenue and operating costs

Items	For the period ended 30 June 2023		For the year ended 31 December 2022		For the period ended 30 June 2022	
	Revenue	Costs	Revenue	Costs	Revenue	Costs
Principal operating activities	1,450,258,334.40	1,271,405,199.94	2,863,179,665.56	2,513,184,421.53	1,438,774,730.84	1,264,863,035.15
Other operating activities	57,370,552.46	49,057,502.31	127,091,711.36	96,366,157.62	53,861,816.27	47,848,675.58
Total	1,507,628,886.86	1,320,462,702.25	2,990,271,376.92	2,609,550,579.15	1,492,636,547.11	1,312,711,710.73

（2）Revenue generated under the current contract

Contract Classification	For the period ended 30 June 2023		For the year ended 31 December 2022		For the period ended 30 June 2022	
	Revenue	Costs	Revenue	Costs	Revenue	Costs
Project construction	829,012,513.87	735,029,180.30	545,674,492.89	518,048,100.19	41,131,639.97	24,342,424.58
Product sales	523,493,748.34	449,297,784.00	2,133,515,768.47	1,836,412,192.70	1,298,294,309.70	1,147,579,165.67
Lease	152,915,797.79	135,196,996.36	308,751,343.88	253,917,294.03	152,193,081.51	140,613,983.46
Surveying and mapping	753,515.07	235,614.60	1,009,793.87	438,723.56	549,581.54	146,395.00
Others	1,453,311.79	703,126.99	1,319,977.81	734,268.67	467,934.39	29,742.02
Total	1,507,628,886.86	1,320,462,702.25	2,990,271,376.92	2,609,550,579.15	1,492,636,547.11	1,312,711,710.73

37. Taxes and surcharges

Items	For the period ended 30 June 2023	For the year ended 31 December 2022	For the period ended 30 June 2022
City construction taxes	324,254.72	8,424,608.89	4,637,109.25
Education surcharges (including local education surcharges)	231,586.67	6,016,849.89	3,312,218.90
Property taxes	4,391,404.69	7,249,163.77	2,870,355.39
Land use taxes	28,577,966.64	72,851,111.38	36,297,211.01
Vehicle and boat use tax	3,960.00	6,600.00	3,960.00
Stamp duty	1,151,170.25	1,129,028.31	517,918.39
Resource taxes	-	146,367.38	108,524.76
Others	515.96	64,809.34	18,042.97
合 计	34,680,858.93	95,888,538.96	47,765,340.67

38. Financial Expenses

Items	For the period ended 30 June 2023	For the year ended 31 December 2022	For the period ended 30 June 2022
Interest expenses	163,287,182.10	216,688,040.93	171,572,720.43
Including: interest expense on lease liabilities			
Less: Interest income	22,654,200.43	42,253,158.06	18,562,633.79
Exchange gains or losses	-232.42	-523.91	-298.65
Others	58,345,024.67	78,071,070.39	19,489,874.91
Total	198,977,773.92	252,505,429.35	172,499,662.9

39. Other Income

The sources of other income	For the period ended 30 June 2023	For the year ended 31 December 2022	For the period ended 30 June 2022
Government grants related to daily operation of the Company	629,000,000.00	1,244,630,000.00	725,050,000.00
Withholding and repaying individual income tax service fee	851.36	309.32	589.38
Total	629,000,851.36	1,244,630,309.32	725,050,589.38

Government grants included in other income:

Items	For the period ended 30 June 2023	For the year ended 31 December 2022	For the period ended 30 June 2022
Notice on the allocation of special fund subsidies	629,000,000.00	1,231,500,000.00	725,000,000.00
Budget targets for central government infrastructure investment in subsidized housing projects		13,080,000.00	
Others		50,000.00	50,000.00
Total	629,000,000.00	1,244,630,000.00	725,050,000.00

40. Investment Income

Items	For the period ended 30 June 2023	For the year ended 31 December 2022	For the period ended 30 June 2022
Income from long-term equity investments using equity method	486,405.32	1,124,996.84	453,618.68
Income from other equity instrument investments	620,023.21	1,320,323.32	528,915.86
Others			
Total	1,106,428.53	2,445,320.16	982,534.54

41. Credit Impairment Loss

Items	For the period ended 30 June 2023	For the year ended 31 December 2022	For the period ended 30 June 2022
Bad debt loss of accounts receivable	-80,349.73	-559,836.02	-94,080.00
Bad debt losses of other receivables	28,037.33	2,522,323.59	22,420,000.00
Total	-52,312.40	1,962,487.57	22,325,920.00

42. Non-operating Income

Items	For the period ended 30 June 2023	For the year ended 31 December 2022	For the period ended 30 June 2022
Government grants unrelated to daily operation of the Company			
Others	3,092,869.21	7,317.08	
Total	3,092,869.21	7,317.08	

43. Non-operating Expenses

Items	For the period ended 30 June 2023	For the year ended 31 December 2022	For the period ended 30 June 2022
Donations	-	30,000.00	
Lawsuit compensation	2,614,155.96	157,687,420.83	149,768,748.92
Others	1,683,517.61	53.68	155,860.00
Total	4,297,673.57	157,717,474.51	149,924,608.92

44. Income Tax Expenses

Items	For the period ended 30 June 2023	For the year ended 31 December 2022	For the period ended 30 June 2022
Income tax expenses in current period	3,053,083.83	11,924,223.84	8,469,054.61
Adjustment of deferred income taxes	24,986,921.90	490,621.89	5,581,480.00
Total	28,040,005.73	12,414,845.73	14,050,534.61

45. Supplementary information of the cash flow statement

（1）Using Indirect Method to Reconcile Net Profit to Cash Flows from Operating Activities

Supplementary information	For the period ended 30 June 2023	For the year ended 31 December 2022	For the period ended 30 June 2022
1.To reconcile net profit to cash flows from operating activities:			
Net profit	147,879,546.47	314,760,129.72	150,198,884.38
Add: Impairment losss			
Credit impairment loss	52,312.40	-1,962,487.57	-22,325,920.00
Depreciations of fixed assets, oil and gas assets, and bearer biological assets	67,531,696.84	123,587,758.73	63,374,111.20
Depreciation of right-of-use assets	-	300,178.08	150,089.04
Amortizations of intangible assets	457,679,483.68	894,483,910.29	458,946,058.49
Amortizations of long-term prepaid expenses	945,293.79	1,969,848.54	941,421.00
Losses on disposal of fixed assets, intangible assets and other long-term assets (gain expressed with "-")			-
Losses on retirement of fixed assets (gain expressed with "-")			
Losses on changes in fair value (gain expressed with "-")			
Financial expenses (gain expressed with "-")	163,286,949.68	216,687,517.02	171,572,421.78
Investment losses (gain expressed with "-")	-1,106,428.53	-2,445,320.16	-982,534.54

Supplementary information	For the period ended 30 June 2023	For the year ended 31 December 2022	For the period ended 30 June 2022
Decrease in deferred tax assets (increase expressed with "-")	25,022,201.90	490,621.89	5,581,480.00
Increase in deferred tax liabilities (decrease expressed with "-")			
Decrease in inventories (increase expressed with "-")	631,464,199.23	1,353,636,792.78	524,047,916.80
Decrease in receivables in operating activities (increase expressed with "-")	-814,989,258.81	1,104,747,665.20	-1,707,839,521.89
Increase in payables in operating activities (decrease expressed with "-")	743,590,442.05	-4,734,094.45	167,127,896.65
Others			
Net cash flow from operating activities	1,421,356,438.70	4,001,522,520.07	-189,207,697.09
2.Significant investing and financing activities that do not involve cash receipts or payments			
Debts converted to capital			
Convertible debts due within one year			
Fixed assets leased in under finance leases			
3.Net changes of cash and cash equivalents			
Closing balance of cash	208,050,476.12	209,336,733.52	391,628,263.98
Less: Opening balance of cash	209,336,733.52	242,779,291.22	242,779,291.22
Add: Closing balance of cash equivalents			
Less: Opening balance of cash equivalents			
Net increase in cash and cash equivalents	-1,286,257.40	-33,442,557.70	148,848,972.76

（2） Composition of Cash and Cash Equivalents

Items	30 June 2023	31 December 2022	30 June 2022
I. Cash	208,050,476.12	209,336,733.52	391,628,263.98
Including: Cash on hand	41,531.04	6,148.08	5,937.13
Demand deposits	208,008,945.08	209,330,585.44	391,622,326.85
Other cash/bank balance available for payment			
II. Cash equivalents			
Including: Bond investments due within three months			
III. Closing balance of cash and cash equivalents	208,050,476.12	209,336,733.52	391,628,263.98

Note: Cash and cash equivalents do not include restricted use of cash and cash equivalents by the parent company or subsidiaries within the Group.

46. Assets with Restricted Ownership or Use Rights

Items	Carrying amount at 30 June 2023	Reason for restriction
Monetary fund	1,522,029,885.20	Security deposit,ETC to freeze, pledged fixed deposit etc.
Intangible assets	12,877,066,457.41	Mortgage
Fixed assets	709,754,230.08	Mortgage
Other non-current assets	14,456,438.34	Interest on fixed deposits
Non-current assets due within one year	47,563,510.29	Interest on fixed deposits
Total	15,170,870,521.32	

47. Foreign Currency Monetary Items

Items	Foreign currency balance as of 30 June 2023	Exchange rate	Converted CNY balance as of 30 June 2023
Monetary fund			
Including: USD	2,195,400.15	7.2258	15,863,522.40
Other current liabilities			
Including: USD	95,422,485.73	7.2258	689,503,797.39

VI. Changes Of Consolidation Scope

Atomic companies that are no longer included in the consolidation scope in this period

Name of Atomic Company	Registration place	Proportion of shareholding (%)	Proportion of voting rights(%)	Reasons for no longer becoming a subsidiary within this year
Shandong Wendeng Bone Rehabilitation And Health Co., Ltd	Weihai City	51.00	51.00	Transferred out without compensation
Weihai Kunyushan Construction and Development Co., Ltd.	Weihai City	100.00	100.00	Transferred out without compensation

VII. Equity in Other Entities

1. Subsidiaries

(1) Compositions of enterprise groups

Subsidiary name	Main place of business	Registration place	Nature of business	Proportion of shareholding (%)		Proportion of voting rights(%)	Acquired method
				Direct	Indirect		
Weihai Taihe Investment Co., Ltd.	Weihai City	Weihai City	Commercial service industry	100.00		100.00	Free of charge transfer
Weihai Wenyu New Momentum Development Co., Ltd	Weihai City	Weihai City	Commercial service industry	100.00		100.00	Invest to establish
Weihai Wenyu Construction Co., Ltd	Weihai City	Weihai City	Civil engineering construction industry	100.00		100.00	Free of charge transfer
Rowen International Co., Ltd.	Hongkong	Hongkong	Comprehensive	100.00		100.00	Invest to establish
Weihai Wenda Tourism Development Co., Ltd.	Weihai City	Weihai City	Commercial service industry		100.00	100.00	Invest to establish
Weihai Wenyu Land Planning and Design Service Co., Ltd.	Weihai City	Weihai City	Special Technical Services	100.00		100.00	Free of charge

Subsidiary name	Main place of business	Registration place	Nature of business	Proportion of shareholding (%)		Proportion of voting rights(%)	Acquired method
				Direct	Indirect		
							transfer
Weihai Changhuikou Reservoir Engineering Construction Co., Ltd	Weihai City	Weihai City	Construction industry	60.80		60.80	Invest to establish
Weihai Wenyu Property Service Co., Ltd	Weihai City	Weihai City	Property management	100.00		100.00	Invest to establish

(Continued)

Subsidiary name	Registered capital	Business scope	Minority equity
Weihai Taihe Investment Co., Ltd.	100,000,000.00	Foreign investment and asset management with its own assets within the scope of laws and administrative regulations; Land development, consolidation and management; Construction of urban roads and infrastructure; Real estate development and management; Construction of supporting commercial houses, ordinary commercial houses and low-income housing, housing demolition and relocation sources, construction projects; Construction equipment installation works; Landscape design and construction engineering; Interior and exterior decoration project; Development, investment, operation and management of tourist scenic spots; Hotel management.	
Weihai Wenyu New Momentum Development Co., Ltd	50,000,000.00	Incubation of science and technology enterprises; Project investment; Technical development consultation and technical services; Lease of premises; Property services; Business management consulting.	
Weihai Wenyu Construction Co., Ltd	100,000,000.00	Housing construction, civil engineering, construction and installation engineering, building decoration and decoration construction; Concrete structural members manufacturing; Building materials, hardware, furniture, decoration materials sales; Real estate development and operation, housing leasing; Sales and leasing of construction machinery and equipment; Engineering management service, engineering design; Maintenance of municipal facilities.	
Rowen International Co., Ltd.	1,000,000.00 (USD)	Comprehensive business	
Weihai Wenda Tourism Development Co., Ltd.	150,000,000.00 (USD)	Development of tourist attractions; Construction and operation of tourist facilities; Development and management of commercial syntheses; Tourism services; Catering service.	
Weihai Wenyu Land Planning and Design Service Co., Ltd.	6,000,000.00	Permitted items: surveying and mapping services; National space planning. (For projects subject to approval according to law, business activities can only be carried out after approval by relevant departments, and specific business projects shall be subject to approval documents or license certificates of relevant departments.) General projects: planning and design management; Non-residential real estate rental.	
Weihai Changhuikou Reservoir Engineering Construction Co., Ltd	50,000,000.00	General projects: landscaping engineering construction; engineering management services; earthwork engineering construction; house demolition services; foreign contracted projects. Licensed projects: all kinds of engineering construction activities.	-8,223.63
Weihai Wenyu Property Service Co., Ltd	500,000.00	General projects: property management; Real estate brokers; Bidding agency services; Landscaping construction; Professional cleaning, cleaning and disinfection services; Domestic services; Parking services; Corporate governance; Metal repairs; Residential water and electricity installation	

Subsidiary name	Registered capital	Business scope	Minority equity
		and maintenance services.Permitted projects: Construction of construction projects; Residential interiors; Tap water production and supply.	

2. Non Significant Partially-owned Subsidiaries

Subsidiary name	Proportion of non-controlling interests (%)	Profit or loss attributable to non-controlling interests	Dividends paid to non-controlling interests	Cumulative non-controlling interests at the end of the period
Weihai Changhuikou Reservoir Engineering Construction Co., Ltd	39.20%	-5,248.27		-8,223.63

3. Equity in joint ventures or associates

（1）Associated enterprise

Name of joint venture or associated enterprise	Main place of business	Registration place	Nature of business	Proportion of shareholding（%）		Accounting for investments in joint ventures or associates
				Direct	Indirect	
Shandong Sinotrans Eurasia Internet of Things Operation Co., Ltd.	Weihai City	Weihai City	IOT operations		15.00	Equity method
Weihai Comprehensive Bonded Zone Xinxing Development Co., Ltd	Weihai City	Weihai City	Infrastructure construction		50.00	Equity method

VIII. Relationships and Transactions with Related Parties

1. Basic Information of the Parent

Name of the parent	Main place of business	Registration place	Registered capital	Proportion of shares held by the parent (%)	Proportion of voting rights held by the parent (%)
Weihai Wenteng District State-owned Assets Service Center.	Weihai City	Asset supervision and management	412,000.00	100.00	100.00

2. Subsidiaries

See Note VII-1 equity in subsidiaries.

3. Joint Ventures and Associates

Significant joint ventures and associates of the Company are detailed in Notes Note VII-3 equity in joint ventures or associates.

4. Other Related Parties

Name of related parties	Relationship with the Group
Weihai Yuquan New Building Materials Co., Ltd	shareholding company
Shandong Haiwen Enterprise Management Co., Ltd	shareholding company

5. Related Party Transactions

（1）Related transactions for the purchase and sale of commodities, the provision and receipt of services

① Purchase of Goods

Name of related parties	Related party transaction content	For the period ended 30 June 2023 (tax included)	Full Year ended 31 December 2023 (tax included)
Weihai Yuquan New Building Materials Co., Ltd	Commercial concrete, etc	4,569,937.75	4,285,132.10

② Sales of Goods

Name of related parties	Related party transaction content	For the period ended 30 June 2023 (tax included)	Full Year ended 31 December 2023 (tax included)
Weihai Yuquan New Building Materials Co., Ltd	Sand		1,395,633.60

6. Balance of receivables and payables of related parties

(1) Receivable items

Items	Name of related parties	30 June 2023		31 December 2022	
		Gross carrying amoun	Provision for Bad Debts	Gross carrying amoun	Provision for Bad Debts
Other receivables	Weihai Yuquan New Building Materials Co., Ltd	1,756,462.27		1,136,439.06	

(2) Payable items

Items	Name of related parties	30 June 2023	31 December 2022
Accounts payable	Weihai Yuquan New Building Materials Co., Ltd	7,716,673.84	11,146,736.09
Other payables	Shandong Haiwen Enterprise Management Co., Ltd	25,500,000.00	25,500,000.00

IX. Contingencies and Commitment

1. Major Commitments

None.

2. Contingencies

(1) Major lawsuits involving the Company

The housing sales contract dispute case among Mingsheng Sun, Weihai Wendeng District Bluesea Investment & Development Co., Ltd and Wendeng Jingu Real Estate Development Co., Ltd.

On March 6th 2015, the Company signed a contract for the transfer of housing and land use rights of the second area land and above-ground buildings of Wendeng District Dawulibaihuicheng community with assignor, Wendeng Jingu Real Estate Development Co., Ltd (hereinafter referred to as "Jingu") without knowing these transaction object have been mortgaged or sealed off and some houses were signed online.

On July 27th 2016, Mingsheng Sun as the plaintiff submitted the case that he had signed the commercial housing sales contracts of Wendeng Dawulibaihuicheng community with a total of more than 0.7million square meters with Jingu and the contracts had been recorded online with registration procedures to The Secondary Intermediate People's Court of Tianjin, the Company and Jingu as defendants. Mingsheng Sun required Jingu to return the payments, interests and the losses of price differences amounted to RMB 97,599,684.00 and required the Company to undertake the joint liabilities.

On November 12th 2016, Wendeng district court issued civil judgment No. 1485 of Weiwenmin-chuzi (2015), ruling that the sales contract signed by the Company and Jingu on March 6th 2015 was terminated in September 2016, and the signed contract of transfer of state-owned land use right was invalid.

After negotiation, on December 15th 2016, Mingsheng Sun reached a framework agreement on the settlement of this case with the Company and other litigants. Mingsheng Sun promised to submit the withdrawal application to the court for all the cases related to the Company.

In January 2017, Mingsheng Sun appeal The Secondary Intermediate People's Court of Tianjin for alteration of the original claims, termination the commercial housing sale agreement signed with Jingu on September 2, 2014 , requiring Jingu to return the payments with interests and losses of price differences amounted to RMB 18,585,381.00. After the alteration of the original claims, due to the objective of lawsuit is under 200.00 million, on March 30th 2017, The Secondary Intermediate People's Court of Tianjin issued civil ruling paper of (2016)Jin 02 Minchu No.467, and transferred this case to Tianjin Hedong District People's Court.

On December 19th 2017, the first hearing of Hedong District Court was held. On August 23rd 2018, Tianjin Hedong District People's Court issued (2017) Jin 0102 Minchu No.4291 civil judgment as following: rescission of the agreement signed on September 2nd 2014 for sale and purchase of commercial housing signed by plaintiff Mingsheng Sun and defendant Jingu; the defendant Jingu repay the plaintiff Mingsheng Sun RMB 10,944,192.00 of the houses payments and repay the interests losses according to the standard of banks corresponding loan interest rate from March 6th 2015 to the date of the actual refund of the purchase amount; within 10 days from the effective date of this judgment, the defendant, Jingu, shall compensate the plaintiff, Mingsheng Sun, RMB 6,384,112.00 for the differences losses of the purchased houses; the Company and the People's Government of Wendeng District of Weihai shall undertake joint and several liabilities for compensation with the defendant, Jingu; reject other lawsuit requests of plaintiff, Mingsheng Sun.

The Company has appealed against the civil judgment of (2018) Jin 02 Minzhong No.7611 issued by The Secondary Intermediate People's Court of Tianjin as following: rescission of (2017) Jin 0102 Minchu No.4291 civil judgment issued by Tianjin Hedong District People's Court; retrial this case by Tianjin Hedong District People's Court.

On December 23rd 2019, Tianjin Hedong District People's Court (2019) Jin0102, Minchu No. 3507 judgment : ① The defendant, Wendeng Jingu Real Estate Development Co., Ltd., shall compensate the plaintiff Mingsheng Sun a lump sum of RMB 10,944,192 house payment and the related interests within 10 days after this judgment takes effect. ② The defendant, Wendeng Jingu Real Estate Development Co., Ltd. paid the plaintiff a lump sum of RMB 6,384,112.00 for the balance loss of the houses purchased. ③

When the defendant, Wendeng Jingu Real Estate Development Co., Ltd., fails to compensate the plaintiff, Sun Mingsheng, for the above economic losses, the defendant, Weihai Wendeng Bluesea Investment and Development Co., Ltd., shall bear the supplementary compensation liability for the above items ① and ②. ④ Dismiss other claims of the plaintiff, Mingsheng Sun.

On June 15, 2020, Sun Mingsheng filed a lawsuit against the Company in Tianjin Hebei District People's Court for the same reason as that filed by Tianjin Hedong District People's Court. We challenge the jurisdiction.

In August 2020, Tianjin Hebei District People's Court rejected the objection raised by Weihai Wendeng District Blue Ocean Investment and Development Co., Ltd. to the jurisdiction of the case, and froze the deposit of 16,772,782 yuan, 16,824,255 yuan and 16,820,555 yuan in the bank account of Weihai Wendeng District Blue Ocean Investment and Development Co., Ltd.

In November 2020, the Second Intermediate People's Court of Tianjin ruled to cancel the three civil orders issued by Tianjin Hebei District People's Court in August 2020, and the case was transferred to the Wendeng District People's Court of Weihai City, Shandong Province for handling.

On May 31, 2021, the Tianjin Hedong District Court made a civil judgment (2020) Jin 02 Min Zhong No. 2040: the appeal was rejected and the original judgment was upheld. Later, Sun Mingsheng applied to Tianjin Hedong District People's Court for compulsory execution. During the execution process, Hedong District Court made (2021) Jin 0102 No. 3167 execution ruling on June 24, 2021: Freeze and allocate Wendeng Jingu Real Estate Development Co., Ltd. The bank deposit of RMB 20,980,228.00 under the name of the company and Weihai Wendeng District Blue Ocean Investment Development Co., Ltd., the withdrawal of the equivalent income of the person subject to execution or the seizure of the equivalent property. Afterwards, the company lodged an enforcement objection with the Tianjin Hedong District Court, and applied to the Tianjin Hedong District Court to suspend the enforcement of the case; stop taking enforcement measures against the company and lift all enforcement measures including sealing up and freezing bank account deposits. The Tianjin Hedong District Court (2021) Jin 0102 Zhiyi No. 395 enforced the ruling and rejected the company's objection.

On November 11, 2021, the Tianjin Hedong District Court made an enforcement ruling (2021) Jin 02 Zhifu No. 322: rejecting the company's application for reconsideration and maintaining the objection ruling (2021) Jin 0102 Zhiyi No. 395 of the Tianjin Hedong District People's Court. On December 3, 2021, the Tianjin Hedong District People's Court enforced the company's amount of RMB 17,328,304.00. In April 2022, the amount of the Company was 4,181,525.00 yuan.

In December 2021, Sun Mingsheng filed a lawsuit in the People's Court of Jinan High-tech Industrial Development Zone, asking the company to compensate the purchase price of 59,733,349.00 yuan and interest, and compensate the loss of 60,208,916.00 yuan for the difference in the purchase price.

On June 16, 2022, the People's Court of Jinan High-tech Industrial Development Zone, Shandong Province (2021) Lu 0191 Civil Judgment No. 7661 at the beginning of the Republic of China Judgment: 1. The defendant, Weihai Wendeng District Bluesea Investment & Development Co., Ltd, shall pay 121,072,449.00 yuan (49,442.35 square meters *2448.76 yuan/square meters) and interest (based on 121,072,449 yuan) to the plaintiff Sun Mingsheng within 10 days after the effective date of this judgment. From December 15, 2016 to August 19, 2019, calculated according to the loan interest rate of the People's Bank of China during the same period; From August 20, 2019 to the date of actual payment, calculated in accordance with the loan market quoted interest rate published by the National Interbank Lending Center); 2. The defendant Weihai Wendeng District Bluesea Investment & Development Co., Ltd. shall pay the security insurance premium of 121,012.45 yuan to the plaintiff Sun Mingsheng within 10 days from the effective date of this judgment; 3. Reject other claims of plaintiff Sun Mingsheng.

On September 19, 2022, Jinan Intermediate People's Court of Shandong Province (2022) Lu 01 Min End No. 7279 Civil Judgment Judgment: Rejected the appeal and upheld the original judgment.

On October 24, 2022, the Enforcement Notice No. 3507 of the People's Court of Jinan High-tech Industrial Development Zone (2022) Lu 0191 shall fulfill the following obligations: (1) To fulfill the obligations set forth in the effective legal instrument and pay 121,072,449 Yuan, 34,062,725.00 yuan in interest and 121,012.45.00 yuan in insurance to the applicant for execution. The case acceptance fee is 646,862.00 yuan, and the security fee is 5,000.00 yuan. (2) To pay the applicant for the execution of the doubled debt interest during the delay period of 627,530.00 yuan. (3) Bear the case application execution fee of 223,935.00 yuan.

As of June 30, 2023, the Company's bank deposit frozen fund balance was 121,728,546.43 yuan.

On March 23, 2023, Shandong High People's Court (2022) Lu Minshen No. 12679 Civil Decision ruled: 1. Ordered Jinan Intermediate People's Court of Shandong Province to retrial the case; 2. During the retrial, the execution of the original judgment shall be suspended.

Up to now, the case is in the process of retrial.

(2) One of the litigation matters of the Company as a plaintiff in the previous year was finalized in this reporting period

(3) External guarantee items

As of 30 June 2023 the company provides the following guarantees for other entities:

NO.	Lender/guarantee beneficiary	Guaranteed entity	The ending balance of guarantee (CNY)	Guarantee due date
1	Chongqing Xinyu Financial Leasing Co., Ltd	Wendeng Jintan Investment Management Co., Ltd	52,625,856.46	2024-4-1
2	China Construction Investment Leasing Co., Ltd	Weihai Kangtai Water Development Co. LTD	68,695,178.22	2025-5-5
3	Weihai Wendeng District Branch of Agricultural Development	Weihai Longsheng Trading Co., Ltd	9,500,000.00	2024-6-28

NO.	Lender/guarantee beneficiary	Guaranteed entity	The ending balance of guarantee（CNY）	Guarantee due date
	Bank of China			
4	Weihai Wendeng District Branch of Agricultural Development Bank of China	Weihai Wendeng District Transportation Construction and Development Co., Ltd	780,000,000.00	2028-5-5
5	Weihai Wendeng District Branch of Agricultural Development Bank of China	Weihai Wendeng District Water Conservancy Construction and Development Co. Ltd	550,000,000.00	2036-12-31
6	Weihai Wendeng District Branch of Agricultural Development Bank of China	Wendeng Jintan Investment Management Co., Ltd	517,000,000.00	2033-8-12
7	Weihai Wendeng District Branch of Agricultural Development Bank of China	Wendeng Jintan Investment Management Co., Ltd	800,000,000.00	2035-12-14
8	Weihai Branch of China Minsheng Bank Co., Ltd	Weihai Taihong Industrial Co., Ltd	120,000,000.00	2025-4-29
9	Weihai Wendeng Branch of China Construction Bank Co., Ltd.	Weihai Wendeng District City Assets Management Co., Ltd	363,000,000.00	2031-11-21
10	Weihai Wendeng Branch of China Construction Bank Co., Ltd.	Weihai Wendeng District Water Conservancy Construction and Development Co. Ltd	323,000,000.00	2029-9-10
11	Weihai Branch of China Everbright Bank Co., Ltd	Shandong Wendeng American ginseng industry development Co., Ltd	70,000,000.00	2026-3-21
12	Weihai Branch of China Everbright Bank Co., Ltd	Weihai Kunyu Cultural Tourism Group Co., Ltd	43,500,000.00	2023-11-19
13	Weihai Branch of China Everbright Bank Co., Ltd	Weihai Kunyu Cultural Tourism Group Co., Ltd	43,500,000.00	2023-12-6
14	Weihai Branch of China Everbright Bank Co., Ltd	Weihai Kunyu Cultural Tourism Group Co., Ltd	43,500,000.00	2023-12-9
15	Weihai Branch of China Everbright Bank Co., Ltd	Weihai Shunsheng Construction Engineering Co., Ltd.	80,000,000.00	2025-12-27
16	Weihai Branch of China Everbright Bank Co., Ltd	Weihai Wanze Marine Technology Co., Ltd	40,000,000.00	2023-10-23
17	Weihai Branch of China Everbright Bank Co., Ltd	Wendeng Water Conservancy Construction and Installation Engineering Company	74,000,000.00	2030-12-19
18	Wendeng Wenshan East Road branch of Industrial and Commercial Bank of Co., Ltd.	Weihai Wendeng District Transportation Construction and Development Co., Ltd	112,500,000.00	2027-12-1
19	Weihai Wendeng branch of Industrial and Commercial Bank of Co., Ltd.	Weihai Wendeng District Financial Assets Operation Co., Ltd	306,600,000.00	2043-12-15
20	Zhejiang Construction Financial Leasing Co., Ltd.	Wendeng Jintan Investment Management Co., Ltd	36,169,595.35	2025-3-1
21	Far east Hongxin (Tianjin) Finance Leasing Co., Ltd	Weihai Wendeng District City Assets Management Co., Ltd	146,672,507.79	2025-8-30
22	Far east Hongxin (Tianjin) Finance Leasing Co., Ltd	Weihai Shunsheng Construction Engineering Co., Ltd.	52,166,217.71	2024-12-22

NO.	Lender/guarantee beneficiary	Guaranteed entity	The ending balance of guarantee（CNY）	Guarantee due date
23	Yu Nong Commercial Financial Leasing Co., Ltd.	Wendeng Jintan Investment Management Co., Ltd	52,602,219.58	2024-6-8
24	Weihai Branch of Industrial Bank Co., Ltd.	Hainan Wanyi Industrial Co., Ltd	160,000,000.00	2032-3-21
25	Weihai Branch of Industrial Bank Co., Ltd.	Wendeng Jintan Investment Management Co., Ltd	102,000,000.00	2031-6-21
26	Minmetals International Trust Co., Ltd	Weihai Chuangwen Construction Engineering Co., Ltd.	53,400,000.00	2024-3-16
27	Minmetals International Trust Co., Ltd	Weihai Chuangwen Construction Engineering Co., Ltd.	61,800,000.00	2024-9-28
28	Weihai Wendeng District City Assets Management Co., Ltd.21wendeng01	Weihai Wendeng District City Assets Management Co., Ltd	600,000,000.00	2028-6-28
29	Weihai Wendeng District City Assets Management Co., Ltd.20wendeng	Weihai Wendeng District City Assets Management Co., Ltd	600,000,000.00	2027-12-10
30	Wendeng branch of Weihai Commercial Bank Co., Ltd	Shandong Wendeng American ginseng industry development Co., Ltd	99,000,000.00	2024-1-28
31	Shandong Iron and Steel Financial Holding Financial Leasing (Shenzhen) Co., Ltd.	Wendeng Jintan Investment Management Co., Ltd	26,263,207.08	2024-11-18
32	Shangang international finance leasing (Shandong) Co., Ltd	Weihai Wendeng District City Assets Management Co., Ltd	15,211,628.01	2025-2-24
33	Shangang international finance leasing (Shandong) Co., Ltd	Weihai Wendeng District City Assets Management Co., Ltd	15,211,628.01	2025-2-24
34	Shandong Wendeng Rural Commercial Bank Co. Ltd	Weihai Chengli Construction and Installation Engineering Co., Ltd.	44,720,000.00	2025-9-9
35	Shandong Wendeng Rural Commercial Bank Co. Ltd	Weihai Fude Decoration Engineering Co., Ltd	45,920,000.00	2024-3-9
36	Shandong Wendeng Rural Commercial Bank Co. Ltd	Weihai Kangtai Water Development Co. LTD	46,920,000.00	2025-9-9
37	Shandong Wendeng Rural Commercial Bank Co. Ltd	Weihai Shengxin Construction Engineering Co., Ltd.	44,820,000.00	2024-3-11
38	Shandong Wendeng Rural Commercial Bank Co. Ltd	Weihai Fengdeng Agricultural Development Co., Ltd	9,900,000.00	2025-12-13
39	Shandong Wendeng Rural Commercial Bank Co. Ltd	Weihai Kunyu Security Service Co., Ltd	9,900,000.00	2025-12-13
40	Shandong Wendeng Rural Commercial Bank Co. Ltd	Weihai Wendeng District Mishan Reservoir Comprehensive Service Center	19,900,000.00	2026-1-9
41	Shandong Wendeng Rural Commercial Bank Co. Ltd	Weihai Yuhai Salt Industry Co., Ltd	9,900,000.00	2025-12-13
42	Shandong Wendeng Rural Commercial Bank Co. Ltd	Weihai Shunsheng Construction Engineering Co., Ltd.	29,920,000.00	2024-3-21
43	Shandong Wendeng Rural Commercial Bank Co. Ltd	Weihai Shunsheng Construction Engineering Co., Ltd.	48,920,000.00	2024-3-21

NO.	Lender/guarantee beneficiary	Guaranteed entity	The ending balance of guarantee (CNY)	Guarantee due date
44	Shandong Wendeng Rural Commercial Bank Co. Ltd	Weihai Wensheng stone co., LTD	63,930,000.00	2024-2-24
45	Shandong Wendeng Rural Commercial Bank Co. Ltd	Wendeng Water Conservancy Construction and Installation Engineering Company	43,820,000.00	2024-3-11
46	Shandong International Trust Co., Ltd.	Wendeng Jintan Investment Management Co., Ltd	38,600,000.00	2023-8-27
47	Shandong Finance Development Co., Ltd. (Laishang Bank)	Weihai Hongtai Investment Holding Group Co., Ltd	200,000,000.00	2026-1-19
48	Shandong Huitong Financial Leasing Co. Ltd	Weihai Huichang Construction Development Co., Ltd	40,249,114.62	2024-11-26
49	Shandong Huitong Financial Leasing Co. Ltd	Weihai Huichang Construction Development Co., Ltd	40,249,114.63	2025-1-8
50	Shandong Guohui microfinance Co., Ltd	Weihai Wendeng District City Assets Management Co., Ltd	75,000,000.00	2024-6-17
51	Shandong Guohui Private Capital Management Co., Ltd	Weihai Wendeng District City Assets Management Co., Ltd	50,000,000.00	2024-5-20
52	Shandong Expressway Global Finance Leasing Co., Ltd	Weihai Wendeng District City Assets Management Co., Ltd	99,166,666.65	2025-1-13
53	Weihai sub branch of Rizhao Bank Co., Ltd	Weihai Guwei Stone Co., Ltd	96,000,000.00	2024-1-7
54	Weihai sub branch of Rizhao Bank Co., Ltd	Weihai Meilun Road & Bridge Engineering Co., Ltd	96,000,000.00	2024-1-7
55	Weihai sub branch of Rizhao Bank Co., Ltd	Weihai Xinzang Construction and Installation Engineering Co., Ltd.	96,000,000.00	2024-1-13
56	Bank of Qingdao Co., Ltd. Weihai Wendeng Branch Beijin Office	Weihai Wendeng District City Assets Management Co., Ltd	290,000,000.00	2025-1-20
57	Weihai Wendeng sub branch of Qingdao Bank Co., Ltd.	Weihai Anhua Construction Engineering Co., Ltd	59,400,000.00	2024-11-22
58	Weihai Wendeng sub branch of Qingdao Bank Co., Ltd.	Weihai Shunsheng Construction Engineering Co., Ltd.	148,500,000.00	2025-4-2
59	Weihai Wendeng sub branch of Qingdao Bank Co., Ltd.	Weihai Yutong Water Service Co., Ltd	104,000,000.00	2025-4-11
60	Weihai Wendeng sub branch of Qingdao Bank Co., Ltd.	Wendeng Jintan Investment Management Co., Ltd	94,510,000.00	2023-7-13
61	Qingdao Qingyin Financial Leasing Co., Ltd.	Wendeng Jintan Investment Management Co., Ltd	100,000,000.00	2024-4-29
62	Weihai Wendeng branch of Qishang Bank Co., Ltd	Weihai Longsheng Trading Co., Ltd	10,000,000.00	2023-10-17
63	Weihai Wendeng branch of Qishang Bank Co., Ltd	Wendeng Jintan Investment Management Co., Ltd	300,000,000.00	2026-1-4
64	Weihai Branch of Qilu Bank Co., Ltd	Weihai Hongtai Investment Holding Group Co., Ltd	99,950,000.00	2023-9-19
65	Weihai Branch of Qilu Bank Co., Ltd	Wendeng Jintan Investment Management Co., Ltd	185,000,000.00	2024-3-14
66	Lujiazui International Trust Co., Ltd	Weihai Wendeng District Transportation Construction and Development Co., Ltd	100,000,000.00	2024-2-27

NO.	Lender/guarantee beneficiary	Guaranteed entity	The ending balance of guarantee（CNY）	Guarantee due date
67	Lujiazui International Trust Co., Ltd	Weihai Wendeng District Transportation Construction and Development Co., Ltd	100,000,000.00	2024-3-31
68	Jiushi Financial Leasing Co., Ltd.	Weihai Taihong Industrial Co., Ltd	17,946,277.85	2024-6-23
69	Jiushi Financial Leasing Co., Ltd.	Weihai Taihong Industrial Co., Ltd	17,946,277.85	2024-6-23
70	Weihai Wendeng Branch of Communications Bank Co. Ltd	Weihai Fengdeng Agricultural Development Co., Ltd	40,000,000.00	2024-6-11
71	Weihai Wendeng Branch of Communications Bank Co. Ltd	Weihai Wendeng District Transportation Construction and Development Co., Ltd	426,080,000.00	2030-9-27
72	Weihai Wendeng Branch of Communications Bank Co. Ltd	Weihai Wendeng District Water Conservancy Construction and Development Co. Ltd	386,000,000.00	2037-12-25
73	Wendeng branch of Hengfeng Bank Co., Ltd.	Weihai Hongtai Investment Holding Group Co., Ltd	332,000,000.00	2025-8-29
74	Hayin Financial Leasing Co., Ltd	Weihai Kangtai Water Development Co. LTD	118,243,584.19	2025-7-15
75	Sinopharm Holdings (China) Financial Leasing Co., Ltd	Weihai Wendeng District People's Hospital	27,211,500.00	2026-2-20
76	Guangzhou High-tech Zone Financial Leasing Co., Ltd.	Weihai Wendeng District City Assets Management Co., Ltd	58,649,037.21	2026-12-1
77	Bank of Beijing Co., Ltd. Jinan Branch	Weihai Wendeng District Transportation Construction and Development Co., Ltd	170,000,000.00	2024-11-13
78	Bank of Beijing Co., Ltd. Jinan Branch	Weihai Shunsheng Construction Engineering Co., Ltd.	80,000,000.00	2023-12-23
	Total		10,933,189,611.21	

X. Events after the Reporting Period

None.

XI. Other Important Matters

None.

XII. Notes to Major Items in Financial Statements of the Parent

1. Accounts receivable

（1）Accounts receivable are shown by age of account

Aging	30 June 2023	31 December 2022
Within 1 year (including 1 year)	159,082,489.00	1,582,495.00
1 to 2 years (including 2 years)	93,084.00	93,084.00
2 to 3 years (including 3 years)		
3 to 4 years (including 4 years)		
4 to 5 years (including 5 years)		

Aging	30 June 2023	31 December 2022
More than 5 years		
Subtotal	159,175,573.00	1,675,579.00
Minus Bad Debts Provision	4,654.20	4,654.20
Total	159,170,918.80	1,670,924.80

(2) Discloure According to the bad debt withdrawal method

Categories	30 June 2023				
	Gross carrying amount		Provision for Bad Debts		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with single amount and separate provision for bad debts					
Including:					
Accounts receivable with provision for bad debts based on the combination risk characteristics	159,175,573.00	100.00	4,654.20		159,170,918.80
Including:					
1. Accounts receivable for bad debt provision according to aging analysis method	103,175,575.00	64.82	4,654.20		103,170,920.80
2. Accounts receivable with provision for bad debts based on nature analysis combination method	55,999,998.00	35.18			55,999,998.00
Total	159,175,573.00	--	4,654.20		159,170,918.80

(Continued)

Categories	31 December 2022				
	Gross carrying amount		Provision for Bad Debts		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with single amount and separate provision for bad debts					
Including:					
Accounts receivable with provision for bad debts based on the combination risk characteristics	1,675,579.00	100.00	4,654.20	0.28	1,670,924.80
Including:					-
1. Accounts receivable for bad debt provision according to aging analysis method	1,675,579.00	100.00	4,654.20	0.28	1,670,924.80
2. Accounts receivable with provision for bad debts based on nature analysis combination method					-
Total	1,675,579.00	--	4,654.20	--	1,670,924.80

① In the combination, accounts receivable that are combined with provision for bad debts according to the aging analysis method

Aging	30 June 2023		
	Gross carrying amount	Provision for Bad Debts	Proportion (%)
Within 1 year (including 1 year)	103,082,491.00		0.00%
1 to 2 years (including 2 years)	93,084.00	4,654.20	5.00%
2 to 3 years (including 3 years)			
More than 3 years			
Total	103,175,575.00	4,654.20	--

(3) Provision for bad debts

Categories	31 December 2022	Changes in the current period				30 June 2023
		Accrual	Take back or switch back	Resale or write-off	Other changes	
Bad debt provision for accounts receivable	4,654.20					4,654.20
Total	4,654.20					4,654.20

(4) Top Five Debtors According to Closing Balances

Company name	30 June 2023	Proportion of total Accounts receivables(%)	Allowance for doubtful accounts
Weihai Zehonghai Product Breeding Co., Ltd	31,500,000.00	19.79	
Weihai Wanze Marine Technology Co., Ltd	39,999,996.00	25.13	
Weihai Shengyuan Aquatic Products Breeding Co., Ltd	30,000,000.00	18.85	
Weihai Wendeng District Finance Bureau	55,999,998.00	35.18	
Weihai Jinao New Materials Co., Ltd	1,582,495.00	0.99	
Total	159,082,489.00	99.94	

2. Other Receivables

Items	30 June 2023	31 December 2022
Interests receivable		
Dividends receivable	1,756,462.27	1,136,439.06
Other receivables	5,417,331,589.24	5,203,553,746.48
Total	5,419,088,051.51	5,204,690,185.54

(1) Dividends Receivable

① Classification of dividends receivable

Investee	30 June 2023	31 December 2022
Weihai Yuquan New Building Materials Co., Ltd.	1,756,462.27	1,136,439.06
Subtotal	1,756,462.27	1,136,439.06
Minus Bad Debts Provision		

Investee	30 June 2023	31 December 2022
Total	1,756,462.27	1,136,439.06

(2) Other Receivables

① Aging Analysis

Aging	30 June 2023	31 December 2022
Within 1 year (including 1 year)	2,124,282,831.29	3,060,858,224.47
1 to 2 years (including 2 years)	1,198,571,737.69	1,562,093,111.81
2 to 3 years (including 3 years)	1,862,998,905.21	527,876,194.84
3 to 4 years (including 4 years)	288,505,899.69	114,242,441.89
4 to 5 years (including 5 years)	4,488,441.89	403,820.00
More than 5 years	208,781,040.16	208,377,220.16
Subtotal	5,687,628,855.93	5,473,851,013.17
Minus Bad Debts Provision	270,297,266.69	270,297,266.69
Total	5,417,331,589.24	5,203,553,746.48

② Classification by nature of payment

Nature of payment	30 June 2023	31 December 2022
Scurity deposit	66,952,241.46	76,126,197.92
Related party current account	3,104,412,713.71	2,916,383,377.43
Non related party current account	2,512,753,344.18	2,465,277,590.86
Others	3,510,556.58	16,063,846.96
Subtotal	5,687,628,855.93	5,473,851,013.17
Minus Bad Debts Provision	270,297,266.69	270,297,266.69
Total	5,417,331,589.24	5,203,553,746.48

③ Provision of bad debts

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment has occurred)	
Opening balance	270,297,266.69			270,297,266.69
In the current period:				
—Move to the second stage				
—Move to the third stage				
—Switch back to the second stage				
—Switch back to the first stage				

Bad debt provision	First stage Expected credit loss in the next 12 months	Second stage Expected credit loss for the entire duration (no credit impairment occurred)	Third stage Expected credit loss for the entire duration (credit impairment has occurred)	Total
Withdrawal for the current period				
Revert this period				
Resale of the current period				
Write off this period				
Other changes				
Ending Balanc	270,297,266.69			270,297,266.69

④ Bad debt provision situation

Categories	31 December 2022	Changes in the current period				30 June 2023
		Accrual	Take back or switch back	Resale or write-off	Other changes	
Provision for bad debts of other receivables	270,297,266.69					270,297,266.69
Total	270,297,266.69					270,297,266.69

⑤ Top Five Debtors According to Closing Balances

Company name	Nature of payment	30 June 2023	Aging	Proportion of total other receivables (%)	bad-debt provision of Closing balance
Weihai Wenyu Construction Co., Ltd	Current accounts	2,934,177,474.51	Within 1 year RMB 222,070,566.77; 1 to 2 yearsRMB 1,191,751,091.18; 2 to 3 yearsRMB 1,385,973,945.97; 3 to 4 yearsRMB 134,381,870.59	51.59	
Weihai Qingwen Industrial Co., Ltd	Current accounts	849,140,502.90	Within 1 year	14.93	
Weihai Shunsheng Construction Engineering Co., Ltd	Current accounts	335,125,928.00	Within 1 year	5.89	
Weihai Wenda Tourism Development Co., Ltd.	Current accounts	169,704,939.20	Within 1 year RMB 684,581.00; 1 to 2 yearsRMB 1,346,882.0; 2 to 3 yearsRMB 124,068,590.00; 3 to 4 yearsRMB 43,604,886.20	2.98	
Weihai Tengda Trading Co., Ltd	Current accounts	136,300,000.00	Within 1 year	2.40	
Total	—	4,424,448,844.61	—	77.79	

3. Long-term Equity Investments

(1) Classification of Long-term Equity Investments

Items	30 June 2023			31 December 2022		
	Gross carrying amount	Impairment loss	Carrying amount	Gross carrying amount	Impairment loss	Carrying amount
Investments in subsidiaries	2,510,721,052.29		2,510,721,052.29	2,720,074,196.21		2,720,074,196.21
Investments in joint ventures and associates						
Total	2,510,721,052.29		2,510,721,052.29	2,720,074,196.21		2,720,074,196.21

（2） Invest in subsidiaries

Investee	31 December 2022（carrying amount）	Increase/decrease in current year				30 June 2023（carrying amount）	Ending balance of impairment provision
		Increase in investments	Decrease in investments	Impairment loss	Others		
Weihai Taihe Investment Co.,Ltd	2,456,130,248.10					2,456,130,248.10	
Shandong Wendeng Bone Rehabilitation And Health Co., Ltd	173,400,000.00		173,400,000.00			-	
Weihai Wenyu New Momentum Development Co., Ltd	30,505,806.98	59,316.29				30,565,123.27	
Weihai Wenyu Construction Co., Ltd	15,298,087.11					15,298,087.11	
Weihai Wenyu Land Planning and Design Service Co. LTD	8,676,893.81					8,676,893.81	
Weihai Kunyushan Construction and Development Co. LTD	36,012,460.21		36,012,460.21			-	
Weihai Changhuikou Reservoir Engineering Construction Co., LTD	50,700.00					50,700.00	
Total	2,720,074,196.21	59,316.29	209,412,460.21			2,510,721,052.29	

4. Operating Revenue and Operating Costs

（1） Operating Revenue and Operating Costs

Items	For the period ended 30 June 2023		For the year ended 31 December 2022		For the period ended 30 June 2022	
	Revenue	Costs	Revenue	Costs	Revenue	Costs
Principal operating activities	1,408,114,484.00	1,231,881,387.36	2,295,910,058.34	1,991,455,978.11	1,394,960,972.52	1,238,794,699.55
Other operating	55,646,149.27	47,924,679.85	126,387,214.68	95,848,689.96	53,822,915.07	47,818,933.56

Items	For the period ended 30 June 2023		For the year ended 31 December 2022		For the period ended 30 June 2022	
	Revenue	Costs	Revenue	Costs	Revenue	Costs
activities						
Total	1,463,760,633.27	1,279,806,067.21	2,422,297,273.02	2,087,304,668.07	1,448,783,887.59	1,286,613,633.11

(2) Revenue generated under the current contract

Contract Classification	For the period ended 30 June 2023		For the year ended 31 December 2022		For the period ended 30 June 2022	
	Revenue	Costs	Revenue	Costs	Revenue	Costs
Product sales	523,493,748.34	449,297,784.00	2,118,276,731.32	1,836,412,192.70	1,298,294,309.70	1,147,579,165.67
Project construction	787,954,072.84	696,220,946.87				
Lease	151,472,256.99	134,201,392.03	303,100,052.84	250,681,652.53	150,041,278.64	139,034,467.44
Others	840,555.10	85,944.31	920,488.86	210,822.84	448,299.25	
Total	1,463,760,633.27	1,279,806,067.21	2,422,297,273.02	2,087,304,668.07	1,448,783,887.59	1,286,613,633.11

5. Other Income

The sources of other income	For the period ended 30 June 2023	For the year ended 31 December 2022	For the period ended 30 June 2022
Government grants related to daily operation of the Company	429,000,000.00	875,130,000.00	518,050,000.00
Withholding and repaying individual income tax service fee	843.67	282.32	282.32
Total	429,000,843.67	875,130,282.32	518,050,282.32

6. Investment Income

Items	For the period ended 30 June 2023	For the year ended 31 December 2022	For the period ended 30 June 2022
Income from other equity instrument investments	620,023.21	1,320,323.32	528,915.86
Total	620,023.21	1,320,323.32	528,915.86

Weihai Wendeng District Bluesea Investment & Development Co., Ltd

August 25th, 2023

Weihai Wendeng District Bluesea Investment & Development Co., Ltd

Auditor's Report

【2023】Qinxin Shenzi No.1479

Contents

Peking Certified Public Accountants
Add: 10th floor, No. 112 Yangguang Building,
Xizhimenwai Street, Beijing, China
Tel: (86-10) 68360123
Fax: (86-10) 68360123-3000
Post Code: 100044

Note: This auditor's report has been issued in Chinese. The following is an English translation prepared for your reference only. If there is any conflict between the Chinese and English version, the Chinese version shall prevail.

[Translation]

Auditor's report

【2023】Qinxin Shenzi No.1479

To Weihai Wendeng District Bluesea Investment & Development Co., Ltd:

I. Opinions

We have audited the accompanying financial statements of Weihai Wendeng District Bluesea Investment & Development Co., Ltd (hereinafter the Company), which comprise the company and consolidated balance sheets as at 31 December 2022, and the company and consolidated income statements, the company and consolidated statements of changes in owners' equity and the company and consolidated cash flow statements for the year then ended, and the notes to the financial statements.

In our opinion, the financial statements of the Company and consolidated present fairly, in all material respects, the financial position of the Company and consolidated as of 31 December 2022, and the results of its operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. Basis For Opinion

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the China Standards on Auditing for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Other Information Included In The Annual Report

The Directors of the Company (hereinafter referred to as the Directors) are responsible for the other information. The other information comprises all the information included in the annual report, other than 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.

IV. Responsibilities Of The Directors And Those Charged With Governance For The Financial Statements

The Directors of the Company are responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Standards for Business Enterprises, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors of the Company are responsible for assessing the Company'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 of the Company either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance discharge their responsibilities for overseeing the Company's financial reporting process.

V. 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 China Standards on Auditing 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 China Standards on Auditing, we exercise professional judgement 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 the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence on the financial information of entities or business activities within the Company to express an opinion on financial statements. We are responsible for the direction, supervision and performance of the Company 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.

Peking Certified Public Accountants

Beijing

April 20, 2023

Chinese Certified Public Accountant

: Liang Haiyong

: Wu Nanyi

CONSOLIDATED BALANCE SHEETS

For the year ended 31 December 2022

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd **Currency: CNY**

Items	Notes	31 December 2022	31 December 2021
Current assets:			
Monetary fund	V.1.	1,697,360,934.32	1,452,273,438.00
Trading financial assets			
Derivative financial assets			
Notes receivable	V.2.	810,000,000.00	420,000,000.00
Accounts receivable	V.3.	19,176,170.87	8,511,554.56
Receivables financing			
Prepayments	V.4.	48,526,843.22	370,146,140.48
Other receivables	V.5.	6,742,759,906.38	8,290,756,751.29
Including: Interest receivable			
Dividends receivable		1,136,439.06	5,409,231.32
Inventories	V.6.	22,685,483,718.25	23,428,983,130.31
Contract assets			135,229.60
Assets held for sale			
Non-current assets due within one year	V.7.	20,091,986.31	
Other current assets	V.8.	212,817,081.74	189,530,458.56
Total current assets		32,236,216,641.09	34,160,336,702.80
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	V.9.	11,054,263.53	10,429,266.69
Other equity instrument investments	V.10.	64,779,459.67	39,074,154.10
Other non-current financial assets			
Investment properties	V.11.	119,269,103.85	97,867,420.45
Net book value of fixed assets	V.12.	2,259,165,269.40	1,998,469,264.56
Construction in progress	V.13.	45,073,068.78	285,428,788.15
Productive biological Assets			
Oil and gas assets			
Right-of-use assets	V.14.	4,327,567.49	4,627,745.57
Intangible assets	V.15.	19,331,409,604.59	18,794,203,095.76
Development expenditures			
Goodwill			
Long-term prepaid expenses	V.16.	2,685,422.62	4,122,200.73
Deferred tax assets	V.17.	96,769,534.89	97,260,156.78
Other non-current assets	V.18.	291,582,213.38	24,906,271.18
Total Non-Current Assets		**22,226,115,508.20**	**21,356,388,363.97**
Total Assets		54,462,332,149.29	55,516,725,066.77

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative: **Chief Financial Officer:** **Head of Accounting Department:**

CONSOLIDATED BALANCE SHEETS (CONTINUED)

For the year ended 31 December 2022

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd **Currency: CNY**

Items	Notes	31 December 2022	31 December 2021
Current liabilities:			
Short-term loans	V.19.	1,799,758,520.00	850,000,000.00
Transactional financial liabilities			
Derivative financial liabilities			
Notes payable	V.20.	240,000,000.00	319,900,000.00
Accounts payable	V.21.	194,350,878.14	192,005,642.61
Unearned revenue	V.22.	44,844.92	2,588,539.84
Contract liabilities	V.23.	36,275,042.96	52,743,289.69
Employee compensation payable		45,921.88	127,596.83
Taxes and surcharge payable	V.24.	375,814,257.08	341,752,679.64
Other payables	V.25.	1,654,409,689.48	1,674,985,376.16
Including:Interest payable			
Dividends payable			
Holding for sale liabilities			
Non-current liabilities due within one year	V.26.	3,845,913,687.72	5,109,713,286.74
Other current liabilities	V.27.	719,728,634.94	550,749,388.42
Total Current Liabilities		8,866,341,477.12	9,094,565,799.93
Non-Current Liabilities:			
Long-term loans	V.28.	6,107,332,400.00	6,228,583,200.00
Bonds payable	V.29.	6,548,143,154.83	6,877,905,639.71
Including:Preferred stock			
Perpetual bond			
Lease liabilities			
Long-term payables	V.30.	2,410,302,807.53	2,932,393,001.62
Long-term employee benefits payable			
Estimated liabilities	V.31.	158,592,212.83	3,651,924.00
Deferred Income			
Deferred tax liabilities			
Other non-current liabilities			
Total Non-Current Liabilities		15,224,370,575.19	16,042,533,765.33
Total Liabilities		24,090,712,052.31	25,137,099,565.26
Owner's Equity			
Paid in capital	V.32.	500,000,000.00	500,000,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual bond			
Capital reserve	V.33.	27,158,422,426.30	27,431,034,213.46
Less: treasury stocks			
Other comprehensive income		-17,474,817.65	32,678,929.44
Specialized reserve			
Surplus reserve	V.34.	262,325,396.79	229,152,101.59
Undistributed profit	V.35.	2,465,611,664.09	2,184,134,272.91
Total Owners' Equity of the Parent Company		30,368,884,669.53	30,376,999,517.40
Minority shareholders' equity		2,735,427.45	2,625,984.11
Total Owner's Equity		30,371,620,096.98	30,379,625,501.51
Total Liabilities and Owner's'Equity		54,462,332,149.29	55,516,725,066.77

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative: 从民 **Chief Financial Officer:** 霞宋印日 **Head of Accounting Department:** 春刘印雨

BALANCE SHEETS

For the year ended 31 December 2022

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd — Currency: CNY

Items	Notes	31 December 2022	31 December 2021
Current assets:			
Monetary fund		427,103,666.43	408,100,657.74
Trading financial assets			
Derivative financial assets			
Notes receivable			
Accounts receivable	XII.1.	1,670,924.80	4,364,401.32
Receivables financing			
Prepayments		64,009,855.44	445,522,653.20
Other receivables	XII.2.	5,204,690,185.54	7,403,614,889.13
Including: Interest receivable			
Dividends receivable		1,136,439.06	5,409,231.32
Inventories		22,721,427,124.98	23,155,427,732.94
Contract assets			
Assets held for sale			
Non-current assets due within one year			
Other current assets		180,189,579.49	144,887,083.44
Total current assets		28,599,091,336.68	31,561,917,417.77
Non-current assets:			
Debt investments			
Other debt investments			
Long-term receivables			
Long-term equity investments	XII.3.	2,720,074,196.21	2,706,777,344.34
Other equity instrument investments		38,947,700.00	38,947,700.00
Other non-current financial assets			
Investment properties			
Net book value of fixed assets		2,225,630,844.67	1,965,956,512.67
Construction in progress		46,375,006.24	241,265,799.04
Productive biological Assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		10,585,513,836.09	9,529,377,076.40
Development expenditures			
Goodwill			
Long-term prepaid expenses		3,487,778.00	2,513,038.32
Deferred tax assets		67,575,480.21	58,464,305.03
Other non-current assets		141,056,803.70	
Total Non-Current Assets		15,828,661,645.12	14,543,301,775.80
Total Assets		44,427,752,981.80	46,105,219,193.57

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative: 丛民 3710811073910 **Chief Financial Officer:** 宋日印 **Head of Accounting Department:** 刘雨春印

BALANCE SHEETS（CONTINUED）

For the year ended 31 December 2022

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd

Currency: CNY

Items	Notes	31 December 2022	31 December 2021
Current liabilities:			
Short-term loans		230,000,000.00	250,000,000.00
Transactional financial liabilities			
Derivative financial liabilities			
Notes payable		321,995,000.00	500,000,000.00
Accounts payable		5,936,290.20	8,774,895.13
Unearned revenue			
Contract liabilities		10,879,968.75	8,294,540.69
Employee compensation payable			
Taxes and surcharge payable		311,097,990.39	290,348,113.78
Other payables		2,659,781,325.84	1,976,856,587.95
Including:Interest payable			
Dividends payable			
Holding for sale liabilities			
Non-current liabilities due within one year		3,570,175,834.26	4,996,801,790.46
Other current liabilities		979,197.19	724,080.81
Total Current Liabilities		7,110,845,606.63	8,031,800,008.82
Non-Current Liabilities:			
Long-term loans		6,107,332,400.00	6,228,583,200.00
Bonds payable		6,548,143,154.83	6,877,905,639.71
Including:Preferred stock			
Perpetual bond			
Lease liabilities			
Long-term payables		2,118,485,431.67	2,783,142,173.33
Long-term employee benefits payable			
Estimated liabilities		158,592,212.83	3,651,924.00
Deferred Income			
Deferred tax liabilities			
Other non-current liabilities			
Total Non-Current Liabilities		14,932,553,199.33	15,893,282,937.04
Total Liabilities		22,043,398,805.96	23,925,082,945.86
Owner's Equity			
Paid in capital		500,000,000.00	500,000,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual bond			
Capital reserve		19,263,100,208.02	19,390,615,231.86
Less: treasury stocks			
Other comprehensive income			
Specialized reserve			
Surplus reserve		262,325,396.79	229,152,101.59
Undistributed profit		2,358,928,571.03	2,060,368,914.26
Total Owner's Equity		22,384,354,175.84	22,180,136,247.71
Total Liabilities and Owner's'Equity		44,427,752,981.80	46,105,219,193.57

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative: 丛民 3710811073910　　**Chief Financial Officer:** 霞荣 印日　　**Head of Accounting Department:** 春刘 印雨

8

CONSOLIDATED INCOME STATEMENTS

For the year ended 31 December 2022

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd

Currency: CNY

Items	Notes	Current Year	Prior Year
1. Total operating revenue		2,990,271,376.92	3,110,937,862.30
Including: Operating revenue	V.36.	2,990,271,376.92	3,110,937,862.30
2. Total operating costs		3,754,424,361.09	3,553,312,026.38
Including: Operating costs	V.36.	2,609,550,579.15	2,389,663,768.64
Taxes and surcharges	V.37.	95,888,538.96	95,945,063.93
Selling expenses			
Administrative expenses		796,479,813.63	843,653,088.85
Research and development expenses			
Financial expenses	V.38.	252,505,429.35	224,050,104.96
Including: Interest expense		216,688,040.93	256,883,199.37
Interest income		42,253,158.06	82,140,541.71
Add: Other income	V.39.	1,244,630,309.32	897,671,794.27
Investment income (losses expressed with "-")	V.40.	2,445,320.16	6,257,200.30
Including: Investment income from associates and joint ventures		1,124,996.84	929,266.69
Gains from derecognition of financial assets measured at amortized costs			
Gains on hedge of a net position (losses expressed with "-")			
Gains from changes in fair value (losses expressed with "-")			
Credit impairment losses (lossed expressed with "-")	V.41.	1,962,487.57	-105,309,362.28
Assets impairment losses (losses expressed with "-")			
Gains on disposal of assets (losses expressed with "-")			194,923.59
3. Operating profit (loss expressed with "-")		484,885,132.88	356,440,391.80
Add: Non-operating income	V.42.	7,317.08	86,914.24
Less: Non-operating expenses	V.43.	157,717,474.51	21,252,351.67
4. Total profit (loss expressed with "-")		327,174,975.45	335,274,954.37
Less: Income tax expenses	V.44.	12,414,845.73	-23,539,786.72
5. Net profit (net loss expressed with "-")		314,760,129.72	358,814,741.09
A. Classified by continuing and discontinued operations			
Net profit from continuing operations		314,760,129.72	358,814,741.09
Net profit from discontinued operations			
B. Attributable to			
Owners of the Company		314,650,686.38	358,358,572.07
Non-controlling interests		109,443.34	456,169.02
6. Other comprehensive income, net of income tax		-50,153,747.09	11,687,021.27
Attributable to shareholders of the parent		-50,153,747.09	11,687,021.27
A. Items that will not be reclassified subsequently to profit or loss		205,305.57	26,454.10
1. Remeasurement of defined benefit liability /(asset)			
2. Other comprehensive income that cannot be reclassified to profit or loss under equity method			
3. Equity instrument designated at fair value through other comprehensive income - Changes in fair value		205,305.57	26,454.10
4. Own credit risk - Changes in fair value			
5. Others			
B. Items that may be reclassified subsequently to profit or loss		-50,359,052.66	11,660,567.17
1.Other comprehensive income that can be reclassified to profit or loss under equity method			
2. Debt instrument measured at fair value through other comprehensive income - Changes in fair value			
3. Other comprehensive income from reclassification of financial assets			
4. Other debt investment- Credit loss allowance			
5. Cash flow hedge reserve (Effective portion of gains or losses on cash flow hedge)			
6. Translation differences of financial statements presented in foreign currencies		-50,359,052.66	11,660,567.17
7. Others			
*Attributable to non-controlling interests			
7. Total comprehensive income		264,606,382.63	370,501,762.36
Attributable to owners (Or shareholders) of the Company		264,496,939.29	370,045,593.34
*Attributable to non-controlling interests		109,443.34	456,169.02

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative: 丛民 **Chief Financial Officer:** 霞荣 印 **Head of Accounting Department:** 刘春雨 印

9

INCOME STATEMENTS

For the year ended 31 December 2022

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd **Currency: CNY**

Items	Notes	Current Year	Prior Year
1.Operating revenue	XII.4.	2,422,297,273.02	2,503,159,219.54
Less:Operating costs	XII.4.	2,087,304,668.07	1,889,647,689.95
Taxes and surcharges		51,902,449.42	46,694,200.63
Selling expenses			
Administrative expenses		407,158,384.26	404,389,716.29
Research and development expenses			
Financial expenses		235,686,690.88	202,518,581.07
Including: Interest expense		184,006,863.32	220,323,988.75
Interest income		3,296,192.72	56,231,913.86
Add: Other income	XII.5.	875,130,282.32	419,670,494.52
Investment income (losses expressed with "-")	XII.6.	1,320,323.32	5,325,426.76
Including: Investment income from associates and joint ventures			
Gains from derecognition of financial assets measured at amortized costs			
Gains on hedge of a net position (losses expressed with "-")			
Gains from changes in fair value (losses expressed with "-")			
Credit impairment losses (lossed expressed with "-")		-36,444,700.73	-53,315,956.31
Assets impairment losses (losses expressed with "-")			
Gains on disposal of assets (losses expressed with "-")			65,746.53
2. Operating profit (loss expressed with "-")		480,250,985.30	331,654,743.10
Add: Non-operating income			
Less: Non-operating expenses		157,629,208.51	21,182,351.67
3. Total profit (loss expressed with "-")		322,621,776.79	310,472,391.43
Less: Income tax expenses		-9,111,175.18	-13,328,989.08
4. Net profit (net loss expressed with "-")		331,732,951.97	323,801,380.51
Net profit from continuing operations		331,732,951.97	323,801,380.51
Net profit from discontinued operations			
5. Other comprehensive income, net of income tax			
A. Items that will not be reclassified subsequently to profit or loss			
1. Remeasurement of defined benefit liability /(asset)			
2. Other comprehensive income that cannot be reclassified to profit or loss under equity method			
3. Equity instrument designated at fair value through other comprehensive income - Changes in fair value			
4. Own credit risk - Changes in fair value			
5. Others			
B. Items that may be reclassified subsequently to profit or loss			
1.Other comprehensive income that can be reclassified to profit or loss under equity method			
2. Debt instrument measured at fair value through other comprehensive income - Changes in fair value			
3. Other comprehensive income from reclassification of financial assets			
4. Other debt investment- Credit loss allowance			
5. Cash flow hedge reserve (Effective portion of gains or losses on cash flow hedge)			
6. Translation differences of financial statements presented in foreign currencies			
7. Others			
6. Total comprehensive income		331,732,951.97	323,801,380.51

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative: 丛民 **Chief Financial Officer:** 宋晨印 **Head of Accounting Department:** 刘春雨印

CONSOLIDATED CASH FLOW STATEMENTS

For the year ended 31 December 2022

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd

Currency: CNY

Items	Notes	Current Year	Prior Year
I. Cash flows from operating activities:			
Cash received from sales of goods or rendering of services		3,001,791,058.57	2,971,761,091.53
Refunds of taxes and surcharges		4,562,176.23	
Cash received relating to other operating activities		6,003,705,452.65	2,501,164,009.38
Sub-Total of Cash Inflows		9,010,058,687.45	5,472,925,100.91
Cash paid for goods and services		1,391,457,121.62	3,679,586,574.48
Cash paid to and for employees		19,937,278.77	18,216,542.48
Cash paid for all types of taxes		153,551,005.26	287,597,475.43
Other cash paid relating to operating activities		3,443,590,761.73	2,076,907,112.70
Sub-Total of Cash Outflows		5,008,536,167.38	6,062,307,705.09
Net Cash Inflow/Outflow From Operating Activities		4,001,522,520.07	-589,382,604.18
II.Cash flows from investing activities:			
Cash received from disposal of investments			1,000,000.00
Cash received from return on investments			10,276,051.31
Net cash received from disposal of fixed assets,intangible assets and other long-term assets			
Cash received from disposal of subsidiaries and other business units		500,000.00	
Other cash received relating to investing activities		1,613,206.06	1,996,938,088.99
Sub-Total of Cash Inflows from Investing Activities		2,113,206.06	2,008,214,140.30
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		1,796,992,045.98	1,648,741,822.63
Cash paid for acquisition of investments		25,500,000.00	1,600,000.00
Cash paid for acquisition of subsidiaries and other business units			
Other cash paid relating to investing activities		1,150,764.69	1,758,970,072.20
Sub-Total of Cash Outflows		1,823,642,810.67	3,409,311,894.83
Net Cash Inflow/Outflow From Investing Activities		-1,821,529,604.61	-1,401,097,754.53
III. Cash Flows from Financing Activities:			
Cash received from investors			3,400,000.00
Including: Investment in subsidiaries from minority			
Cash from Loans		6,179,391,000.00	8,341,607,166.67
Other cash received relating to financing activities		1,657,927,683.54	2,135,481,349.30
Sub-Total of Cash Inflows from Financing Activities		7,837,318,683.54	10,480,488,515.97
Cash repayments of borrowings		7,837,251,951.80	5,767,314,690.40
Cash paid for dividends, profits distribution or interest		1,297,350,518.36	1,147,610,047.70
Including: Dividends and profits paid by subsidiaries to minority shareholders			
Other cash paid relating to financing activities		920,832,434.84	2,184,427,296.00
Sub-Total of Cash Outflows from Financing Activities		10,055,434,905.00	9,099,352,034.10
Net Cash Inflow/Outflow from Financing Activities		-2,218,116,221.46	1,381,136,481.87
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		4,680,748.30	504,548.52
V.Net Increase/Decrease in Cash and Cash Equivalents		-33,442,557.70	-608,839,328.32
Add: cash and cash equivalents at the beginning of the year		242,779,291.22	851,618,619.54
VI. Cash and Cash Equivalents at the End of The Year		209,336,733.52	242,779,291.22

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative: 丛民 **Chief Financial Officer:** 段霖印 **Head of Accounting Department:** 刘春雨印

CASH FLOW STATEMENTS

For the year ended 31 December 2022

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd **Currency: CNY**

Items	Notes	Current Year	Prior Year
I.Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		2,468,403,398.90	2,584,222,601.73
Refund of taxes			
Other cash received relating to operating activities		5,710,782,281.88	1,379,001,484.37
Sub-Total of Cash Inflows		8,179,185,680.78	3,963,224,086.10
Cash paid for goods and services		948,218,802.65	3,326,562,377.44
Cash paid to and for employees		5,490,611.71	5,201,212.42
Cash paid for all types of taxes		59,347,339.76	126,049,648.85
Other cash paid relating to operating activities		1,629,415,735.54	1,323,856,746.22
Sub-Total of Cash Outflows		2,642,472,489.66	4,781,669,984.93
Net Cash Inflow/Outflow From Operating Activities		5,536,713,191.12	-818,445,898.83
II.Cash flows from investing activities:			
Cash received from disposal of investments			
Cash received from return on investments			10,273,544.46
Net cash received from disposal of fixed assets,intangible assets and other long-term assets			
Cash received from disposal of subsidiaries and other business units			
Other cash received relating to investing activities		1,613,206.06	1,454,047,594.40
Sub-Total of Cash Inflows from Investing Activities		1,613,206.06	1,464,321,138.86
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		1,788,455,602.54	794,875,535.69
Cash paid for acquisition of investments		13,271,459.87	15,045,019.46
Cash paid for acquisition of subsidiaries and other business units			
Other cash paid relating to investing activities		1,150,764.69	2,066,397,733.52
Sub-Total of Cash Outflows		1,802,877,827.10	2,876,318,288.67
Net Cash Inflow/Outflow From Investing Activities		-1,801,264,621.04	-1,411,997,149.81
III. Cash Flows from Financing Activities:			
Cash received from investors			
Cash from Loans		4,022,307,000.00	7,606,340,000.00
Other cash received relating to financing activities		844,540,366.87	1,976,089,508.66
Sub-Total of Cash Inflows from Financing Activities		4,866,847,366.87	9,582,429,508.66
Cash repayments of borrowings		6,761,813,854.16	5,070,800,800.00
Cash paid for dividends, profits distribution or interest		1,257,337,363.36	1,112,820,159.70
Other cash paid relating to financing activities		581,580,387.57	1,235,671,244.20
Sub-Total of Cash Outflows from Financing Activities		8,600,731,605.09	7,419,292,203.90
Net Cash Inflow/Outflow from Financing Activities		-3,733,884,238.22	2,163,137,304.76
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
V.Net Increase/Decrease in Cash and Cash Equivalents		1,564,331.86	-67,305,743.88
Add: cash and cash equivalents at the beginning of the year		123,112,972.54	190,418,716.42
VI. Cash and Cash Equivalents at the End of The Year		124,677,304.40	123,112,972.54

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative: **Chief Financial Officer:** **Head of Accounting Department:**

CONSOLIDATED STATEMENTS OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2022

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd

Currency: CNY

Items	Current Year												
	Total Owners' Equity of Parent Company											Non-controlling interests	Total Owners' equity
	Paid-in capital	Other equity instruments			Capital reserve	Less: treasury stocks	Other comprehensive income	Specialized reserve	Surplus reserve	Undistributed profit	Subtotal		
		Preferred stock	Perpetual share	Other									
I. Closing balance of prior year	500,000,000.00				27,431,034,213.46		32,678,929.44		229,152,101.59	2,184,134,272.91	30,376,999,517.40	2,625,984.11	30,379,625,501.51
Add: changes in accounting policies													
Corrections of prior period errors													
Merger of enterprises under the same control													
Others													
II. Opening balance of current year	500,000,000.00				27,431,034,213.46		32,678,929.44		229,152,101.59	2,184,134,272.91	30,376,999,517.40	2,625,984.11	30,379,625,501.51
III. Changes in current year (decrease expressed with "-")					-272,611,787.16		-50,153,747.09		33,173,295.20	281,477,391.18	-8,114,847.87	109,443.34	-8,005,404.53
(i) Total comprehensive income for the year							-50,153,747.09			314,650,686.38	264,496,939.29	109,443.34	264,606,382.63
(ii)Capital contributed by owners and decreases					-272,611,787.16						-272,611,787.16		-272,611,787.16
1. Capital contributions from owners													
2. Capital contributions from other equity instruments holders													
3. Share-based payments recognized in shareholders' equity													
4. Others					-272,611,787.16						-272,611,787.16		-272,611,787.16
(iii) Profit distribution									33,173,295.20	-33,173,295.20			
1. Appropriation to surplus reserve									33,173,295.20	-33,173,295.20			
2. Appropriation to general risk reserve													
3. Distributions to shareholders													
4. Others													
(iv) Internal transfer of owners' equity													
1. Capitalization of capital reserve													
2. Capitalization of surplus reserve													
3. Making up losses from surplus reserve													
4. Transfer of changes in defined benefit plans to retained earnings													
5. Transfer of other comprehensive income to retained earnings													
6. Others													
(v) Special reserve													
1. Appropriation to special reserve													
2. Use of special reserve													
(vi) Others													
IV. Closing balance of current year	500,000,000.00				27,158,422,426.30		-17,474,817.65		262,325,396.79	2,465,611,664.09	30,368,884,669.53	2,735,427.45	30,371,620,096.98

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative: **Chief Financial Officer:** **Head of Accounting Department:**

CONSOLIDATED STATEMENTS OF CHANGES IN OWNERS' EQUITY (CONTINUED)

For the year ended 31 December 2022

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd

Currency: CNY

Items	Prior Year												
	Total Owners' Equity of Parent Company											Non-controlling interests	Total Owners' equity
	Paid-in capital	Other equity instruments			Capital reserve	Less: treasury stocks	Other comprehensive income	Specialized reserve	Surplus reserve	Undistributed profit	Subtotal		
		Preferred stock	Perpetual share	Other									
I. Closing balance of prior year	500,000,000.00				26,650,593,102.96		20,991,908.17		196,771,963.54	1,860,155,838.89	29,228,512,813.56	-1,230,184.91	29,227,282,628.65
Add: changes in accounting policies													
Corrections of prior period errors													
Merger of enterprises under the same control													
Others													
II. Opening balance of current year	500,000,000.00				26,650,593,102.96		20,991,908.17		196,771,963.54	1,860,155,838.89	29,228,512,813.56	-1,230,184.91	29,227,282,628.65
III. Changes in current year (decrease expressed with "-")					780,441,110.50		11,687,021.27		32,380,138.05	323,978,434.02	1,148,486,703.84	3,856,169.02	1,152,342,872.86
(i) Total comprehensive income for the year							11,687,021.27			358,358,572.07	370,045,593.34	456,169.02	370,501,762.36
(ii)Capital contributed by owners and decreases					780,441,110.50						780,441,110.50	3,400,000.00	783,841,110.50
1. Capital contributions from owners												3,400,000.00	3,400,000.00
2. Capital contributions from other equity instruments holders													
3. Share-based payments recognized in shareholders' equity													
4. Others					780,441,110.50						780,441,110.50		780,441,110.50
(iii) Profit distribution									32,380,138.05	-34,380,138.05	-2,000,000.00		-2,000,000.00
1. Appropriation to surplus reserve									32,380,138.05	-32,380,138.05			
2. Appropriation to general risk reserve													
3. Distributions to shareholders													
4. Others										-2,000,000.00	-2,000,000.00		-2,000,000.00
(iv) Internal transfer of owners' equity													
1. Capitalization of capital reserve													
2. Capitalization of surplus reserve													
3. Making up losses from surplus reserve													
4. Transfer of changes in defined benefit plans to retained earnings													
5. Transfer of other comprehensive income to retained earnings													
6. Others													
(v) Special reserve													
1. Appropriation to special reserve													
2. Use of special reserve													
(vi) Others													
IV. Closing balance of current year	500,000,000.00				27,431,034,213.46		32,678,929.44		229,152,101.59	2,184,134,272.91	30,376,999,517.40	2,625,984.11	30,379,625,501.51

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative: 从民 3710811073910 **Chief Financial Officer:** 霞荣印日 **Head of Accounting Department:** 春刘印雨

STATEMENTS OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2022

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd

Currency: CNY

Items	Current Year										
	Paid-in capital	Other equity instruments			Capital reserve	Less: treasury stocks	Other comprehensive income	Specialized reserve	Surplus reserve	Undistributed profit	Total Owners' equity
		Preferred stock	Perpetual share	Other							
I. Closing balance of prior year	500,000,000.00				19,390,615,231.86				229,152,101.59	2,060,368,914.26	22,180,136,247.71
Add: changes in accounting policies											
Corrections of prior period errors											
Others											
II. Opening balance of current year	500,000,000.00				19,390,615,231.86				229,152,101.59	2,060,368,914.26	22,180,136,247.71
III. Changes in current year (decrease expressed with "-")					-127,515,023.84				33,173,295.20	298,559,656.77	204,217,928.13
(i) Total comprehensive income for the year										331,732,951.97	331,732,951.97
(ii)Capital contributed by owners and decreases					-127,515,023.84						-127,515,023.84
1. Capital contributions from owners											
2. Capital contributions from other equity instruments holders											
3. Share-based payments recognized in shareholders' equity											
4. Others					-127,515,023.84						-127,515,023.84
(iii) Profit distribution									33,173,295.20	-33,173,295.20	
1. Appropriation to surplus reserve									33,173,295.20	-33,173,295.20	
2. Distributions to shareholders											
3. Others											
(iv) Internal transfer of owners' equity											
1. Capitalization of capital reserve											
2. Capitalization of surplus reserve											
3. Making up losses from surplus reserve											
4. Transfer of changes in defined benefit plans to retained earnings											
5. Transfer of other comprehensive income to retained earnings											
6. Others											
(v) Special reserve											
1. Appropriation to special reserve											
2. Use of special reserve											
(vi) Others											
IV. Closing balance of current year	500,000,000.00				19,263,100,208.02				262,325,396.79	2,358,928,571.03	22,384,354,175.84

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative: 从民 3710811073910 **Chief Financial Officer:** 霞荣印日 **Head of Accounting Department:** 春刘印雨

STATEMENTS OF CHANGES IN OWNERS' EQUITY（CONTINUED）

For the year ended 31 December 2022

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd

Currency: CNY

Items	Prior Year										
	Paid-in capital	Other equity instruments			Capital reserve	Less: treasury stocks	Other comprehensive income	Specialized reserve	Surplus reserve	Undistributed profit	Total Owners' equity
		Preferred stock	Perpetual share	Other							
I. Closing balance of prior year	500,000,000.00				18,610,174,121.36				196,771,963.54	1,770,947,671.80	21,077,893,756.70
Add: changes in accounting policies											
Corrections of prior period errors											
Others											
II. Opening balance of current year	500,000,000.00				18,610,174,121.36				196,771,963.54	1,770,947,671.80	21,077,893,756.70
III. Changes in current year (decrease expressed with "-")					780,441,110.50				32,380,138.05	289,421,242.46	1,102,242,491.01
(i) Total comprehensive income for the year										323,801,380.51	323,801,380.51
(ii)Capital contributed by owners and decreases					780,441,110.50						780,441,110.50
1. Capital contributions from owners											
2. Capital contributions from other equity instruments holders											
3. Share-based payments recognized in shareholders' equity											
4. Others					780,441,110.50						780,441,110.50
(iii) Profit distribution									32,380,138.05	-34,380,138.05	-2,000,000.00
1. Appropriation to surplus reserve									32,380,138.05	-32,380,138.05	
2. Distributions to shareholders										-2,000,000.00	-2,000,000.00
3. Others											
(iv) Internal transfer of owners' equity											
1. Capitalization of capital reserve											
2. Capitalization of surplus reserve											
3. Making up losses from surplus reserve											
4. Transfer of changes in defined benefit plans to retained earnings											
5. Transfer of other comprehensive income to retained earnings											
6. Others											
(v) Special reserve											
1. Appropriation to special reserve											
2. Use of special reserve											
(vi) Others											
IV. Closing balance of current year	500,000,000.00				19,390,615,231.86				229,152,101.59	2,060,368,914.26	22,180,136,247.71

The accompanying notes to the financial statements are an integral part of the financial statements.

Legal Representative: 丛民

Chief Financial Officer: 霞荣印日

Head of Accounting Department: 春刘印雨

WEIHAI WENDENG DISTRICT BLUESEA INVESTMENT & DEVELOPMENT

Notes to the Financial Statements

For the Year Ended 31 December 2022

(Unless otherwise specified, the currency is CNY)

I. Company Profile

1. Overview of the company

Weihai Wendeng District Bluesea Investment & Development Co., Ltd ((hereinafter referred to as "the Company") is a wholly owned subsidiary of Weihai Wenteng District State-owned Assets Service Center. On April 13th 2012, the Company completed the industrial and commercial registration in Wendeng District Market Supervision Administration of Weihai city. The registered name is Wendeng Bluesea Investment & Development Co., Ltd, a limited liability company jointly funded by Weihai Wendeng District State-owned Assets Administration Bureau and Weihai Yucheng Jian 'an real estate Co., Ltd. The registered capital of the Company is RMB 100.00 million, the paid-in capital of the Company is RMB 100.00 million, of which 90% is owned by Weihai Wendeng District State-owned Assets Administration Bureau and 10% is owned by Weihai Yucheng Jian 'an real estate Co., Ltd. In 2014, Wendeng changed from a city to a district, the Company changed name to Weihai Wendeng District Bluesea Investment & Development Co., Ltd on April 28th 2014. On March 3rd 2015, Weihai Wendeng District State-owned Assets Administration Bureau purchased 10% equity of the Company held by Weihai Yucheng Jian 'an real estate Co., Ltd for RMB 10.00 million, while Weihai Wendeng District State-owned Assets Administration Bureau held 100% equity of the Company. On April 2nd 2015, Weihai Wendeng District State-owned Assets Administration Bureau increased RMB 400.00 million, after the change ,both the registered capital and the paid-in capital became to RMB 500.00 million. On January 14th 2020, Weihai Wendeng District State-owned Assets Administration Bureau changed its name to State-owned Assets Service Center of Wendeng District of Weihai City. The unified social credit code is No. 91371081593630023B and the legal representative of the Company is Min Cong. The registered address of the Company is No.106-2 of Tianfubanwenchang Street, Wendeng District, Weihai City of Shandong province.

The Company's business scope includes: foreign investment and investment project management with its own funds within the scope permitted by laws and regulations; real estate development and management; landscaping; municipal engineering construction; installation of pipeline equipment; development of cultural tourism; renovation of shanty towns and concentrated housing and water conservancy projects for farmers; lease the right to the use of sea areas; forest farm construction; sales of construction materials (excluding paint), sand, stone.

The financial statements were approved by the Company's board of directors on April 20th 2023.

2. Scope of consolidation

To the end of the report's period, a total of nine subsidiaries have been included in the scope of consolidated financial statements. Please refer to Note VII, "Equity in Other Entities".

The changes of the scope of consolidated financial statements during the reporting period are shown in Note VI ,"Changes of Consolidated Scope".

II. Basis of Preparation of Financial Statements

1. Establishment basis

This financial statement is based on the actual transactions and events, in accordance with the Accounting Standards for Business Enterprises -- Basic Standards, specific Accounting Standards for Business Enterprises, Guidelines for the application of Accounting Standards for Business Enterprises, interpretation of Accounting Standards for Business Enterprises and other relevant provisions promulgated by the Ministry of Finance (collectively referred to as "CAS"), And the disclosure provisions of China Securities Regulatory Commission "Information Disclosure and Reporting Rules for Companies that Publicly Issue Securities No. 15 -- General Provisions for Financial Reports".

2. Continuous operation

The Company has evaluated its continuous operation ability for the 12 months since the end of the reporting period, and no matters affecting the Company's continuous operation ability have been found, and it is reasonable for the Company to prepare its financial statements on continuous operation basis.

III. Significant Accounting Policies and Accounting Estimates

1. Statement of Compliance with CAS

The financial statements prepared by the Company meet the requirements of the CAS, which presented truthfully and completely for the Company's consolidated and parent Company's financial position as of 31 December 2022, and financial performance and cash flows for the year then ended.

2. Accounting Period

The financial year of the Group is calendar year from 1 January to 31 December.

3. Operating Cycle

A normal operating cycle refers to the period from the purchase of assets for processing to the realization of cash or cash equivalent. The Company takes 12 months as an operating cycle, and takes it as the liquidity division standard of assets and liabilities.

4. Functional Currency

The Company adopt CNY as its functional currency. The overseas subsidiaries of the Company use USD as their functional currency based on the currency of the primary economic environment. The Group's presentation currency is CNY.

5. The accounting treatment of business combinations with the common control and without the common control

（1） Business Combinations Under Common Control

The assets and liabilities acquired by the Company in the business combination shall be measured on the combination date according to the carrying amount of the acquired party in the consolidated financial statements of the ultimate controlling party. Among them, if the accounting policies adopted by the merged party and the company before the business merger are different, the accounting policies are unified based on the principle of importance, that is, the carrying amount of the merged party's assets and liabilities is adjusted according to the company's accounting policies. The assets and liabilities acquired by the merging party in a business merger (including goodwill formed by the final controlling party's acquisition of the merged party) are measured based on the carrying amount of the merged party's assets and liabilities in the final controlling party's consolidated financial statements on the merger date. Difference between the carrying amount of net assets acquired by the combining party and the carrying amount of paid consideration (or total par value of the shares issued) shall adjust capital reserve (share premium), and then adjust retained earnings if capital reserve (share premium) balance is reduced to zero.

（2） Business Combination Not Under Common Control

The identifiable assets and liabilities of the purchaser acquired by the Company in the business combination shall be measured at their fair value on the purchase date. Among them, if the accounting policies adopted by the purchaser are different from those adopted by the Company before the merger, the accounting policies shall be unified based on the materiality principle, that is, the book value of the assets and liabilities of the purchaser shall be adjusted according to the accounting policies of the company. The combination costs include the assets that paid by the acquirer on acquisition date in order to obtain the control on the acquiree, the incurred or assumed liabilities, the fair value of issued equity securities. The difference between the cost of the merger and the share of the fair value of the identifiable net assets of the purchaser obtained in the merger is recognized as goodwill; The difference between the merger cost less than the fair value share of the identifiable net assets of the purchaser obtained in the merger shall be recorded in the current profit and loss. All identifiable assets, liabilities and contingent liabilities of the purchaser that meet the conditions of recognition acquired in the merger shall be measured at fair value on the purchase date.

（3） Related Expenses Incurred For The Merger

The directly related expenses incurred for the merger of enterprises are recognized in the current profit and loss when incurred; The transaction costs of issuing equity or debt securities for the purpose of business merger are included in the initial recognition amount of equity or debt securities.

6. Preparation Method of Consolidated Financial Statements

（1） Identification Of The Scope Of The Consolidation

The scope of consolidation of the financial statement shall be determined on the basis of control, including not only subsidiaries determined based on voting rights (or similar voting rights) themselves or in combination with other arrangements, but also structured entities determined based on one or more contractual arrangements.

The Group controls an investee when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The scope of consolidation includes the Company and all its subsidiaries. Subsidiary is the entity controlled by the Group.

Control means that the Company has the power over the investee, enjoys variable returns by participating in related activities of the investee, and has the ability to use its power over the investee to influence the amount of such returns. The merger covers the Company and all of its subsidiaries. Subsidiary refers to the entity controlled by the Company (including the divisible part of the enterprise and the invested unit, as well as the structured subject controlled by the enterprise). The structured subject refers to the subject designed without voting rights or similar rights as a decisive factor in determining its controller (Note: sometimes referred to as special purpose subject).

(2) Merger Process

The company prepares the consolidated financial statements on the basis of the financial statements of itself and its subsidiaries and other relevant information. The company compiles consolidated financial statements, regards the whole enterprise group as an accounting entity, and compiles consolidated financial statements in accordance with the recognition, measurement and presentation requirements of relevant accounting standards for enterprises and unified accounting policies to reflect the overall financial position, operating results and cash flow of the company's group. If a subsidiary uses accounting policies or reporting period other than those adopted by the Group, appropriate adjustments are made to those subsidiaries' financial statements in preparing the consolidated financial statements to ensure the conformity with the Group's accounting policies and reporting period. All significant intragroup balances, transactions and unrealized profits are eliminated upon consolidation.If the internal transaction indicates the impairment loss of the relevant assets, the partial loss shall be recognized in full.

The shares of minority shareholders in the owner's equity, current net profit and loss and current comprehensive income of subsidiaries are listed separately under the owner's equity item in the consolidated balance sheet, the net profit item in the consolidated income statement and the total comprehensive income item. When the loss attributable to non-controlling interests exceeds the opening balance of non-controlling interest in the subsidiary, the loss shall continue to offset the non-controlling interests.

(3) Increase The Handling Of Subsidiaries Or Businesses

During the reporting period, the operating results and cash flows of the subsidiaries or businesses combined from the beginning of the current period to the end of the reporting period shall be incorporated into the consolidated financial statements for the subsidiaries or the merged parties under the same control and the related items of the comparative financial statements shall be adjusted. It is deemed that the consolidated reporting entity has existed since the time when the final controller began to control.

If the investee under the same control can be controlled due to additional investment and other reasons, the equity investment held before obtaining the control of the merged party has recognized the relevant gains and losses, other comprehensive income and other changes in net assets from the later of the date of acquisition of the original equity and the date of the same control of the merged party and the merged party to the date of consolidation, and the retained earnings at the beginning of the period or the current gains and losses during the comparative statement period are offset respectively.

During the reporting period, if subsidiaries or businesses are increased due to business combinations not under the same control, they shall be included in the consolidated financial statements on the basis of the fair value of identifiable assets, liabilities and contingent liabilities determined on the acquisition date.

If the investor is able to exercise control over the investor not under the same control due to additional investment or other reasons, the equity held by the purchaser before the purchase date shall be remeasured according to the fair value of the equity on the purchase date, and the difference between the fair value and the book value shall be included in the current investment income. The equity held by the purchaser before the purchase date involves other comprehensive income which can be reclassified into profit and loss in the future, and other changes in owner's equity under the equity method of accounting are converted into the current investment income of the purchase date.

From the date of obtaining the actual control over the net assets and production and operation decisions of the subsidiaries, the company will begin to incorporate them into the scope of consolidation; It shall be suspended from the date of loss of actual control. For subsidiaries disposed of, the operating results and cash flows before the disposal date have been properly included in the consolidated income statement and the consolidated cash flow statement; For subsidiaries disposed of in the current period, the opening balance of the consolidated balance sheet shall not be adjusted. For subsidiaries increased by business combination not under the same control, their operating results and cash flows after the acquisition date have been properly included in the consolidated income statement and the consolidated cash flow statement, and the opening balance and comparative balance of the consolidated financial statements are not adjusted.

(4) Disposal Of Subsidiaries

If the Group loses control of a subsidiary due to partial disposal of equity investments or other reasons, the Group recognizes any investment retained in the former subsidiary at its fair value when control is lost. The difference between the sum of the consideration obtained from the disposal of equity and the fair value of the remaining equity, minus the sum of the share of net assets and goodwill of the original subsidiary continuously calculated from the acquisition date or the merger date calculated according to the original shareholding ratio, shall be included in the investment income of the current period when the control right is lost.When it loses control of the subsidiary, the Group shall account for all amounts previously recognized in other comprehensive income in relation to the subsidiary on the same basis as would have been required if the acquiree had directly disposed of the related assets or liabilities. Then, any investment retained shall be subsequently measured according to Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments or Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments. Refer to Note III-15 “Long-term Equity Investments”or Note III-10 “Financial Instruments” .

If the Company disposes of the equity investment in the subsidiary until the loss of control through multiple transactions step by step, it is necessary to distinguish whether the transactions that dispose of the equity investment in the subsidiary until the loss of control is package deal. The terms, conditions, and economic impact of the disposal of transactions with respect to equity investments in subsidiaries are consistent with one or more of the following conditions, which generally indicate that multiple transactions should be accounted for as a package deal: ① these transactions are made at the same time or with regard to each other;② these transactions as a whole can achieve a complete commercial outcome; ③ the occurrence of a transaction depends on the occurrence of at least one other transaction; ④ a package deal is not economic, but when considered together with other transactions is economic. Do not belong to the package, each of them a deal circumstances respectively in accordance with the "do not lose control of part of the disposal of subsidiaries of a long-term equity investment" (see the Note III-15 (2)④) and "part for disposal of equity investment or other reasons lose control" of the original unit (see earlier) applicable principles of accounting treatment. If the transactions that dispose of the equity investment of the subsidiary until the loss of control are package transactions, the transactions shall be treated as a transaction that disposes of the subsidiary and loses the control; However, the difference between the disposal price and the disposal investment corresponding to the net asset share of the subsidiary before the loss of control right shall be recognized as other comprehensive income in the consolidated financial statements, and shall be transferred into the profit and loss of the current period when the control right is lost.

（5） Special Considerations in Consolidation Offset

① Long-term equity investments of the Company held by subsidiaries shall be regarded as Treasury stocks of the Company, which shall be deducted from owners' equity and shown as " less: Treasury stocks " under the owners' equity item in the consolidated balance sheet.

For long-term equity investments held by subsidiaries, the shares of long-term equity investments and the corresponding owners' equity of subsidiaries shall be set off against each other in accordance with the offset method of the Company's equity investments in subsidiaries.

② "Special reserve" and "general risk reserve" items do not belong to paid-in capital (or equity), capital reserve, and are different from retained earnings and undistributed profits. After the mutual offset between long-term equity investment and the owner's equity of the subsidiary, the share attributable to the owner of the parent company will be restored.

③ If there is a temporary difference between the carrying value of the assets or liabilities in the consolidated balance sheet and the tax basis of the tax subject to which they belong due to the offset of unrealized internal sales gains and losses, the deferred income tax assets or deferred income tax liabilities shall be recognized in the consolidated balance sheet and the income tax expenses in the consolidated income statement shall be adjusted at the same time. The exception is deferred income tax related to transactions or events directly recorded in owners' equity and business combinations.

④ The Company's unrealized internal transaction gains and losses from the sale of assets to subsidiaries shall be fully offset against the "net profit attributable to the owner of the parent company". The unrealized profit or loss of internal transaction arising from the sale of assets by a subsidiary to the Company shall be set off between "net profit attributable to the owner of the parent company" and "profit or loss of minority shareholders" in accordance with the proportion of the Company's distribution to the subsidiary. The profit or loss of unrealized internal transaction arising from the sale of assets between subsidiaries shall be allocated and offset between "net profit attributable to the owner of the parent company" and "profit or loss of minority shareholders" according to the proportion of distribution of the Company to the subsidiary of the seller.

⑤ Where the current loss shared by the minority shareholders of a subsidiary exceeds the minority shareholders' share in the initial owners' equity of the subsidiary, the balance of the minority shareholders' equity shall still be charged to reduce the shareholders' equity

(6) Accounting For Special Transactions

① Purchase of minority equity

When the Company purchases the equity of the subsidiary owned by minority shareholders, the investment cost of the long-term equity investment newly acquired by the purchase of minority shares is measured according to the fair value of the consideration paid in individual financial statements. In the consolidated financial statements, the capital reserve (capital premium or equity premium) shall be adjusted for the difference between the newly acquired long-term equity investment due to the purchase of minority shares and the net asset share that the subsidiary shall enjoy since the purchase date or the merger date based on the proportion of newly added shares. If the capital reserve is insufficient to be written off, the surplus reserve and undistributed profit shall be successively written off.

② Acquiring the control of subsidiaries step by step through multiple transactions

A. Realize the enterprise merger under the same control step by step through multiple transactions

On the merger date, the company determines the initial investment cost of long-term equity investment in individual financial statements according to the share of the net assets of subsidiaries attributable to the merger in the book value of the consolidated financial statements of the final controller; The difference between the initial investment cost and the sum of the book value of the long-term equity investment before the merger and the book value of the newly paid consideration for further shares obtained on the merger date shall be adjusted to the capital reserve (capital premium or equity premium). If the capital reserve (capital premium or equity premium) is insufficient to offset, the surplus reserve and undistributed profit shall be offset in turn.

In the consolidated financial statements, the assets and liabilities of the combined party obtained by the combining party in the merger shall be measured at the book value in the consolidated financial statements of the final controller on the merger date, except for adjustments due to different accounting policies; The capital reserve (equity premium/capital premium) shall be adjusted according to the difference between the sum of the book value of the investment held before the merger and the book value of the newly paid consideration on the merger date and the book value of the net assets obtained in the merger. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

If the equity investment held by the combining party before obtaining the control of the combined party is accounted for according to the equity method, the relevant gains and losses, other comprehensive income and other changes in owner's equity have been recognized from the later of the date of acquisition of the original equity and the date of final control of the combining party and the combined party to the date of merger, and the retained earnings at the beginning of the period of the comparative statement shall be offset respectively.

B. Realize the enterprise merger under different control step by step through multiple transactions

On the merger date, in individual financial statements, the sum of the book value of the long-term equity investment originally held plus the cost of new investment on the merger date shall be taken as the initial investment cost of long-term equity investment on the merger date.

In the consolidated financial statements, the equity of the acquiree held before the acquisition date is remeasured according to the fair value of the equity on the acquisition date, and the difference between the fair value and its book value is included in the current investment income; If the equity of the acquiree held before the acquisition date involves other comprehensive income under the equity method, the other comprehensive income related to it shall be converted to the current income on the acquisition date, except for other comprehensive income arising from the change in net assets or net liabilities of the defined benefit plan re measured by the acquiree. In the notes, the company discloses the fair value of the equity of the acquiree held by it before the acquisition date on the acquisition date and the amount of relevant gains or losses arising from re measurement at fair value.

③ The Company disposes of long-term equity investments in subsidiaries without losing control

The parent company partially disposes of the long-term equity investment in the subsidiary without losing control. In the consolidated financial statements, the difference between the disposal price and the share of net assets of the subsidiary continuously calculated from the purchase date or the merger date corresponding to the disposal of the long-term equity investment shall be adjusted to the capital reserve (capital premium or equity premium). If the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

④ The Company disposes of long-term equity investments in subsidiaries and loses control

A. One transaction disposal

If the Group loses control of a subsidiary due to partial disposal of equity investments or other reasons, when preparing the consolidated financial statements, the Group recognizes any investment retained in the former subsidiary at its fair value when control is lost. Excess of the sum of fair value of the consideration received from the disposal of equity investments and fair value of any investment retained, over the Group's previous pro rata share in the former subsidiary's net assets calculated since acquisition date, shall be recognized in investment income in the period when control is lost.

Other comprehensive income and other changes in owners' equity related to the equity investment of Atomic Company shall be transferred to current profit and loss upon the loss of control, except other comprehensive income arising from the change in net liabilities or net assets of the investor due to the remeasurement and setting of the benefit plan.

B. Multiple transactions step by step disposal

In consolidated financial statements, the first judgment should be made as to whether the step-by-step transaction is a "package deal".

If the multiple transactions is not a "package deal", in individual financial statements, the transactions before the loss of the control of the subsidiary shall be carried forward to the book value of the long-term equity investment corresponding to each disposal of equity, and the difference between the proceeds and the book value of the disposal of long-term equity investment shall be included in the current investment income; In the consolidated financial statements, it shall be handled in accordance with the relevant provisions of "the parent company shall dispose of the long-term equity investment in the subsidiary without losing the right of control".

If the multiple transaction belongs to a "package deal", each transaction shall be accounted for as a transaction to dispose of subsidiaries and lose control; In individual financial statements, the difference between the disposal price of each disposal before the loss of control and the book value of long-term equity investment corresponding to the equity disposed of is recognized as other comprehensive income first, and then transferred to the current profit and loss after the loss of control; In the consolidated financial statements, for each transaction before the loss of control, the difference between the disposal price and the share of net assets of the subsidiary corresponding to the disposal of investment shall be recognized as other comprehensive income, which shall be transferred to the profits and losses of the current period when the loss of control.

Multiple transactions are usually accounted for as a "package deal" if the terms, conditions, and economic impact of each transaction meet one or more of the following conditions:

（a）The multiple transactions are entered into at the same time or in contemplation of each other.

（b）They form a single transaction designed to achieve an overall commercial effect.

（c）The occurrence of one transaction is dependent on the occurrence of at least one other transaction.

（d）One transaction considered on its own is not economically justified, but it is economically justified when considered together with other transactions.

⑤ Dilution of equity ratio owned by parent company due to capital increase of minority shareholders of factor company

Other shareholders of the subsidiary (minority shareholders) increase the capital of the subsidiary, thereby diluting the parent company's shareholding ratio in the subsidiary. In the consolidated financial statements, its share in the book net assets of the subsidiary before the capital increase shall be calculated according to the parent company's share ownership ratio before the capital increase, and the difference between the share and the book net assets share of the subsidiary after the capital increase calculated according to the parent company's share ratio after the capital increase shall be adjusted for the capital reserve (capital premium or equity premium). If the capital reserve (capital premium or equity premium) is insufficient for write-off, Adjust retained earnings.

7. Types of Joint Arrangements and Accounting Treatment for Joint Operations

A joint arrangement is an arrangement of which two or more parties have joint control. Based on the rights and obligations of the parties to the arrangement, the Group classifies a joint arrangement as a joint operation or a joint venture. A joint operation is a joint arrangement whereby the Group that has joint control of the arrangement and has rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement which is structured through a separate vehicle over which the Group has joint control together with other parties and only has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances.

The Group is using equity method for investment in a joint venture, and is treated according to the accounting policies described in Note III-15 (2)②, "Long term equity investment" for using the Equity method".

The Company recognizes the following items related to its share of interests in the joint operation and makes accounting treatment in accordance with the provisions of relevant accounting standards for enterprises: recognizing assets held separately, liabilities assumed separately, and assets held jointly and liabilities assumed jointly according to the Company's share; Recognize the income arising from the sale of the Company's share in the output of the joint operation; Recognition of income arising from the sale of output from joint operations in accordance with the Company's share; Recognize the expenses incurred by the Company alone, as well as the expenses incurred by the Company's share in the joint operation.

When the Group, as a joint operator, enters into a transaction with a joint operation, for a contribution or sale of assets (the assets do not constitute a business, the same below), or for a purchase of assets, before the assets are sold to a third party, the Group shall recognize gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation. When such assets are subject to an impairment loss in accordance with the "Accounting Standards for Business Enterprises No. 8 – Impairment of Assets", the Group shall fully recognize the loss in the case that the Group contributes or sells assets to the joint operation; the Group shall recognize its share of the loss in the case that the Group purchases assets from the joint operation.

8. Cash and Cash Equivalents

When the Company prepares the cash flow statement, cash refers to cash on hand and deposits that can be used for payment at any time. Cash equivalents refer to investments that are held for short-term (which means it has a short maturity of three months or less from the date of acquisition) highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

9. Foreign Currency Transactions and Translation to the Presentation Currency

（1）Reporting Foreign Currency Transactions

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount [the spot exchange rate between the functional currency and the foreign currency] at the date of the transaction; However, foreign currency exchanges and relevant transactions are translated to the functional currency at the actual exchange rate.

At the end of each reporting period, foreign currency monetary items are translated using the spot exchange rate at the reporting date.The exchange difference arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate on the initial recognition or the previous balance sheet date shall be included in the current profit and loss.Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured, the amount differences between the functional currency and the foreign currency are recognized as changes in fair value (including exchange differences)，and recorded in profit or loss or other comprehensive income.

（2）Translation to the Presentation Currency

Before translating the financial statements of overseas operations of enterprises, the accounting period and accounting policy of overseas operations shall be adjusted to make them consistent with the accounting period and accounting policy of enterprises, and then the financial statements in the corresponding currency (currency other than the bookkeeping standard currency) should be prepared according to the adjusted accounting policies and accounting periods, and then the financial statements of the overseas operations should be translated in the following procedures: Assets and liabilities in the statement of financial position are translated at the spot exchange rate at the reporting date; Equity items for statement of financial position presented, other than "undistributed profits", are translated at the spot exchange rate of the date of transaction. Income and expenses in the statement of comprehensive income are translated at the spot exchange rate between the functional currency and the foreign currency or the average exchange rate for the current period at the date of the transaction. Foreign currency cash flows and cash flows of a foreign subsidiary, shall be translated at the the spot exchange rate between the functional currency and the foreign currency at the date of the cash flows. The effect of exchange rate changes on cash in a foreign currency is separately presented in the statement of cash flows as reconciliation.

Opening balance of undistributed profits is the translated closing balance of undistributed profits of prior year; Closing balance of undistributed profits is calculated based on translated profit distribution items; Difference between translated assets and the sum of translated liabilities and owners' equity, is recorded as "translation differences of financial statements presented in foreign currencies" and recognized in other comprehensive income. Opening balances of current year and amounts of prior year are presented after translation of prior year's financial statements.

On the disposal of all the owners' equity in a foreign operation, or in the event of loss of control of a foreign operation due to partial disposal of equity investments or other reasons, the cumulative amount of the exchange differences relating to that foreign operation, as accumulated in owners' equity of the statement of financial position, shall be reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

In the event of reduction in the Group's ownership interest in a foreign operation due to the partial disposal of equity investments or other reasons, which, however, does not involve the Group's loss of control of the foreign operation, the Group shall re-attribute the proportionate share of the cumulative amount of the exchange differences, which are related to the disposal of the foreign operation, to the non-controlling interests in that foreign operation, instead of reclassifying that to profit or loss. In partial disposal of equity investments in a foreign operation which is a joint venture or an associate, the Group shall reclassify to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognized.

When the consolidated financial statements involves a foreign operation, exchange differences arising on a monetary item that forms part of the reporting entity's net investment in the foreign operation, shall be accounted for as "translation differences of financial statements presented in foreign currencies" and recognized in other comprehensive income, and reclassified from equity to profit or loss on disposal of the net investment.

10. Financial Instruments

The Group recognizes a financial asset or a financial liability when the Group becomes party to the contractual provisions of the instrument.

(1) Classification, Recognition and Measurement of Financial Assets

The Group classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

At initial recognition, the Group measures a financial asset at its fair value. For financial assets measured at fair value through profit or loss, related transaction costs are directly recorded in profit or loss; for other types of financial assets, related transaction costs are recorded in the amount initially recognized. Trade receivables or notes receivable that arise from sale of goods or rendering of services, which do not contain or involve a significant financing component, shall be measured, at the initial recognition, at the amount of consideration to which the Group expects to be entitled.

① Financial Assets Measured at Amortized Cost

For a financial asset measured at amortized cost, it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and its contractual cash flow characteristics are consistent with those of a basic lending arrangement, that is, the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group applies effective interest method and subsequently measures this type of financial assets at amortized costs, a gain or loss arising from amortization or impairment is recognized in profit or loss.

② Financial Assets Measured at Fair Value Through Other Comprehensive Income

For a financial asset at fair value through other comprehensive income, it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and its contractual cash flow characteristics are consistent with those of a basic lending arrangement. A gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for: impairment gains or losses, foreign exchange gains and losses, and interest calculated using the effective interest method, which are recognized in profit or loss.

In addition, the Group designates particular investments in equity instruments that are not held for trading as financial assets measured at fair value through other comprehensive income. Dividends on such investments are recognized in profit or loss; changes in fair values of the investments are recognized in other comprehensive income. Upon derecognition of these financial assets, cumulative gains or losses presented in other comprehensive income will be subsequently transferred to retained earnings, but not to profit or loss.

③ Financial Assets Measured at Fair Value Through Profit or Loss

A financial asset is measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income in accordance with preceding paragraphs. In addition, the Group designates some financial assets as measured at fair value through profit or loss when doing so eliminates or significantly reduces accounting mismatches. The Group subsequently measures this type of financial assets at fair value; changes in fair values are recognized in profit or loss.

（2） Classification, Recognition and Measurement of Financial Liabilities

At initial recognition, financial liabilities are classified as financial liabilities at fair value through profit or loss, or other financial liabilities. For financial liabilities at fair value through profit or loss, related transaction costs are directly recorded in profit or loss; for other financial liabilities, related transaction costs are recorded in the amount initially recognized.

① Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss comprise financial liabilities held for trading (including derivatives that are financial liabilities) and financial liabilities designated as at fair value through profit or loss at initial recognition.

Financial liabilities held for trading (including derivatives that are liabilities) are subsequently measured at fair value; except for those related to hedge accounting, the changes in fair values are recognized in profit or loss.

For a financial liability designated as at fair value through profit or loss, the Group presents its gain or loss based on the following: (a) the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, upon derecognition of the liability, cumulative change in fair value recognized other comprehensive income, which is attributable to changes in the credit risk of that liability, will be subsequently transferred to retained earnings; and (b) the remaining amount of change in the fair value of the liability shall be presented in profit or loss. However, if the treatment of the effects of changes in the liability's credit risk described in (a) would create or enlarge an accounting mismatch in profit or loss, the Group will present all gains or losses on that liability (including the effects of changes in the credit risk of that liability) in profit or loss.

② Other Financial Liabilities

Other financial liabilities, except for financial guarantee contracts and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, are classified as financial liabilities measured at amortized cost, and are subsequently measured at amortized cost; gains or losses arising from derecognition or amortization will be recognized in profit or loss.

(3) Recognition and Measurement of Transfers of Financial Assets

A financial asset that meets one of the following conditions shall be derecognized: (a) the contractual rights to the cash flows from the financial asset expire; (b) the company transfers the financial asset, and it transfers substantially all the risks and rewards of the ownership of the financial asset to the transferee; (c) the company transfers the financial asset, it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, however, it has not retained control of the financial asset.

When a company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, and has retained control of the financial asset, the company shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset, and recognize an associated liability. The extent of the company's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

If a company transfers a financial asset in a transfer that qualifies for derecognition in its entirety, the difference between: (a) the carrying amount of the financial asset transferred, and (b) the sum of consideration received and cumulative changes in fair value that have been previously recognized in other comprehensive income, shall be recognized in profit or loss.

If the transferred asset is part of a larger financial asset, and the part transferred qualifies for the derecognition in its entirety, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of the relative fair values of those parts on the date of the transfer. The difference between: (a) the sum of the consideration received for the part derecognized and cumulative changes in fair value allocated to the part derecognized which have been previously recognized in other comprehensive income, and (b) the carrying amount allocated to the part derecognized, shall be recognized in profit or loss.

For a financial asset sold with recourse, or a financial asset transferred through endorsement, the Group determines whether it transfers substantially all the risks and rewards of the ownership of the financial asset. If the Group transfers substantially all the risks and rewards of ownership of the financial asset, it shall derecognize the financial asset; if the Group retains substantially all the risks and rewards of ownership of the financial asset, it shall continue to recognize the financial asset; if the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it shall determine whether it has retained control of the financial asset, and make corresponding accounting treatment based on preceding principles.

(4) Derecognition of Financial Liabilities

A financial liability (or a part of a financial liability) is derecognized when the present obligation specified in the contract is discharged or cancelled or expires. If, as an existing borrower, the Group signs agreement with an existing lender, to replace original financial liability with a new financial liability, and the exchange of debt instruments has substantially different terms, the Group shall derecognize the original financial liability and recognize the new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) shall be recognized in profit or loss.

(5) Offsetting a Financial Asset and a Financial Liability

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, the Group: (a) currently has a legally enforceable right to set off the recognized amounts; and (b) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. In all other circumstances, financial assets and financial liabilities are presented separately in the statement of financial position.

(6) The fair value determination method of financial assets and financial liabilities

Fair value, it is to point to the orderly trade that market participant takes place in measurement day, sell an asset place can receive or transfer the price that a liability needs to pay. If an active market exists for a financial instrument, the company shall use the quotation in the active market to determine its fair value. Quotes in active markets are prices that are readily available on a regular basis from exchanges, brokers, trade associations, pricing services, etc., and represent market transactions that actually take place in fair trading. If there is no active market for financial instruments, the Company shall use valuation technology to determine their fair value. Valuation techniques include reference to prices used in recent market transactions by familiar and willing trading parties, reference to current fair values of substantially identical other financial instruments, cash flow discounting and option pricing models, etc. In valuation, the Company uses valuation techniques applicable in the current circumstances and supported by sufficiently available data and other information to select input values that are consistent with the characteristics of the asset or liability considered by market participants in the transaction of the relevant asset or liability and uses relevant observable input values in preference to the extent possible. Use non-input values where the relevant observable input values are not available or are not practicable to obtain.

(7) Equity Instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group recognizes changes in equity when it issues (including refinancing), repurchases, sells or cancels equity instruments. The Group does not recognize changes in fair values of equity instruments. Transaction costs of an equity transaction are accounted for as a deduction from equity.

All distributions (excluding stock dividends) to holders of an equity instrument will reduce the amount of owners' equity. Changes in fair values of equity instruments are not recognized.

11. Impairment of Financial Assets

The financial assets for which the company needs to recognize impairment losses are financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income and lease receivables, mainly including notes receivable, accounts receivable, accounts receivable financing, other receivables, debt investments, other debt investments, long-term receivables, etc. In addition, provision for impairment and recognition of credit impairment losses shall also be made for contractual assets and part of financial guarantee contracts in accordance with the accounting policies described in this Part.

(1) Confirmation method of expected credit losses

On the basis of expected credit losses, the Company shall make provision for impairment and recognize credit impairment losses for the above items according to the applicable measurement method of expected credit losses (general method or simplified method).

Expected credit losses refer to the weighted average value of credit losses of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contract cash flows discounted and receivable under the contract and all expected cash flows received by the company at the original actual interest rate, namely, the present value of all cash shortfalls. For the financial assets purchased or originated with credit impairment, the Company discounts the financial assets according to the real interest rate of credit adjustment.

Expected credit losses and the method of measuring means, the company at each balance sheet date to assess financial assets (including assets, and other applicable project contract, hereinafter the same) after the initial recognition of credit risk has increased significantly, if credit risk increased significantly since the initial confirmation, the company in accordance with the equal to the sum of the expected throughout the duration of the credit loss measurement loss; If the credit risk has not increased significantly since the initial recognition, the Company measures the loss provision at an amount equivalent to the expected credit loss within the next 12 months. In assessing expected credit losses, the Company considers all reasonable and evidence-based information, including forward-looking information.

For financial instruments with low credit risk at the balance sheet date, the Company assumes that the credit risk has not increased significantly since the initial recognition and chooses to measure the loss provision in accordance with the expected credit losses in the next 12 months.Instead of choosing a simplified treatment method, the loss provision is measured based on whether its credit risk has increased significantly since initial recognition, and the amount of expected credit loss in the next 12 months or the whole duration.

(2) Judgment criteria on whether credit risk has increased significantly since the initial confirmation

If the default probability of a financial asset in the expected lifetime determined on the balance sheet date is significantly higher than the default probability in the expected lifetime determined at the initial recognition, it indicates that the credit risk of the financial asset has increased significantly. Except in exceptional circumstances, the Company uses the change in default risk occurring within the next 12 months as a reasonable estimate of the change in default risk occurring throughout the duration to determine whether the credit risk has increased significantly since the initial recognition.

(3) Portfolio method for assessing expected credit risk based on portfolio

The company evaluates individual credit risks of financial assets with significantly different credit risks, such as accounts receivable from related parties; Receivables in dispute with the other party or involved in litigation or arbitration; Receivables where there is a clear indication that the debtor is likely to be unable to meet repayment obligations.

In addition to financial assets for individual credit risk assessment, the Company divides financial assets into different groups based on common risk characteristics and evaluates credit risk on a portfolio basis.

(4) Accounting treatment of financial asset impairment

At the end of the period, the Company calculates the expected credit loss of various financial assets. If the expected credit loss is greater than the carrying amount of its current impairment reserve, the difference will be recognized as an impairment loss. If it is less than the carrying amount of the current impairment provision, the difference is recognized as an impairment gain.For a financial asset measured at amortized cost, the loss reserve is set against the carrying value of the financial asset as shown in the balance sheet; For debt investments measured at fair value and whose changes are included in other comprehensive income, the Company recognizes its loss provision in other comprehensive income and does not offset the carrying value of the financial asset.

If the Company no longer reasonably expects that the cash flow of the financial asset contract can be recovered in whole or in part, it will directly write down the book balance of the financial asset. Such a write-down constitutes the termination of recognition of the underlying financial asset. This usually occurs when the Company determines that the debtor does not have assets or sources of income that can generate sufficient cash flow to repay the amount that will be written down.

(5) Determination methods of credit losses of various financial assets

① Notes Receivable

The company measures the loss provision for notes receivable in accordance with the amount of expected credit losses equivalent to the entire term of existence. Based on the credit risk characteristics of notes receivable, they are divided into different portfolios:

Items	Basis for Grouping
Bank acceptance draft	The drawer has a high credit rating, no bill default in history, very low risk of credit loss, and strong ability to fulfill its obligations to pay contract cash flow in a short term
Commercial acceptance draft	The classification is based on the credit risk of acceptor, which is the same as the classification of "accounts receivable" portfolio

For notes receivable divided into portfolios, the Company calculates expected credit losses based on default risk exposure and expected credit loss rates over the lifetime, taking into account historical credit loss experience, current conditions and projections of future economic conditions.

② Accounts receivable and contract assets

For receivables and contract assets that do not contain significant financing elements, the Company shall measure the loss provision according to the amount of expected credit losses equivalent to the entire term of existence.

For receivables, contract assets and lease receivables that contain a significant financing component, the Company elects to always measure the loss provision at an amount equal to the expected credit loss over the life of the company.Instead of choosing a simplified treatment, the loss provision is measured by the amount of expected credit losses over the next 12 months or over the entire duration, based on whether the credit risk has increased significantly since the initial recognition.

In addition to the receivables for individual credit risk assessment, they are divided into different portfolios based on their credit risk characteristics:

Items	Basis for Grouping
Accounts receivable:	
Portfolio 1: risk-free combination method	This portfolio refers to the accounts receivable from related parties, the money recovered after the period, the receivables receivable from government units and other receivables. This portfolio is a portfolio without recovery risk, and no provision for bad debts is made
Portfolio 2: aging analysis method	This portfolio takes the aging of accounts receivable as the credit risk feature, and makes provision for bad debts based on the aging portfolio.
Contract assets:	
Portfolio 1: aging analysis method	This portfolio represents the outstanding amount of construction works paid by the Owner
Portfolio 2: risk-free combination method	This portfolio is a warranty

a. The expected credit loss rate of the portfolio using the aging analysis method is as follows:

Aging	Percentage of allowance for doubtful accounts to accounts receivable (%)
Within 1 year (including 1 year)	0.00
1-2 years (including 2 years)	5.00
2-3 years (including 3 years)	10.00
3-4 years (including 4 years)	30.00

Aging	Percentage of allowance for doubtful accounts to accounts receivable (%)
4-5 years (including 5 years)	70.00
Above 5 years	100.00

For the accounts receivable divided into portfolios, the Company makes reference to the historical credit loss experience, combined with the current situation and the forecast of the future economic situation, and prepares the comparison table of the expected credit loss rate of the accounts receivable over the entire aging period to calculate the expected credit loss.

For the contract assets divided into portfolios, the Company calculates expected credit losses based on the default risk exposure and expected credit loss rate over the entire duration by referring to historical credit loss experience, combining the current situation and the forecast of future economic conditions.

③ Other receivables

Based on whether the credit risk of other receivables has increased significantly since the initial recognition, the company uses the amount equivalent to the expected credit loss within the next 12 months or the entire duration to measure the impairment loss. In addition to other receivables that are individually assessed for credit risk, they are divided into different groups based on their credit risk characteristics:

Items	Basis for Grouping
Portfolio 1: risk-free combination method	According to the credit risk assessment results and historical experience data, it is a portfolio of very low credit risk for related party receivables, money recovered after a certain period, normal employee reserves, deposits, deposits, government receivables, etc.
Portfolio 2: aging analysis method	In addition to the portfolio of risk-free portfolio method, the receivables are applicable to the portfolio of aging analysis.

a. The expected credit loss rate of the portfolio using the aging analysis method is as follows:

Aging	Percentage of allowance for doubtful accounts to other receivables (%)
Within 1 year (including 1 year)	0.00
1-2 years (including 2 years)	5.00
2-3 years (including 3 years)	10.00
3-4 years (including 4 years)	30.00
4-5 years (including 5 years)	70.00
Above 5 years	100.00

For other receivables classified as portfolios, the Company calculates expected credit losses based on default exposure and expected credit loss rates over the next 12 months or over the duration, using historical credit loss experience combined with current conditions and projections of future economic conditions.

④ Debt investments、Other debt investments

According to whether its credit risk has increased significantly since the initial recognition, the company uses the amount equivalent to the expected credit loss within the next 12 months or the entire duration to measure the impairment loss.

⑤ Long-term receivables

In addition to the long-term receivables for individual credit risk assessment, they are divided into different portfolios based on their credit risk characteristics:

Items	Basis for Grouping
Portfolio 1:Project receivables	This portfolio represents the owner's outstanding construction works.
Portfolio 2: Other receivables	The portfolio takes the aging of long-term receivables as the credit risk feature.

For long-term receivables classified as portfolio 1, the Company calculates expected credit losses based on default risk exposure and expected credit loss rates throughout the duration, taking into account historical credit loss experience, current conditions and projections of future economic conditions.

For the long-term receivables classified as portfolio 2, the Company makes reference to the historical credit loss experience, combined with the current situation and the forecast of future economic conditions, and prepares the comparison table of the expected credit loss rate of the receivables over the entire aging period to calculate the expected credit loss.

12. Inventories

(1) Classification of Inventories

Inventories mainly include materials, work in progress and semi-finished goods, reusable materials, finished goods, and merchandise, Development costs, Product development,contract performance costs, etc.

Inventories refer to finished products or commodities held by the Company for sale in daily activities, products in the process of production, materials and supplies consumed in the process of production or provision of services, mainly including materials, work in progress and semi-finished goods, reusable materials, finished goods, and merchandise, Development costs, Product development,contract performance costs, etc.

(2) Cost Measurement for Inventories

When acquired, the cost of inventories shall be measured at the actual costs, which comprise costs of purchase, costs of conversion and other costs. Inventories mainly include inventory materials, development products under construction (development costs), completed development products and development products intended for sale but temporarily leased. The cost of developing products includes land transfer fees, infrastructure and supporting facilities expenses, construction and installation project expenses, borrowing costs incurred before the completion of the development project and other related expenses during the development process. When inventories are dispatched, the weighted average method is used to determine their actual cost.

（3）Measurement of Net Realizable Value and Write-Down

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale, and related taxes and surcharges. Estimates of net realizable value are based on reliable evidence available at the time the estimates are made, at the same time, take into consideration the purpose for which the inventory is held and effect of subsequent events after the reporting date.

For inventory directly used for sale, such as materials used for sale of finished products of the company, in the normal process of production and operation, its net realisable value shall be determined by the estimated selling price of the inventory minus the estimated selling expenses and related taxes and fees. For inventories held for the execution of sales contracts or labor contracts, the contract price shall be taken as the measurement basis of their net realisable value; If the quantity of inventory held is more than the quantity ordered in the sales contract, the net realisable value of the excess inventory is measured on the basis of the general sales price. Materials for sale shall be measured at the market price as the basis of their net realisable value. For the inventory of materials that need to be processed, in the normal process of production and operation, its net realisable value shall be determined by the estimated selling price of the finished products produced minus the estimated cost to be incurred at the time of completion, the estimated selling expenses and relevant taxes and fees.

Inventory depreciation reserves are generally withdrawn according to a single inventory item. For inventory with large quantity and low unit price, inventory depreciation reserves are withdrawn according to inventory categories. On the balance sheet date, inventory is measured at the lower of cost and net realisable value. When the circumstances that previously caused inventories to be written down below cost no longer exist and the net realizable value is higher than the carrying amount, the amount of the write-down is reversed (i.e. the reversal is limited to the amount of the original write-down), and the amount of reversal is recorded in profit or loss.

（4）Inventory Counting

Inventory counting is performed using the perpetual inventory system,inventory is taken at least once a year, and the amount of inventory profit and loss is included in the profit and loss of the current year

（5）Amortization of Low-Cost Consumables and Packaging Materials

When used, low-cost consumables are amortized by using one-off amortization method; packaging materials are amortized by using one-off amortization method.

13. Contract Assets

The company lists contract assets or contract liabilities in the balance sheet according to the relationship between the performance of performance obligations and customer payments. The Company lists in the balance sheet as the contract assets the customer has not yet paid the contract consideration, but the Company has performed its performance obligations pursuant to the contract and is not entitled to receive payment from the customer unconditionally (i.e., only subject to the passage of time). Contract assets and liabilities under the same contract shall be shown on a net basis, and those under different contracts shall not be set off.

For the determination method and accounting treatment method of expected credit loss of contract assets, refer to Note III-11. Impairment of Financial Assets.

14. Contract Cost

Contract cost includes contract performance cost and contract acquisition cost.

The cost incurred to perform the contract is recognized as an asset if it does not fall within the standard scope of accounting standards for enterprises other than Accounting Standards for Business Enterprises No. 14 - Revenue (revised in 2017) and simultaneously satisfies the following conditions: ① The cost is directly related to a current or prospective contract, including direct labor, direct materials, manufacturing costs (or similar), costs expressly borne by the customer and other costs incurred solely as a result of the contract; ② The cost increases the company's resources for future performance obligations; ③ The cost is expected to be recovered.The asset is presented in inventory or other non-current assets based on whether the amortization period exceeds a normal operating cycle at the time of its initial recognition.

The incremental cost incurred by the Company to obtain a contract is recognized as an asset if it is expected to be recovered as a contract acquisition cost. However, if the amortization period of the asset does not exceed one year, it is included in the current profit or loss when it occurs.

Assets related to contract costs are amortized on the same basis as the recognition of commodity income related to the assets and included in the current profit and loss.

15. Long-term Equity Investments

Long-term equity investments refer to the long-term equity investment in which the Group has control or joint control of, or significant influence over, the investee, and equity investments in joint ventures.Where the company can exert significant influence on the invested entity, it is a joint venture of the company.

Joint 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

(1) Cost of Investments

For long-term equity investments recognized in a business combination under common control, on the combination date, the initial cost shall be measured at the proportionate share of the carrying amount of the acquiree's owners' equity in the acquiree's ultimate controlling party's consolidated financial statements. Difference between the initial cost of long-term equity investments and the carrying amount of consideration paid (including any cash paid, non-cash assets transferred or liabilities assumed) shall adjust capital reserve, and then adjust retained earnings if capital reserve balance is reduced to zero. If a company issues equity interests in exchange for control of the acquiree, on the combination date, the initial cost of long-term equity investments shall be measured at the proportionate share of the carrying amount of the acquiree's owners' equity in the acquiree's ultimate controlling party's consolidated financial statements, the total par value of the shares issued shall be recognized as share capital, difference between the initial cost of long-term equity investments and the total par value of the shares issued shall adjust capital reserve, and then adjust retained earnings if capital reserve balance is reduced to zero.

For long-term equity investments recognized in a business combination not under common control, on the acquisition date, the initial cost shall be measured at the cost of combination, which includes fair values of the assets transferred by the acquirer, the liabilities incurred or assumed by the acquirer, and the equity interests issued by the acquirer in exchange for control of the acquiree.

Professional fees such as audit, legal, valuation fees and general administrative costs incurred for the business combination are accounted for as expenses in the periods in which the costs are incurred and the services are received.

Equity investments, other than those arise in business combinations, are recognized at cost on initial recognition; based on ways of acquisition, the cost is accounted for at the amount of cash paid by the Group, the fair value of equity interests issued by the Group, the agreed value in the investment contract, the fair value or original carrying amount of non-cash assets transferred by the Group, or the fair value of the long-term equity investments, etc. Any direct expense, tax and necessary cost are recognized in the cost of investments. For additional investments that result in significant influence over or joint control of the investee (and do not result in control), the cost of long-term equity investments is the sum of fair value of previously held equity interest in the investee and the additional cost of investments, according to Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments.

(2) Subsequent Measurement and Recognition of Profit or Loss

Long-term equity investments where the Group has joint control (except for joint operation) of or significant influence over the investee are accounted for by equity method. The Group accounts for long-term equity investments at cost where the Group has control of the investee.

① Long-term Equity Investments Measured at Cost

Long-term equity investments are recognized at cost on initial recognition; if the Group increases or recovers the cost of its investments in the investee, the cost of long-term equity investments shall be adjusted accordingly. The Group accounts for investment income for current period at the amount of its share of cash dividends declared and profits to be distributed by the investee, except for: (a) cash dividends declared but undistributed or (b) undistributed profits, which are included in the consideration paid for the investments.

② Long-term Equity Investments Using Equity Method

Under equity method, when the initial cost of long-term equity investments exceeds the Group's proportionate share in the acquisition-date fair values of the investee's identifiable net assets, the initial cost of investments is not subject to adjustment; when the initial cost of investments is lower than the Group's proportionate share in the acquisition-date fair values of the investee's identifiable net assets, the difference shall be recognized in profit or loss, and the cost of investments shall be adjusted at the same time.

The carrying amount of long-term equity investments is adjusted to recognize the Group's share of the profit or loss of the investee and the Group's proportionate interest in the investee arising from changes in the investee's other comprehensive income, at the same time, the Group's share of the investee's profit or loss is recognized in investment income, and the Group's proportionate interest in the investee arising from changes in the investee's other comprehensive income is recognized in the Group's other comprehensive income. The Group's share of profits to be distributed or cash dividends declared by the investee reduce the carrying amount of long-term equity investments. Other changes in investee's equity, except for profit or loss, other comprehensive income and profit distribution, shall be recognized in owner's equity, and the carrying amount of long-term equity investments shall be adjusted accordingly. Appropriate adjustments to the Group's share of the investee's profit or loss after acquisition are made in order to account for the net identifiable assets based on their fair values at the acquisition date. If the investee's accounting policy and accounting period are not in conformity with those of the Group, appropriate adjustments shall be made based on the Group's accounting policy and accounting period, in order to recognize the amounts of investment income and other comprehensive income. As for transactions between the Group and its associate or joint venture, when the contributed or sold assets do not constitute a business, the Group's share in the associate's or joint venture's unrealized gains or losses resulting from these transactions is eliminated; on that basis, investment income is recognized. However, if the unrealized losses are impairment losses of assets sold or contributed during the transactions, they shall not be eliminated. When the contributed assets from the Group to its joint venture or associate constitute a business, and consequently the Group gains long-term equity investments but not control of the investee, the Group shall account for the additional long-term equity investments at fair value of the contributed business; difference between the initial cost of investments and the carrying amount of contributed business, shall be recognized in full in profit or loss. When the sold assets from the Group to its joint venture or associate constitute a business, the difference between consideration received and the carrying amount of the business shall be recognized in full in profit or loss. When the purchased assets from its associate or joint venture constitute a business, the Group shall fully recognize relevant profit or loss, according to Accounting Standards for Business Enterprises No. 20 – Business Combination.

If the Group's share of losses of an investee equals or exceeds the carrying amount of the long-term equity investments in the investee together with any long-term interests that, in substance, form part of the Group's net investment in the investee, the Group discontinues recognizing its share of further losses. If the Group has incurred obligations to assume additional losses for the investee, the Group shall recognize a liability and relevant loss in current period. If the investee subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

For any long-term equity investment in its associate or joint venture held before initial application of the new accounting standards, the Group recognizes the amortized amount of the existing debit balance of the investment, using straight-line method over the original remaining term, in profit or loss.

③ Disposal of Long-term Equity Investments

In the consolidated financial statements, for the partial disposal of long-term equity investments without losing control of the subsidiary, the difference between consideration received and the proportionate share of the subsidiary's net assets for the disposed investments shall be recognized in equity; for the partial disposal of long-term equity investments that results in loss of control of the subsidiary, see Note III-6. "Preparation Method of Consolidated Financial Statements" - (2) for the accounting treatment.

In other circumstances of disposal of long-term equity investments, the difference between the carrying amount of the disposed investments and the consideration received shall be recognized in profit or loss.

After the disposal of long-term equity investments accounted for using equity method, if the equity method still applies for the investments retained, the Group shall account for the proportionate amounts previously recognized in other comprehensive income on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. Any equity previously recognized for changes of investee's equity excluding changes in investee's net profit or loss, other comprehensive income and profit distribution, is proportionately reclassified to profit or loss.

After the Group disposes long-term equity investments measured at cost, if the investments retained are still measured at cost, the Group shall account for the amounts previously recognized in other comprehensive income, that are recognized according to equity method or recognition and measurement requirements of financial instruments before the Group obtains control of the investee, on the same basis as would have been required if the investee had directly disposed of related assets or liabilities, and the proportionate amounts shall be reclassified to profit or loss; any equity previously recognized under equity method for changes of investee's equity excluding changes in investee's net profit or loss, other comprehensive income and profit distribution, is proportionately reclassified to profit or loss.

After the Group loses control of an investee due to partial disposal of equity investments, if the Group has joint control of, or significant influence over, the investee, the Group shall account for the investments retained using equity method in its individual financial statements, and apply equity method retrospectively to the date of acquisition; if the Group has neither joint control of, nor significant influence over, the investee, the Group shall account for the investments retained according to the recognition and measurement requirements of financial instruments, the difference between the fair value and carrying amount of the investments retained shall be recognized in profit or loss when the control is lost. When the Group loses control of the investee, the Group shall account for the amounts previously recognized in other comprehensive income, that are recognized according to equity method or recognition and measurement requirements of financial instruments before the Group obtains control of the investee, on the same basis as would have been required if the investee had directly disposed of related assets or liabilities; any equity previously recognized under equity method for changes of investee's equity excluding changes in investee's net profit or loss, other comprehensive income and profit distribution, is reclassified to profit or loss when the control is lost. If the investments retained are accounted for using equity method, the above-mentioned other comprehensive income and equity are proportionately reclassified; if the investments retained are accounted for according to the recognition and measurement requirements of financial instruments, the above-mentioned other comprehensive income and equity are reclassified in full.

After the Group loses joint control of, or significant influence over, the investee due to partial disposal of equity investments, the retained investments are accounted for according to the recognition and measurement requirements of financial instruments, the difference between the fair value and carrying amount of the investments retained shall be recognized in profit or loss when the joint control or significant influence is lost. When the Group discontinues the use of the equity method, the Group shall account for the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the investee had directly disposed of related assets or liabilities; any equity previously recognized under equity method for changes of investee's equity excluding changes in net profit or loss, other comprehensive income and profit distribution, is reclassified in full to profit or loss.

16. Investment Properties

Investment property is held to earn rentals or for capital appreciation or both, which includes leased land use rights, land use rights readily transferable after capital appreciation, and leased buildings, etc. In addition, if the board of directors (or equivalent body) has a written resolution on a vacant building held to be leased out, and it is clearly stated that the building will be leased out and that intention will not change in the short-term, the building shall be presented as an investment property.

An investment property is measured initially at its cost. When it is probable that the future economic benefits that are associated with the investment property will flow to the Group, and the cost can be measured reliably, costs incurred subsequently in relation to the investment property shall be recognized in the cost of investment property when incurred. All other costs incurred subsequently shall be recognized in profit or loss when incurred.

The Group chooses cost model for subsequent measurement of investment property. the depreciation or amortization methods applied to the investment property shall be consistent with those of properties and buildings or land use rights.

For impairment test and measurement of impairment, see Note III-22 "Impairment of Non-current and Non-financial Assets".

A transfer from owner-occupied property or inventories to investment property, or a transfer from investment property to owner-occupied property, does not change the carrying amount of the property transferred.

When there is a change in use to owner-occupation, from that date, the Group shall transfer the investment property to fixed asset or intangible asset. When there is change in use from owner-occupation to earning rentals or capital appreciation, from that date, the Group shall transfer the fixed asset or intangible asset to investment property. If an owner-occupied property becomes an investment property measured using cost model, the property shall be accounted for at its previous carrying amount before the transfer occurs. If an owner-occupied property becomes an investment property that will be carried at fair value, the property shall be accounted for at fair value on the date of transfer.

An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from sales, transfer, retirement of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and related taxes and surcharges shall be recognized in profit or loss.

17. Fixed Assets

（1）Recognition

Fixed assets are tangible items that: a) are held for use in the production or supply or goods or services, for rental to others, or for administrative purposes; and b) are expected to be used during more than one financial year. A fixed asset shall be recognized only when (a) it is probable that future economic benefits associated with the item will flow to the Group, and (b) the cost of the item can be measured reliably.

（2）Classification, Measurement, and Depreciation

From the subsequent month after a fixed asset gets ready for its intended use, the Group depreciates the fixed asset on a monthly basis over its useful life. Useful life, residual value rate, and annual depreciation rate for each class of fixed assets are as follows:

Class of fixed assets	Depreciation method	Useful life (Year)	Residual value rate (%)	Annual depreciation rate (%)
Buildings	straight-line depreciation	20-30	5	4.75-3.17
Machinery and equipments	straight-line depreciation	10-12	5	9.50-7.92
Transport equipments	straight-line depreciation	5	5	19.00
Office supplies	straight-line depreciation	5	5	19.00
Electronic equipments	straight-line depreciation	5	5	19.00
Pipe network	straight-line depreciation	15	5	6.33

(3) Impairment Test and Measurement of Impairment

For impairment test and measurement of impairment of fixed assets, see Note III-22 "Impairment of Non-current and Non-financial Assets".

(4) Others

Fixed assets are initially measured at cost and taking into account the impact of expected disposal costs.Subsequent costs incurred for a fixed asset are recognized in the carrying amount of the fixed asset if (a) it is probable that future economic benefits associated with the asset will flow to the entity and (b) the costs can be measured reliably; and the carrying amount of the replaced parts of the asset is derecognized. Otherwise, subsequent costs are recognized in profit or loss as incurred.

The carrying amount of a fixed asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The difference between (a) the net disposal proceeds arising from sales, transfer, retirement of the asset and (b) the carrying amount of the fixed asset and related taxes and surcharges is recognized in profit or loss when the asset is disposed.

The Group reviews the useful lives, residual values and depreciation methods applied to fixed assets at least at each financial year-end; any change is accounted for as a change in accounting estimate.

18. Construction in Progress

Construction in progress is measured at cost, which includes costs of construction during the construction period, borrowing costs capitalized before the asset gets ready for intended use and other relevant costs. Construction in progress is recognized as fixed asset when it is ready for intended use. Construction in progress is carried forward to fixed assets after reaching the expected usable state. For the fixed assets built that have reached the expected usable state but have not yet handled the final settlement of completion, from the date of reaching the expected usable state, according to the project budget, cost or actual cost of the project, they shall be transferred to fixed assets at the estimated value, and the depreciation of fixed assets shall be withdrawn according to the company's fixed assets depreciation policy.

After the final settlement of completion, the original estimated value shall be adjusted according to the actual cost, However, the depreciation amount that has been withdrawn will not be adjusted.

For impairment test and measurement of impairment of construction in progress, see Note III-22 "Impairment of Non-current and Non-financial Assets".

19. Borrowing Costs

Borrowing costs include interest expense, amortization of discounts or premiums, ancillary expenses incurred in connection with the borrowing of funds, and exchange differences arising from foreign currency borrowings, etc. The Group begins capitalizing borrowing costs, which are directly attributable to the acquisition, construction or production of a qualifying asset, on the date when the Group first meets all of the following conditions: (a) it incurs expenditures for the asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. The Group ceases capitalizing borrowing costs when the qualifying asset gets ready for its intended use or sale. Other borrowing costs are recognized as an expense in the period in which they are incurred.

If the Group borrows funds specifically for the purpose of obtaining a qualifying asset (specific-purpose borrowings), the amount of borrowing costs eligible for capitalization is the actual interest expense incurred on that borrowing for the period less any interest income from depositing the unused borrowings or any investment income on the temporary investment of those borrowings. If the Group borrows funds generally (general-purpose borrowings) and uses them for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset. The expenditures on that asset shall be calculated as the weighted average of the excess of accumulated expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is calculated as the weighted average of the interest rates applicable to general-purpose borrowings of the Group.

During the capitalization period, exchange differences in connection with a specific-purpose borrowing denominating in foreign currency are all capitalized. Exchange differences in connection with a general-purpose borrowing are recognized in profit or loss as incurred.

A qualifying asset is a fixed asset, an investment property, or an inventory that necessarily takes a substantial period of time of acquisition, construction or production activities to get ready for its intended use or sale.

The Group suspends capitalization of borrowing costs during periods in which the acquisition, construction or production of a qualifying asset is delayed by activities other than those necessary to prepare the asset for its intended use or sale, and the delay is for a continuous period of more than 3 months; the Group resumes capitalization of borrowing costs after it restarts the acquisition, construction or production activities of the qualifying asset.

20. Right-of-use assets

For the determination method and accounting treatment method of the right-of-use assets, please refer to Note III-31 "Lease".

21. Intangible Assets

（1）Recognition and Measurement of Intangible Assets

Intangible assets are identifiable non-monetary assets without physical substance, which are possessed or controlled by the Group.

The intangible assets are initially measured at cost. Expenditure on the intangible assets, if it is probable that the expected economic benefits that are attributable to the assets will flow to the entity, and the cost of the assets can be measured reliably, shall be included in the cost of the intangible assets. Expenditure other than these shall be included in profit or loss as incurred.

The land use right is usually recognized as intangible asset. For buildings such as plants that are developed and constructed by the Group, relevant land use rights and buildings are recognized as intangible assets and fixed assets respectively. For purchased buildings, the payments shall be reasonably allocated to land use right and buildings, if it is difficult to allocate reasonably, then all are treated as fixed assets.

For the intangible asset with a finite useful life, when it is available for use, its original value less estimated residual value and accumulative impairment shall be amortized using straight line method over its useful life. The intangible asset with an indefinite useful life shall not be amortized.

Among them, the useful life and amortization methods of intangible assets with limited useful life are as follows:

Items	Useful life（Year）	Amortization method	依据
Land use right	40	straight-line amortization	Statutory right to use
Software	5	straight-line amortization	The service life is determined by referring to the period that can bring economic benefits to the company

The useful life and amortization method of intangible asset with a finite useful life shall be reviewed at period end, and the change is accounted for as a change in accounting estimate. The useful life of the intangible asset with an indefinite useful life shall be reviewed as well, if there is evidence showing a foreseeable limit to the period over which such asset is expected to generate economic benefits for the entity, it, over its estimated useful life, shall be amortized according to the policy for intangible asset with a finite useful life.

（2）Research and Development Expenditure

The internally generated research and development expenditure is divided into expenditure for the research phase and for the development phase.

Expenditure on the research phase shall be included in profit or loss when it is incurred.

Expenditure on the development phase shall be recognized as intangible asset if the Group can demonstrate all of the following; otherwise, it shall be included in profit or loss:

①The technical feasibility of completing the intangible asset so that it will be available for use or sale;

②Its intention to complete the intangible asset and use or sell it;

③How the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

④The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;

⑤Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

If research expenditure cannot be distinguished from development expenditure, all expenditure will be recorded in profit or loss as a whole.

(3) Impairment Test and Measurement of Impairment for Intangible Assets

Please see Note III-22 "Impairment of Non-current and Non-financial Assets".

22. Impairment of Non-current and Non-financial Assets

For fixed assets, construction in progress, intangible assets with finite useful lives, investment property measured at cost model, long-term equity investment on subsidiaries, joint-ventures or associates, goodwill and other non-current and non-financial assets, the Group assesses at the reporting date whether there is any indication that the asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset and carries out impairment test. Goodwill, intangible assets with indefinite useful lives or intangible assets not yet available for use will be tested for impairment annually, irrespective of whether there is any indication of impairment.

If impairment test shows that the recoverable amount of the asset is less than its carrying amount, the difference shall be recorded as loss allowance and recognized as impairment loss. The recoverable amount of the asset is the higher of its fair value less costs of disposal and its present value of expected future cash flows. The fair value of the asset is determined by price as agreed in the sales agreement in an arm's length transaction. Where there is no sales agreement, but there is active market, the fair value is determined by the quoted price by the buyer of the asset. Where there is neither sales agreement nor active market, the fair value is estimated based on the best information available. Costs of disposal include legal costs, related taxes and surcharges, costs of removing the asset, and direct incremental costs to bring the asset into condition for its sale. Present value of the expected future cash flow is calculated by estimating the future cash flows to be derived from continuing use of the asset and from its ultimate disposal, and applying the appropriate discount rate to those future cash flows. Impairment is calculated and recognized for the individual asset, if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash-generating unit to which the said asset belongs. A cash-generating unit is the smallest group of assets that generates cash inflows that are independent of the cash inflows from other assets or groups of assets.

For the purpose of impairment testing, the carrying amount of the goodwill presented separately in the financial statement is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination. The impairment loss is recognized for the cash-generating unit or group of the cash-generating units to which goodwill has been allocated if the recoverable amount of the unit (group of units) is less than the carrying amount of the unit (group of units). The impairment loss is allocated to first reduce the carrying amount of the goodwill allocated to the cash-generating unit (group of units), and then, to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units).

Above impairment loss, once recognized, shall not be reversed in a subsequent period.

23. Long-term Prepaid Expenses

The long-term prepaid expenses are expenses which have been paid but will be amortized within the period over one year, including the current reporting period during which the expenses were incurred and the subsequent reporting period. Long-term prepaid expenses are amortized on a straight-line basis over the expected benefit period.

24. Contract Liabilities

The Company lists contract assets or contract liabilities in the balance sheet according to the relationship between the performance of performance obligations and customer payments. Contract liabilities refer to the company's obligation to transfer goods to customers after receiving or receivable consideration from customers. If the customer has paid the contract consideration or the company has obtained the unconditional right to receive payment before the company transfers the goods to the customer, the company shall, at the earlier point of time when the customer actually pays the amount and the amount due and payable, shall pay the amount received or payable. Receivables are presented as contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis, and contract assets and contract liabilities under different contracts are not offset.

25. Employee Benefits

The employee benefits refers to various forms of remuneration or compensation other than share based payment given by the company for the purpose of obtaining services provided by employees or terminating labor relations. The employee benefits of the Group include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

Short-term employee benefits include salaries, bonuses allowances and subsidies, welfare, health insurance, maternity insurance, work injury insurance, housing funds, labor union funds, employee education funds, and other non-monetary benefits. The actual short-term employee benefits for the accounting period when the employee has rendered service to the Group are recognized as liability, and recorded in profit or loss or in the cost of related asset. The non-monetary benefits are measured at fair value.

Post-employee benefits include basic pensions, unemployment insurance and annuity. Post-employee benefit plans include defined contribution plan and defined benefit plan. Under defined contribution plan, the contribution payable is recorded in the cost of related asset or in the profit or loss as incurred. The Group adopts a defined benefit plan benefit unit method. Under such defined benefit plan, the Group hires an independent actuary, using the projected unit credit method, and unbiased and mutually compatible actuarial assumption to make estimates about demographic variables and financial variables and determine the defined benefit obligations and the reporting periods that the obligations shall be recognized. At the reporting date, the Group shall present the present value of the defined benefit obligations, and recognize the current service cost in profit or loss.

In the event that the Group decides to terminate an employee's employment before the contract is expired, or the Group offers benefits in exchange of an employee's decision to accept the redundancy, the liabilities related to the termination benefits shall be recognized at the earlier date when the Group cannot unilaterally withdraw the offer of those benefits, and when the Group recognizes costs for restructuring and involves the payment of termination benefits, and recorded in profit or loss. If the termination benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period, the Group shall apply the requirements for other long-term employee benefits.

Same principle as above termination benefits shall be applied for early retirement plan of employee. The Group recognizes the compensation and social security contributions payable to the employee under the early retirement plan for the period since the date when the employee no longer renders any service till the normal retirement date in profit or loss (termination benefit), only if the criteria for recognition of provisions is met.

Other long-term employee benefits the Group offers, if meeting the requirements for defined contribution plan, shall be accounted for as defined contribution plan accordingly. Otherwise, accounting treatment of defined benefit plan shall be applied.

26. Lease Liabilities

For the determination method and accounting treatment method of lease liabilities in 2021, please refer to Note III-31 "Lease".

27. Estimated Liabilities

An obligation related to contingencies is recognized as an expected liability if it simultaneously meets the following conditions :(1) the obligation is a current obligation of the company; (2) the performance of the obligation is likely to result in outflow of economic benefits; (3) The amount of the obligation can be measured reliably.

At the balance sheet date, the projected liability is measured at the best estimate of the expenditure required to fulfill the relevant current obligation, taking into account the risks, uncertainties and time value of money associated with the contingencies.The carrying value of projected liabilities is reviewed at each balance sheet date. If there is conclusive evidence that the carrying value does not reflect the current best estimate, the carrying value is adjusted according to the current best estimate.

If all or part of the expenses required to repay the estimated liabilities are expected to be compensated by a third party, the amount of compensation shall be recognized separately as an asset when it is basically determined to be received, and the amount of compensation recognized shall not exceed the book value of the estimated liabilities.

（1） Loss Contract

A loss making contract is a contract in which the cost inevitably incurred in fulfilling the contractual obligations exceeds the expected economic benefits. If the contract to be executed becomes a loss contract and the obligations arising from the loss contract meet the recognition conditions of the above estimated liabilities, the part of the estimated loss of the contract exceeding the recognized impairment loss (if any) of the underlying assets of the contract shall be recognized as estimated liabilities.

（2） Reorganization Obligation

For the reorganization plan with detailed, formal and announced to the public, the amount of estimated liabilities shall be determined according to the direct expenditure related to the reorganization on the condition that the recognition conditions of the aforementioned estimated liabilities are met. For the restructuring obligation to sell part of the business, the obligation related to the restructuring is recognized only when the company undertakes to sell part of the business (i.e., when a binding sale agreement is signed).

28. Revenue

The Group shall recognize the consideration received as revenue when the customer obtains control of promised goods or services if the contract with customer meets all of the following criteria : the parties to the contract have approved the contract and are committed to perform their respective obligations; each party's rights and obligations regarding the goods or services to be transferred are identified; the payment terms for the goods or services to be transferred are identified; the contract has commercial substances, i.e. the risk, timing or amount of the Group's future cash flow is expected to change as a result of the contract; it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

At contract inception, the Group shall identify every single performance obligation in the contract, and allocate the transaction price in proportion to each performance obligation based on the stand-alone selling prices of the promised goods or services underlying each obligation. When determining the transaction price, the Group shall consider the effects of variable consideration, the existence of a significant financing component in the contract, non-cash consideration and consideration payable to a customer.

For each of the performance obligation, the Group shall recognize the revenue over time at an amount of transaction price allocated to that performance obligation based on its progress towards complete satisfaction of the performance obligation, If one of the following criteria is met: a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; b) the Group's performance creates work in progress that the customer controls as it is created; and c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Progress towards complete satisfaction of a performance obligation is measured in accordance with input methods or output methods based on the nature of the goods or services to be transferred. If the Group may not be able to reasonably measure the progress towards complete satisfaction of a performance obligation, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group shall recognize revenue only to the extent of the costs incurred until such time that it can reasonably measure the progress towards complete satisfaction of that performance obligation.

If any of above criteria is not satisfied, the Group shall recognize revenue at an amount of transaction price allocated to the performance obligation at a point in time at which the customer obtains control of the promised goods or services. In determining the point in time at which a customer obtains control of the promised goods or services, the Group shall consider following indicators: a) the Group has a present right to payment for the promised goods or services, i.e. the customer is presently obliged to pay for such goods or services; b) the Group has transferred the legal title of the promised goods or services to the customer, i.e. the customer has legal tile to such goods or services; c) the Group has transferred physical possession of the promised goods or services, i.e. the customer has physical possession of such goods or services; d) the Group has transferred the significant risks and rewards of ownership of the promised goods or services to the customer, i.e. the customer has the significant risks and rewards of ownership of such goods or services; and e) the customer has accepted the promised goods or services, and other indicators of the transfer of control.

The specific methods for revenue recognition of the company are as follows:

① Sales Contract

The contract for the sale of goods between the Company and the customer contains the performance obligation to transfer the goods, which is the performance obligation at a certain point.

The following conditions shall be met for the recognition of product sales revenue: the Company has delivered the product to the customer according to the contract and the customer has accepted the product, the payment has been recovered or the receipt of payment has been obtained and the relevant consideration is likely to be recovered, the main risks and rewards in the ownership of the product have been transferred, and the legal ownership of the product has been transferred;

② Construction Contract

The construction contract between the Company and the customer contains performance obligations for the construction of the project, and since the customer has control over the goods under construction in the course of the Company's performance, the Company regards them as performance obligations to be performed within a certain period of time and recognizes revenue based on performance progress, except where performance progress cannot be reasonably determined. The Company determines the performance progress of the services provided in accordance with the input method. The performance progress shall be determined according to the proportion of the contract cost actually incurred for the performance of the contract to the estimated total contract cost or the proportion of the completed contract workload to the estimated total contract workload. At the balance sheet date, the Company reestimates the progress of completed or completed services to reflect changes in performance.

③ BT Contract

For the company providing infrastructure construction services, the contract performance cost shall be recognized at the construction stage, and the relevant infrastructure construction service income and cost shall be recognized after the completion of the construction and the receipt of the settlement notice. The infrastructure construction service income shall be measured at the consideration received or entitled to receive, and the contract assets shall be recognized at the same time of recognizing the income, and the major financing components in the contract arrangements shall be accounted for. When it has the right to collect consideration unconditionally, it will be transferred to "long-term receivables" and offset after receiving the payment paid by the owner.

29. Government Grants

Government grants refer to monetary grants and non-monetary grants the Group receives from the government for free, excluding the capital invested by the government as an investor and in return the government can enjoy the corresponding owner's equity. Government grants involve grants related to assets and grants related to income. Monetary government grants shall be measured at the amount received or expected to be received. Non-monetary government grants shall be measured at fair value, and otherwise measured at nominal amount if the fair value cannot be reliably obtained. Government grants measured at nominal amount shall be recognized directly in profit or loss. The company defines the government subsidies obtained for the acquisition, construction or other forms of long-term assets as government subsidies related to the assets; The remaining government subsidies are defined as government subsidies related to income. If the object of subsidy is not clearly specified in the government documents, the subsidy shall be divided into government subsidy related to income and government subsidy related to assets in the following ways: (1) If the government documents clearly define the specific project for which the subsidy is targeted, the division shall be made according to the relative proportion of the expenditure amount of assets formed and the expenditure amount recorded into expenses in the budget of the specific project. The division proportion shall be reviewed on each balance sheet date and changed if necessary; (2) If the purpose is only generally stated in government documents without specifying specific projects, it shall be regarded as government subsidies related to income.

The company will confirm and measure the government subsidy according to the actual amount when it is actually received. However, if there is conclusive evidence at the end of the period that it can meet the relevant conditions stipulated by the financial support policy and is expected to receive the financial support fund, it shall be measured according to the amount receivable. The government subsidies measured according to the amount of receivables shall also meet the following conditions :(1) the amount of receivables has been confirmed by the competent government department in a document, or can be reasonably calculated according to the relevant provisions of the officially issued financial fund management measures, and it is expected that there is no major uncertainty in the amount; (2) is based on the local financial department formally issued and shall be in accordance with the provisions of the government information disclosure regulations and active public project and its financial support measures for the management of financial funds, and the management measures should be universality (any conform to the requirements as prescribed in the enterprise application), rather than specific to a particular enterprise set; (3) The appropriation period has been clearly promised in the relevant subsidy approval document, and the appropriation of the money is guaranteed by the corresponding financial budget, so it can be reasonably guaranteed to be received within the specified period; (4) Other relevant conditions (if any) to be met according to the specific situation of the Company and the subsidy item.

Government subsidies related to assets shall be recognized as deferred income, and shall be recorded into current profits and losses by stages in a reasonable and systematic way during the service life of relevant assets. Government subsidies related to income, used to compensate for related costs or losses in subsequent periods, shall be recognized as deferred income, and shall be recorded into current profit and loss during the period in which related costs, expenses or losses are recognized; Compensation for incurred costs or losses shall be directly recorded into current profits and losses.

If the government grants comprise both grants related to assets and grants related to income, the Group shall treat them separately, and if they cannot be distinguished from each other, they shall be accounted for as government grants related to income as a whole.

Government grants related to the daily operation of the Group shall be recognized in other income or by deducting related costs based on the nature of such economic business. Government grants unrelated to daily operation shall be recognized in non-operating revenue or expenses.

When the government grants become repayable, repayment of such grants shall be applied first against the remaining amount of deferred income recognized in respect of the grants. To the extent that the repayment exceeds any such deferred income, the repayment shall be recognized in profit or loss. For other conditions, the repayment shall be recognized immediately in profit or loss.

30. Deferred Tax Assets and Deferred Tax Liabilities

Income tax expenses include current income tax and deferred income tax.Except that the current income tax and deferred income tax related to transactions and events recognized as other comprehensive income or directly included in shareholders' equity are included in other comprehensive income or shareholders' equity, and the book value of goodwill adjusted by deferred income tax arising from business combinations, the rest current income tax and deferred income tax expenses or income are included in the current profit and loss.

(1) Current income tax

On the balance sheet date, the current income tax liabilities (or assets) formed in the current and previous periods are measured at the amount of income tax that is expected to be paid (or returned) calculated in accordance with the provisions of the tax law. The taxable income on which the current income tax expenses are calculated is calculated after corresponding adjustments to the pre-tax accounting profits of the reporting period in accordance with the provisions of the relevant tariff laws.

(2) Deferred Tax Assets and Deferred Tax Liabilities

For temporary differences between the carrying amount and tax base of certain assets or liabilities, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the "balance sheet liability method".The Company does not discount deferred tax assets and deferred tax liabilities.

The deferred tax liability shall not be recognized if it relates to the initial recognition of goodwill or the taxable temporary differences related to the initial recognition of assets or liabilities arising from a transaction that is neither a business combination nor occurs and does not affect accounting profit and taxable income (or deductible losses). In addition, the deferred income tax liabilities related to taxable temporary differences related to investments of subsidiaries, associated enterprises and joint ventures shall not be recognized if the Company can control the time when the temporary differences are reversed and such temporary differences are unlikely to be reversed in the foreseeable future.In addition to the above exceptions, the Company acknowledges all other taxable temporary differences arising from deferred tax liabilities.

The deferred tax assets shall not be recognized for the deductible temporary differences that are related to the initial recognition of assets or liabilities arising from transactions that are neither a business combination nor occur and do not affect accounting profits and taxable income (or deductible losses). In addition, the deferred tax assets related to the deductible temporary differences related to investments of subsidiaries, associated enterprises and joint ventures shall not be recognized if the temporary differences are not likely to be reversed in the foreseeable future or the taxable income amount used to offset the deductible temporary differences is not likely to be obtained in the future. In addition to the above exceptions, the Company shall recognize the deferred tax assets arising from other deductible temporary differences to the limit of the taxable income amount that is likely to be obtained to offset the deductible temporary differences.

For the deductible losses and tax deductions that can be carried forward in the following years, the corresponding deferred tax assets shall be recognized to the limit of the future taxable income that is likely to be used to offset the deductible losses and tax deductions.

On the balance sheet date, the deferred income tax assets and deferred income tax liabilities shall be measured according to the applicable tax rates during the expected collection of related assets or repayment of related liabilities according to the provisions of the tax law.

On the balance sheet date, the book value of the deferred income tax asset is reviewed. If it is likely that sufficient taxable income amount cannot be obtained to offset the benefits of the deferred income tax asset in the future, the book value of the deferred income tax asset will be written down.When it is likely to obtain sufficient taxable income, the amount written down shall be reversed.

(3) Offset of income tax

When it has the statutory right to settle on a net and intends to settle on a net or acquire assets and pay off liabilities at the same time, the company's current income tax assets and current income tax liabilities are presented at the net amount after offsetting.

When it has the statutory right to settle current income tax assets and current income tax liabilities on a net basis, and the deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax administration department on the same taxpayer or related to different taxpayers, However, in the period during which important deferred income tax assets and liabilities are reversed in the future, when the taxpayer involved intends to settle the current income tax assets and liabilities on a net basis or obtain assets and settle liabilities at the same time, the company's deferred income tax assets and deferred income tax liabilities are presented at the net amount after offsetting.

31. Leases

A lease is a contract that conveys the right to control the use of an identified asset or assets for a period of time in exchange for consideration. At inception of a contract, the Group assesses whether the contract is, or contains, a lease. If the contract includes a number of separate leases at the same time, the company will split the contract and account for each separate lease. If the following conditions are met at the same time, the right to use the identified assets constitutes a separate lease in the contract: ① the lessee may profit from the use of the assets alone or together with other resources that are readily available; ② The asset is not highly dependent or highly related to other assets in the contract.

(1) The Group as the Lessee

The major class of the leased assets is sea area use rights, pipeline assets, buildings,etc..

① Initial Measurement

At the commencement date, the Group recognizes the right to use the underlying asset during the lease term as right-of-use asset, and recognizes lease liability excluding short-term leases and leases of low-value assets at the present value of the lease payments that are not paid a that date. Right of use assets refers to the right of the lessee to use the leased assets during the lease term. On the commencement date of the lease term, the right of use assets is initially measured at cost. This cost includes: the initial measurement amount of the lease liability; The amount of the lease payment paid on or before the start date of the lease term, if there is a lease incentive, less the amount related to the lease incentive already enjoyed; Initial direct expenses incurred by the Lessee; The costs that the Lessee expects to incur to demolish and remove the leased asset, rehabilitate the premises where the leased asset is located, or restore the leased asset to its condition as agreed in the lease terms.The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

② Subsequent Measurement

The Group applies the depreciation requirements in Accounting Standards for Business Enterprises No. 4 – Fixed Assets (see Note III-17 "Fixed Assets") in depreciating the right-of-use asset. If it is reasonably certain that the Group will obtain the ownership of the underlying asset by the end of lease term, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the lease term or the end of the useful life of the right-of-use asset.

For lease liabilities, the initial measurement shall be based on the present value of the outstanding lease payments on the commencement date of the lease term. The lease payment amount includes the following five contents: fixed payment amount and substantial fixed payment amount. If there is lease incentive, the amount related to lease incentive is deducted; Variable lease payments depending on the index or ratio; The exercise price of the purchase option if the Lessee reasonably determines that the option will be exercised; The amount payable to exercise the option to terminate the lease, provided that the lease term reflects that the Lessee will exercise the option to terminate the lease; The amount expected to be paid based on the remaining value of the security provided by the lessee. The difference between the lease payment amount and its present value is regarded as an unrecognized financing expense, and the interest expense for each period of the lease term is calculated at the discount rate of the present value of the lease payment amount recognized during each period of the lease term, and is included in the current profit or loss. Variable lease payments that are not included in the measurement of lease liabilities are recognised in current profit or loss when actually incurred.

After the commencement date, when there are changes in (a) in-substance fixed payments, (b) expected payments of guaranteed residual value, (c) index or rate in measurement of lease payments, or (d) results of assessment or exercise of options to purchase the underlying asset or options to extend or terminate the lease, the Group remeasures the lease liability at present value of the lease payments after the changes, and recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognizes any remaining amount of the remeasurement in profit or loss.

③ Impairment Test and Measurement of Impairment

For impairment test and measurement of impairment of Right-of-use assets, see Note III-22 "Impairment of Non-current and Non-financial Assets".

④ Short-term Leases and Leases of Low-value Assets

For short-term leases (lease term of 12 month or less) and leases of low-value assets, a simplified method is adopted. Instead of recognizing right-of-use asset and lease liability, the Group recognizes the lease payments associated with those leases as an expense or in carrying amount of relevant assets on either a straight-line basis over the lease term or another systematic basis.

(2) The Group as the Lessor

At the commencement date, the Group classifies each of its leases as either an operating lease or a finance lease, based on the substance of the transaction. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset. An operating lease is a lease other than a finance lease.

① Operating Leases

The Group recognizes lease payments from operating leases as income on a straight-line basis over the lease term. Variable lease payments not included in measurement of the lease payments from operating leases shall be recognized in profit or loss when occur.

② Finance Leases

At commencement date, the Group recognizes a receivable under a finance lease, and derecognizes the underlying assets. At initial measurement, the receivable is an amount equal to the net investment in the lease (i.e., present value of the sum of unguaranteed residual value and lease payments that are not received at the commencement date, discounted at the interest rate implicit in the lease). The Group recognizes interest income over the lease term based on constant periodic interest rate.

The termination recognition and impairment of financial lease receivables are accounted for in accordance with " Note III -10, Financial Instruments".

Income relating to variable lease payments not included in the measurement of the net investment in the lease shall be recognized in profit or loss when occurs.

(3) Accounting for lease changes

① Lease change as a separate lease

If the lease is changed and the following conditions are met, the Company will account for the lease change as a separate lease: The lease change expands the lease scope by increasing the use of one or more leased assets; The increased consideration is equivalent to the amount of the separate price for most of the expansion of the lease adjusted for the circumstances of the contract.

② The lease change is not treated as a separate lease

The Company as Lessee: On the effective date of the lease change, the Company redetermines the lease term and discounts the changed lease payment at the revised discount rate to remeasure the lease liability. When calculating the present value of the lease payment after the change, the intrinsic interest rate of the lease during the remaining lease period is used as the discount rate. If the inherent interest rate of the lease for the remaining lease period cannot be determined, the incremental borrowing interest rate on the effective date of the lease change is used as the discount rate. The impact of the above adjustment of lease liabilities is accounted for in the following cases: If the lease change leads to the reduction of the lease scope or the shortening of the lease term, the carrying value of the right to use assets is adjusted, and the gains or losses related to the partial or complete termination of the lease are included in the current profit or loss; For other lease changes, the book value of the right to use assets shall be adjusted accordingly.

The Company as lessor: If the operating lease is changed, the Company will account for it as a new lease from the effective date of the change, and the amount received in advance or receivable from the lease before the change will be regarded as the amount received from the new lease. If the change of the finance lease is not accounted for as a separate lease, the Company shall deal with the changed lease under the following circumstances: If the lease change takes effect on the commencement date of the lease, the lease will be classified as an operating lease, and the Company will account for it as a new lease from the effective date of the lease change, and take the net lease investment before the effective date of the lease change as the book value of the lease asset; If the lease change takes effect on the commencement date of the lease, the lease will be classified as a finance lease, and the Company will account for it in accordance with the provisions for modifying or renegotiating the contract.

(4) Leaseback

The Company assesses whether the transfer of assets in a sale and leaseback transaction is a sale in accordance with the provisions of Note III - 28 Revenue.

① The Company as seller (lessee)

Where the transfer of assets in a sale and leaseback transaction is not a sale, the Company continues to recognize the transferred assets, while recognizing a financial liability equal to the transfer income, and accounting for the financial liability in accordance with Notes III-10. If the transfer of the asset is a sale, the Company measures the asset of the right to use resulting from the sale and leaseback according to the portion of the book value of the original asset related to the right to use the leaseback, and recognizes the related gain or loss only in respect of the right transferred to the lessor.

② The Company as buyer (lessor)

Where the transfer of assets in a sale and leaseback transaction is not a sale, the Company does not recognize the transferred assets, but recognizes a financial asset equal to the transfer income and accounts for the financial asset in accordance with Notes III-10. If the asset transfer is a sale, the Company shall account for the asset purchase and the asset rental in accordance with other applicable business accounting standards.

32. Changes in Accounting Policies, Accounting Estimates

(1) Changes in Accounting Policies

Implementation of Interpretation of Accounting Standards for Business Enterprises No. 15: On 30 December 2021, the Ministry of Finance issued Interpretation of Accounting Standards for Business Enterprises No. 15 (Finance and Accounting [2021]35) (hereinafter referred to as "Interpretation No. 15"). Among them, the "accounting treatment for the external sales of products or by-products produced before the fixed assets reach the predetermined usable state or during the research and development process" (hereinafter referred to as the "Accounting treatment Provisions for trial sales") and the "Judgment on loss-making contracts" will be implemented as of 1 January 2022. Implementation of the relevant provisions of Interpretation 15 has not had a material impact on the financial statements of the Company during the reporting period.

Implementation of Interpretation of Accounting Standards for Business Enterprises No. 16: On 30 November 2022, the Ministry of Finance issued Interpretation of Accounting Standards for Business Enterprises No. 16 (Finance and Accounting [2022]31, hereinafter referred to as Interpretation No. 16). The contents of "Accounting for the income tax Impact of dividends related to financial instruments classified by the issuer as equity instruments" and "Accounting for the modification of share payments settled in cash by the Enterprise to share payments settled in equity" shall enter into force as of the date of publication.

The implementation of Interpretation No. 15 and Interpretation No. 16 has no impact on the company's financial statements in the reporting period. During the reporting period, the Company has no significant changes in accounting policies.

（2）Changes in Accounting Estimates

During the reporting period, the company has no significant changes in accounting estimates.

IV. TAX

1. Major Taxes and Tax Rates

Categories of taxes	Taxation basis	Tax rate
Value-added tax ("VAT")	Project construction project,	9%
	lease project	5%、9%
Land use taxes	The area of land actually occupied	8 yuan/㎡, 4.8 yuan/㎡
Property tax	Based on 70% of the original value of the property (or rental income)	1.2% (or 12%)
City construction taxes	Turnover tax payable	7%
Educational surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%
Income tax	Taxable income	25%

2. Tax incentives and approvals

Circular of The State Administration of Taxation of the Ministry of Finance on The Implementation of Preferential Tax Reduction and Exemption Policies for Small and Micro Enterprises (Finance and Taxation [2019] No. 13) : For the part of annual taxable income of small and micro enterprises that does not exceed 1 million Yuan, 25% will be deducted into the taxable income, and the enterprise income tax will be paid at the rate of 20%; For the part of annual taxable income exceeding 1 million yuan but not exceeding 3 million yuan, 50% of the taxable income will be reduced and the enterprise income tax will be paid at the tax rate of 20%. The execution period is from 1 January 2019 to 31 December 2021.

Announcement of the State Administration of Taxation of the Ministry of Finance on The Implementation of The Preferential Income Tax Policies for Small and Micro Enterprises and Individual Industrial and Commercial Households (Announcement No. 12, 2021 of the State Administration of Taxation of the Ministry of Finance), On the basis of the preferential policies stipulated in Article 2 of the Circular of the State Administration of Taxation of the Ministry of Finance on the Implementation of The Preferential Tax Reduction and Exemption Policies for Small and Micro Enterprises (Finance and Taxation [2019] No. 13), the enterprise income tax shall be halved. The execution period is from 1 January 2021 to 31 December 2022.

V. Significant Items in Consolidated Financial Statements

Unless otherwise specified, the following note items are in RMB; " Opening balance " refers to 1 January 2022, " Closing balance " refers to 31 December 2022, " Prior Year" refers to 2021, and " Current Year" Refers to 2022.

1. Monetary fund

Items	Closing balance	Opening balance
Cash on hand	6,148.08	20,133.55
Bank deposits	1,556,854,786.24	261,753,304.45
Other cash balances	140,500,000.00	1,190,500,000.00
Total	1,697,360,934.32	1,452,273,438.00

The restricted cash/bank balances are as follows:

Items	Closing balance	Opening balance
Bank deposit	1,216,000,000.00	950,000,000.00
ETC frozen capital	13,000.00	13,000.00
Performance bond	140,500,000.08	240,500,000.00
Wage deposit	9,584,838.77	14,493,461.58
Judicial frozen capital	121,926,361.95	4,487,685.20
Total	1,488,024,200.80	1,209,494,146.78

2. Notes Receivable

（1） Classification of notes receivable

Items	Closing balance	Opening balance
Bank acceptance draft	610,000,000.00	420,000,000.00
Commercial acceptance draft	200,000,000.00	
Subtotal	810,000,000.00	420,000,000.00
Minus Bad Debts Provision	-	
Total	810,000,000.00	420,000,000.00

（2） Notes Receivable that has been Endorsed or Discounted But Not Yet Mature at Year End

Items	Amount derecognized at year end	Amount not derecognized at year end
Bank acceptance draft		610,000,000.00
Commercial acceptance draft		200,000,000.00
Total		810,000,000.00

3. Accounts receivable

（1） Accounts receivable are shown by age of account

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	16,886,136.79	5,848,412.02
1 to 2 years (including 2 years)	782,732.56	520,245.46
2 to 3 years (including 3 years)	520,245.46	1,138,156.44
3 to 4 years (including 4 years)	1,138,156.44	169,266.40
4 to 5 years (including 5 years)	169,266.40	2,833,357.06

Aging	Closing balance	Opening balance
More than 5 years	2,240,436.25	3,084.19
Subtotal	21,736,973.90	10,512,521.57
Minus Bad Debts Provision	2,560,803.03	2,000,967.01
Total	19,176,170.87	8,511,554.56

(2) Discloure According to the bad debt withdrawal method

Categories	Closing balance				
	Gross carrying amount		Provision for Bad Debts		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with single amount and separate provision for bad debts					
Including:					
Accounts receivable with provision for bad debts based on the combination risk characteristics	21,736,973.90	100	2,560,803.03	11.78	19,176,170.87
Including:					
1. Accounts receivable for bad debt provision according to aging analysis method	13,561,591.19	62.39	2,560,803.03	18.88	11,000,788.16
2. Accounts receivable with provision for bad debts based on nature analysis combination method	8,175,382.71	37.61			8,175,382.71
Total	21,736,973.90	--	2,560,803.03	--	19,176,170.87

(Continued)

Categories	Opening balance				
	Gross carrying amount		Provision for Bad Debts		Carrying amount
	Amount	Proportion (%)	Carrying amount	Proportion (%)	
Accounts receivable with single amount and separate provision for bad debts					
Including:					
Accounts receivable with provision for bad debts based on the combination risk characteristics	10,512,521.57	100.00	2,000,967.01	19.03	8,511,554.56
Including:					-
1. Accounts receivable for bad debt provision according to aging analysis method	5,168,009.08	49.16	2,000,967.01	38.72	3,167,042.07
2. Accounts receivable with provision for bad debts based on nature analysis combination method	5,344,512.49	50.84			5,344,512.49
Total	10,512,521.57	--	2,000,967.01	--	8,511,554.56

(3) Provision for bad debts

Categories	Opening balance	Changes in the current period				Closing balance
		Accrual	Take back or switch back	Resale or write-off	Other changes	
Bad debt provision for accounts receivable	2,000,967.01	559,836.02				2,560,803.03
Total	2,000,967.01	559,836.02				2,560,803.03

(4) Top Five Debtors According to Closing Balances

Company name	Closing balance	Proportion of total Accounts receivables	Allowance for doubtful accounts
Shandong Wendeng Osteopath Hospital	2,905,492.25	13.37%	
Weihai Architectural Design Institute Co., Ltd	2,664,715.07	12.26%	
Weihai Wendeng District People's Hospital	2,620,000.00	12.05%	
Houjia Township People's government, Wendeng District, Weihai City	2,213,941.22	10.19%	
Shandong Hanhai Real Estate Co., Ltd.	2,046,896.36	9.42%	2,046,896.36
Total	12,451,044.90	57.28%	2,046,896.36

4. Prepayments

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	10,531,105.95	21.70	318,453,467.18	86.03
1 to 2 years	28,534,945.56	58.80	8,721,878.46	2.36
2 to 3 years	1,356,878.46	2.80	15,388,812.40	4.16
More than 3 years	8,103,913.25	16.70	27,581,982.44	7.45
Total	48,526,843.22	100.00	370,146,140.48	100.00

5. Other Receivables

Items	Closing balance	Opening balance
Interests receivable		
Dividends receivable	1,136,439.06	5,409,231.32
Other receivables	6,741,623,467.32	8,285,347,519.97
Total	6,742,759,906.38	8,290,756,751.29

(1) Dividends Receivable

① Classification of dividends receivable

Investee	Closing balance	Opening balance
Weihai Yuquan New Building Materials Co., Ltd.	1,136,439.06	5,409,231.32
Subtotal	1,136,439.06	5,409,231.32
Minus Bad Debts Provision		

Investee	Closing balance	Opening balance
Total	1,136,439.06	5,409,231.32

(2) **Other Receivables**

① Aging Analysis

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	6,050,851,468.72	7,319,360,166.37
1 to 2 years (including 2 years)	328,625,272.78	838,659,037.14
2 to 3 years (including 3 years)	323,632,151.86	114,250,984.46
3 to 4 years (including 4 years)	114,250,770.37	91,736,429.00
4 to 5 years (including 5 years)	403,920.00	3,343.00
More than 5 years	308,377,220.16	308,377,220.16
Subtotal	7,126,140,803.89	8,672,387,180.13
Minus Bad Debts Provision	384,517,336.57	387,039,660.16
Total	6,741,623,467.32	8,285,347,519.97

② Classification by nature of payment

nature of payment	Closing balance	Opening balance
Scurity deposit	94,016,197.92	105,407,248.41
Accounts and others	7,032,124,605.97	8,566,979,931.72
Subtotal	7,126,140,803.89	8,672,387,180.13
Minus Bad Debts Provision	384,517,336.57	387,039,660.16
Total	6,741,623,467.32	8,285,347,519.97

③ Provision of bad debts

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment has occurred)	
Beginning of the year	387,039,660.16			387,039,660.16
In the current period:				
—Move to the second stage				
—Move to the third stage				
—Switch back to the second stage				
—Switch back to the first stage				
Withdrawal for the current period	-2,522,323.59			-2,522,323.59

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment has occurred)	
Revert this period				
Resale of the current period				
Write off this period				
Other changes				
Ending of the year	384,517,336.57			384,517,336.57

④ Bad debt provision situation

Categories	Opening balance	Changes in the current period				Closing balance
		Accrual	Take back or switch back	Resale or write-off	Other changes	
Provision for bad debts of other receivables	387,039,660.16	-2,522,323.59				384,517,336.57
Total	387,039,660.16	-2,522,323.59				384,517,336.57

⑤ Top Five Debtors According to Closing Balances

Company name	Nature of payment	Closing balance	Aging	Proportion of total other receivables (%)	bad-debt provision of Closing balance
Weihai Qingwen Industrial Co., Ltd	Current accounts	2,504,995,183.15	Within 1 year RMB 2,494,776,273.58, 1 to 2 years RMB 10,218,909.57	35.15%	510,945.48
Wendeng Hengda Construction Engineering Co., Ltd	Current accounts	533,420,183.73	Within 1 year	7.49%	
Weihai Zhending Trading Co., Ltd	Current accounts	503,900,000.00	Within 1 year	7.07%	
Weihai Chuangwen Construction Engineering Co., Ltd.	Current accounts	492,101,838.38	Within 1 year	6.91%	
Weihai Wendeng district water conservancy construction and Development Co., Ltd	Current accounts	450,695,268.14	Within 1 year RMB 364,785,268.14, 1 to 2 years RMB 85,910,000.00	6.32%	4,295,500.00
Total	—	4,485,112,473.40	—	62.94%	4,806,445.48

6. Inventories

Items	Closing balance		
	Gross carrying amount	Reserve for inventory decline/impairment of contract performance costs	Carrying amount
Raw materials	2,886,856.47		2,886,856.47

Items	Closing balance		
	Gross carrying amount	Reserve for inventory decline/impairment of contract performance costs	Carrying amount
Low-value consumables	161,042.35		161,042.35
Merchandise	81,915,264.65		81,915,264.65
Reusable materials	10,254,448.41		10,254,448.41
Development cost and product development	22,479,511,543.08		22,479,511,543.08
Contract performance costs	110,754,563.29		110,754,563.29
Total	22,685,483,718.25		22,685,483,718.25

(Continued)

Items	Opening balance		
	Gross carrying amount	Reserve for inventory decline/impairment of contract performance costs	Carrying amount
Raw materials	1,389,632.72		1,389,632.72
Low-value consumables	146,861.59		146,861.59
Merchandise	79,896,976.88		79,896,976.88
Reusable materials	10,088,375.35		10,088,375.35
Development cost and product development	23,192,702,643.96		23,192,702,643.96
Contract performance costs	144,758,639.81		144,758,639.81
Total	23,428,983,130.31		23,428,983,130.31

7. Non-current assets due within one year

Items	Closing balance	Opening balance
Fixed deposit interest due within one year	20,091,986.31	
Total	20,091,986.31	

8. Other Current Assets

Items	Closing balance	Opening balance
Provisional input tax and Pending deduct VAT on purchase	81,604,018.72	79,191,704.76
Advance income tax	130,470,427.41	109,639,959.28
Fixed deposit interest	742,635.61	698,794.52
Total	212,817,081.74	189,530,458.56

9. Long-term Equity Investments

Investee	Opening balance (carrying amount)	Increase/decrease in current year				
		Increase in investments	Decrease in investments	Investment gain or loss recognized under equity method	Adjustment in other comprehensive income	Other changes in equity
Joint ventures						
Shandong Sinotrans Eurasia Internet of Things Operation Co., Ltd.	9,929,266.69			1,124,996.84		
Zhongbing Kunyu (Weihai) Cultural Tourism Development Co., LTD	500,000.00		500,000.00			
Total	10,429,266.69		500,000.00	1,124,996.84		

(Continued)

Investee	Increase/decrease in current year			Closing balance (carrying amount)	Closing balance of impairment loss
	Cash dividends declared and profits to be distributed	Impairment loss	Others		
Joint ventures					
Shandong Sinotrans Eurasia Internet of Things Operation Co., Ltd.				11,054,263.53	
Zhongbing Kunyu (Weihai) Cultural Tourism Development Co., LTD					
Total				11,054,263.53	

10. Other Equity Instrument Investments

Items	Closing balance	Opening balance
Weihai Yuquan New Building Materials Co., Ltd	38,947,700.00	38,947,700.00
Weihai Huiwen New Material Technology Co., Ltd.	117,945.01	126,454.10
Shandong Haiwen Enterprise Management Co., Ltd	25,713,814.66	
Total	64,779,459.67	39,074,154.10

11. Investment Properties

Investment properties measured at cost measurement model shall be disclosed as follows:

Items	Buildings	Total
I. Total gross carrying amount		
1.Opening balance	99,758,909.74	99,758,909.74
2.Increase in current year	24,629,330.88	24,629,330.88
(1)Transfer of construction in progress	24,629,330.88	24,629,330.88

Items	Buildings	Total
3.Decrease in current year		
(1)Disposal or scrap		
4.Closing balance	124,388,240.62	124,388,240.62
II. Accumulated depreciation (amortization)		
1.Opening balance	1,891,489.29	1,891,489.29
2.Increase in current year	3,227,647.48	3,227,647.48
(1)Provision or amortization	3,227,647.48	3,227,647.48
3.Decrease in current year		
(1)Disposal or scrap		
4.Closing balance	5,119,136.77	5,119,136.77
III. Cumulative amount of impairment loss		
1.Opening balance		
2.Increase in current year		
(1)Provision		
3.Decrease in current year		
(1)Disposal or scrap		
4.Closing balance		
IV. Total carrying amount		
1.Closing balance	119,269,103.85	119,269,103.85
2.Opening balance	97,867,420.45	97,867,420.45

12. Fixed Assets

Items	Closing balance	Opening balance
Fixed assets	2,259,165,269.40	1,998,469,264.56
Disposal of fixed assets		
Total	2,259,165,269.40	1,998,469,264.56

(1) Fixed Assets

① Fixed Assets

Items	Buildings	Transportation equipment	Office equipment	Electronic equipment	Machinery Equipment	Pipe network	Total
I. Total gross carrying amount							
1.Opening balance	826,622,825.67	3,682,811.70	2,942,507.87	3,092,589.50	5,410,548.91	1,503,740,050.23	2,345,491,333.88
2.Increase in current year	380,760,549.02	-	80,875.92	47,106.67	3,395,231.96	-	384,283,763.57
(1) Purchase	178,041,174.56	-	80,875.92	47,106.67	3,395,231.96	-	181,564,389.11

Items	Buildings	Transportation equipment	Office equipment	Electronic equipment	Machinery Equipment	Pipe network	Total
(2)Transfer of construction in progress	202,719,374.46						202,719,374.46
3.Decrease in current year							
(1)Disposal or scrap							
4.Closing balance	1,207,383,374.69	3,682,811.70	3,023,383.79	3,139,696.17	8,805,780.87	1,503,740,050.23	2,729,775,097.45
II.Accumulated depreciation							
1.Opening balance	60,503,983.57	2,249,065.90	1,735,306.00	2,054,555.69	1,535,378.91	278,943,779.25	347,022,069.32
2.Increase in current year	25,936,199.92	464,358.14	348,550.06	239,687.30	961,096.19	95,637,867.12	123,587,758.73
(1)Provision	25,936,199.92	464,358.14	348,550.06	239,687.30	961,096.19	95,637,867.12	123,587,758.73
3.Decrease in current year							
(1)Disposal or scrap							
4.Closing balance	86,440,183.49	2,713,424.04	2,083,856.06	2,294,242.99	2,496,475.10	374,581,646.37	470,609,828.05
III. Total impairment loss							
1.Opening balance							
2.Increase in current year							
(1)Provision							
3.Decrease in current year							
(1)Disposal or scrap							
4.Closing balance							
IV..Total carrying amount							
1.Closing balance	1,120,943,191.20	969,387.66	939,527.73	845,453.18	6,309,305.77	1,129,158,403.86	2,259,165,269.40
2.Opening balance	766,118,842.10	1,433,745.80	1,207,201.87	1,038,033.81	3,875,170.00	1,224,796,270.98	1,998,469,264.56

② Fixed Assets Without Certificates of Ownership

Items	Carrying amount	Reason for not obtaining certificates of ownership
Uderground garage of Wanli City	17,508,209.52	The final account of completion has not been processed
Wenxin Jiayuan community	411,415.00	The final account of completion has not been processed
Garage No. 26-5, Zhengqi Road	66,839.25	Without a license
Korea-korea Commercial Plaza C	9,035,154.16	The final account of completion has not been processed
Other properties	194,900.00	Without a license
Total	27,216,517.93	

13. Construction in Progress

Items	Closing balance	Opening balance
Construction in Progress	45,073,068.78	285,428,788.15
Construction materials		
Total	45,073,068.78	285,428,788.15

(1) Construction in Progress

Items	Closing balance			Opening balance		
	Gross carrying amount	Impairment loss	Carrying amount	Gross carrying amount	Impairment loss	Carrying amount
Medical Rehabilitation Center				43,882,596.61		43,882,596.61
Wanli City Building	40,447,647.78		40,447,647.78	236,920,770.54		236,920,770.54
Guangzhou East road buildings	4,625,421.00		4,625,421.00	4,625,421.00		4,625,421.00
Total	45,073,068.78		45,073,068.78	285,428,788.15		285,428,788.15

14. Right-of-use Assets

Items	Buildings	Total
I.Total gross carrying amount		
1.Opening balance	4,627,745.57	4,627,745.57
2.Increase in current year		
(1) Transfer of inventories		
3.Decrease in current year		
(1)Disposal		
4.Closing balance	4,627,745.57	4,627,745.57
II.Accumulated depreciation		
1.Opening balance		
2.Increase in current year	300,178.08	300,178.08
(1)Provision	300,178.08	300,178.08
3.Decrease in current year		
(1)Disposal		
4.Closing balance	300,178.08	300,178.08
III. Total impairment loss		
1.Opening balance		
2.Increase in current year		
(1)Provision		
3.Decrease in current year		
(1)Disposal		

Items	Buildings	Total
4.Closing balance		
IV.Total carrying amount		
1.Closing balance	4,327,567.49	4,327,567.49
2.Opening balance	4,627,745.57	4,627,745.57

15. Intangible Assets

Items	Land usage right	Maritime usage right	Reservoir areas	Softwares	Total
I.Total gross carrying amount					
1.Opening balance	14,860,907,224.11	4,203,432,186.00	3,918,633,200.00	276,696.20	22,983,249,306.31
2.Increase in current year	1,721,602,206.28				1,721,602,206.28
(1) Purchase	1,721,602,206.28				1,721,602,206.28
3.Decrease in current year		779,763,600.00			779,763,600.00
(1)Disposal		779,763,600.00			779,763,600.00
4.Closing balance	16,582,509,430.39	3,423,668,586.00	3,918,633,200.00	276,696.20	23,925,087,912.59
II. Accumulated amortization					
1.Opening balance	1,015,680,780.56	2,841,236,590.33	331,995,312.71	133,526.95	4,189,046,210.55
2.Increase in current year	378,080,470.20	451,038,800.85	65,310,553.32	54,085.92	894,483,910.29
(1)Provision	378,080,470.20	451,038,800.85	65,310,553.32	54,085.92	894,483,910.29
3.Decrease in current year		489,851,812.84			489,851,812.84
(1)Disposal		489,851,812.84			489,851,812.84
4.Closing balance	1,393,761,250.76	2,802,423,578.34	397,305,866.03	187,612.87	4,593,678,308.00
III. Total impairment loss					
1.Opening balance					
2.Increase in current year					
(1)Provision					
3.Decrease in current year					
(1)Disposal or scrap					
4.Closing balance					
IV.Total carrying amount					
1.Closing balance	15,188,748,179.63	621,245,007.66	3,521,327,333.97	89,083.33	19,331,409,604.59
2.Opening balance	13,845,226,443.55	1,362,195,595.67	3,586,637,887.29	143,169.25	18,794,203,095.76

Note: The decreased maritime usage right this year shall be transferred to Weihai Wendeng District Water Conservancy Construction and Development Co., Ltd. free of charge according to the documents of

Weihai Wendeng District State-owned Assets Service Center.

① Intangible Assets Without Certificates of Ownership

Items	Carrying amount	Reason for not obtaining certificates of ownership
Land use rights of Hushan East Road, duying Henan and Wenshan East Road North	143,776,563.16	Warrants is being processed
Total	143,776,563.16	

16. Long-term Prepaid Expenses

Items	Opening balance	Increase in current year	Amortization in current year	Other decrease	Closing balance
The right to use the building	1,609,162.41		195,050.04		1,414,112.37
Service charge	2,513,038.32		1,701,779.20		811,259.12
Renovation costs		533,070.43	73,019.30		460,051.13
Total	4,122,200.73	533,070.43	1,969,848.54		2,685,422.62

17. Deferred Tax Assets

Items	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Impairment loss for assets	387,078,139.60	96,769,534.89	389,040,627.17	97,260,156.78
Total	387,078,139.60	96,769,534.89	389,040,627.17	97,260,156.78

18. Other Non-current Assets

Items	Closing balance			Opening balance		
	Gross carrying amount	Write-down	Carrying amount	Gross carrying amount	Write-down	Carrying amount
Renovation costs	53,360,856.23		53,360,856.23			
Fixed deposit interest	61,739,356.18		61,739,356.18	24,131,969.19		24,131,969.19
Temporary facilities	774,301.99		774,301.99	774,301.99		774,301.99
Advance for purchase	195,799,685.29		195,799,685.29			
Less: portion due within one year	20,091,986.31		20,091,986.31			
Total	291,582,213.38		291,582,213.38	24,906,271.18		24,906,271.18

19. Short-term Loans

(1) Classification

Items	Closing balance	Opening balance
Mortgage loans	120,000,000.00	
Guaranteed loans	459,900,000.00	
Pledged loans	9,858,520.00	
Guaranteed &Mortgage loans	320,000,000.00	250,000,000.00

Items	Closing balance	Opening balance
Discounted bills	890,000,000.00	600,000,000.00
Total	1,799,758,520.00	850,000,000.00

(2) Guaranteed &Mortgage loans

Lenders	Closing balance	Life of loan	Guarantor &Mortgage
Weihai Branch of Hengfeng Bank Co., Ltd.	140,000,000.00	2022/4/25-2023/4/23	Weihai Taihe Investment Co., Ltd as guarantee and it's land use right as mortgage
Weihai Branch of China Minsheng Bank Co., Ltd	90,000,000.00	2022/12/28-2023/12/28	Weihai Taihe Investment Co., Ltd as guarantee and it's land use right as mortgage
Weihai Branch of China Everbright Bank Co., Ltd	90,000,000.00	2022/2/16-2023/2/15	Weihai Wendeng Urban Assets Management Co., Ltd as guarantee and it's land use right as mortgage
Total	320,000,000.00		--

(3) Mortgage loans

Lenders	Closing balance	Life of loan	Mortgage
Weihai Wendeng sub branch of Rizhao Bank Co., Ltd	120,000,000.00	2022/9/29-2023/9/20	Mortgage of land use right of Weihai Wendeng Urban Assets Management Co., Ltd
Total	120,000,000.00		--

(4) Guaranteed loans

Lenders	Closing balance	Life of loan	Guarantor
Weihai Branch of Qilu Bank Co., Ltd	9,900,000.00	2022/4/28-2023/4/27	Weihai Wendeng District Bluesea Investment & Development Co., Ltd
Weihai Wendeng sub branch of Qingdao Bank Co., Ltd.	450,000,000.00	2022/9/20-2023/8/10	Weihai Wendeng District Bluesea Investment & Development Co., Ltd
Total	459,900,000.00		--

(5) Pledged loans

Lenders	Closing balance	Life of loan	Pledge
Weihai Wendeng branch of Industrial and Commercial Bank of Co., Ltd.	9,858,520.00	2022/3/25-2023/3/25	Pledge of certificates of deposit
Total	9,858,520.00		--

(6) Discounted bills

Discount Banks	Closing balance	Life of bills
Bank of Beijing Co., Ltd. Jinan Branch	80,000,000.00	2022/12/14-2023/12/14
Bank of Beijing Co., Ltd. Jinan Branch	20,000,000.00	2022/1/20-2023/1/20
Bank of Beijing Co., Ltd. Jinan Branch	190,000,000.00	2022/1/21-2023/1/21
Wendeng branch of Weihai Commercial Bank Co., Ltd	80,000,000.00	2022/3/30-2023/3/30
Wendeng branch of Weihai Commercial Bank Co., Ltd	100,000,000.00	2022/7/6-2023/7/6
Wendeng branch of Weihai Commercial Bank Co., Ltd	100,000,000.00	2022/5/27-2023/5/26

Discount Banks	Closing balance	Life of bills
Wendeng branch of Weihai Commercial Bank Co., Ltd	100,000,000.00	2022/3/10-2023/3/10
Wendeng branch of Weihai Commercial Bank Co., Ltd	20,000,000.00	2022/3/30-2023/3/30
Jinan Branch of Huaxia Bank Co., Ltd.	200,000,000.00	2022/6/27-2023/6/27
Total	890,000,000.00	

20. Notes Payable

Items	Closing balance	Opening balance
Commercial acceptance draft		80,000,000.00
Bank acceptance draft	40,000,000.00	39,900,000.00
Letter of credit	200,000,000.00	200,000,000.00
Total	240,000,000.00	319,900,000.00

21. Accounts Payable

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	110,036,883.52	169,129,118.10
1-2 years (including 2 years)	71,016,513.48	13,332,150.56
2-3 years (including 3 years)	7,060,230.59	6,028,461.06
More than3 years	6,237,250.55	3,515,912.89
Total	194,350,878.14	192,005,642.61

22. Unearned Revenue

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	44,844.92	2,588,539.84
More than1 years		
Total	44,844.92	2,588,539.84

23. Contract Liabilities

Items	Closing balance	Opening balance
Contract liabilities related to the sale of goods	17,122,920.18	14,465,111.17
Contract liabilities related to construction	18,986,404.71	38,207,469.61
Mapping fee	26,336.63	70,708.91
Property fee	139,381.44	
Less: Included in other non-current liabilities		
Total	36,275,042.96	52,743,289.69

24. Taxes and Surcharge Payable

Items	Closing balance	Opening balance
VAT	311,621,032.82	288,755,646.70
City construction taxes	24,419,790.92	18,996,358.91
Land use taxes	18,391,670.98	18,150,108.70
Property taxes	2,886,571.50	1,303,167.62
Individual income taxes	6,656.75	19,696.04
Education surcharges (including local education surcharges)	17,441,967.58	13,568,692.86
Others	1,046,566.53	959,008.81
Total	375,814,257.08	341,752,679.64

25. Other Payables

Items	Closing balance	Opening balance
Interest payable		
Dividend payable		
Other Payables	1,654,409,689.48	1,674,985,376.16
Total	1,654,409,689.48	1,674,985,376.16

(1) Other Payables

① Other Payables Presented by Aging

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	119,181,000.72	700,807,098.66
1-2 years (including 2 years)	648,923,057.41	135,418,484.70
2-3 years (including 3 years)	47,601,177.05	633,080,707.00
More than3 years	838,704,454.30	205,679,085.80
Total	1,654,409,689.48	1,674,985,376.16

② Significant Other Payables at the end of the year

Items	Closing balance	Reasons for outstanding or carry over
Weihai Senwei Industrial Co., Ltd	497,572,257.17	Unpaid
Weihai Wendeng District Financial Assets Operation Co., Ltd	632,247,872.00	Unpaid
Wendeng Jintan Investment Management Co., Ltd	200,747,225.30	Unpaid
Total	1,330,567,354.47	

26. Non-current Liabilities Due Within One Year

Items	Closing balance	Opening balance
Long-term loans due within one year	1,347,332,800.00	1,379,842,800.00
Bonds payable due within one year	1,115,065,522.10	2,668,522,463.83

Items	Closing balance	Opening balance
Long-term payables due within one year	1,383,515,365.62	1,061,348,022.91
Lease liabilities due within one year		
Total	3,845,913,687.72	5,109,713,286.74

27. Other Current Liabilities

Items	Closing balance	Opening balance
Short-term bonds payable	640,680,709.43	546,277,399.74
Pending transfer tax	3,000,384.54	4,471,988.68
Other short-term loans	76,047,540.97	
Total	719,728,634.94	550,749,388.42

Including: short-term bonds payable

Bond name	Par value	Issue date	Maturity date	Amount issued	Closing balance	Opening balance
Wendenglanhai bonds 2022	$100.00	2022/11/8	2023/11/7	$91,000,000.00	640,680,709.43	
Wendenglanhai bonds 2021	$100.00	2021/11/16	2022/11/15	$85,000,000.00		546,277,399.74

28. Long-term Loans

Items	Closing balance	Opening balance
Pledged loans	1,335,258,200.00	1,795,361,800.00
Mortgage loans	1,390,750,000.00	1,068,850,000.00
Guaranteed loans	264,300,000.00	190,000,000.00
Guaranteed& Mortgage loans	1,729,000,000.00	1,432,000,000.00
Mortgage& Pledged loans	692,500,000.00	736,500,000.00
Guaranteed& Pledge loan	642,857,000.00	785,714,200.00
Guaranteed& Pledged & Mortgage loans	1,400,000,000.00	1,600,000,000.00
Less: the part due within one year	1,347,332,800.00	1,379,842,800.00
Total	6,107,332,400.00	6,228,583,200.00

(1) Pledged loans

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Pledge
Weihai Branch of Industrial Bank Co., Ltd.	357,200,000.00	35,700,000.00	2018/2/9-2032/12/20	Account receivables
Weihai Wendeng Branch of China Construction Bank Co., Ltd.	22,600,000.00	1,300,000.00	2017/4/1-2034/11/7	Account receivables
Weihai Wendeng Branch of China Construction Bank Co., Ltd.	16,200,000.00	800,000.00	2017/4/11-2034/11/7	Account receivables
Weihai Wendeng Branch of China Construction Bank	15,800,000.00	900,000.00	2018/3/30-2034/11/7	Account receivables

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Pledge
Co., Ltd.				
Weihai Wendeng Branch of China Construction Bank Co., Ltd.	31,312,400.00	2,000,000.00	2018/3/30-2038/3/30	Account receivables
Weihai Wendeng Branch of China Construction Bank Co., Ltd.	14,400,000.00	800,000.00	2018/4/2-2034/11/7	Account receivables
Weihai Wendeng Branch of China Construction Bank Co., Ltd.	25,600,000.00	1,200,000.00	2018/4/2-2034/11/7	Account receivables
Weihai Wendeng Branch of China Construction Bank Co., Ltd.	21,070,000.00	1,300,000.00	2018/4/25-2038/4/25	Account receivables
Weihai Wendeng branch of Industrial and Commercial Bank of Co., Ltd.	240,000,000.00	16,000,000.00	2017/10/30-2037/10/13	Account receivables
Weihai Wendeng branch of Industrial and Commercial Bank of Co., Ltd.	76,000,000.00	8,000,000.00	2017/1/1-2031/12/29	Account receivables
Weihai Wendeng branch of Industrial and Commercial Bank of Co., Ltd.	91,192,200.00	4,448,400.00	2018/3/2-2043/1/2	Account receivables
Weihai Wendeng branch of Industrial and Commercial Bank of Co., Ltd.	69,421,200.00	3,386,400.00	2018/3/5-2043/1/2	Account receivables
Weihai Wendeng branch of Industrial and Commercial Bank of Co., Ltd.	215,430,400.00	10,508,800.00	2018/4/20-2043/1/2	Account receivables
Zhongrong International Trust Co., Ltd.	139,032,000.00	139,032,000.00	2020/6/23- 2023/6/23	Account receivables
Total	1,335,258,200.00	225,375,600.00		--

(2) Mortgage loans

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Mortgage
Weihai Branch of China Minsheng Bank Co., Ltd	170,000,000.00	60,000,000.00	2019/9/29-2024/9/27	Land use rights
Weihai Branch of China Minsheng Bank Co., Ltd	175,000,000.00	60,000,000.00	2020/9/29-2024/9/27	Land use rights
Shandong Wendeng Rural Commercial Bank Co. Ltd	81,750,000.00	100,000.00	2022/7/22-2024/7/20	Land use rights
Weihai Wendeng branch of Industrial and Commercial Bank of Co., Ltd.	231,000,000.00	46,000,000.00	2021/7/2-2027/12/1	Land use rights
Weihai Wendeng branch of Industrial and Commercial Bank of Co., Ltd.	273,000,000.00	54,000,000.00	2022/10/20--2027/12/1	Land use rights
Weihai Wendeng Branch of Communications Bank Co. Ltd	245,000,000.00		2021/10/15-2037/10/14	Land use rights
Weihai Wendeng Branch of Communications Bank Co. Ltd	215,000,000.00		2022/1/1-2037/12/31	Land use rights

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Mortgage
Total	1,390,750,000.00	220,100,000.00		--

(3) Guaranteed loans

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Guarantor
Weihai Branch of Qilu Bank Co., Ltd	180,000,000.00	180,000,000.00	2020/7/27-2023/7/26	Weihai Wendeng District City Assets Management Co., Ltd
Zhongrong International Trust Co., Ltd.	16,900,000.00		2022/8/17-2024/8/17	Weihai Wendeng District City Assets Management Co., Ltd
Zhongrong International Trust Co., Ltd.	7,800,000.00		2022/8/19-2024/8/17	Weihai Wendeng District City Assets Management Co., Ltd
Zhongrong International Trust Co., Ltd.	4,600,000.00		2022/8/24-2024/8/17	Weihai Wendeng District City Assets Management Co., Ltd
Zhongrong International Trust Co., Ltd.	7,000,000.00		2022/8/26-2024/8/17	Weihai Wendeng District City Assets Management Co., Ltd
Zhongrong International Trust Co., Ltd.	10,000,000.00		2022/8/31-2024/8/17	Weihai Wendeng District City Assets Management Co., Ltd
Zhongrong International Trust Co., Ltd.	3,000,000.00		2022/9/7-2024/8/17	Weihai Wendeng District City Assets Management Co., Ltd
Zhongrong International Trust Co., Ltd.	6,800,000.00		2022/9/9-2024/8/17	Weihai Wendeng District City Assets Management Co., Ltd
Zhongrong International Trust Co., Ltd.	6,000,000.00		2022/9/16-2024/8/17	Weihai Wendeng District City Assets Management Co., Ltd
Zhongrong International Trust Co., Ltd.	4,800,000.00		2022/9/21-2024/8/17	Weihai Wendeng District City Assets Management Co., Ltd
Zhongrong International Trust Co., Ltd.	17,400,000.00		2022/9/23-2024/8/17	Weihai Wendeng District City Assets Management Co., Ltd
Total	264,300,000.00	180,000,000.00		--

(4) Guaranteed& Mortgage loans

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Guarantor &Mortgage
Wendeng branch of Weihai Commercial Bank Co., Ltd	28,000,000.00	28,000,000.00	2020/12/23-2023/12/23	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee and it's land use right as mortgage;
Wendeng branch of Weihai Commercial Bank Co., Ltd	315,000,000.00	157,500,000.00	2021/1/4-2024/1/4	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee and it's land use right as mortgage;
Weihai Wendeng District Branch of Agricultural Development Bank of China	208,000,000.00	28,000,000.00	2020/8/30-2030/7/23	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee and it's land use right as mortgage; Weihai Taihe Investment Co., Ltd as it's land use right as mortgage
Weihai Wendeng District Branch of Agricultural Development Bank of China	350,000,000.00	12,000,000.00	2021/2/19-2035/2/6	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee and it's land use right as mortgage; Weihai Taihe

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Guarantor &Mortgage
				Investment Co., Ltd as it's land use right as mortgage
Weihai Wendeng District Branch of Agricultural Development Bank of China	200,000,000.00	8,000,000.00	2021/6/23-2035/2/6	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee and it's land use right as mortgage; Weihai Taihe Investment Co., Ltd as it's land use right as mortgage
Weihai Wendeng District Branch of Agricultural Development Bank of China	340,000,000.00	10,000,000.00	2022/3/1-2035/2/6	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee and it's land use right as mortgage; Weihai Taihe Investment Co., Ltd as it's land use right as mortgage
Weihai Wendeng sub branch of Qingdao Bank Co., Ltd.	234,000,000.00	21,500,000.00	2022/3/4-2030/3/1	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee and it's land use right as mortgage;
Weihai Wendeng sub branch of Qingdao Bank Co., Ltd.	20,000,000.00		2022/8/9-2030/3/1	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee and it's land use right as mortgage;
Weihai Wendeng sub branch of Qingdao Bank Co., Ltd.	34,000,000.00		2022/9/16-2030/3/1	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee and it's land use right as mortgage;
Total	1,729,000,000.00	265,000,000.00		--

(5) Mortgage& Pledged loans

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Mortgage & Pledge
Weihai Wendeng District Branch of Agricultural Development Bank of China	202,000,000.00	44,000,000.00	2017/6/30-2027/12/15	Wendeng Jintan Investment Management Co., Ltd as it's land use right as mortgage; Weihai Wendeng District Bluesea Investment & Development Co., Ltd as it's accounts receivable pledge
Weihai Wendeng District Branch of Agricultural Development Bank of China	100,000,000.00		2017/7/27-2029/12/14	
Weihai Wendeng District Branch of Agricultural Development Bank of China	150,000,000.00		2018/4/25-2033/6/15	
Weihai Wendeng District Branch of Agricultural Development Bank of China	50,000,000.00		2018/5/18-2034/6/15	
Weihai Wendeng sub branch of Qingdao Bank Co., Ltd.	140,500,000.00	70,000,000.00	2020/3/4-2025/3/3	Mortgage of houses and buildings ; pledge of income from future operational properties
China Development Bank Shandong Branch	50,000,000.00		2022/12/29-2052/12/28	Weihai Wendeng District City Assets Management Co., Ltd. as it's land use right as mortgage;

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Mortgage & Pledge
				Weihai Wendeng District Bluesea Investment & Development Co., Ltd as it's accounts receivable pledge and it's land use right as mortgage
Total	692,500,000.00	114,000,000.00		--

(6) Guaranteed& Pledge loan

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Guarantor & Pledge
Weihai Branch of Industrial Bank Co., Ltd.	321,428,500.00	71,428,600.00	2017/1/3-2027/1/2	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee ; the Company's account receivables as pledge
Weihai Branch of Industrial Bank Co., Ltd.	64,285,700.00	14,285,720.00	2017/3/20-2027/1/2	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee ; the Company's account receivables as pledge
Weihai Branch of Industrial Bank Co., Ltd.	64,285,700.00	14,285,720.00	2017/3/24-2027/1/2	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee ; the Company's account receivables as pledge
Weihai Branch of Industrial Bank Co., Ltd.	64,285,700.00	14,285,720.00	2017/3/30-2027/1/2	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee ; the Company's account receivables as pledge
Weihai Branch of Industrial Bank Co., Ltd.	128,571,400.00	28,571,440.00	2017/6/13-2027/1/2	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee ; the Company's account receivables as pledge
Total	642,857,000.00	142,857,200.00		--

(7) Guaranteed& Pledged & Mortgage loans

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Guarantor/Mortgag/ Pledge
Weihai Wendeng District Branch of Agricultural Development Bank of China	100,000,000.00	200,000,000.00	2015/7/24-2023/5/15	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee and it's land use right as mortgage; the Company's account receivables as pledge; Land use rights of the Company
Weihai Wendeng District Branch of Agricultural Development Bank of China	500,000,000.00		2015/8/6-2025/11/14	
Weihai Wendeng District Branch of Agricultural Development Bank of China	200,000,000.00		2015/10/30-2026/11/13	
Weihai Wendeng District Branch of Agricultural Development Bank of China	200,000,000.00		2017/4/11-2030/7/16	
Weihai Wendeng District Branch of Agricultural Development Bank of China	400,000,000.00		2016/12/20-2028/11/15	
Total	1,400,000,000.00	200,000,000.00		--

29. Bonds Payable

Bond name	Par value	Issue date	Bond term	Amount issued	Closing balance	Opening balance
16 Wenlanhai	100.00	2016/10/26	7years	1,500,000,000.00	300,391,954.36	598,875,697.67
17 Wenlan 01	100.00	2017/9/25	5years	1,700,000,000.00		1,695,727,535.72
19 Lu Wendeng Bluesea ZR001	100.00	2019/6/27	3years	500,000,000.00		517,247,877.80
20 Wenlan 02	100.00	2020/8/11	5years	1,200,000,000.00	101,504,027.01	1,221,444,634.78
20 wenlanhai licai 01	100.00	2020/8/7	3years	650,000,000.00	667,774,706.95	664,395,001.30
20 Wenlan 03	100.00	2020/9/2	5years	500,000,000.00		508,797,596.70
20 lanhaitouzi MTN001	100.00	2020/12/18	5years	420,000,000.00	419,458,341.43	418,986,495.91
21 Wenlan 01	100.00	2021/6/25	2+2+1years	650,000,000.00	656,908,041.37	653,201,919.04
21 Wenlan 02	100.00	2021/7/30	2+2+1years	600,000,000.00	602,644,759.06	599,636,530.12
21 Wenlan 03	100.00	2021/9/29	2+2+1years	580,000,000.00	586,554,941.62	586,018,979.94
21 Wenlan 04	100.00	2021/11/12	2+2+1years	450,000,000.00	447,162,723.69	446,231,354.66
21Lanhai 01	100.00	2021/8/18	7years	600,000,000.00	551,961,872.92	538,372,912.16
21Lanhai 02	100.00	2021/9/24	7years	600,000,000.00	561,803,191.59	552,313,956.54
21Lanhai 033	100.00	2021/11/26	7years	600,000,000.00	552,859,835.79	545,177,611.20
22Lanhai bonds	100.00	2022-3-28	7years	200,000,000.00	202,385,740.77	
22 Lu Wendeng Bluesea ZR001	100.00	2022-6-24	3years	400,000,000.00	393,462,453.64	
22 Wenlan 01	100.00	2022-7-25	2+3	800,000,000.00	812,710,330.62	
22 Wenlan 02	100.00	2022-8-23	2+3	800,000,000.00	805,625,756.11	
Less: Bonds payable due within one year					1,115,065,522.10	2,668,522,463.83
Total					6,548,143,154.83	6,877,905,639.71

30. Long-term Payables

Items	Closing balance	Opening balance
Long-term payables	1,519,791,683.53	2,256,393,001.62
Special payables	890,511,124.00	676,000,000.00
Total	2,410,302,807.53	2,932,393,001.62

(1) Long term accounts payable by nature

Items	Closing balance	Opening balance
Loans	2,903,307,049.15	3,317,741,024.53
Less: Long-term payments due within one year	1,383,515,365.62	1,061,348,022.91
Total	1,519,791,683.53	2,256,393,001.62

(2) Special payables

Items	Closing balance	Opening balance
Special funds for the renovation of old residential areas	676,000,000.00	676,000,000.00
Special funds for shantytown renovation items	214,511,124.00	
Total	890,511,124.00	676,000,000.00

31. Estimated liabilities

Items	Closing balance	Opening balance	Formation reason
Outstanding lawsuit	158,592,212.83	3,651,924.00	See"Note IX.Contingencies and Commitment"
Total	158,592,212.83	3,651,924.00	

32. Paid-in Capital

Name of Investors	Opening balance		Increase in current year	Decrease in current year	Closing balance	
	Amount invested	Proportion (%)			Amount invested	Proportion (%)
Weihai Wenteng District State-owned Assets Service Center	500,000,000.00	100.00			500,000,000.00	100.00
Total	500,000,000.00	100.00			500,000,000.00	100.00

33. Capital Reserve

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
Capital premiums				
Other capital reserve	27,431,034,213.46	17,300,000.00	289,911,787.16	27,158,422,426.30
Including: Appropriate funds transferred in	17,745,156,219.24	15,000,000.00		17,760,156,219.24
Assets transferred in	9,685,877,994.22	2,300,000.00	289,911,787.16	9,398,266,207.06
Total	27,431,034,213.46	17,300,000.00	289,911,787.16	27,158,422,426.30

Note: The decrease of capital reserves in the current period is the right to maritime usage transferred without compensation.The increase in this period is mainly due to the free injection of monetary funds by the Finance Bureau of Wendeng District, Weihai City.

34. Surplus Reserve

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
Statutory surplus reserve	229,152,101.59	33,173,295.20		262,325,396.79
Total	229,152,101.59	33,173,295.20		262,325,396.79

Note: In accordance with the Corporation Law and the Company's articles of association, the company shall withdraw 10% of its net profit as its legal surplus reserve.If the cumulative amount of statutory surplus reserve is more than 50% of the registered capital of the company, it may not be withdrawn.

35. Undistributed profits

Items	Current year	Prior year
Adjust the undistributed profits of the previous period	2,184,134,272.91	1,860,155,838.89
Adjust total amount of undistributed profits at the beginning balance (increase by a "+", decrease by a "—")		
Adjusted opening balance of undistributed profits	2,184,134,272.91	1,860,155,838.89
Add: net profits attribute to owners of the parent company during the current period	314,650,686.38	358,358,572.07
Less: Extraction of statutory surplus reserve	33,173,295.20	32,380,138.05
Extraction of discretionary surplus reserve		
Withdraw General contingency reserve		
Common stock dividends payable		2,000,000.00
Common stock dividends converted to paid-in capital		
Closing balance	2,465,611,664.09	2,184,134,272.91

36. Operating Revenue and Operating Costs

(1) Operating revenue and operating costs

Items	Current year		Prior year	
	Revenue	Costs	Revenue	Costs
Principal operating activities	2,863,179,665.56	2,513,184,421.53	2,980,595,594.44	2,293,238,782.37
Other operating activities	127,091,711.36	96,366,157.62	130,342,267.86	96,424,986.27
Total	2,990,271,376.92	2,609,550,579.15	3,110,937,862.30	2,389,663,768.64

(2) Revenue generated under the current contract

Contract Classification	Current year		Prior year	
	Revenue	Costs	Revenue	Costs
Project construction	545,674,492.89	518,048,100.19	526,974,687.20	497,063,131.27
Product sales	2,133,515,768.47	1,836,412,192.70	2,272,949,500.78	1,611,578,755.07
Lease	308,751,343.88	253,917,294.03	307,990,915.99	279,996,876.95
Surveying and mapping	1,009,793.87	438,723.56	1,477,373.13	237,886.20
Others	1,319,977.81	734,268.67	1,545,385.20	787,119.15
Total	2,990,271,376.92	2,609,550,579.15	3,110,937,862.30	2,389,663,768.64

37. Taxes and surcharges

Items	Current year	Prior year
City construction taxes	8,424,608.89	9,213,110.31
Education surcharges (including local education surcharges)	6,016,849.89	6,580,747.00
Property taxes	7,249,163.77	4,754,158.59

Items	Current year	Prior year
Land use taxes	72,851,111.38	72,767,116.13
Vehicle and boat use tax	6,600.00	7,090.38
Stamp duty	1,129,028.31	2,584,969.27
Local water conservancy construction fund tax		1,941.29
Resource taxes	146,367.38	6,783.40
Others	64,809.34	29,147.56
Total	95,888,538.96	95,945,063.93

38. Financial Expenses

Items	Current year	Prior year
Interest expenses	216,688,040.93	256,883,199.37
Including: interest expense on lease liabilities		
Less: Interest income	42,253,158.06	82,140,541.71
Exchange gains or losses	-523.91	4,389.55
Others	78,071,070.39	49,303,057.75
Total	252,505,429.35	224,050,104.96

39. Other Income

The sources of other income	Current year	Prior year
Government grants related to daily operation of the Company	1,244,630,000.00	897,670,000.00
Withholding and repaying individual income tax service fee	309.32	1,794.27
Total	1,244,630,309.32	897,671,794.27

Government grants included in other income:

Items	Current year	Prior year
Notice on the allocation of special fund subsidies	1,231,500,000.00	880,000,000.00
Budget targets for central government infrastructure investment in subsidized housing projects	13,080,000.00	8,670,000.00
Others	50,000.00	9,000,000.00
Total	1,244,630,000.00	897,670,000.00

40. Investment Income

Items	Current year	Prior year
Income from long-term equity investments using equity method	1,124,996.84	929,266.69
Income from other equity instrument investments	1,320,323.32	5,325,426.76
Others		2,506.85
Total	2,445,320.16	6,257,200.30

41. Credit Impairment Loss

Items	Current year	Prior year
Bad debt loss of accounts receivable	-559,836.02	-923,833.47
Bad debt losses of other receivables	2,522,323.59	-104,385,528.81
Total	1,962,487.57	-105,309,362.28

42. Non-operating Income

Items	Current year	Prior year
Government grants unrelated to daily operation of the Company		11,250.52
Others	7,317.08	75,663.72
Total	7317.08	86,914.24

43. Non-operating Expenses

Items	Current year	Prior year
Donations	30,000.00	
Lawsuit compensation	157,687,420.83	20,980,228.00
Others	53.68	272,123.67
Total	157,717,474.51	21,252,351.67

44. Income Tax Expenses

Items	Current year	Prior year
Income tax expenses in current period	11,924,223.84	2,787,553.85
Adjustment of deferred income taxes	490,621.89	-26,327,340.57
Total	12,414,845.73	-23,539,786.72

45. Supplementary information of the cash flow statement

（1）Using Indirect Method to Reconcile Net Profit to Cash Flows from Operating Activities

补充资料	Current year	Prior year
1.To reconcile net profit to cash flows from operating activities:		
Net profit	314,760,129.72	358,814,741.09
Add: Impairment losss		
Credit impairment loss	-1,962,487.57	105,309,362.28
Depreciations of fixed assets, oil and gas assets, and bearer biological assets	123,587,758.73	126,028,469.16
Depreciation of right-of-use assets	300,178.08	
Amortizations of intangible assets	894,483,910.29	961,839,837.10
Amortizations of long-term prepaid expenses	1,969,848.54	1,947,499.94
Losses on disposal of fixed assets, intangible assets and other long-term assets (gain expressed with "-")		194,923.59

补充资料	Current year	Prior year
Losses on retirement of fixed assets (gain expressed with "-")		
Losses on changes in fair value (gain expressed with "-")		
Financial expenses (gain expressed with "-")	216,687,517.02	256,887,588.92
Investment losses (gain expressed with "-")	-2,445,320.16	-6,257,200.30
Decrease in deferred tax assets (increase expressed with "-")	490,621.89	-26,327,340.57
Increase in deferred tax liabilities (decrease expressed with "-")		
Decrease in inventories (increase expressed with "-")	1,353,636,792.78	-1,840,066,168.71
Decrease in receivables in operating activities (increase expressed with "-")	1,104,747,665.20	-678,063,834.15
Increase in payables in operating activities (decrease expressed with "-")	-4,734,094.45	150,309,517.47
Others		
Net cash flow from operating activities	4,001,522,520.07	-589,382,604.18
2.Significant investing and financing activities that do not involve cash receipts or payments		
Debts converted to capital		
Convertible debts due within one year		
Fixed assets leased in under finance leases		
3.Net changes of cash and cash equivalents		
Closing balance of cash	209,336,733.52	242,779,291.22
Less: Opening balance of cash	242,779,291.22	851,618,619.54
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-33,442,557.70	-608,839,328.32

（2）Composition of Cash and Cash Equivalents

Items	Closing balance	Opening balance
I. Cash	209,336,733.52	242,779,291.22
Including: Cash on hand	6,148.08	20,133.55
Demand deposits	209,330,585.44	242,759,157.67
Other cash/bank balance available for payment		
II. Cash equivalents		
Including: Bond investments due within three months		
III. Closing balance of cash and cash equivalents	209,336,733.52	242,779,291.22

Note: Cash and cash equivalents do not include restricted use of cash and cash equivalents by the parent company or subsidiaries within the Group.

46. Assets with Restricted Ownership or Use Rights

Items	Carrying amount at year end	Reason for restriction
Monetary fund	1,488,024,200.80	Security deposit,ETC to freeze, pledged fixed deposit etc.
Intangible assets	11,750,686,371.97	Mortgage
Fixed assets	341,136,997.62	Mortgage
Other non-current assets	41,647,369.87	Interest on fixed deposits
Non-current assets due within one year	20,091,986.31	Interest on fixed deposits
Total	13,641,586,926.57	

47. Foreign Currency Monetary Items

Items	Closing balance in foreign currency	Exchange rate	Closing balance in CNY (translated)
Monetary fund			
Including: USD	2,358,412.45	6.9646	16,425,399.35
Other current liabilities			
Including: USD	91,991,027.40	6.9646	640,680,709.43

VI. Changes Of Consolidation Scope

None.

VII. Equity in Other Entities

1. Subsidiaries

(1) Compositions of enterprise groups

Subsidiary name	Main place of business	Registration place	Nature of business	Proportion of shareholding (%)		Proportion of voting rights(%)	Acquired method
				Direct	Indirect		
Weihai Taihe Investment Co., Ltd.	Weihai City	Weihai City	Commercial service industry	100.00		100.00	Free of charge transfer
Shandong Wendeng Bone Rehabilitation And Health Co., Ltd	Weihai City	Weihai City	Residential Service	51.00		51.00	Invest to establish
Weihai Wenyu New Momentum Development Co., Ltd	Weihai City	Weihai City	Commercial service industry	100.00		100.00	Invest to establish
Weihai Wenyu Construction Co., Ltd	Weihai City	Weihai City	Civil engineering construction industry	100.00		100.00	Free of charge transfer
Rowen International Co., Ltd.	Hongkong	Hongkong	Comprehensive	100.00		100.00	Invest to establish
Weihai Wenda Tourism Development Co., Ltd.	Weihai City	Weihai City	Commercial service industry		100.00	100.00	Invest to establish
Weihai Kunyushan Construction and Development Co., Ltd.	Weihai City	Weihai City	Building decoration and other construction industry	100.00		100.00	Free of charge transfer

Subsidiary name	Main place of business	Registration place	Nature of business	Proportion of shareholding (%)		Proportion of voting rights(%)	Acquired method
				Direct	Indirect		
Weihai Wenyu Land Planning and Design Service Co., Ltd.	Weihai City	Weihai City	Special Technical Services	100.00		100.00	Free of charge transfer
Weihai Changhuikou Reservoir Engineering Construction Co., Ltd	Weihai City	Weihai City	Building decoration and other construction industry	60.80		60.80	Invest to establish
Weihai Wenyu Property Service Co., Ltd	Weihai City	Weihai City	Property management	100.00			Invest to establish

(Continued)

Subsidiary name	Registered capital	Business scope	Minority equity
Weihai Taihe Investment Co., Ltd.	100,000,000.00	Foreign investment and asset management with its own assets within the scope of laws and administrative regulations; Land development, consolidation and management; Construction of urban roads and infrastructure; Real estate development and management; Construction of supporting commercial houses, ordinary commercial houses and low-income housing, housing demolition and relocation sources, construction projects; Construction equipment installation works; Landscape design and construction engineering; Interior and exterior decoration project; Development, investment, operation and management of tourist scenic spots; Hotel management.	
Shandong Wendeng Bone Rehabilitation And Health Co., Ltd	340,000,000.00	Elderly services;Health maintenance services;Beauty salon service; Health and rehabilitation services; Catering services; Lease of premises; Health technology research and development, consultation and training; Health, beauty supplies development and sales.	2,741,415.63
Weihai Wenyu New Momentum Development Co., Ltd	50,000,000.00	Incubation of science and technology enterprises; Project investment; Technical development consultation and technical services; Lease of premises; Property services; Business management consulting.	
Weihai Wenyu Construction Co., Ltd	100,000,000.00	Housing construction, civil engineering, construction and installation engineering, building decoration and decoration construction; Concrete structural members manufacturing; Building materials, hardware, furniture, decoration materials sales; Real estate development and operation, housing leasing; Sales and leasing of construction machinery and equipment; Engineering management service, engineering design; Maintenance of municipal facilities.	
Rowen International Co., Ltd.	1,000,000.00 (USD)	Comprehensive business	
Weihai Wenda Tourism Development Co., Ltd.	150,000,000.00 (USD)	Development of tourist attractions; Construction and operation of tourist facilities; Development and management of commercial syntheses; Tourism services; Catering service.	
Weihai Kunyushan Construction and Development Co., Ltd.	50,000,000.00	Development of tourism projects; Comprehensive service and management of scenic spots; Civil engineering construction; Construction of municipal works; Construction of steel structure; Construction of waterproof and thermal insulation works; Construction of earthwork; Construction of gardens and ancient buildings; Foundation and foundation engineering construction; Real estate development and management; Sale of building materials (excluding paint).	

Subsidiary name	Registered capital	Business scope	Minority equity
Weihai Wenyu Land Planning and Design Service Co., Ltd.	6,000,000.00	Permitted items: surveying and mapping services; National space planning. (For projects subject to approval according to law, business activities can only be carried out after approval by relevant departments, and specific business projects shall be subject to approval documents or license certificates of relevant departments.) General projects: planning and design management; Non-residential real estate rental.	
Weihai Changhuikou Reservoir Engineering Construction Co., Ltd	50,000,000.00	General projects: landscaping engineering construction; engineering management services; earthwork engineering construction; house demolition services; foreign contracted projects. Licensed projects: all kinds of engineering construction activities.	-5,988.18
Weihai Wenyu Property Service Co., Ltd	500,000.00	General projects: property management; Real estate brokers; Bidding agency services; Landscaping construction; Professional cleaning, cleaning and disinfection services; Domestic services; Parking services; Corporate governance; Metal repairs; Residential water and electricity installation and maintenance services.Permitted projects: Construction of construction projects; Residential interiors; Tap water production and supply.	

(2) Significant Partially-owned Subsidiaries

Subsidiary name	Proportion of non-controlling interests (%)	Profit or loss attributable to non-controlling interests	Dividends paid to non-controlling interests	Cumulative non-controlling interests at year end
Shandong Wendeng Bone Rehabilitation And Health Co., Ltd	49.00%	114,691.61		2,741,415.63
Weihai Changhuikou Reservoir Engineering Construction Co., Ltd	39.20%	-5,248.27		-5,988.18

2. Equity in joint ventures or associates

(1) Associated enterprise

Name of joint venture or associated enterprise	Main place of business	Registration place	Nature of business	Proportion of shareholding (%)		Accounting for investments in joint ventures or associates
				Direct	Indirect	
Shandong Sinotrans Eurasia Internet of Things Operation Co., Ltd.	Weihai City	Weihai City	IOT operations		15%	Equity method

VIII. Relationships and Transactions with Related Parties

1. Basic Information of the Parent

Name of the parent	Main place of business	Registration place	Registered capital	Proportion of shares held by the parent (%)	Proportion of voting rights held by the parent (%)
Weihai Wenteng District State-owned Assets Service Center.	Weihai City	Asset supervision and management	412,000.00	100.00	100.00

2. Subsidiaries

See Note VII-1 equity in subsidiaries.

3. Joint Ventures and Associates

Significant joint ventures and associates of the Company are detailed in Notes Note VII-3 equity in joint ventures or associates.

4. Other Related Parties

Name of related parties	Relationship with the Group
Weihai Yuquan New Building Materials Co., Ltd	shareholding company
Shandong Haiwen Enterprise Management Co., Ltd	shareholding company

5. Related Party Transactions

(1) Related transactions for the purchase and sale of commodities, the provision and receipt of services

① Purchase of Goods

Name of related parties	Related party transaction content	Current year (tax included)	Prior year (tax included)
Weihai Yuquan New Building Materials Co., Ltd	Commercial concrete, etc	4,285,132.10	80,733,501.25

② Sales of Goods

Name of related parties	Related party transaction content	Current year (tax included)	Prior year (tax included)
Weihai Yuquan New Building Materials Co., Ltd	Sand	1,395,633.60	

6. Balance of receivables and payables of related parties

(1) Receivable items

Items	Name of related parties	Closing balance		Opening balance	
		Gross carrying amoun	Provision for Bad Debts	Gross carrying amoun	Provision for Bad Debts
Other receivables	Weihai Yuquan New Building Materials Co., Ltd	1,136,439.06		5,409,231.32	

(2) Payable items

Items	Name of related parties	Closing balance	Opening balance
Accounts payable	Weihai Yuquan New Building Materials Co., Ltd	11,146,736.09	21,257,237.59
Other payables	Shandong Haiwen Enterprise Management Co., Ltd	25,500,000.00	

IX. Contingencies and Commitment

1. Major Commitments

None.

2. Contingencies

(1) Major lawsuits involving the Company

The housing sales contract dispute case among Mingsheng Sun, Weihai Wendeng District Bluesea Investment & Development Co., Ltd and Wendeng Jingu Real Estate Development Co., Ltd.

On March 6th 2015, the Company signed a contract for the transfer of housing and land use rights of the second area land and above-ground buildings of Wendeng District Dawulibaihuicheng community with assignor, Wendeng Jingu Real Estate Development Co., Ltd (hereinafter referred to as "Jingu") without knowing these transaction object have been mortgaged or sealed off and some houses were signed online.

On July 27th 2016, Mingsheng Sun as the plaintiff submitted the case that he had signed the commercial housing sales contracts of Wendeng Dawulibaihuicheng community with a total of more than 0.7million square meters with Jingu and the contracts had been recorded online with registration procedures to The Secondary Intermediate People's Court of Tianjin, the Company and Jingu as defendants. Mingsheng Sun required Jingu to return the payments, interests and the losses of price differences amounted to RMB 97,599,684.00 and required the Company to undertake the joint liabilities.

On November 12th 2016, Wendeng district court issued civil judgment No. 1485 of Weiwenmin-chuzi (2015), ruling that the sales contract signed by the Company and Jingu on March 6th 2015 was terminated in September 2016, and the signed contract of transfer of state-owned land use right was invalid.

After negotiation, on December 15th 2016, Mingsheng Sun reached a framework agreement on the settlement of this case with the Company and other litigants. Mingsheng Sun promised to submit the withdrawal application to the court for all the cases related to the Company.

In January 2017, Mingsheng Sun appeal The Secondary Intermediate People's Court of Tianjin for alteration of the original claims, termination the commercial housing sale agreement signed with Jingu on September 2, 2014 , requiring Jingu to return the payments with interests and losses of price differences amounted to RMB 18,585,381.00. After the alteration of the original claims, due to the objective of lawsuit is under 200.00 million, on March 30th 2017, The Secondary Intermediate People's Court of Tianjin issued civil ruling paper of (2016)Jin 02 Minchu No.467, and transferred this case to Tianjin Hedong District People's Court.

On December 19th 2017, the first hearing of Hedong District Court was held. On August 23rd 2018, Tianjin Hedong District People's Court issued (2017) Jin 0102 Minchu No.4291 civil judgment as following: rescission of the agreement signed on September 2nd 2014 for sale and purchase of commercial housing signed by plaintiff Mingsheng Sun and defendant Jingu; the defendant Jingu repay the plaintiff Mingsheng Sun RMB 10,944,192.00 of the houses payments and repay the interests losses according to the standard of banks corresponding loan interest rate from March 6th 2015 to the date of the actual refund of the purchase amount; within 10 days from the effective date of this judgment, the defendant, Jingu, shall compensate the plaintiff, Mingsheng Sun, RMB 6,384,112.00 for the differences losses of the purchased houses; the Company and the People's Government of Wendeng District of Weihai shall undertake joint and several liabilities for compensation with the defendant, Jingu; reject other lawsuit requests of plaintiff, Mingsheng Sun.

The Company has appealed against the civil judgment of (2018) Jin 02 Minzhong No.7611 issued by The Secondary Intermediate People's Court of Tianjin as following: rescission of (2017) Jin 0102 Minchu

No.4291 civil judgment issued by Tianjin Hedong District People's Court; retrial this case by Tianjin Hedong District People's Court.

On December 23rd 2019, Tianjin Hedong District People's Court (2019) Jin0102, Minchu No. 3507 judgment : ① The defendant, Wendeng Jingu Real Estate Development Co., Ltd., shall compensate the plaintiff Mingsheng Sun a lump sum of RMB 10,944,192 house payment and the related interests within 10 days after this judgment takes effect. ② The defendant, Wendeng Jingu Real Estate Development Co., Ltd. paid the plaintiff a lump sum of RMB 6,384,112.00 for the balance loss of the houses purchased. ③ When the defendant, Wendeng Jingu Real Estate Development Co., Ltd., fails to compensate the plaintiff, Sun Mingsheng, for the above economic losses, the defendant, Weihai Wendeng Bluesea Investment and Development Co., Ltd., shall bear the supplementary compensation liability for the above items ① and ②. ④ Dismiss other claims of the plaintiff, Mingsheng Sun.

On June 15, 2020, Sun Mingsheng filed a lawsuit against the Company in Tianjin Hebei District People's Court for the same reason as that filed by Tianjin Hedong District People's Court. We challenge the jurisdiction.

In August 2020, Tianjin Hebei District People's Court rejected the objection raised by Weihai Wendeng District Blue Ocean Investment and Development Co., Ltd. to the jurisdiction of the case, and froze the deposit of 16,772,782 yuan, 16,824,255 yuan and 16,820,555 yuan in the bank account of Weihai Wendeng District Blue Ocean Investment and Development Co., Ltd.

In November 2020, the Second Intermediate People's Court of Tianjin ruled to cancel the three civil orders issued by Tianjin Hebei District People's Court in August 2020, and the case was transferred to the Wendeng District People's Court of Weihai City, Shandong Province for handling.

On May 31, 2021, the Tianjin Hedong District Court made a civil judgment (2020) Jin 02 Min Zhong No. 2040: the appeal was rejected and the original judgment was upheld. Later, Sun Mingsheng applied to Tianjin Hedong District People's Court for compulsory execution. During the execution process, Hedong District Court made (2021) Jin 0102 No. 3167 execution ruling on June 24, 2021: Freeze and allocate Wendeng Jingu Real Estate Development Co., Ltd. The bank deposit of RMB 20,980,228.00 under the name of the company and Weihai Wendeng District Blue Ocean Investment Development Co., Ltd., the withdrawal of the equivalent income of the person subject to execution or the seizure of the equivalent property. Afterwards, the company lodged an enforcement objection with the Tianjin Hedong District Court, and applied to the Tianjin Hedong District Court to suspend the enforcement of the case; stop taking enforcement measures against the company and lift all enforcement measures including sealing up and freezing bank account deposits. The Tianjin Hedong District Court (2021) Jin 0102 Zhiyi No. 395 enforced the ruling and rejected the company's objection.

On November 11, 2021, the Tianjin Hedong District Court made an enforcement ruling (2021) Jin 02 Zhifu No. 322: rejecting the company's application for reconsideration and maintaining the objection ruling (2021) Jin 0102 Zhiyi No. 395 of the Tianjin Hedong District People's Court. On December 3, 2021, the Tianjin Hedong District People's Court enforced the company's amount of RMB 17,328,304.00. In April 2022, the amount of the Company was 4,181,525.00 yuan.

In December 2021, Sun Mingsheng filed a lawsuit in the People's Court of Jinan High-tech Industrial Development Zone, asking the company to compensate the purchase price of 59,733,349.00 yuan and interest, and compensate the loss of 60,208,916.00 yuan for the difference in the purchase price.

On June 16, 2022, the People's Court of Jinan High-tech Industrial Development Zone, Shandong Province (2021) Lu 0191 Civil Judgment No. 7661 at the beginning of the Republic of China Judgment: 1. The defendant, Weihai Wendeng District Bluesea Investment & Development Co., Ltd, shall pay 121,072,449.00 yuan (49,442.35 square meters *2448.76 yuan/square meters) and interest (based on 121,072,449 yuan) to the plaintiff Sun Mingsheng within 10 days after the effective date of this judgment. From December 15, 2016 to August 19, 2019, calculated according to the loan interest rate of the People's Bank of China during the same period; From August 20, 2019 to the date of actual payment, calculated in accordance with the loan market quoted interest rate published by the National Interbank Lending Center); 2. The defendant Weihai Wendeng District Bluesea Investment & Development Co., Ltd. shall pay the security insurance premium of 121,012.45 yuan to the plaintiff Sun Mingsheng within 10 days from the effective date of this judgment; 3. Reject other claims of plaintiff Sun Mingsheng.

On September 19, 2022, Jinan Intermediate People's Court of Shandong Province (2022) Lu 01 Min End No. 7279 Civil Judgment Judgment: Rejected the appeal and upheld the original judgment.

On October 24, 2022, the Enforcement Notice No. 3507 of the People's Court of Jinan High-tech Industrial Development Zone (2022) Lu 0191 shall fulfill the following obligations: (1) To fulfill the obligations set forth in the effective legal instrument and pay 121,072,449 Yuan, 34,062,725.00 yuan in interest and 121,012.45.00 yuan in insurance to the applicant for execution. The case acceptance fee is 646,862.00 yuan, and the security fee is 5,000.00 yuan. (2) To pay the applicant for the execution of the doubled debt interest during the delay period of 627,530.00 yuan. (3) Bear the case application execution fee of 223,935.00 yuan.

As of December 31, 2022, the Company's bank deposit frozen fund balance was 121,926,361.95 yuan.

On March 23, 2023, Shandong High People's Court (2022) Lu Minshen No. 12679 Civil Decision ruled: 1. Ordered Jinan Intermediate People's Court of Shandong Province to retrial the case; 2. During the retrial, the execution of the original judgment shall be suspended.

Up to now, the case is in the process of retrial.

(2) In 2022, the Company had 4 litigation matters as a plaintiff, and as of the reporting date, 3 of these litigation matters have signed the Civil Mediation Statement, and the remaining 1 lawsuit is in the process of mediation.

(3) External guarantee items

As of December 31st, 2022 the company provides the following guarantees for other entities:

NO.	Lender/guarantee beneficiary	Guaranteed entity	The ending balance of guarantee	Guarantee due date
1	Weihai Branch of China Everbright Bank Co., Ltd	Weihai Kunyu Cultural Tourism Group Co., Ltd	237,500,000.00	2023-1-13
2	Weihai Branch of China Everbright Bank Co., Ltd	Weihai Kunyu Cultural Tourism Group Co., Ltd	44,000,000.00	2023-11-19
3	Weihai Branch of China Everbright Bank Co., Ltd	Weihai Kunyu Cultural Tourism Group Co., Ltd	45,000,000.00	2023-12-6
4	Weihai Branch of China Everbright Bank Co., Ltd	Weihai Kunyu Cultural Tourism Group Co., Ltd	45,000,000.00	2023-12-9
5	Weihai Branch of China Everbright Bank Co., Ltd	Weihai Wendeng District Transportation Construction and Development Co., Ltd	90,000,000.00	2023-1-17
6	Weihai Branch of China Everbright Bank Co., Ltd	Weihai Shunsheng Construction Engineering Co., Ltd.	80,000,000.00	2025-12-27
7	Weihai Branch of China Everbright Bank Co., Ltd	Shandong Wendeng American ginseng industry development Co., Ltd	70,000,000.00	2026-3-21
8	Weihai Branch of China Everbright Bank Co., Ltd	Weihai Wanze Marine Technology Co., Ltd	40,000,000.00	2023-6-21
9	Weihai Branch of China Everbright Bank Co., Ltd	Wendeng Water Conservancy Construction and Installation Engineering Company	74,000,000.00	2030-12-19
10	Weihai Wendeng Branch of China Construction Bank Co., Ltd.	Weihai Wendeng District Water Conservancy Construction and Development Co. Ltd	344,000,000.00	2029-9-10
11	Weihai Wendeng Branch of China Construction Bank Co., Ltd.	Weihai Wendeng District City Assets Management Co., Ltd	78,000,000.00	2031-11-21
12	Wendeng Wenshan East Road branch of Industrial and Commercial Bank of Co., Ltd.	Weihai Wendeng District Transportation Construction and Development Co., Ltd	120,000,000.00	2027-12-1
13	Weihai Wendeng District Branch of Agricultural Development Bank of China	Wendeng Jintan Investment Management Co., Ltd	544,000,000.00	2033-8-12
14	Weihai Wendeng District Branch of Agricultural Development Bank of China	Weihai Wendeng District Transportation Construction and Development Co., Ltd	780,000,000.00	2028-5-5
15	Weihai Wendeng District Branch of Agricultural Development Bank of China	Wendeng Jintan Investment Management Co., Ltd	700,000,000.00	2035-12-14
16	Weihai Wendeng District Branch of Agricultural Development Bank of China	Weihai Longsheng Trading Co., Ltd.	9,500,000.00	2023-6-28
17	Shandong Wendeng Rural Commercial Bank Co. Ltd	Weihai Wensheng stone co., LTD	63,950,000.00	2024-2-24
18	Shandong Wendeng Rural Commercial Bank Co. Ltd	Wendeng Water Conservancy Construction and Installation Engineering Company	43,840,000.00	2024-3-11
19	Shandong Wendeng Rural Commercial Bank Co. Ltd	Weihai Fude Decoration Engineering Co., Ltd	45,940,000.00	2024-3-9
20	Shandong Wendeng Rural Commercial Bank Co. Ltd	Weihai Shengxin Construction Engineering Co., Ltd.	44,840,000.00	2024-3-11

NO.	Lender/guarantee beneficiary	Guaranteed entity	The ending balance of guarantee	Guarantee due date
21	Shandong Wendeng Rural Commercial Bank Co. Ltd	Weihai Shunsheng Construction Engineering Co., Ltd.	29,940,000.00	2024-3-21
22	Shandong Wendeng Rural Commercial Bank Co. Ltd	Weihai Shunsheng Construction Engineering Co., Ltd.	48,940,000.00	2024-3-21
23	Shandong Wendeng Rural Commercial Bank Co. Ltd	Weihai Chengli Construction and Installation Engineering Co., Ltd.	44,740,000.00	2025-9-9
24	Shandong Wendeng Rural Commercial Bank Co. Ltd	Weihai Kangtai Water Development Co. LTD	46,940,000.00	2025-9-9
25	Shandong Wendeng Rural Commercial Bank Co. Ltd	Weihai Yuhai Salt Industry Co., Ltd	10,000,000.00	2025-12-13
26	Shandong Wendeng Rural Commercial Bank Co. Ltd	Weihai Fengdeng Agricultural Development Co., Ltd	10,000,000.00	2025-12-13
27	Shandong Wendeng Rural Commercial Bank Co. Ltd	Weihai Kunyu Security Service Co., Ltd	10,000,000.00	2025-12-13
28	Weihai Wendeng Branch of Communications Bank Co. Ltd	Weihai Wendeng District Transportation Construction and Development Co., Ltd	451,350,000.00	2030-9-27
29	Weihai Wendeng Branch of Communications Bank Co. Ltd	Weihai Wendeng District Water Conservancy Construction and Development Co. Ltd	400,000,000.00	2037-12-25
30	Weihai sub branch of Rizhao Bank Co., Ltd	Weihai Guwei Stone Co., Ltd	98,000,000.00	2024-1-7
31	Weihai sub branch of Rizhao Bank Co., Ltd	Weihai Meilun Road & Bridge Engineering Co., Ltd	98,000,000.00	2024-1-7
32	Weihai sub branch of Rizhao Bank Co., Ltd	Weihai Xinzang Construction and Installation Engineering Co., Ltd.	98,000,000.00	2024-1-13
33	Weihai Wendeng branch of Qishang Bank Co., Ltd	Wendeng Jintan Investment Management Co., Ltd	300,000,000.00	2026-1-4
34	Weihai Wendeng branch of Qishang Bank Co., Ltd	Weihai Kangtai Water Development Co. LTD	135,000,000.00	2023-1-25
35	Weihai Branch of China Minsheng Bank Co., Ltd	Weihai Taihong Industrial Co., Ltd	150,000,000.00	2025-4-29
36	Weihai Wendeng sub branch of Qingdao Bank Co., Ltd.	Wendeng Jintan Investment Management Co., Ltd	137,370,000.00	2023-7-13
37	Weihai Wendeng sub branch of Qingdao Bank Co., Ltd.	Weihai Anhua Construction Engineering Co., Ltd	59,400,000.00	2024-11-22
38	Weihai Wendeng sub branch of Qingdao Bank Co., Ltd.	Weihai Shunsheng Construction Engineering Co., Ltd.	148,500,000.00	2025-4-2
39	Weihai Wendeng sub branch of Qingdao Bank Co., Ltd.	Weihai Yutong Water Service Co., Ltd	104,000,000.00	2025-4-11
40	Weihai Wendeng branch of Industrial and Commercial Bank of Co., Ltd.	Weihai Wendeng District Financial Assets Operation Co., Ltd	313,700,000.00	2043-12-15
41	Bank of Beijing Co., Ltd. Jinan Branch	Weihai Wendeng District Transportation Construction and Development Co., Ltd	170,000,000.00	2024-11-13
42	Bank of Beijing Co., Ltd. Jinan Branch	Weihai Shunsheng Construction Engineering Co., Ltd.	80,000,000.00	2023-12-23
43	Bank of Beijing Co., Ltd. Jinan Branch	Wendeng Water Conservancy Construction and Installation Engineering Company	50,000,000.00	2023-12-23
44	Weihai Branch of Qilu Bank Co., Ltd	Weihai Hongtai Investment Holding Group Co., Ltd	99,950,000.00	2023-9-19
45	Weihai Textile Group Import&Export Co., Ltd	Weihai Hongtai Investment Holding Group Co., Ltd	140,000,000.00	2024-9-20

NO.	Lender/guarantee beneficiary	Guaranteed entity	The ending balance of guarantee	Guarantee due date
46	Wendeng branch of Hengfeng Bank Co., Ltd.	Weihai Hongtai Investment Holding Group Co., Ltd	350,000,000.00	2025-8-29
47	Chongqing Xinyu Financial Leasing Co., Ltd	Wendeng Jintan Investment Management Co., Ltd	77,935,865.00	2024-4-1
48	Zhejiang Construction Financial Leasing Co., Ltd.	Wendeng Jintan Investment Management Co., Ltd	47,127,355.17	2025-3-1
49	Yu Nong Commercial Financial Leasing Co., Ltd.	Wendeng Jintan Investment Management Co., Ltd	77,781,854.38	2024-6-8
50	Qingdao Qingyin Financial Leasing Co., Ltd.	Wendeng Jintan Investment Management Co., Ltd	150,000,000.00	2024-4-29
51	Shandong Iron and Steel Financial Holding Financial Leasing (Shenzhen) Co., Ltd.	Wendeng Jintan Investment Management Co., Ltd	34,443,675.28	2024-11-18
52	Shandong International Trust Co., Ltd.	Wendeng Jintan Investment Management Co., Ltd	38,600,000.00	2023-8-27
53	Shandong Huitong Financial Leasing Co. Ltd	Weihai Huichang Construction Development Co., Ltd	52,904,052.59	2024-11-26
54	Shandong Huitong Financial Leasing Co. Ltd	Weihai Huichang Construction Development Co., Ltd	52,904,052.60	2025-1-8
55	Jiushi Financial Leasing Co., Ltd.	Weihai Taihong Industrial Co., Ltd	26,421,419.79	2024-6-23
56	Jiushi Financial Leasing Co., Ltd.	Weihai Taihong Industrial Co., Ltd	26,421,419.79	2024-6-23
57	Harbin Bank Financial Leasing Co., Ltd.	Weihai Kangtai Water Development Co. LTD	142,536,686.80	2025-7-15
58	Far east Hongxin (Tianjin) Finance Leasing Co., Ltd	Weihai Shunsheng Construction Engineering Co., Ltd.	68,310,598.22	2024-12-22
59	Guangzhou High-tech Zone Financial Leasing Co., Ltd.	Weihai Wendeng District City Assets Management Co., Ltd	65,997,014.19	2026-12-1
60	Bank of Qingdao Co., Ltd. Weihai Wendeng Sub-branch	Weihai Wendeng District City Assets Management Co., Ltd	200,000,000.00	2024-11-28
61	Bank of Qingdao Co., Ltd. Weihai Wendeng Sub-branch	Weihai Wendeng District City Assets Management Co., Ltd	350,000,000.00	2025-1-20
62	Weihai Wendeng District City Assets Management Co., Ltd.20wendeng	Weihai Wendeng District City Assets Management Co., Ltd	600,000,000.00	2027-12-10
63	Weihai Wendeng District City Assets Management Co., Ltd.21wendeng01	Weihai Wendeng District City Assets Management Co., Ltd	600,000,000.00	2028-6-28
64	Wendeng branch of Weihai Commercial Bank Co., Ltd	Shandong Wendeng American ginseng industry development Co., Ltd	99,990,000.00	2023-1-28
65	Lujiazui International Trust Co., Ltd	Weihai Wendeng District Transportation Construction and Development Co., Ltd	100,000,000.00	2024-2-27
66	Lujiazui International Trust Co., Ltd	Weihai Wendeng District Transportation Construction and Development Co., Ltd	100,000,000.00	2024-3-31
67	China Construction Investment Leasing Co., Ltd	Weihai Kangtai Water Development Co. LTD	8,334,000.00	2025-5-5
68	Minmetals International Trust Co., Ltd	Weihai Chuangwen Construction Engineering Co., Ltd.	53,400,000.00	2024-3-16
69	Minmetals International Trust Co., Ltd	Weihai Chuangwen Construction Engineering Co., Ltd.	61,800,000.00	2024-9-28

NO.	Lender/guarantee beneficiary	Guaranteed entity	The ending balance of guarantee	Guarantee due date
70	Weihai Wendeng branch of Qishang Bank Co., Ltd	Weihai Longsheng Trading Co., Ltd.	10,000,000.00	2023-10-17
71	Shandong Expressway Global Finance Leasing Co., Ltd	Weihai Wendeng District City Assets Management Co., Ltd	127,499,999.99	2025-1-13
72	Shangang international finance leasing (Shandong) Co., Ltd	Weihai Wendeng District City Assets Management Co., Ltd	19,229,144.98	2025-2-24
73	Shangang international finance leasing (Shandong) Co., Ltd	Weihai Wendeng District City Assets Management Co., Ltd	19,229,144.98	2025-2-24
74	Shanghai Ruoming Financial Management Co., Ltd	Weihai Wendeng District City Assets Management Co., Ltd	20,000,000.00	2023-1-3
75	Shandong Guohui Private Capital Management Co., Ltd	Weihai Wendeng District City Assets Management Co., Ltd	75,000,000.00	2024-5-20
76	Shandong Guohui microfinance Co., Ltd	Weihai Wendeng District City Assets Management Co., Ltd	150,000,000.00	2024-6-17
77	Far east Hongxin (Tianjin) Finance Leasing Co., Ltd	Weihai Wendeng District City Assets Management Co., Ltd	183,336,155.40	2025-8-30
78	Weihai Wendeng District Branch of Agricultural Development Bank of China	Weihai Wendeng District Water Conservancy Construction and Development Co. Ltd	0.00	2036-12-31
	Total		10,722,602,439.16	

X. Events after the Reporting Period

On December 6, 2022, Weihai Wendeng District State-owned Assets service center "Weiwen Guozi Zi [2022] No.109" document "decision on free transfer of state-owned equity of Weihai Kunyushan Construction and Development Co., Ltd." transferred 100% of the equity held by the company to Weihai Kunyu Cultural Tourism Group Co., Ltd. free of charge. The transfer of equity and industrial and commercial changes were completed on January 31, 2023.

XI. Other Important Matters

None.

XII. Notes to Major Items in Financial Statements of the Parent

1. Accounts receivable

(1) Accounts receivable are shown by age of account

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	1,582,495.00	
1 to 2 years (including 2 years)	93,084.00	
2 to 3 years (including 3 years)		
3 to 4 years (including 4 years)		
4 to 5 years (including 5 years)		
More than 5 years		
Subtotal	1,675,579.00	
Minus Bad Debts Provision	4,654.20	

Aging	Closing balance	Opening balance
Total	1,670,924.80	

(2) Discloure According to the bad debt withdrawal method

Categories	Closing balance				
	Gross carrying amount		Provision for Bad Debts		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with single amount and separate provision for bad debts					
Including:					
Accounts receivable with provision for bad debts based on the combination risk characteristics	1,675,579.00	100.00	4,654.20	0.28	1,670,924.80
Including:					-
1. Accounts receivable for bad debt provision according to aging analysis method	1,675,579.00	100.00	4,654.20	0.28	1,670,924.80
2. Accounts receivable with provision for bad debts based on nature analysis combination method					-
Total	1,675,579.00	--	4,654.20	--	1,670,924.80

(Continued)

Categories	Opening balance				
	Gross carrying amount		Provision for Bad Debts		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with single amount and separate provision for bad debts					
Including:					
Accounts receivable with provision for bad debts based on the combination risk characteristics					
Including:					
1. Accounts receivable for bad debt provision according to aging analysis method					
2. Accounts receivable with provision for bad debts based on nature analysis combination method					
Total					

① In the combination, accounts receivable that are combined with provision for bad debts according to the aging analysis method

Aging	Closing balance		
	Gross carrying amount	Provision for Bad Debts	Proportion (%)
Within 1 year (including 1 year)	1,582,495.00		0.00%
1 to 2 years (including 2 years)	93,084.00	4,654.20	5.00%
2 to 3 years (including 3 years)			
More than 3 years			
Total	1,675,579.00	4,654.20	--

(3) Provision for bad debts

Categories	Opening balance	Changes in the current period				Closing balance
		Accrual	Take back or switch back	Resale or write-off	Other changes	
Bad debt provision for accounts receivable		4,654.20				4,654.20
Total		4,654.20				4,654.20

(4) Top Five Debtors According to Closing Balances

Company name	Closing balance	Proportion of total Accounts receivables(%)	Allowance for doubtful accounts
Weihai Jinao New Material Co., LTD	1,582,495.00	94.44	
Weihai Wendeng District Daodi Ginseng Industry Development Co., Ltd	93,084.00	5.56	4,654.20
Total	1,675,579.00	100.00	4,654.20

2. Other Receivables

Items	Closing balance	Opening balance
Interests receivable		
Dividends receivable	1,136,439.06	5,409,231.32
Other receivables	5,203,553,746.48	7,398,205,657.81
Total	5,204,690,185.54	7,403,614,889.13

(1) Dividends Receivable

① Classification of dividends receivable

Investee	Closing balance	Opening balance
Weihai Yuquan New Building Materials Co., Ltd.	1,136,439.06	5,409,231.32
Subtotal	1,136,439.06	5,409,231.32
Minus Bad Debts Provision		
Total	1,136,439.06	5,409,231.32

(2) Other Receivables

① Aging Analysis

Aging	Closing balance	Opening balance

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	3,060,858,224.47	6,274,316,445.28
1 to 2 years (including 2 years)	1,562,093,111.81	1,034,722,950.64
2 to 3 years (including 3 years)	527,876,194.84	114,242,441.89
3 to 4 years (including 4 years)	114,242,441.89	403,820.00
4 to 5 years (including 5 years)	403,820.00	
More than 5 years	208,377,220.16	208,377,220.16
Subtotal	5,473,851,013.17	7,632,062,877.97
Minus Bad Debts Provision	270,297,266.69	233,857,220.16
Total	5,203,553,746.48	7,398,205,657.81

② Classification by nature of payment

Nature of payment	Closing balance	Opening balance
Scurity deposit	76,126,197.92	80,764,140.83
Related party current account	2,916,383,377.43	2,222,495,031.03
Non related party current account	2,465,277,590.86	5,320,390,745.27
Others	16,063,846.96	8,412,960.84
Subtotal	5,473,851,013.17	7,632,062,877.97
Minus Bad Debts Provision	270,297,266.69	233,857,220.16
Total	5,203,553,746.48	7,398,205,657.81

③ Provision of bad debts

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment has occurred)	
Beginning of the year	233,857,220.16			233,857,220.16
In the current period:				
—Move to the second stage				
—Move to the third stage				
—Switch back to the second stage				
—Switch back to the first stage				
Withdrawal for the current period	36,440,046.53			36,440,046.53
Revert this period				
Resale of the current period				

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment has occurred)	
Write off this period				
Other changes				
Ending of the year	270,297,266.69			270,297,266.69

④ Bad debt provision situation

Categories	Opening balance	Changes in the current period				Closing balance
		Accrual	Take back or switch back	Resale or write-off	Other changes	
Provision for bad debts of other receivables	233,857,220.16	36,440,046.53				270,297,266.69
Total	233,857,220.16	36,440,046.53				270,297,266.69

⑤ Top Five Debtors According to Closing Balances

Company name	Nature of payment	Closing balance	Aging	Proportion of total other receivables (%)	bad-debt provision of Closing balance
Weihai Wenyu Construction Co., Ltd	Current accounts	2,747,359,128.23	Within 1 year RMB 1,191,751,091.18; 1 to 2 yearsRMB1,385,973,945.97; 2 to 3 yearsRMB 169,634,091.08	50.19%	
Weihai Qingwen Industrial Co., Ltd	Current accounts	955,146,773.61	Within 1 year	17.45%	
Weihai Wencheng Construction Group Co., Ltd.	Current accounts	400,000,000.00	2 to 3 yearsRMB 290,400,000.00; 3 to 4 yearsRMB 109,600,000.00	7.31%	61,920,000.00
Weihai Wendeng district water conservancy construction and Development Co., Ltd	Current accounts	214,766,268.14	Within 1 year	3.92%	
Weihai Wenda Tourism Development Co., Ltd.	Current accounts	169,020,358.20	Within 1 year RMB 1,346,882.00; 1 to 2 yearsRMB124,068,590.00 ; 2 to 3 yearsRMB 43,604,886.20	3.09%	
Total	—	4,486,292,528.18	—	81.96%	61,920,000.00

3. Long-term Equity Investments

(1) Classification of Long-term Equity Investments

Items	Closing balance			Opening balance		
	Gross carrying amount	Impairment loss	Carrying amount	Gross carrying amount	Impairment loss	Carrying amount
Investments in subsidiaries	2,720,074,196.21		2,720,074,196.21	2,706,777,344.34		2,706,777,344.34
Investments in joint ventures and associates						
Total	2,720,074,196.21		2,720,074,196.21	2,706,777,344.34		2,706,777,344.34

(2) Invest in subsidiaries

Investee	Opening balance (carrying amount)	Increase/decrease in current year				Closing balance (carrying amount)	Closing balance of impairment loss
		Increase in investments	Decrease in investments	Impairment loss	Others		
Weihai Taihe Investment Co.,Ltd	2,456,130,248.10					2,456,130,248.10	
Shandong Wendeng Bone Rehabilitation And Health Co., Ltd	173,400,000.00					173,400,000.00	
Weihai Wenyu New Momentum Development Co., Ltd	17,208,955.11	13,296,851.87				30,505,806.98	
Weihai Wenyu Construction Co., Ltd	15,298,087.11					15,298,087.11	
Weihai Wenyu Land Planning and Design Service Co. LTD	8,676,893.81					8,676,893.81	
Weihai Kunyushan Construction and Development Co. LTD	36,012,460.21					36,012,460.21	
Weihai Changhuikou Reservoir Engineering Construction Co., LTD	50,700.00					50,700.00	
Total	2,706,777,344.34	13,296,851.87				2,720,074,196.21	

4. Operating Revenue and Operating Costs

(1) Operating Revenue and Operating Costs

Items	Current year		Prior year	
	Revenue	Costs	Revenue	Costs
Principal operating activities	2,295,910,058.34	1,991,455,978.11	2,374,401,860.69	1,794,009,822.83
Other operating activities	126,387,214.68	95,848,689.96	128,757,358.85	95,637,867.12
Total	2,422,297,273.02	2,087,304,668.07	2,503,159,219.54	1,889,647,689.95

(2) Revenue generated under the current contract

Contract Classification	Current year		Prior year	
	Revenue	Costs	Revenue	Costs
Product sales	2,118,276,731.32	1,836,412,192.70	2,197,002,047.66	1,611,578,755.07
Lease	303,100,052.84	250,681,652.53	303,918,639.65	278,068,934.88
Others	920,488.86	210,822.84	2,238,532.23	
Total	2,422,297,273.02	2,087,304,668.07	2,503,159,219.54	1,889,647,689.95

5. Other Income

The sources of other income	Current year	Prior year
Government grants related to daily operation of the Company	875,130,000.00	419,670,000.00
Withholding and repaying individual income tax service fee	282.32	494.52
Total	875,130,282.32	419,670,494.52

6. Investment Income

Items	Current year	Prior year
Income from other equity instrument investments	1,320,323.32	5,325,426.76
Total	1,320,323.32	5,325,426.76

Weihai Wendeng District Bluesea Investment & Development Co., Ltd

April 20th, 2023

统一社会信用代码

91110102089698790Q

营业执照

(副　本)(6–1)

扫描市场主体身份码了解更多登记、备案、许可、监管信息，体验更多应用服务。

名　　称　中勤万信会计师事务所（特殊普通合伙）

类　　型　特殊普通合伙企业

执行事务合伙人　胡柏和

经营范围　审查企业会计报表，出具审计报告；验证企业资本，出具验资报告；办理企业合并、分立、清算事宜中的审计业务，出具有关报告；基本建设年度财务决算审计；代理记帐；会计咨询、税务咨询、管理咨询、会计培训；法律、法规规定的其他业务。（市场主体依法自主选择经营项目，开展经营活动；依法须经批准的项目，经相关部门批准后依批准的内容开展经营活动；不得从事国家和本市产业政策禁止和限制类项目的经营活动。）

出资额　1940万元

成立日期　2013年12月13日

主要经营场所　北京市西城区西直门外大街112号十层1001

登记机关

北京市西城区市场监督管理局

2023 年 03 月 23 日

国家企业信用信息公示系统网址：http://www.gsxt.gov.cn

市场主体应当于每年1月1日至6月30日通过国家企业信用信息公示系统报送公示年度报告。

国家市场监督管理总局监制

会计师事务所

执业证书

名　　称：中勤万信会计师事务所（特殊普通合伙）

首席合伙人：胡柏和

主任会计师：

经营场所：北京市西城区西直门外大街112号十层1001

组织形式：特殊普通合伙

执业证书编号：11000162

批准执业文号：京财会许可〔2013〕0083号

批准执业日期：2013年12月11日

证书序号：0014470

说　明

1、《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。

2、《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。

3、《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。

4、会计师事务所终止或执业许可注销的，应当向财政部门交回《会计师事务所执业证书》。

发证机关：北京市财政局

二〇二〇年十一月十一日

中华人民共和国财政部制

姓　　名 Full name　梁海涌

性　　别 Sex　男

出生日期 Date of birth　1973-09-11

工作单位 Working unit　中勤万信会计师事务所

身份证号码 Identity card No.　110102730911111

中勤万信会计师事务所（特殊普通合伙）

姓名：梁海涌

证书编号：110001620030

梁海涌年检二维码

格，继续有效一年。

This certificate is valid for another year after this renewal.

2004 年 3 月 1 日
/y /m /d

5

证书编号：110001620030
No. of Certificate

批准注册协会 北京注册会计师协会
Authorized Institute of CPAs

发证日期：2003 年 07 月 23 日
Date of Issuance /y /m /d

4

姓名：吴南义
证书编号：110001980061

吴南义年检二维码

合格，继续有效一年。
This certificate is valid for another year after this renewal.

2006 年 3 月 1 日

证书编号：
No. of Certificate

批准注册协会：110001980061
Authorized Institute of CPAs

北京注册会计师协会

发证日期：
Date of Issuance

2005-6-15

姓名 Full name 吴南义
性别 Sex 男
出生日期 Date of birth 1973-10-21
工作单位 Working unit 中天银会计师事务所有限责任公司
身份证号码 Identity card No. 342324731021547

中勤万信会计师事务所（特殊普通合伙）

THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
中国注册会计师协会

注册会计师工作单位变更事项登记
Registration of the Change of Working Unit by a CPA

同意调出
Agree the holder to be transferred from

中勤万信有限 事务所
CPAs

转出协会盖章
Stamp of the transfer-out Institute of CPAs

2014 年 1 月 27 日

同意调入
Agree the holder to be transferred to

中勤万信（特普） 事务所
CPAs

转入协会盖章
Stamp of the transfer-in Institute of CPAs

2014 年 1 月 27 日

注意事项

一、注册会计师执行业务，必要时须向委托方出示本证书。
二、本证书只限于本人使用，不得转让、涂改。
三、注册会计师停止执行法定业务时，应将本证书缴还主管注册会计师协会。
四、本证书如遗失，应立即向主管注册会计师协会报告，登报声明作废后，办理补发手续。

NOTES

1. When practising, the CPA shall show the client this certificate when necessary.
2. This certificate shall be exclusively used by the holder. No transfer or alteration shall be allowed.
3. The CPA shall return the certificate to the competent Institute of CPAs when the CPA stops conducting statutory business.
4. In case of loss, the CPA shall report to the competent Institute of CPAs immediately and go through the procedure of reissue after making an announcement of loss on the newspaper.

Weihai Wendeng District Bluesea Investment & Development Co., Ltd

Audit Report

(2022) Qinxin Audit No.0973

Table of Contents

Peking Certified Public accountants
Add: 10th floor, No. 112 Yangguang Building,
Xizhimenwai Street, Beijing, China
Tel: (86-10) 68360123
Fax: (86-10) 68360123-3000
Post Code: 100044

Audit Report

(2022) Qinxin Audit No.0973

Weihai Wendeng District Bluesea Investment & Development Co., Ltd:

I. Audit opinions

We have audited the accompanying financial statements of Weihai Wendeng District Bluesea Investment & Development Co., Ltd (hereinafter the Company), which comprise the Consolidated and the Parent company's balance sheet as at December 31st, 2021, and the Consolidated and the Parent company's income statement, the Consolidated and the Parent company's cash flow statements, and the Consolidated and the Parent company's statements of changes in owners' equity, and notes to financial statements for year 2021.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Consolidated and Parent company's financial position of the Company as at December 31st, 2021 and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

II. Form the basis for audit opinions

We conducted our audit in accordance with The Auditing Standards Of Chinese Certified Public Accountants. Our responsibilities under these standards are further elaborated in the section "CPA's responsibility for auditing financial statements" of the audit report. In accordance with The Code of Ethics for Certified Public Accountants of China, we are independent of the Company and have fulfilled other responsibilities regarding professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

III. Other information

The management of the Company (hereinafter referred to as the Management) shall be responsible for other information. Other information includes the information contained in the 2021 annual report of the Company, excluding the financial statements and our audit report.

Our audit opinion on the financial statements does not cover other information, and we do not provide any form of corroboration of any other information.

In combination with our audit of the financial statements, our responsibility is to read other information and, in the process, consider whether the other information is materially inconsistent with the financial statements or what we have learned in the audit process or appears to be materially misstated.

Based on the work we have performed, if we determine that other information contains material misstatements, we should report that fact. In this regard, we have nothing to report.

IV. The Management and Supervisor responsibilities for financial statements

The Management of the Company is responsible for preparing financial statements in accordance with the provisions of Accounting Standards For Business Enterprises, making them fair, and designing, implementing and maintaining necessary internal control, so as to make the financial statements free from material misstatement caused by fraud or error.

In preparing the financial statements, the Management is responsible for assessing the going-concern of the Company, disclosing matters related to going-concern (if applicable), and applying going-concern assumptions, unless the Management plans to liquidate the Company, terminate operations, or has no realistic alternative.

The Supervisor is responsible for supervising the financial reporting process of the Company.

V. The responsibility of certified public accountants for auditing financial statements

Our objective is to obtain reasonable assurance that the financial statements as a whole are free from material misstatement due to fraud or error and to issue an audit report containing the audit opinion. Reasonable assurance is a high-level guarantee, but there is no guarantee that audit conducted in accordance with audit standards will always find a material misstatement. Misstatement can be due to fraud or error and is generally considered material if it is reasonably expected that misstatement, individually or collectively, may affect the economic decisions made by the users of the financial statements on the basis of the financial statements.

We exercise professional judgment and maintain professional skepticism in carrying out our audit work in accordance with audit standards. At the same time, we also carry out the following work:

(1) Identify and evaluate the material misstatement risks of financial statements caused by fraud or error, design and implement audit procedures to deal with these risks, and obtain sufficient and appropriate audit evidence as the basis for expressing audit opinions. Because fraud may involve collusion, forgery, willful omission, misrepresentation or override of internal control, the risk of failing to detect material misstatement due to fraud is higher than the risk of failing to detect material misstatement due to error.

(2) To understand the internal control related to the audit, in order to design appropriate audit procedures, but the purpose is not to express an opinion on the effectiveness of the internal control.

(3) Evaluate the appropriateness of accounting policies adopted by the management and the rationality of accounting estimates and relevant disclosures.

(4) Draw a conclusion on the appropriateness of the Management's use of the assumption of going concern. At the same time, based on the obtained audit evidence, a conclusion can be drawn as to whether there is significant uncertainty in the matters or situations that may cause major doubts about the ability of the Company to continue to operate. If we conclude that there is significant uncertainty, the auditing standards require us to draw the attention of the users of financial statements to the relevant disclosure in the audit report; If the disclosure is insufficient, we should

express non-unqualified opinions. Our conclusions are based on information available as of the date of the audit report. However, future events or circumstances may result in the unsustainability of the Company.

(5) Evaluate the overall presentation, structure, and content (including disclosure) of financial statements, and evaluate whether the financial statements fairly reflect relevant transactions and events or not.

(6) Obtain sufficient and appropriate audit evidence for financial information of entities or business activities of the Company, so as to express audit opinions on financial statements. We are responsible for guiding, supervising and executing group audits and assume full responsibility for audit opinions.

We communicated with the management on the planned audit scope, timing and significant audit findings, including the internal control defects that we have identified in the audit that deserve our attention.

Peking Certified Public Accountants

Beijing

April 15, 2022

Chinese Certified Public Accountant

Liang Haiyong

Wu Nanyi

CONSOLIDATED BALANCE SHEETS

For the year ended 31 December 2021

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd Currency: CNY

Items	Notes	Closing Balance	Opening Balance
Current assets:		——	——
Monetary fund	VI.1.	1,452,273,438.00	1,401,997,364.52
Trading financial assets			——
Financial assets at fair value through profit or loss		——	
Derivative financial assets			
Notes receivable	VI.2.	420,000,000.00	
Accounts receivable	VI.3.	8,511,554.56	5,333,418.29
Receivables financing			——
Prepayments	VI.4.	370,146,140.48	207,539,145.15
Other receivables	VI.5.	8,290,756,751.29	7,251,582,966.38
Including: Interest receivable			
Dividends receivable	VI.5.	5,409,231.32	10,357,349.02
Inventories	VI.6.	23,428,983,130.31	21,005,599,348.97
Contract assets	VI.7.	135,229.60	——
Assets held for sale			
Non-current assets due within one year			
Other current assets	VI.8.	189,530,458.56	36,786,844.44
Total current assets		34,160,336,702.80	29,908,839,087.75
Non-current assets:		——	——
Debt investments			——
Available-for-sale financial assets		——	47,947,700.00
Other debt investments			——
Held-to-maturity investments		——	
Long-term receivables			
Long-term equity investments	VI.9.	10,429,266.69	
Other equity instrument investments	VI.10.	39,074,154.10	——
Other non-current financial assets			——
Investment properties	VI.11.	97,867,420.45	
Net book value of fixed assets	VI.12.	1,998,469,264.56	2,059,057,126.13
Construction in progress	VI.13.	285,428,788.15	72,377,428.59
Productive biological Assets			
Oil and gas assets			
Right-of-use assets	VI.14.	4,627,745.57	——
Intangible assets	VI.15.	18,794,203,095.76	18,851,966,933.53
Development expenditures			
Goodwill			
Long-term prepaid expenses	VI.16.	4,122,200.73	85,916,927.46
Deferred tax assets	VI.17.	97,260,156.78	70,932,816.21
Other non-current assets	VI.18.	24,906,271.18	749,059.27
Total Non-Current Assets		21,356,388,363.97	21,188,947,991.19
Total Assets		55,516,725,066.77	51,097,787,078.94

Legal Representative: **Chief Financial Officer:** **Head of Accounting Department:**

CONSOLIDATED BALANCE SHEETS (CONTINUED)

For the year ended 31 December 2021

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd Currency: CNY

Items	Notes	DECEMBER 31st 2021	DECEMBER 31st 2020
Current liabilities:		——	——
Short-term loans	VI.19.	850,000,000.00	700,000,000.00
Transactional financial liabilities			——
Financial liabilities measured at fair value and whose changes are recorded in current profits and losses		——	
Derivative financial liabilities			
Notes payable	VI.20.	319,900,000.00	120,000,000.00
Accounts payable	VI.21.	192,005,642.61	92,689,357.66
Unearned revenue	VI.22.	2,588,539.84	160,883,751.00
Contract liabilities	VI.23.	52,743,289.69	——
Employee compensation payable		127,596.83	65,308.25
Taxes and surcharge payable	VI.24.	341,752,679.64	273,397,602.17
Other payables	VI.25.	1,674,985,376.16	1,583,640,570.63
Including:Interest payable			196,782,982.41
Dividends payable			
Holding for sale liabilities			
Non-current liabilities due within one year	VI.26.	5,109,713,286.74	1,712,223,516.52
Other current liabilities	VI.27.	550,749,388.42	1,021,992,000.00
Total Current Liabilities		9,094,565,799.93	5,664,892,106.23
Non-Current Liabilities:		——	——
Long-term loans	VI.28.	6,228,583,200.00	6,019,634,000.00
Bonds payable	VI.29.	6,877,905,639.71	8,040,000,000.00
Including:Preferred stock			
Perpetual bond			
Lease liabilities			——
Long-term payables	VI.30.	2,932,393,001.62	2,145,978,344.06
Long-term employee benefits payable			
Estimated liabilities	VI.31.	3,651,924.00	
Deferred Income			
Deferred tax liabilities			
Other non-current liabilities			
Including: Specifically reserved funds			
Total Non-Current Liabilities		16,042,533,765.33	16,205,612,344.06
Total Liabilities		25,137,099,565.26	21,870,504,450.29
Owner's Equity		——	——
Paid in capital	VI.32.	500,000,000.00	500,000,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual bond			
Capital reserve	VI.33.	27,431,034,213.46	26,650,593,102.96
Less: treasury stocks			
Other comprehensive income		32,678,929.44	20,991,908.17
Specialized reserve			
Surplus reserve	VI.34.	229,152,101.59	196,771,963.54
Undistributed profit	VI.35.	2,184,134,272.91	1,860,155,838.89
Total Owners' Equity of the Parent Company		30,376,999,517.40	29,228,512,813.56
Minority shareholders' equity		2,625,984.11	-1,230,184.91
Total Owner's Equity		30,379,625,501.51	29,227,282,628.65
Total Liabilities and Owner's Equity		55,516,725,066.77	51,097,787,078.94

Legal Representative: **Chief Financial Officer:** **Head of Accounting Department:**

BALANCE SHEETS

For the year ended 31 December 2021

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd | Currency: CNY

Items	Notes	DECEMBER 31st 2021	DECEMBER 31st 2020
Current assets:		——	——
Monetary fund		408,100,657.74	732,908,671.81
Trading financial assets			——
Financial assets at fair value through profit or loss		——	
Derivative financial assets			
Notes receivable			
Accounts receivable		4,364,401.32	
Receivables financing			——
Prepayments		445,522,653.20	42,607,390.82
Other receivables	XII.1.	7,403,614,889.13	5,820,779,470.67
Including: Interest receivable			
Dividends receivable	XII.1.	5,409,231.32	10,357,349.02
Inventories		23,155,427,732.94	21,056,533,687.07
Contract assets			——
Assets held for sale			
Non-current assets due within one year			
Other current assets		144,887,083.44	21,130,009.54
Total current assets		31,561,917,417.77	27,673,959,229.91
Non-current assets:		——	——
Debt investments			——
Available-for-sale financial assets		——	38,947,700.00
Other debt investments			——
Held-to-maturity investments		——	
Long-term receivables			
Long-term equity investments	XII.2.	2,706,777,344.34	2,691,732,324.88
Other equity instrument investments		38,947,700.00	——
Other non-current financial assets			——
Investment properties			
Net book value of fixed assets		1,965,956,512.67	2,035,457,028.69
Construction in progress		241,265,799.04	43,309,433.14
Productive biological Assets			
Oil and gas assets			
Right-of-use assets			——
Intangible assets		9,529,377,076.40	9,640,236,315.82
Development expenditures			
Goodwill			
Long-term prepaid expenses		2,513,038.32	84,112,715.01
Deferred tax assets		58,464,305.03	45,135,315.95
Other non-current assets			
Total Non-Current Assets		14,543,301,775.80	14,578,930,833.49
Total Assets		46,105,219,193.57	42,252,890,063.40

Legal Representative: **Chief Financial Officer:** **Head of Accounting Department:**

BALANCE SHEETS (CONTINUED)

For the year ended 31 December 2021

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd   Currency: CNY

Items	Notes	DECEMBER 31st 2021	DECEMBER 31st 2020
Current liabilities:		——	——
Short-term loans		250,000,000.00	700,000,000.00
Transactional financial liabilities			——
Financial liabilities measured at fair value and whose changes are recorded in current profits and losses		——	
Derivative financial liabilities			
Notes payable		500,000,000.00	120,000,000.00
Accounts payable		8,774,895.13	14,925,721.32
Unearned revenue			
Contract liabilities		8,294,540.69	——
Employee compensation payable			
Taxes and surcharge payable		290,348,113.78	195,524,313.42
Other payables		1,976,856,587.95	2,007,510,359.53
Including:Interest payable			193,825,027.77
Dividends payable			
Holding for sale liabilities			
Non-current liabilities due within one year		4,996,801,790.46	1,527,325,626.12
Other current liabilities		724,080.81	500,000,000.00
Total Current Liabilities		8,031,800,008.82	5,065,286,020.39
Non-Current Liabilities:		——	——
Long-term loans		6,228,583,200.00	6,019,634,000.00
Bonds payable		6,877,905,639.71	8,040,000,000.00
Including:Preferred stock			
Perpetual bond			
Lease liabilities			——
Long-term payables		2,783,142,173.33	2,050,076,286.31
Long-term employee benefits payable			
Estimated liabilities		3,651,924.00	
Deferred Income			
Deferred tax liabilities			
Other non-current liabilities			
Including: Specifically reserved funds			
Total Non-Current Liabilities		15,893,282,937.04	16,109,710,286.31
Total Liabilities		23,925,082,945.86	21,174,996,306.70
Owner's Equity		——	——
Paid in capital		500,000,000.00	500,000,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual bond			
Capital reserve		19,390,615,231.86	18,610,174,121.36
Less: treasury stocks			
Other comprehensive income			
Specialized reserve			
Surplus reserve		229,152,101.59	196,771,963.54
Undistributed profit		2,060,368,914.26	1,770,947,671.80
Total Owner's Equity		22,180,136,247.71	21,077,893,756.70
Total Liabilities and Owner's'Equity		46,105,219,193.57	42,252,890,063.40

Legal Representative: **Chief Financial Officer:**   **Head of Accounting Department:**

CONSOLIDATED INCOME STATEMENTS

For the year ended 31 December 2021

Prepared by: Weihai Wendeng District Binhai Investment & Development Co., Ltd | Currency: CNY

Items	Notes	Current Year	Prior Year
1. Total operating revenue		3,110,937,862.30	2,876,974,551.01
Including: Operating revenue	VI.36.	3,110,937,862.30	2,876,974,551.01
2. Total operating costs		3,553,312,026.38	3,386,956,852.85
Including: Operating costs	VI.36.	2,389,663,768.64	2,220,342,930.98
Taxes and surcharges	VI.37.	95,945,063.93	97,074,905.29
Selling expenses			
Administrative expenses		843,653,088.85	779,200,991.39
Research and development expenses			
Financial expenses	VI.38.	224,050,104.96	290,338,025.19
Including: Interest expense		256,883,199.37	269,385,466.10
Interest income		82,140,541.71	2,969,652.81
Add: Other income	VI.39.	897,671,794.27	851,485,109.09
Investment income (losses expressed with "-")	VI.40.	6,257,200.30	4,720,728.66
Including: Investment income from associates and joint ventures	VI.40.	929,266.69	
Gains from derecognition of financial assets measured at amortized costs			——
Gains on hedge of a net position (losses expressed with "-")			——
Gains from changes in fair value (losses expressed with "-")			
Credit impairment losses (lossed expressed with "-")	VI.41.	-105,309,362.28	——
Assets impairment losses (losses expressed with "-")	VI.42.		-39,996,417.99
Gains on disposal of assets (losses expressed with "-")	VI.43.	194,923.59	-49,250.00
3. Operating profit (loss expressed with "-")		356,440,391.80	306,177,867.92
Add: Non-operating income	VI.44.	86,914.24	1,111,868.00
Less: Non-operating expenses	VI.45.	21,252,351.67	10,000.00
4. Total profit (loss expressed with "-")		335,274,954.37	307,279,735.92
Less: Income tax expenses	VI.46.	-23,539,786.72	-9,970,042.86
5. Net profit (net loss expressed with "-")		358,814,741.09	317,249,778.78
A. Classified by continuing and discontinued operations		——	——
Net profit from continuing operations		358,814,741.09	317,249,778.78
Net profit from discontinued operations			
B. Attributable to		——	——
Owners of the Company		358,358,572.07	317,741,631.53
Non-controlling interests		456,169.02	-491,852.75
6. Other comprehensive income, net of income tax		11,687,021.27	20,021,226.28
Attributable to shareholders of the parent		11,687,021.27	20,021,226.28
A. Items that will not be reclassified subsequently to profit or loss		26,454.10	
1 Remeasurement of defined benefit liability /(asset)			
2. Other comprehensive income that cannot be reclassified to profit or loss under equity method			
3. Equity instrument designated at fair value through other comprehensive income - Changes in fair value		26,454.10	——
4. Own credit risk - Changes in fair value			——
5. Others			
B. Items that may be reclassified subsequently to profit or loss		11,660,567.17	20,021,226.28
1.Other comprehensive income that can be reclassified to profit or loss under equity method			
2. Debt instrument measured at fair value through other comprehensive income - Changes in fair value			——
3. Gains or losses on changes in fair value of available-for-sale financial assets		——	
4. Other comprehensive income from reclassification of financial assets			——
5. Gains or losses on reclassification of held-to-maturity investments to available-for-sale financial assets		——	
6、Other debt investment- Credit loss allowance			——
7. Cash flow hedge reserve (Effective portion of gains or losses on cash flow hedge)			
8. Translation differences of financial statements presented in foreign currencies		11,660,567.17	20,021,226.28
9. Others			
*Attributable to non-controlling interests			
7. Total comprehensive income		370,501,762.36	337,271,005.06
Attributable to owners (Or shareholders) of the Company		370,045,593.34	337,762,857.81
*Attributable to non-controlling interests		456,169.02	-491,852.75

Legal Representative: Chief Financial Officer: Head of Accounting Department:

INCOME STATEMENTS

For the year ended 31 December 2021

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd Currency: CNY

Items	Notes	Current Year	Prior Year
1. Total operating revenue		2,503,159,219.54	2,249,370,490.38
Including: Operating revenue	XII.3.	2,503,159,219.54	2,249,370,490.38
2. Total operating costs		2,543,250,187.94	2,290,410,664.75
Including: Operating costs	XII.3.	1,889,647,689.95	1,593,117,874.92
Taxes and surcharges		46,694,200.63	45,573,402.56
Selling expenses			
Administrative expenses		404,389,716.29	387,157,139.13
Research and development expenses			
Financial expenses		202,518,581.07	264,562,248.14
Including: Interest expense		220,323,988.75	248,165,911.36
Interest income		56,231,913.86	1,414,931.12
Add: Other income	XII.4.	419,670,494.52	350,484,561.63
Investment income (losses expressed with "-")	XII.5.	5,325,426.76	4,621,879.34
Including: Investment income from associates and joint ventures			
Gains from derecognition of financial assets measured at amortized costs			—
Gains on hedge of a net position (losses expressed with "-")			—
Gains from changes in fair value (losses expressed with "-")			
Credit impairment losses (lossed expressed with "-")		-53,315,956.31	—
Assets impairment losses (losses expressed with "-")			17,371,031.61
Gains on disposal of assets (losses expressed with "-")		65,746.53	
3. Operating profit (loss expressed with "-")		331,654,743.10	331,437,298.21
Add: Non-operating income			
Less: Non-operating expenses		21,182,351.67	
4. Total profit (loss expressed with "-")		310,472,391.43	331,437,298.21
Less: Income tax expenses		-13,328,989.08	4,342,757.91
5. Net profit (net loss expressed with "-")		323,801,380.51	327,094,540.30
Net profit from continuing operations		323,801,380.51	327,094,540.30
Net profit from discontinued operations			
6. Other comprehensive income, net of income tax			
A. Items that will not be reclassified subsequently to profit or loss			
1. Remeasurement of defined benefit liability /(asset)			
2. Other comprehensive income that cannot be reclassified to profit or loss under equity method			
3. Equity instrument designated at fair value through other comprehensive income - Changes in fair value			—
4. Own credit risk - Changes in fair value			—
5. Others			
B. Items that may be reclassified subsequently to profit or loss			
1.Other comprehensive income that can be reclassified to profit or loss under equity method			
2. Debt instrument measured at fair value through other comprehensive income - Changes in fair value			—
3. Gains or losses on changes in fair value of available-for-sale financial assets		—	
4. Other comprehensive income from reclassification of financial assets			—
5. Gains or losses on reclassification of held-to-maturity investments to available-for-sale financial assets		—	
6、Other debt investment- Credit loss allowance			—
7. Cash flow hedge reserve (Effective portion of gains or losses on cash flow hedge)			
8. Translation differences of financial statements presented in foreign currencies			
9. Others			
7. Total comprehensive income		323,801,380.51	327,094,540.30

Legal Representative: Chief Financial Officer: Head of Accounting Department:

CONSOLIDATED CASH FLOW STATEMENTS

For the year ended 31 December 2021

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd　　Currency: CNY

Items	Notes	Current Year	Prior Year
I. Cash flows from operating activities:		—	—
Cash received from sales of goods or rendering of services		2,971,761,091.53	3,073,138,743.61
Refunds of taxes and surcharges			
Cash received relating to other operating activities		2,501,164,009.38	4,887,605,471.16
Sub-Total of Cash Inflows		5,472,925,100.91	7,960,744,214.77
Cash paid for goods and services		3,679,586,574.48	5,830,231,212.37
Cash paid to and for employees		18,216,542.48	14,201,090.97
Cash paid for all types of taxes		287,597,475.43	144,815,385.91
Other cash paid relating to operating activities		2,076,907,112.70	2,387,412,571.29
Sub-Total of Cash Outflows		6,062,307,705.09	8,376,660,260.54
Net Cash Inflow/Outflow From Operating Activities		-589,382,604.18	-415,916,045.77
II. Cash flows from investing activities:		—	—
Cash received from disposal of investments		1,000,000.00	15,000,000.00
Cash received from return on investments		10,276,051.31	2,378,993.92
Net cash received from disposal of fixed assets,intangible assets and other long-term assets			
Cash received from disposal of subsidiaries and other business units			
Other cash received relating to investing activities		1,996,938,088.99	2,179,820,710.79
Sub-Total of Cash Inflows from Investing Activities		2,008,214,140.30	2,197,199,704.71
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		1,648,741,822.63	6,453,785,548.10
Cash paid for acquisition of investments		1,600,000.00	15,000,000.00
Cash paid for acquisition of subsidiaries and other business units			
Other cash paid relating to investing activities		1,758,970,072.20	2,179,939,955.39
Sub-Total of Cash Outflows		3,409,311,894.83	8,648,725,503.49
Net Cash Inflow/Outflow From Investing Activities		-1,401,097,754.53	-6,451,525,798.78
III. Cash Flows from Financing Activities:		—	—
Cash received from investors		3,400,000.00	
Including: Investment in subsidiaries from minority			
Cash from Loans		8,341,607,166.67	6,513,819,949.15
Other cash received relating to financing activities		2,135,481,349.30	5,474,447,447.40
Sub-Total of Cash Inflows from Financing Activities		10,480,488,515.97	11,988,267,396.55
Cash repayments of borrowings		5,767,314,690.40	3,494,746,126.85
Cash paid for dividends, profits distribution or interest		1,147,610,047.70	850,464,878.13
Including: Dividends and profits paid by subsidiaries to minority shareholders			
Other cash paid relating to financing activities		2,184,427,296.00	515,019,908.06
Sub-Total of Cash Outflows from Financing Activities		9,099,352,034.10	4,860,230,913.04
Net Cash Inflow/Outflow from Financing Activities		1,381,136,481.87	7,128,036,483.51
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		504,548.52	-4,078,297.09
V. Net Increase/Decrease in Cash and Cash Equivalents		-608,839,328.32	256,516,341.87
Add: cash and cash equivalents at the beginning of the year		851,618,619.54	595,102,277.67
VI. Cash and Cash Equivalents at the End of The Year		242,779,291.22	851,618,619.54

Legal Representative:　　Chief Financial Officer:　　Head of Accounting Department:

CASH FLOW STATEMENTS

For the year ended 31 December 2021

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd — Currency: CNY

Items	Notes	Current Year	Prior Year
I.Cash flows from operating activities:		—	—
Cash received from sale of goods and rendering of services		2,584,222,601.73	2,208,374,914.62
Refund of taxes			
Other cash received relating to operating activities		1,379,001,484.37	3,457,528,484.47
Sub-Total of Cash Inflows		3,963,224,086.10	5,665,903,399.09
Cash paid for goods and services		3,326,562,377.44	5,692,637,487.39
Cash paid to and for employees		5,201,212.42	6,488,449.88
Cash paid for all types of taxes		126,049,648.85	57,240,408.58
Other cash paid relating to operating activities		1,323,856,746.22	798,686,709.30
Sub-Total of Cash Outflows		4,781,669,984.93	6,555,053,055.15
Net Cash Inflow/Outflow From Operating Activities		-818,445,898.83	-889,149,656.06
II.Cash flows from investing activities:		—	—
Cash received from disposal of investments			
Cash received from return on investments		10,273,544.46	2,280,144.60
Net cash received from disposal of fixed assets,intangible assets and other long-term assets			
Cash received from disposal of subsidiaries and other business units			
Other cash received relating to investing activities		1,454,047,594.40	437,012,604.03
Sub-Total of Cash Inflows from Investing Activities		1,464,321,138.86	439,292,748.63
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		794,875,535.69	1,259,817,168.47
Cash paid for acquisition of investments		15,045,019.46	112,335,689.46
Cash paid for acquisition of subsidiaries and other business units			
Other cash paid relating to investing activities		2,066,397,733.52	2,405,840,682.32
Sub-Total of Cash Outflows		2,876,318,288.67	3,777,993,540.25
Net Cash Inflow/Outflow From Investing Activities		-1,411,997,149.81	-3,338,700,791.62
III. Cash Flows from Financing Activities:		—	—
Cash received from investors			
Cash from Loans		7,606,340,000.00	5,837,580,000.00
Other cash received relating to financing activities		1,976,089,508.66	2,747,197,873.98
Sub-Total of Cash Inflows from Financing Activities		9,582,429,508.66	8,584,777,873.98
Cash repayments of borrowings		5,070,800,800.00	3,122,272,200.00
Cash paid for dividends, profits distribution or interest		1,112,820,159.70	832,882,605.73
Other cash paid relating to financing activities		1,235,671,244.20	508,356,516.83
Sub-Total of Cash Outflows from Financing Activities		7,419,292,203.90	4,463,511,322.56
Net Cash Inflow/Outflow from Financing Activities		2,163,137,304.76	4,121,266,551.42
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
V.Net Increase/Decrease in Cash and Cash Equivalents		-67,305,743.88	-106,583,896.26
Add: cash and cash equivalents at the beginning of the year		190,418,716.42	297,002,612.68
VI. Cash and Cash Equivalents at the End of The Year		123,112,972.54	190,418,716.42

Legal Representative: Chief Financial Officer: Head of Accounting Department:

CONSOLIDATED STATEMENTS OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2021

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd

Currency: CNY

Items	Current Year												
	Total Owners' Equity of Parent Company											Non-controlling interests	Total Owners' equity
	Paid-in capital	Other equity instruments: Preferred stock	Other equity instruments: Perpetual share	Other equity instruments: Other	Capital reserve	Less: treasury stocks	Other comprehensive income	Specialized reserve	Surplus reserve	Undistributed profit	Subtotal		
I. Closing balance of prior year	500,000,000.00				26,650,593,102.96		20,991,908.17		196,771,963.54	1,860,155,838.89	29,228,512,813.56	-1,230,184.91	29,227,282,628.65
Add: changes in accounting policies													
Corrections of prior period errors													
Others													
II. Opening balance of current year	500,000,000.00				26,650,593,102.96		20,991,908.17		196,771,963.54	1,860,155,838.89	29,228,512,813.56	-1,230,184.91	29,227,282,628.65
III. Changes in current year (decrease expressed with "-")					780,441,110.50		11,687,021.27		32,380,138.05	323,979,434.02	1,148,486,703.84	3,856,169.02	1,152,342,872.86
(i) Total comprehensive income for the year							11,687,021.27			358,359,572.07	370,045,593.34	456,169.02	370,501,762.36
(ii) Capital contributed by owners and decreases					780,441,110.50						780,441,110.50	3,400,000.00	783,841,110.50
1 Capital contributions from owners												3,400,000.00	3,400,000.00
2 Capital contributions from other equity instruments holders													
3 Share-based payments recognized in shareholders' equity													
4 Others					780,441,110.50						780,441,110.50		780,441,110.50
(iii) Special reserve													
1 Appropriation to special reserve													
2 Use of special reserve													
(iv) Profit distribution									32,380,138.05	-34,380,138.05	-2,000,000.00		-2,000,000.00
1 Appropriation to surplus reserve									32,380,138.05	-32,380,138.05			
2 Appropriation to general risk reserve													
3 Distributions to shareholders										-2,000,000.00	-2,000,000.00		-2,000,000.00
4 Others													
(v) Internal transfer of owners' equity													
1 Capitalization of capital reserve													
2 Capitalization of surplus reserve													
3 Making up losses from surplus reserve													
4 Transfer of changes in defined benefit plans to retained earnings													
5 Transfer of other comprehensive income to retained earnings													
6 Others													
IV. Closing balance of current year	500,000,000.00				27,431,034,213.46		32,678,929.44		229,152,101.59	2,184,134,272.91	30,376,999,517.40	2,625,984.11	30,379,625,501.51

Legal Representative: Chief Financial Officer: Head of Accounting Department:

CONSOLIDATED STATEMENTS OF CHANGES IN OWNERS' EQUITY（CONTINUED）

For the year ended 31 December 2021

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd

Currency: CNY

Items	Prior Year												
	Total Owners' Equity of Parent Company											Non-controlling interests	Total Owners' equity
	Paid-in capital	Other equity instruments			Capital reserve	Less: treasury stocks	Other comprehensive income	Specialized reserve	Surplus reserve	Undistributed profit	Subtotal		
		Preferred stock	Perpetual share	Other									
I. Closing balance of prior year	500,000,000.00				22,988,545,655.56		970,681.89		164,062,509.51	1,575,123,661.39	25,228,702,508.35	-738,332.16	25,227,964,176.19
Add: changes in accounting policies													
Corrections of prior period errors													
Others													
II. Opening balance of current year	500,000,000.00				22,988,545,655.56		970,681.89		164,062,509.51	1,575,123,661.39	25,228,702,508.35	-738,332.16	25,227,964,176.19
III. Changes in current year (decrease expressed with "-")	-				3,662,047,447.40		20,021,226.28		32,709,454.03	285,032,177.50	3,999,810,305.21	-491,852.75	3,999,318,452.46
(i) Total comprehensive income for the year							20,021,226.28			317,741,631.53	337,762,857.81	-491,852.75	337,271,005.06
(ii) Capital contributed by owners and decreases					3,662,047,447.40						3,662,047,447.40		3,662,047,447.40
1 Capital contributions from owners													
2 Capital contributions from other equity instruments holders													
3 Share-based payments recognized in shareholders' equity													
4 Others					3,662,047,447.40						3,662,047,447.40		3,662,047,447.40
(iii) Special reserve													
1 Appropriation to special reserve													
2 Use of special reserve													
(iv) Profit distribution									32,709,454.03	-32,709,454.03			
1 Appropriation to surplus reserve									32,709,454.03	-32,709,454.03			
2 Appropriation to general risk reserve													
3 Distributions to shareholders													
4 Others													
(v) Internal transfer of owners' equity													
1 Capitalization of capital reserve													
2 Capitalization of surplus reserve													
3 Making up losses from surplus reserve													
4 Transfer of changes in defined benefit plans to retained earnings													
5 Transfer of other comprehensive income to retained earnings													
6 Others													
IV. Closing balance of current year	500,000,000.00				26,650,593,102.96		20,991,908.17		196,771,963.54	1,860,155,838.89	29,228,512,813.56	-1,230,184.91	29,227,282,628.65

Legal Representative: Chief Financial Officer: Head of Accounting Department:

STATEMENTS OF CHANGES IN OWNERS' EQUITY

For the year ended 31 December 2021

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd

Currency: CNY

Items	Current Year										
	Paid-in capital	Other equity instruments			Capital reserve	Less: treasury stocks	Other comprehensive income	Specialized reserve	Surplus reserve	Undistributed profit	Total Owners' equity
		Preferred stock	Perpetual share	Other							
I. Closing balance of prior year	500,000,000.00				18,610,174,121.36				196,771,963.54	1,770,947,671.80	21,077,893,756.70
Add: changes in accounting policies											
Corrections of prior period errors											
Others											
II. Opening balance of current year	500,000,000.00				18,610,174,121.36				196,771,963.54	1,770,947,671.80	21,077,893,756.70
III. Changes in current year (decrease expressed with "-")					780,441,110.50				32,380,138.05	289,421,242.46	1,102,242,491.01
(i) Total comprehensive income for the year										323,801,380.51	323,801,380.51
(ii)Capital contributed by owners and decreases					780,441,110.50						780,441,110.50
1. Capital contributions from owners											
2. Capital contributions from other equity instruments holders											
3. Share-based payments recognized in shareholders' equity											
4. Others					780,441,110.50						780,441,110.50
(iii) Special reserve											
1. Appropriation to special reserve											
2. Use of special reserve											
(iv) Profit distribution									32,380,138.05	-34,380,138.05	-2,000,000.00
1. Appropriation to surplus reserve									32,380,138.05	-32,380,138.05	
2. Appropriation to general risk reserve											
3. Distributions to shareholders										-2,000,000.00	-2,000,000.00
4. Others											
(v) Internal transfer of owners' equity											
1. Capitalization of capital reserve											
2. Capitalization of surplus reserve											
3. Making up losses from surplus reserve											
4. Transfer of changes in defined benefit plans to retained earnings											
5. Transfer of other comprehensive income to retained earnings											
6. Others											
IV. Closing balance of current year	500,000,000.00				19,390,615,231.86				229,152,101.59	2,060,368,914.26	22,180,136,247.71

Legal Representative: Chief Financial Officer: Head of Accounting Department:

STATEMENTS OF CHANGES IN OWNERS' EQUITY（CONTINUED）

For the year ended 31 December 2021

Prepared by: Weihai Wendeng District Bluesea Investment & Development Co., Ltd

Currency: CNY

Items	Prior Year										
	Paid-in capital	Other equity instruments			Capital reserve	Less: treasury stocks	Other comprehensive income	Specialized reserve	Surplus reserve	Undistributed profit	Total Owners' equity
		Preferred stock	Perpetual share	Other							
I. Closing balance of prior year	500,000,000.00				17,675,376,247.38				164,062,509.51	1,476,562,585.53	19,816,001,342.42
Add: changes in accounting policies											
Corrections of prior period errors											
Others											
II. Opening balance of current year	500,000,000.00				17,675,376,247.38				164,062,509.51	1,476,562,585.53	19,816,001,342.42
III. Changes in current year (decrease expressed with "-")					934,797,873.98				32,709,454.03	294,385,086.27	1,261,892,414.28
(i) Total comprehensive income for the year									-	327,094,540.30	327,094,540.30
(ii) Capital contributed by owners and decreases					934,797,873.98						934,797,873.98
1. Capital contributions from owners											
2. Capital contributions from other equity instruments holders											
3. Share-based payments recognized in shareholders' equity											
4. Others					934,797,873.98						934,797,873.98
(iii) Special reserve											
1. Appropriation to special reserve											
2. Use of special reserve											
(iv) Profit distribution									32,709,454.03	-32,709,454.03	
1. Appropriation to surplus reserve									32,709,454.03	-32,709,454.03	
2. Appropriation to general risk reserve											
3. Distributions to shareholders											
4. Others											
(v) Internal transfer of owners' equity											
1. Capitalization of capital reserve											
2. Capitalization of surplus reserve											
3. Making up losses from surplus reserve											
4. Transfer of changes in defined benefit plans to retained earnings											
5. Transfer of other comprehensive income to retained earnings											
6. Others											
IV. Closing balance of current year	500,000,000.00				18,610,174,121.36				196,771,963.54	1,770,947,671.80	21,077,893,756.70

Legal Representative: Chief Financial Officer: Head of Accounting Department:

WEIHAI WENDENG DISTRICT BLUESEA INVESTMENT & DEVELOPMENT

Notes to the Financial Statements

For the Year Ended 31 December 2021

(Unless otherwise specified, the currency is CNY)

I. Company Profile

1. Overview of the company

Weihai Wendeng District Bluesea Investment & Development Co., Ltd ((hereinafter referred to as "the Company") is a wholly owned subsidiary of Weihai Wenteng District State-owned Assets Service Center. On April 13th 2012, the Company completed the industrial and commercial registration in Wendeng District Market Supervision Administration of Weihai city. The registered name is Wendeng Bluesea Investment & Development Co., Ltd, a limited liability company jointly funded by Weihai Wendeng District State-owned Assets Administration Bureau and Weihai Yucheng Jian 'an real estate Co., Ltd. The registered capital of the Company is RMB 100.00 million, the paid-in capital of the Company is RMB 100.00 million, of which 90% is owned by Weihai Wendeng District State-owned Assets Administration Bureau and 10% is owned by Weihai Yucheng Jian 'an real estate Co., Ltd. In 2014, Wendeng changed from a city to a district, the Company changed name to Weihai Wendeng District Bluesea Investment & Development Co., Ltd on April 28th 2014. On March 3rd 2015, Weihai Wendeng District State-owned Assets Administration Bureau purchased 10% equity of the Company held by Weihai Yucheng Jian 'an real estate Co., Ltd for RMB 10.00 million, while Weihai Wendeng District State-owned Assets Administration Bureau held 100% equity of the Company. On April 2nd 2015, Weihai Wendeng District State-owned Assets Administration Bureau increased RMB 400.00 million, after the change ,both the registered capital and the paid-in capital became to RMB 500.00 million. On January 14th 2020, Weihai Wendeng District State-owned Assets Administration Bureau changed its name to State-owned Assets Service Center of Wendeng District of Weihai City. The unified social credit code is No. 91371081593630023B and the legal representative of the Company is Min Cong. The registered address of the Company is No.106-2 of Tianfubanwenchang Street, Wendeng District, Weihai City of Shandong province.

The Company's business scope includes: foreign investment and investment project management with its own funds within the scope permitted by laws and regulations; real estate development and management; landscaping; municipal engineering construction; installation of pipeline equipment; development of cultural tourism; renovation of shanty towns and concentrated housing and water conservancy projects for farmers; lease the right to the use of sea areas; forest farm construction; sales of construction materials (excluding paint), sand, stone.

The financial statements were approved by the Company's board of directors on April 15th 2022.

2. Scope of consolidation

To the end of the report's period, a total of nine subsidiaries have been included in the scope of consolidated financial statements. Please refer to Note VIII, "Equity in Other Entities". The changes of the scope of consolidated financial statements during the reporting period are shown in Note VII ,"Changes of Consolidated Scope".

II. Basis of Preparation of Financial Statements

The financial statements of the Group are prepared on a going concern basis. The preparation of financial statements is in compliance with the Accounting Standards for Business Enterprises - Basic Standard issued and revised by the Ministry of Finance of People's Republic of China ("MOF") (MOF Order No. 33 and No. 76), 42 specific accounting standards, implementation guidance, interpretation and other related regulations issued and revised by the MOF on 15 February 2006 and thereafter (collectively referred to as "CAS").

III. Statement of Compliance with CAS

The financial statements prepared by the Company meet the requirements of the CAS, which presented truthfully and completely for the Company's financial position as of 31 December 2021, and financial performance and cash flows for the year then ended.

IV. Significant Accounting Policies and Accounting Estimates

1. Accounting Period

The accounting period of the Group is classified as interim period and financial year. Interim period refers to the reporting period shorter than a complete financial year. The financial year of the Group is calendar year from 1 January to 31 December.

2. Functional Currency

CNY is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries adopt CNY as their functional currency. The overseas subsidiaries of the Company use USD as their functional currency based on the currency of the primary economic environment. The Group's presentation currency is CNY.

3. Basis of Accounting and Principle of Measurement

According to Accounting Standards for Business Enterprises, the financial statements of the Group are prepared using the accrual basis. Except for certain financial instruments, the financial statements use historical cost method. If an asset is impaired, the Group recognizes an impairment loss according to relevant accounting standards.

4. Business Combination

Business combination is a transaction or event that brings together two or more separate enterprises into one reporting entity. It is classified into business combination of entities or businesses under common control ("business combination under common control") and business combination of entities or businesses not under common control ("business combination not under common control").

(1) Business Combinations Under Common Control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. In such business combination, the combining party is the one that obtains control of another participating entity on the combination date, while the other participating entity is the combined party. The combination date is the date on which the combining party obtains control of the combined party.

The assets and liabilities acquired by the combining party are measured at carrying amount in the combined party on the combination date. Difference between the carrying amount of net assets acquired by the combining party and the carrying amount of paid consideration (or total par value of the shares issued) shall adjust capital reserve (share premium), and then adjust retained earnings if capital reserve (share premium) balance is reduced to zero.

Professional fees such as audit, legal, valuation fees and general administrative costs incurred for the business combination are accounted for as expenses in the periods in which the costs are incurred and the services are received.

(2)Business Combination Not Under Common Control

A business combination involving entities not under common control is a business combination in which the combining entities or businesses are not ultimately controlled by the same party or parties both before and after the business combination. In such business combination, the acquirer is the entity that obtains control of another entity on the acquisition date, while the other entity is the acquiree. The acquisition date is the date on which the acquirer obtains control of the acquiree.

In a business combination not under common control, the cost of combination includes the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred or assumed by the acquirer, and the equity interests issued by the acquirer in exchange for control of the acquiree. Professional fees such as audit, legal, valuation fees and general administrative costs incurred for the business combination are accounted for as expenses in the periods in which the costs are incurred and the services are received. The costs to issue equity or debt securities shall be recognized in the initial cost of equity or debt securities. Contingent consideration involved in a business combination is recognized at acquisition-date fair value in the cost of the combination; If, within 12 months from the acquisition date, the acquirer obtains new information or additional evidences about facts and circumstances that existed as of the acquisition date, and if known, would have affected the measurement of the contingent consideration recognized as of that date, the acquirer shall make adjustment to goodwill accordingly. The cost of combination and the net identifiable assets acquired from the acquiree are measured at their fair values on the acquisition date. The acquirer shall recognize goodwill measured at the excess of (a) over (b): (a) the cost of acquisition, (b) acquirer's proportionate share of the acquiree's net identifiable assets measured at acquisition-date fair value. If above

(b) exceeds (a), the acquirer shall review the measurement of all identifiable assets acquired, liabilities assumed, and contingent liabilities; after the review, if the excess remains, the acquirer shall recognize the resulting gain in profit or loss.

If deductible temporary differences arise in a business combination and relevant deferred tax assets are not recognized because the criteria are not satisfied, subsequently, within 12 months after acquisition date, the acquirer obtains new or additional information about facts and circumstances that existed at the acquisition date and expects that the economic benefits resulting from the deductible temporary differences are realizable, the acquirer shall recognize deferred tax assets and reduce the carrying amount of goodwill related to the acquisition; if the carrying amount of that goodwill is zero, any remaining deferred tax assets shall be recognized in profit or loss. All other deferred tax assets related to business combinations, within 12 months from the acquisition date, which is not considered new or additional information about facts and circumstances that existed at the acquisition date should be recognized in profit or loss.

For a business combination not under common control that is achieved in stages, the acquirer shall make judgment based on Circular of the Ministry of Finance on Publishing Interpretation No. 5 for Accounting Standards for Business Enterprises (CaiKuai [2012] No. 19) and the criteria stipulated in Article 51 of Accounting Standards for Business Enterprises No. 33 – Consolidated Financial Statements, on whether or not the related multiple transactions should be accounted for as a single transaction. If they should be treated as a single transaction, the acquirer shall account for the transaction based on preceding paragraphs of this section and Note IV-13 "Long-term Equity Investments"; otherwise, the accounting treatments are as follows:

In the acquirer's individual financial statements, the initial cost of investments is calculated as the sum of the carrying amount of its previously held equity interest in the acquiree and additional cost of investments on the acquisition date; if its previously held equity interest in the acquiree involves recognition in other comprehensive income, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would have been required if the acquiree had disposed directly of the previously held equity interest (that is, other than the proportionate share of the changes resulting from remeasurement of the acquiree's defined benefit liabilities/assets under equity method, all the other gains or losses are recognized in the investment income for the current period).

In the consolidated financial statements, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in investment income for the current period, or in other comprehensive income, as appropriate; if its previously held equity interest in the acquiree involves recognition in other comprehensive income, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would have been required if the acquiree had disposed directly of the previously held equity interest (that is, other than the proportionate share of the changes resulting from remeasurement of the acquiree's defined benefit liabilities/assets under equity method, any other gain or loss is recognized in the investment income for the current period).

5. Preparation Method of Consolidated Financial Statements

(1) Identification of the scope of the consolidation

The scope of consolidation of the financial statement shall be determined on the basis of control. The Group controls an investee when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The scope of consolidation includes the Company and all its subsidiaries. Subsidiary is the entity controlled by the Group.

If facts and circumstances indicate that there are changes to one or more of the elements in the above definition, the Group shall reassess whether it controls an investee.

(2) Preparation of Consolidated Financial Statements

Consolidation of a subsidiary shall begin from the date the Group obtains control of the net assets and operational management of the subsidiary; Consolidation of an investee shall cease when the Group loses control of the investee.

For a subsidiary that is disposed, its financial performance and cash flows before the date of disposal are appropriately presented in the consolidated statement of comprehensive income and consolidated statement of cash flows; for a subsidiary that is disposed during the current period, the opening balances in the statement of financial position shall not be adjusted. For a subsidiary acquired through a business combination not under common control, its financial performance and cash flows after the acquisition date are appropriately presented in the consolidated statement of comprehensive income and consolidated statement of cash flows; the opening balances and comparative information in the statement of financial position shall not be adjusted. For a subsidiary acquired through a business combination under common control and the combined party under a merger, its financial performance and cash flows, from the beginning of the period when the combination occurs to date of combination, are appropriately presented in the consolidated statement of comprehensive income and consolidated statement of cash flows; the comparative information in the statement of financial position shall be adjusted at the same time.

If a subsidiary uses accounting policies or reporting period other than those adopted by the Group, appropriate adjustments are made to those subsidiaries' financial statements in preparing the consolidated financial statements to ensure the conformity with the Group's accounting policies and reporting period. In a business combination not under common control, the acquiree's financial statements shall be adjusted based on the acquisition-date fair values of the net identifiable assets.

All significant intragroup balances, transactions and unrealized profits are eliminated upon consolidation.

The Group shall present non-controlling interests in the consolidated statement of financial position within equity, separately from the equity of the owners of the Group; profit or loss attributable to non-controlling interests in a subsidiary shall be separately presented as "profit or loss attributable to non-controlling interests" within net profits in the consolidated statement of comprehensive income. When the loss attributable to non-controlling interests exceeds the opening balance of non-controlling interest in the subsidiary, the loss shall continue to offset the non-controlling interests.

If the Group loses control of a subsidiary due to partial disposal of equity investments or other reasons, the Group recognizes any investment retained in the former subsidiary at its fair value when control is lost. Excess of (a) the sum of fair value of the consideration received from the disposal of equity investments and fair value of any investment retained, over (b) the Group's previous pro rata share in the former subsidiary's net assets calculated since acquisition date, shall be recognized in investment income in the period when control is lost. When it loses control of the subsidiary, the Group shall account for all amounts previously recognized in other comprehensive income in relation to the subsidiary on the same basis as would have been required if the acquiree had directly disposed of the related assets or liabilities (that is, other than the changes resulting from remeasurement of the former subsidiary's defined benefit liabilities/assets, any other gain or loss is reclassified to the investment income for the current period). Then, any investment retained shall be subsequently measured according to Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments or Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments. Refer to Note IV-13 "Long-term Equity Investments"or Note IV-9 "Financial Instruments" .

When the Group loses control of a subsidiary in two or more transactions, the Group shall determine whether the multiple transactions should be accounted for as a single transaction. If terms and conditions of the transactions and their economic effects meet one or more of the following, it usually indicates that the Group should account for the multiple transactions as a single transaction: (1) The multiple transactions are entered into at the same time or in contemplation of each other; (2) They form a single transaction designed to achieve an overall commercial effect; (3) The occurrence of one transaction is dependent on the occurrence of at least one other transaction; (4) One transaction considered on its own is not economically justified, but it is economically justified when considered together with other transactions. If the multiple transactions should not be accounted for as a single transaction, the Group shall make accounting treatments, as appropriate, based on "disposal of long-term equity investments without losing control of the subsidiary"(Note IV-13(2)④) or "losing control of a subsidiary due to partial disposal of equity investments or other reasons" in the preceding paragraph. If the multiple transactions should be accounted for as a single transaction, the Group recognizes the transactions as a single transaction that results in loss of control of the subsidiary; however, before loss of control, the difference of consideration received and the Group's proportionate share of the subsidiary's net assets for the disposed investments in each arrangement shall be recognized in other comprehensive income in consolidated financial statements, and the cumulative amount shall be reclassified to profit or loss when control is lost.

6. Types of Joint Arrangements and Accounting Treatment for Joint Operations

A joint arrangement is an arrangement of which two or more parties have joint control. Based on the rights and obligations of the parties to the arrangement, the Group classifies a joint arrangement as a joint operation or a joint venture. A joint operation is a joint arrangement whereby the Group that has joint control of the arrangement and has rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement which is structured through a separate vehicle over which the Group has joint control together with other parties and only has rights to the net assets of the arrangement based on legal forms, contractual terms and other facts and circumstances.

The Group is using equity method for investment in a joint venture.

As a joint operator, the Group recognizes in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expense, including its share of any expense incurred jointly.

When the Group, as a joint operator, enters into a transaction with a joint operation, for a contribution or sale of assets (the assets do not constitute a business, the same below), or for a purchase of assets, before the assets are sold to a third party, the Group shall recognize gains and losses resulting from such a transaction only to the extent of the other parties' interests in the joint operation. When such assets are subject to an impairment loss in accordance with the "Accounting Standards for Business Enterprises No. 8 – Impairment of Assets", the Group shall fully recognize the loss in the case that the Group contributes or sells assets to the joint operation; the Group shall recognize its share of the loss in the case that the Group purchases assets from the joint operation.

7. Cash and Cash Equivalents

Cash and cash equivalents comprise the Group's cash on hand, demand deposits, and short-term (which means it has a short maturity of three months or less from the date of acquisition) highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

8. Foreign Currency Transactions and Translation to the Presentation Currency

(1) Reporting Foreign Currency Transactions

A foreign currency transaction is recorded, on initial recognition in the functional currency, by applying to the foreign currency amount [the spot exchange rate between the functional currency and the foreign currency] at the date of the transaction; However, foreign currency exchanges and relevant transactions are translated to the functional currency at the actual exchange rate.

(2) Translation of Foreign Currency Monetary Items and Foreign Currency Non-Monetary Items

At the end of each reporting period, foreign currency monetary items are translated using the spot exchange rate at the reporting date, the exchange differences arised, other than the following, shall be recognized in profit or loss in the period in which they arise: ① Exchange differences arising from foreign currency borrowings that are made specifically for the purpose of obtaining a qualifying asset, shall be treated under principle of borrowing costs capitalization; ②Exchange differences arising from a hedging instrument that is determined to be an effective hedge of a net investment in a foreign operation (shall be recognized in other comprehensive income, and shall be reclassified from equity to profit or loss on disposal of the net investment); And ③ exchanges differences arising from changes in balances of foreign currency monetary items available for sale, except for changes in balances of their amortized costs, shall be recognized in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured, the amount differences between the functional currency and the foreign currency are recognized as changes in fair value (including exchange differences), and recorded in profit or loss or other comprehensive income.

(3) Translation to the Presentation Currency

The financial statements of a foreign operation are translated into CNY financial statements using following procedures: Assets and liabilities in the statement of financial position are translated at the spot exchange rate at the reporting date; Equity items for statement of financial position presented, other than "undistributed profits", are translated at the spot exchange rate of the date of transaction. Income and expenses in the statement of comprehensive income are translated at the average exchange rate for the current period at the date of the transaction. Opening balance of undistributed profits is the translated closing balance of undistributed profits of prior year; Closing balance of undistributed profits is calculated based on translated profit distribution items; Difference between translated assets and the sum of translated liabilities and owners' equity, is recorded as "translation differences of financial statements presented in foreign currencies" and recognized in other comprehensive income. On the disposal or partial disposal of a foreign operation, which involves the loss of control of the foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, as accumulated in the owners' equity of the statement of financial position, shall reclassified from equity to profit or loss, in full or in proportionate share, when the gain or loss on disposal is recognized.

Foreign currency cash flows and cash flows of a foreign subsidiary, shall be translated at the the spot exchange rate between the functional currency and the foreign currency at the date of the cash flows. The effect of exchange rate changes on cash in a foreign currency is separately presented in the statement of cash flows as reconciliation.

Opening balances of current year and amounts of prior year are presented after translation of prior year's financial statements.

On the disposal of all the owners' equity in a foreign operation, or in the event of loss of control of a foreign operation due to partial disposal of equity investments or other reasons, the cumulative amount of the exchange differences relating to that foreign operation, as accumulated in owners' equity of the statement of financial position, shall be reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

In the event of reduction in the Group's ownership interest in a foreign operation due to the partial disposal of equity investments or other reasons, which, however, does not involve the Group's loss of control of the foreign operation, the Group shall re-attribute the proportionate share of the cumulative amount of the exchange differences, which are related to the disposal of the foreign operation, to the non-controlling interests in that foreign operation, instead of reclassifying that to profit or loss. In partial disposal of equity investments in a foreign operation which is a joint venture or an associate, the Group shall reclassify to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognized.

When the consolidated financial statements involves a foreign operation, exchange differences arising on a monetary item that forms part of the reporting entity's net investment in the foreign operation, shall be accounted for as "translation differences of financial statements presented in foreign currencies" and recognized in other comprehensive income, and reclassified from equity to profit or loss on disposal of the net investment.

9. Financial Instruments

The Group recognizes a financial asset or a financial liability when the Group becomes party to the contractual provisions of the instrument.

(1) Classification, Recognition and Measurement of Financial Assets

The Group classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

At initial recognition, the Group measures a financial asset at its fair value. For financial assets measured at fair value through profit or loss, related transaction costs are directly recorded in profit or loss; for other types of financial assets, related transaction costs are recorded in the amount initially recognized. Trade receivables or notes receivable that arise from sale of goods or rendering of services, which do not contain or involve a significant financing component, shall be measured, at the initial recognition, at the amount of consideration to which the Group expects to be entitled.

① Financial Assets Measured at Amortized Cost

For a financial asset measured at amortized cost, it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and its contractual cash flow characteristics are consistent with those of a basic lending arrangement, that is, the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group applies effective interest method and subsequently measures this type of financial assets at amortized costs, a gain or loss arising from amortization or impairment is recognized in profit or loss.

② Financial Assets Measured at Fair Value Through Other Comprehensive Income

For a financial asset at fair value through other comprehensive income, it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and its contractual cash flow characteristics are consistent with those of a basic lending arrangement. A gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for: impairment gains or losses, foreign exchange gains and losses, and interest calculated using the effective interest method, which are recognized in profit or loss.

In addition, the Group designates particular investments in equity instruments that are not held for trading as financial assets measured at fair value through other comprehensive income. Dividends on such investments are recognized in profit or loss; changes in fair values of the investments are recognized in other comprehensive income. Upon derecognition of these financial assets, cumulative gains or losses presented in other comprehensive income will be subsequently transferred to retained earnings, but not to profit or loss.

③ Financial Assets Measured at Fair Value Through Profit or Loss

A financial asset is measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income in accordance with preceding paragraphs. In addition, the Group designates some financial assets as measured at fair value through profit or loss when doing so eliminates or significantly reduces accounting mismatches. The Group subsequently measures this type of financial assets at fair value; changes in fair values are recognized in profit or loss.

(2) Classification, Recognition and Measurement of Financial Liabilities

At initial recognition, financial liabilities are classified as financial liabilities at fair value through profit or loss, or other financial liabilities. For financial liabilities at fair value through profit or loss, related transaction costs are directly recorded in profit or loss; for other financial liabilities, related transaction costs are recorded in the amount initially recognized.

① Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss comprise financial liabilities held for trading (including derivatives that are financial liabilities) and financial liabilities designated as at fair value through profit or loss at initial recognition.

Financial liabilities held for trading (including derivatives that are liabilities) are subsequently measured at fair value; except for those related to hedge accounting, the changes in fair values are recognized in profit or loss.

For a financial liability designated as at fair value through profit or loss, the Group presents its gain or loss based on the following: (a) the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, upon derecognition of the liability, cumulative change in fair value recognized other comprehensive income, which is attributable to changes in the credit risk of that liability, will be subsequently transferred to retained earnings; and (b) the remaining amount of change in the fair value of the liability shall be presented in profit or loss. However, if the treatment of the effects of changes in the liability's credit risk described in (a) would create or enlarge an accounting mismatch in profit or loss, the Group will present all gains or losses on that liability (including the effects of changes in the credit risk of that liability) in profit or loss.

② Other Financial Liabilities

Other financial liabilities, except for financial guarantee contracts and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, are classified as financial liabilities measured at amortized cost, and are subsequently measured at amortized cost; gains or losses arising from derecognition or amortization will be recognized in profit or loss.

(3) Recognition and Measurement of Transfers of Financial Assets

A financial asset that meets one of the following conditions shall be derecognized: (a) the contractual rights to the cash flows from the financial asset expire; (b) the company transfers the financial asset, and it transfers substantially all the risks and rewards of the ownership of the financial asset to the transferee; (c) the company transfers the financial asset, it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, however, it has not retained control of the financial asset.

When a company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, and has retained control of the financial asset, the company shall continue to recognize the financial asset to the extent of its continuing involvement in the financial asset, and recognize an associated liability. The extent of the company's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

If a company transfers a financial asset in a transfer that qualifies for derecognition in its entirety, the difference between: (a) the carrying amount of the financial asset transferred, and (b) the sum of consideration received and cumulative changes in fair value that have been previously recognized in other comprehensive income, shall be recognized in profit or loss.

If the transferred asset is part of a larger financial asset, and the part transferred qualifies for the derecognition in its entirety, the previous carrying amount of the larger financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of the relative fair values of those parts on the date of the transfer. The difference between: (a) the sum of the consideration received for the part derecognized and cumulative changes in fair value allocated to the part derecognized which have been previously recognized in other comprehensive income, and (b) the carrying amount allocated to the part derecognized, shall be recognized in profit or loss.

For a financial asset sold with recourse, or a financial asset transferred through endorsement, the Group determines whether it transfers substantially all the risks and rewards of the ownership of the financial asset. If the Group transfers substantially all the risks and rewards of ownership of the financial asset, it shall derecognize the financial asset; if the Group retains substantially all the risks and rewards of ownership of the financial asset, it shall continue to recognize the financial asset; if the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it shall determine whether it has retained control of the financial asset, and make corresponding accounting treatment based on preceding principles.

(4) Derecognition of Financial Liabilities

A financial liability (or a part of a financial liability) is derecognized when the present obligation specified in the contract is discharged or cancelled or expires. If, as an existing borrower, the Group signs agreement with an existing lender, to replace original financial liability with a new financial liability, and the exchange of debt instruments has substantially different terms, the Group shall derecognize the original financial liability and recognize the new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) derecognized and the consideration paid (including any non-cash assets transferred or liabilities assumed) shall be recognized in profit or loss.

(5) Offsetting a Financial Asset and a Financial Liability

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, the Group: (a) currently has a legally enforceable right to set off the recognized amounts; and (h) intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. In all other circumstances, financial assets and financial liabilities are presented separately in the statement of financial position.

(6) The fair value determination method of financial assets and financial liabilities

Fair value, it is to point to the orderly trade that market participant takes place in measurement day, sell an asset place can receive or transfer the price that a liability needs to pay. If an active market exists for a financial instrument, the company shall use the quotation in the active market to determine its fair value. Quotes in active markets are prices that are readily available on a regular basis from exchanges, brokers, trade associations, pricing services, etc., and represent market transactions that actually take place in fair trading. If there is no active market for financial instruments, the Company shall use valuation technology to determine their fair value. Valuation techniques include reference to prices used in recent market transactions by familiar and willing trading parties, reference to current fair values of substantially identical other financial instruments, cash flow discounting and option pricing models, etc. In valuation, the Company uses valuation techniques applicable in the current circumstances and supported by sufficiently available data and other information to select input values that are consistent with the characteristics of the asset or liability considered by market participants in the transaction of the relevant asset or liability and uses relevant observable input values in preference to the extent possible. Use non-input values where the relevant observable input values are not available or are not practicable to obtain.

(7) Equity Instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group recognizes changes in equity when it issues (including refinancing), repurchases, sells or cancels equity instruments. The Group does not recognize changes in fair values of equity instruments. Transaction costs of an equity transaction are accounted for as a deduction from equity.

All distributions (excluding stock dividends) to holders of an equity instrument will reduce the amount of owners' equity. Changes in fair values of equity instruments are not recognized.

10.Impairment of Financial Assets

The financial assets for which the company needs to recognize impairment losses are financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income and lease receivables, mainly including notes receivable, accounts receivable, accounts receivable financing, other receivables, debt investments, other debt investments, long-term receivables, etc. In addition, provision for impairment and recognition of credit impairment losses shall also be made for contractual assets and part of financial guarantee contracts in accordance with the accounting policies described in this Part.

(1) Confirmation method of impairment provision

On the basis of expected credit losses, the Company shall make provision for impairment and recognize credit impairment losses for the above items according to the applicable measurement method of expected credit losses (general method or simplified method).

Credit loss refers to the difference between all contract cash flows discounted and receivable under the contract and all expected cash flows received by the company at the original actual interest rate, namely, the present value of all cash shortfalls. For the financial assets purchased or originated with credit impairment, the Company discounts the financial assets according to the real interest rate of credit adjustment.

Expected credit losses and the method of measuring means, the company at each balance sheet date to assess financial assets (including assets, and other applicable project contract, hereinafter the same) after the initial recognition of credit risk has increased significantly, if credit risk increased significantly since the initial confirmation, the company in accordance with the equal to the sum of the expected throughout the duration of the credit loss measurement loss; If the credit risk has not increased significantly since the initial recognition, the Company measures the loss provision at an amount equivalent to the expected credit loss within the next 12 months. In assessing expected credit losses, the Company considers all reasonable and evidence-based information, including forward-looking information.

For financial instruments with low credit risk at the balance sheet date, the Company assumes that the credit risk has not increased significantly since the initial recognition and chooses to measure the loss provision in accordance with the expected credit losses in the next 12 months.

(2) Judgment criteria on whether credit risk has increased significantly since the initial confirmation

If the default probability of a financial asset in the expected lifetime determined on the balance sheet date is significantly higher than the default probability in the expected lifetime determined at the initial recognition, it indicates that the credit risk of the financial asset has increased significantly. Except in exceptional circumstances, the Company uses the change in default risk occurring within the next 12 months as a reasonable estimate of the change in default risk occurring throughout the duration to determine whether the credit risk has increased significantly since the initial recognition.

(3) Portfolio method for assessing expected credit risk based on portfolio

The company evaluates individual credit risks of financial assets with significantly different credit risks, such as accounts receivable from related parties; Receivables in dispute with the other party or involved in litigation or arbitration; Receivables where there is a clear indication that the debtor is likely to be unable to meet repayment obligations.

In addition to financial assets for individual credit risk assessment, the Company divides financial assets into different groups based on common risk characteristics and evaluates credit risk on a portfolio basis.

(4) Accounting treatment of financial asset impairment

At the end of the period, the Company calculates the expected credit loss of various financial assets. If the expected credit loss is greater than the carrying amount of its current impairment reserve, the difference will be recognized as an impairment loss. If it is less than the carrying amount of the current impairment provision, the difference is recognized as an impairment gain.

(5) Determination methods of credit losses of various financial assets

① Notes receivable

The company measures the loss provision for notes receivable in accordance with the amount of expected credit losses equivalent to the entire term of existence. Based on the credit risk characteristics of notes receivable, they are divided into different portfolios:

Items	Basis for Grouping
Bank acceptance draft	The drawer has a high credit rating, no bill default in history, very low risk of credit loss, and strong ability to fulfill its obligations to pay contract cash flow in a short term
Commercial acceptance draft	The classification is based on the credit risk of acceptor, which is the same as the classification of "accounts receivable" portfolio

② Accounts receivable and contract assets

For receivables and contract assets that do not contain significant financing elements, the Company shall measure the loss provision according to the amount of expected credit losses equivalent to the entire term of existence.

For receivables, contract assets and lease receivables that contain a significant financing component, the

Company elects to always measure the loss provision at an amount equal to the expected credit loss over the life of the company.

In addition to the receivables for individual credit risk assessment, they are divided into different portfolios based on their credit risk characteristics:

Items	Basis for Grouping
Accounts receivable:	
Portfolio 1: risk-free combination method	This portfolio refers to the accounts receivable from related parties, the money recovered after the period, the receivables receivable from government units and other receivables. This portfolio is a portfolio without recovery risk, and no provision for bad debts is made
Portfolio 2: aging analysis method	This portfolio takes the aging of accounts receivable as the credit risk feature, and makes provision for bad debts based on the aging portfolio.
Contract assets:	
Portfolio 1: aging analysis method	This portfolio represents the outstanding amount of construction works paid by the Owner
Portfolio 2: risk-free combination method	This portfolio is a warranty

a. The expected credit loss rate of the portfolio using the aging analysis method is as follows:

Aging	Percentage of allowance for doubtful accounts to accounts receivable (%)
Within 1 year (including 1 year)	0.00
1-2 years (including 2 years)	5.00
2-3 years (including 3 years)	10.00
3-4 years (including 4 years)	30.00
4-5 years (including 5 years)	70.00
Above 5 years	100.00

③ Other receivables

Based on whether the credit risk of other receivables has increased significantly since the initial recognition, the company uses the amount equivalent to the expected credit loss within the next 12 months or the entire duration to measure the impairment loss. In addition to other receivables that are individually assessed for credit risk, they are divided into different groups based on their credit risk characteristics:

Items	Basis for Grouping
Portfolio 1: risk-free combination method	According to the credit risk assessment results and historical experience data, it is a portfolio of very low credit risk for related party receivables, money recovered after a certain period, normal employee reserves, deposits, deposits, government receivables, etc.
Portfolio 2: aging analysis method	In addition to the portfolio of risk-free portfolio method, the receivables are applicable to the portfolio of aging analysis.

a. The expected credit loss rate of the portfolio using the aging analysis method is as follows:

Aging	Percentage of allowance for doubtful accounts to other receivables (%)
Within 1 year (including 1 year)	0.00
1-2 years (including 2 years)	5.00
2-3 years (including 3 years)	10.00
3-4 years (including 4 years)	30.00
4-5 years (including 5 years)	70.00
Above 5 years	100.00

④ Debt investments

Debt investment mainly accounts for bond investment measured at amortized cost. According to whether its credit risk has increased significantly since the initial recognition, the company uses the amount equivalent to the expected credit loss within the next 12 months or the entire duration to measure the impairment loss.

⑤ Other debt investments

Other debt investments are mainly accounted for bond investments at fair value through other comprehensive income. According to whether its credit risk has increased significantly since the initial recognition, the company uses the amount equivalent to the expected credit loss within the next 12 months or the entire duration to measure the impairment loss.

⑥ Long-term receivables

For long-term receivables formed by transactions regulated by the Accounting Standards for Business Enterprises No. 14 - Income and do not contain significant financing components, the company measures the loss provision based on the expected credit loss amount equivalent to the entire duration.

For long-term receivables formed by transactions regulated by "Accounting Standards for Business Enterprises No. 14 - Income" and including significant financing components, the company chooses to always measure the loss provision based on the amount equivalent to the expected credit loss during the duration.

For finance lease receivables and operating lease receivables formed by transactions regulated by Accounting Standards for Business Enterprises No. 21 - Leases, the Company chooses to always measure the loss provision based on the amount equivalent to the expected credit loss during the duration.

For receivables that are not applicable or do not choose the simplified treatment method, the company uses an amount equivalent to the expected credit loss within the next 12 months or the entire duration to measure the impairment loss of long-term receivables based on whether its credit risk has increased significantly since initial recognition.

11. Inventories

(1) Classification of Inventories

Inventories mainly include materials, work in progress and semi-finished goods, reusable materials, finished goods, and merchandise, Development costs, Product development,contract performance costs, etc.

(2) Cost Measurement for Inventories

When acquired, the cost of inventories shall be measured at the actual costs, which comprise costs of purchase, costs of conversion and other costs. Inventories mainly include inventory materials, development products under construction (development costs), completed development products and development products intended for sale but temporarily leased. The cost of developing products includes land transfer fees, infrastructure and supporting facilities expenses, construction and installation project expenses, borrowing costs incurred before the completion of the development project and other related expenses during the development process. When inventories are dispatched, the weighted average method is used to determine their actual cost.

(3) Measurement of Net Realizable Value and Write-Down

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale, and related taxes and surcharges. Estimates of net realizable value are based on reliable evidence available at the time the estimates are made, at the same time, take into consideration the purpose for which the inventory is held and effect of subsequent events after the reporting date.

At the reporting date, inventories shall be measured at the lower of cost and net realizable value. If the cost of inventory is in excess of the net realizable value, the inventory shall be written down. the write-down is measured at the excess of inventory cost over net realizable value item by item.

When the circumstances that previously caused inventories to be written down below cost no longer exist and the net realizable value is higher than the carrying amount, the amount of the write-down is reversed (i.e. the reversal is limited to the amount of the original write-down), and the amount of reversal is recorded in profit or loss.

(4) Inventory Counting

Inventory counting is performed using the perpetual inventory system.

(5) Amortization of Low-Cost Consumables and Packaging Materials

When used, low-cost consumables are amortized by using one-off amortization method; packaging materials are amortized by using one-off amortization method.

12.contract assets

The Company lists in the balance sheet as the contract assets the customer has not yet paid the contract consideration, but the Company has performed its performance obligations pursuant to the contract and is not entitled to receive payment from the customer unconditionally (i.e., only subject to the passage of time). Contract assets and liabilities under the same contract shall be shown on a net basis, and those under different contracts shall not be set off.

For the determination method and accounting treatment method of expected credit loss of contract assets, refer to Note IV. 10. Impairment of Financial Assets.

13. Long-term Equity Investments

Long-term equity investments refer to the long-term equity investment in which the Group has control or joint control of, or significant influence over, the investee. Long-term equity investments in which the Group has no control or joint control of, or significant influence over, the investee shall be recognized as financial assets measured at fair value through profit or loss.

Joint 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

(1) Cost of Investments

For long-term equity investments recognized in a business combination under common control, on the combination date, the initial cost shall be measured at the proportionate share of the carrying amount of the acquiree's owners' equity in the acquiree's ultimate controlling party's consolidated financial statements. Difference between the initial cost of long-term equity investments and the carrying amount of consideration paid (including any cash paid, non-cash assets transferred or liabilities assumed) shall adjust capital reserve, and then adjust retained earnings if capital reserve balance is reduced to zero. If a company issues equity interests in exchange for control of the acquiree, on the combination date, the initial cost of long-term equity investments shall be measured at the proportionate share of the carrying amount of the acquiree's owners' equity in the acquiree's ultimate controlling party's consolidated financial statements, the total par value of the shares issued shall be recognized as share capital, difference between the initial cost of long-term equity investments and the total par value of the shares issued shall adjust capital reserve, and then adjust retained earnings if capital reserve balance is reduced to zero. For a business combination under common control that is achieved in stages, the acquirer shall make judgment on whether or not the related multiple arrangements should be accounted for as a single transaction. If they should be accounted for as a single transaction, the acquirer shall account for the transaction as a single transaction that results in control of the acquiree. Otherwise, the acquirer shall account for the initial cost of long-term equity investments, on the combination date, at the proportionate share of the carrying amount of the acquiree's owners' equity in the acquiree's ultimate controlling party's consolidated financial statements, difference between (a) the initial cost of long-term equity investments and (b) the sum of the carrying amount of the long-term equity investments before the acquirer gains control and consideration paid for the newly acquired equity interests on the combination date shall adjust capital reserve, and then adjust retained earnings if capital reserve balance is reduced to zero. The other comprehensive income recognized under equity method for equity investments held before the combination date, or other comprehensive income recognized for available-for-sale financial assets before the combination date, is not subject to accounting treatment for these arrangements.

For long-term equity investments recognized in a business combination not under common control, on the acquisition date, the initial cost shall be measured at the cost of combination, which includes fair values of the assets transferred by the acquirer, the liabilities incurred or assumed by the acquirer, and the equity interests issued by the acquirer in exchange for control of the acquiree. For a business combination not under common control that is achieved in stages, the acquirer shall make judgment on whether or not the related multiple arrangements should be accounted for as a single transaction. If they should be accounted for as a single transaction, the acquirer shall account for the transaction as a single transaction that results in control of the acquiree. Otherwise, the initial cost of investment is calculated as the sum of the carrying amount of its previously held equity interest in the acquiree and additional cost of investments on the acquisition date, and long-term equity investment shall be measured at cost. The other comprehensive income recognized under equity method for previously held equity interest is not subject to accounting treatment for these arrangements.

Professional fees such as audit, legal, valuation fees and general administrative costs incurred for the business combination are accounted for as expenses in the periods in which the costs are incurred and the services are received.

Equity investments, other than those arise in business combinations, are recognized at cost on initial recognition; based on ways of acquisition, the cost is accounted for at the amount of cash paid by the Group, the fair value of equity interests issued by the Group, the agreed value in the investment contract, the fair value or original carrying amount of non-cash assets transferred by the Group, or the fair value of the long-term equity investments, etc. Any direct expense, tax and necessary cost are recognized in the cost of investments. For additional investments that result in significant influence over or joint control of the investee (and do not result in control), the cost of long-term equity investments is the sum of fair value of previously held equity interest in the investee and the additional cost of investments, according to Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments.

(2) Subsequent Measurement and Recognition of Profit or Loss

Long-term equity investments where the Group has joint control (except for joint operation) of or significant influence over the investee are accounted for by equity method. The Group accounts for long-term equity investments at cost where the Group has control of the investee.

①Long-term Equity Investments Measured at Cost

Long-term equity investments are recognized at cost on initial recognition; if the Group increases or recovers the cost of its investments in the investee, the cost of long-term equity investments shall be adjusted accordingly. The Group accounts for investment income for current period at the amount of its share of cash dividends declared and profits to be distributed by the investee, except for: (a) cash dividends declared but undistributed or (b) undistributed profits, which are included in the consideration paid for the investments.

②Long-term Equity Investments Using Equity Method

Under equity method, when the initial cost of long-term equity investments exceeds the Group's proportionate share in the acquisition-date fair values of the investee's identifiable net assets, the initial cost of investments is not subject to adjustment; when the initial cost of investments is lower than the Group's proportionate share in the acquisition-date fair values of the investee's identifiable net assets, the difference shall be recognized in profit or loss, and the cost of investments shall be adjusted at the same time.

The carrying amount of long-term equity investments is adjusted to recognize the Group's share of the profit or loss of the investee and the Group's proportionate interest in the investee arising from changes in the investee's other comprehensive income, at the same time, the Group's share of the investee's profit or loss is recognized in investment income, and the Group's proportionate interest in the investee arising from changes in the investee's other comprehensive income is recognized in the Group's other comprehensive income. The Group's share of profits to be distributed or cash dividends declared by the investee reduce the carrying amount of long-term equity investments. Other changes in investee's equity, except for profit or loss, other comprehensive income and profit distribution, shall be recognized in capital reserve, and the carrying amount of long-term equity investments shall be adjusted accordingly. Appropriate adjustments to the Group's share of the investee's profit or loss after acquisition are made in order to account for the net identifiable assets based on their fair values at the acquisition date. If the investee's accounting policy and accounting period are not in conformity with those of the Group, appropriate adjustments shall be made based on the Group's accounting policy and accounting period, in order to recognize the amounts of investment income and other comprehensive income. As for transactions between the Group and its associate or joint venture, when the contributed or sold assets do not constitute a business, the Group's share in the associate's or joint venture's unrealized gains or losses resulting from these transactions is eliminated; on that basis, investment income is recognized. However, if the unrealized losses are impairment losses of assets sold or contributed during the transactions, they shall not be eliminated. When the contributed assets from the Group to its joint venture or associate constitute a business, and consequently the Group gains long-term equity investments but not control of the investee, the Group shall account for the additional long-term equity investments at fair value of the contributed business; difference between the initial cost of investments and the carrying amount of contributed business, shall be recognized in full in profit or loss. When the sold assets from the Group to its joint venture or associate constitute a business, the difference between consideration received and the carrying amount of the business shall be recognized in full in profit or loss. When the purchased assets from its associate or joint venture constitute a business, the Group shall fully recognize relevant profit or loss, according to Accounting Standards for Business Enterprises No. 20 – Business Combination.

If the Group's share of losses of an investee equals or exceeds the carrying amount of the long-term equity investments in the investee together with any long-term interests that, in substance, form part of the Group's net investment in the investee, the Group discontinues recognizing its share of further losses. If the Group has incurred obligations to assume additional losses for the investee, the Group shall recognize a liability and relevant loss in current period. If the investee subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

For any long-term equity investment in its associate or joint venture held before initial application of the new accounting standards, the Group recognizes the amortized amount of the existing debit balance of the investment, using straight-line method over the original remaining term, in profit or loss.

③ Purchase of Non-Controlling Interests

In preparation of consolidated financial statements, difference between (a) the increase in long-term equity investments due to purchase of non-controlling interests and (b) the Group's newly acquired share in the investee's net assets calculated since acquisition date (or combination date) shall adjust capital reserve, and then adjust retained earnings if capital reserve balance is reduced to zero.

④ Disposal of Long-term Equity Investments

In the consolidated financial statements, for the partial disposal of long-term equity investments without losing control of the subsidiary, the difference between consideration received and the proportionate share of the subsidiary's net assets for the disposed investments shall be recognized in equity; for the partial disposal of long-term equity investments that results in loss of control of the subsidiary, see Note IV-5. "Preparation Method of Consolidated Financial Statements" - (2) for the accounting treatment.

In other circumstances of disposal of long-term equity investments, the difference between the carrying amount of the disposed investments and the consideration received shall be recognized in profit or loss.

After the disposal of long-term equity investments accounted for using equity method, if the equity method still applies for the investments retained, the Group shall account for the proportionate amounts previously recognized in other comprehensive income on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. Any equity previously recognized for changes of investee's equity excluding changes in investee's net profit or loss, other comprehensive income and profit distribution, is proportionately reclassified to profit or loss.

After the Group disposes long-term equity investments measured at cost, if the investments retained are still measured at cost, the Group shall account for the amounts previously recognized in other comprehensive income, that are recognized according to equity method or recognition and measurement requirements of financial instruments before the Group obtains control of the investee, on the same basis as would have been required if the investee had directly disposed of related assets or liabilities, and the proportionate amounts shall be reclassified to profit or loss; any equity previously recognized under equity method for changes of investee's equity excluding changes in investee's net profit or loss, other comprehensive income and profit distribution, is proportionately reclassified to profit or loss.

After the Group loses control of an investee due to partial disposal of equity investments, if the Group has joint control of, or significant influence over, the investee, the Group shall account for the investments retained using equity method in its individual financial statements, and apply equity method retrospectively to the date of acquisition; if the Group has neither joint control of, nor significant influence over, the investee, the Group shall account for the investments retained according to the recognition and measurement requirements of financial instruments, the difference between the fair value and carrying amount of the investments retained shall be recognized in profit or loss when the control is lost. When the Group loses control of the investee, the Group shall account for the amounts previously recognized in other comprehensive income, that are recognized according to equity method or recognition and measurement requirements of financial instruments before the Group obtains control of the investee, on the same basis as would have been required if the investee had directly disposed of related assets or liabilities; any equity previously recognized under equity method for changes of investee's equity excluding changes in investee's net profit or loss, other comprehensive income and profit distribution, is reclassified to profit or loss when the control is lost. If the investments retained are accounted for using equity method, the above-mentioned other comprehensive income and equity are proportionately reclassified; if the investments retained are accounted for according to the recognition and measurement requirements of financial instruments, the above-mentioned other comprehensive income and equity are reclassified in full.

After the Group loses joint control of, or significant influence over, the investee due to partial disposal of equity investments, the retained investments are accounted for according to the recognition and measurement requirements of financial instruments, the difference between the fair value and carrying amount of the investments retained shall be recognized in profit or loss when the joint control or significant influence is lost. When the Group discontinues the use of the equity method, the Group shall account for the amounts previously recognized in other comprehensive income in relation to that investment on the same basis as would have been required if the investee had directly disposed of related assets or liabilities; any equity previously recognized under equity method for changes of investee's equity excluding changes in net profit or loss, other comprehensive income and profit distribution, is reclassified in full to profit or loss.

If the Group loses control of a subsidiary in two or more arrangements, and the multiple arrangements should be accounted for as a single transaction, the Group recognizes the arrangements as a single transaction that results in loss of control of the subsidiary; before loss of control, the difference of consideration received and the share of the carrying amount of long-term equity investments for the disposed investments in each arrangement shall be recognized in other comprehensive income, and the cumulative amount shall be reclassified to profit or loss when control is lost.

(3) Recognition and Measurement of Impairment

For recognition and measurement of impairment of long-term equity investments, see Note IV-21 "Impairment of Non-current and Non-financial Assets".

14. Investment Properties

Investment property is held to earn rentals or for capital appreciation or both, which includes leased land use rights, land use rights readily transferable after capital appreciation, and leased buildings, etc. In addition, if the board of directors (or equivalent body) has a written resolution on a vacant building held to be leased out, and it is clearly stated that the building will be leased out and that intention will not change in the short-term, the building shall be presented as an investment property.

An investment property is measured initially at its cost. When (a) it is probable that the future economic benefits that are associated with the investment property will flow to the Group, and (b) the cost can be measured reliably, costs incurred subsequently in relation to the investment property shall be recognized in the cost of investment property when incurred. All other costs incurred subsequently shall be recognized in profit or loss when incurred.

The Group chooses cost model for subsequent measurement of investment property. the depreciation or amortization methods applied to the investment property shall be consistent with those of properties and buildings or land use rights.

For impairment test and measurement of impairment, see Note IV-21 "Impairment of Non-current and Non-financial Assets".

A transfer from owner-occupied property or inventories to investment property, or a transfer from investment property to owner-occupied property, does not change the carrying amount of the property transferred.

When there is a change in use to owner-occupation, from that date, the Group shall transfer the investment property to fixed asset or intangible asset. When there is change in use from owner-occupation to earning rentals or capital appreciation, from that date, the Group shall transfer the fixed asset or intangible asset to investment property. If an owner-occupied property becomes an investment property measured using cost model, the property shall be accounted for at its previous carrying amount before the transfer occurs. If an owner-occupied property becomes an investment property that will be carried at fair value, the property shall be accounted for at fair value on the date of transfer.

An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from sales, transfer, retirement of investment property shall be determined as the difference between (a) the net disposal proceeds and (b) the carrying amount of the asset and related taxes and surcharges shall be recognized in profit or loss.

15. Fixed Assets

(1) Recognition

Fixed assets are tangible items that: a) are held for use in the production or supply or goods or services, for rental to others, or for administrative purposes; and b) are expected to be used during more than one financial year. A fixed asset shall be recognized only when (a) it is probable that future economic benefits associated with the item will flow to the Group, and (b) the cost of the item can be measured reliably. A fixed asset is recognized at cost on initial recognition, also taking into consideration of its estimated dismantlement, removal and restoration costs.

(2) Classification, Measurement, and Depreciation

From the subsequent month after a fixed asset gets ready for its intended use, the Group depreciates the fixed asset on a monthly basis over its useful life. Useful life, residual value rate, and annual depreciation rate for each class of fixed assets are as follows:

Class of fixed assets	Depreciation method	Useful life	Residual value rate (%)	Annual depreciation rate (%)
Buildings	straight-line depreciation	20-30	5	4.75-3.17
Machinery and equipments	straight-line depreciation	10-12	5	9.50-7.92
Transport equipments	straight-line depreciation	5	5	19.00
Office supplies	straight-line depreciation	5	5	19.00
Electronic equipments	straight-line depreciation	5	5	19.00

Residual value is the estimated amount that the Group would currently obtain from disposal of the fixed asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

(3) Impairment Test and Measurement of Impairment

For impairment test and measurement of impairment of fixed assets, see Note IV-21 "Impairment of Non-current and Non-financial Assets".

(4) Others

Subsequent costs incurred for a fixed asset are recognized in the carrying amount of the fixed asset if (a) it is probable that future economic benefits associated with the asset will flow to the entity and (b) the costs can be measured reliably; and the carrying amount of the replaced parts of the asset is derecognized. Otherwise, subsequent costs are recognized in profit or loss as incurred.

The carrying amount of a fixed asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The difference between (a) the net disposal proceeds arising from sales, transfer, retirement of the asset and (b) the carrying amount of the fixed asset and related taxes and surcharges is recognized in profit or loss when the asset is disposed.

The Group reviews the useful lives, residual values and depreciation methods applied to fixed assets at least at each financial year-end; any change is accounted for as a change in accounting estimate.

16. Construction in Progress

Construction in progress is measured at cost, which includes costs of construction during the construction period, borrowing costs capitalized before the asset gets ready for intended use and other relevant costs. Construction in progress is recognized as fixed asset when it is ready for intended use.

For impairment test and measurement of impairment of construction in progress, see Note IV-21 "Impairment of Non-current and Non-financial Assets".

17. Borrowing Costs

Borrowing costs include interest expense, amortization of discounts or premiums, ancillary expenses incurred in connection with the borrowing of funds, and exchange differences arising from foreign currency borrowings, etc. The Group begins capitalizing borrowing costs, which are directly attributable to the acquisition, construction or production of a qualifying asset, on the date when the Group first meets all of the following conditions: (a) it incurs expenditures for the asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. The Group ceases capitalizing borrowing costs when the qualifying asset gets ready for its intended use or sale. Other borrowing costs are recognized as an expense in the period in which they are incurred.

If the Group borrows funds specifically for the purpose of obtaining a qualifying asset (specific-purpose borrowings), the amount of borrowing costs eligible for capitalization is the actual interest expense incurred on that borrowing for the period less any interest income from depositing the unused borrowings or any investment income on the temporary investment of those borrowings. If the Group borrows funds generally (general-purpose borrowings) and uses them for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by applying a capitalization rate to the expenditures on that asset. The expenditures on that asset shall be calculated as the weighted average of the excess of accumulated expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is calculated as the weighted average of the interest rates applicable to general-purpose borrowings of the Group.

During the capitalization period, exchange differences in connection with a specific-purpose borrowing denominating in foreign currency are all capitalized. Exchange differences in connection with a general-purpose borrowing are recognized in profit or loss as incurred.

A qualifying asset is a fixed asset, an investment property, or an inventory that necessarily takes a substantial period of time of acquisition, construction or production activities to get ready for its intended use or sale.

The Group suspends capitalization of borrowing costs during periods in which the acquisition, construction or production of a qualifying asset is delayed by activities other than those necessary to prepare the asset for its intended use or sale, and the delay is for a continuous period of more than 3 months; the Group resumes capitalization of borrowing costs after it restarts the acquisition, construction or production activities of the qualifying asset.

18. Right-of-use assets

For the determination method and accounting treatment method of the usufruct assets in 2021, please refer to Note 4, 31 "Lease".

19. Intangible Assets

(1) Recognition and Measurement of Intangible Assets

Intangible assets are identifiable non-monetary assets without physical substance, which are possessed or controlled by the Group. The company's intangible assets refer to the non-monetary assets such as land use rights, sea area use rights, reservoir land use rights, software and other non-monetary assets owned or controlled by the company.

The intangible assets are initially measured at cost. Expenditure on the intangible assets, if it is probable that the expected economic benefits that are attributable to the assets will flow to the entity, and the cost of the assets can be measured reliably, shall be included in the cost of the intangible assets. Expenditure other than these shall be included in profit or loss as incurred.

The land use right is usually recognized as intangible asset. For buildings such as plants that are developed and constructed by the Group, relevant land use rights and buildings are recognized as intangible assets and fixed assets respectively. For purchased buildings, the payments shall be reasonably allocated to land use right and buildings, if it is difficult to allocate reasonably, then all are treated as fixed assets.

(2) Amortization of Intangible Assets

For the intangible asset with a finite useful life, when it is available for use, its original value less estimated residual value and accumulative impairment shall be amortized using straight line method over its useful life. The intangible asset with an indefinite useful life shall not be amortized.

The useful life and amortization method of intangible asset with a finite useful life shall be reviewed at period end, and the change is accounted for as a change in accounting estimate. The useful life of the intangible asset with an indefinite useful life shall be reviewed as well, if there is evidence showing a foreseeable limit to the period over which such asset is expected to generate economic benefits for the entity, it, over its estimated useful life, shall be amortized according to the policy for intangible asset with a finite useful life.

(3) Research and Development Expenditure

The internally generated research and development expenditure is divided into expenditure for the research phase and for the development phase.

Expenditure on the research phase shall be included in profit or loss when it is incurred.

Expenditure on the development phase shall be recognized as intangible asset if the Group can demonstrate all of the following; otherwise, it shall be included in profit or loss:

①The technical feasibility of completing the intangible asset so that it will be available for use or sale;

②Its intention to complete the intangible asset and use or sell it;

③How the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

④The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;

⑤Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

If research expenditure cannot be distinguished from development expenditure, all expenditure will be recorded in profit or loss as a whole.

(3) Impairment Test and Measurement of Impairment for Intangible Assets

Please see Note IV-21 "Impairment of Non-current and Non-financial Assets".

20. Long-term Prepaid Expenses

The long-term prepaid expenses are expenses which have been paid but will be amortized within the period over one year, including the current reporting period during which the expenses were incurred and the subsequent reporting period(s). Long-term prepaid expenses are amortized on a straight-line basis over the expected benefit period.

21. Impairment of Non-current and Non-financial Assets

For fixed assets, construction in progress, intangible assets with finite useful lives, investment property measured at cost model, long-term equity investment on subsidiaries, joint-ventures or associates, goodwill and other non-current and non-financial assets, the Group assesses at the reporting date whether there is any indication that the asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset and carries out impairment test. Goodwill, intangible assets with indefinite useful lives or intangible assets not yet available for use will be tested for impairment annually, irrespective of whether there is any indication of impairment.

If impairment test shows that the recoverable amount of the asset is less than its carrying amount, the difference shall be recorded as loss allowance and recognized as impairment loss. The recoverable amount of the asset is the higher of its fair value less costs of disposal and its present value of expected future cash flows. The fair value of the asset is determined by price as agreed in the sales agreement in an arm's length transaction. Where there is no sales agreement, but there is active market, the fair value is determined by the quoted price by the buyer of the asset. Where there is neither sales agreement nor active market, the fair value is estimated based on the best information available. Costs of disposal include legal costs, related taxes and surcharges, costs of removing the asset, and direct incremental costs to bring the asset into condition for its sale. Present value of the expected future cash flow is calculated by estimating the future cash flows to be derived from continuing use of the asset and from its ultimate disposal, and applying the appropriate discount rate to those future cash flows. Impairment is calculated and recognized for the individual asset, if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the cash-generating unit to which the said asset belongs. A cash-generating unit is the smallest group of assets that generates cash inflows that are independent of the cash inflows from other assets or groups of assets.

For the purpose of impairment testing, the carrying amount of the goodwill presented separately in the financial statement is allocated to each of the cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination. The impairment loss is recognized for the cash-generating unit or group of the cash-generating units to which goodwill has been allocated if the recoverable amount of the unit (group of units) is less than the carrying amount of the unit (group of units). The impairment loss is allocated to first reduce the carrying amount of the goodwill allocated to the cash-generating unit (group of units), and then, to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units).

Above impairment loss, once recognized, shall not be reversed in a subsequent period.

22.Contract Liabilities

Contract liabilities refer to the company's obligation to transfer goods to customers after receiving or receivable consideration from customers. If the customer has paid the contract consideration or the company has obtained the unconditional right to receive payment before the company transfers the goods to the customer, the company shall, at the earlier point of time when the customer actually pays the amount and the amount due and payable, shall pay the amount received or payable. Receivables are presented as contract liabilities. Contract assets and contract liabilities under the same contract are presented on a net basis, and contract assets and contract liabilities under different contracts are not offset.

23.Employee Benefits

The employee benefits of the Group include short-term employee henefits, post-employment benefits, termination benefits and other long-term employee benefits.

Short-term employee benefits include salaries, bonuses allowances and subsidies, welfare, health insurance, maternity insurance. work injury insurance, housing funds, labor union funds, employee education funds, and other non-monetary benefits. The actual short-term employee benefits for the accounting period when the employee has rendered service to the Group are recognized as liability, and recorded in profit or loss or in the cost of related asset. The non-monetary benefits are measured at fair value.

Post-employee benefits include basic pensions, unemployment insurance and annuity. Post-employee benefit plans include defined contribution plan, and defined benefit plan. Under defined contribution plan, the contribution payable is recorded in the cost of related asset or in the profit or loss as incurred. The Group adopts a defined benefit plan benefit unit method. Under such defined benefit plan, the Group hires an independent actuary, using the projected unit credit method, and unbiased and mutually compatible actuarial assumption to make estimates about demographic variables and financial variables and determine the defined benefit obligations and the reporting periods that the obligations shall be recognized. At the reporting date, the Group shall present the present value of the defined benefit obligations, and recognize the current service cost in profit or loss.

In the event that the Group decides to terminate an employee's employment before the contract is expired, or the Group offers benefits in exchange of an employee's decision to accept the redundancy, the liabilities related to the termination benefits shall be recognized at the earlier date when the Group cannot unilaterally withdraw the offer of those benefits, and when the Group recognizes costs for restructuring and involves the payment of termination benefits, and recorded in profit or loss. If the termination benefits are not expected to be settled wholly before twelve months after the end of the annual reporting period, the Group shall apply the requirements for other long-term employee benefits.

Same principle as above termination benefits shall be applied for early retirement plan of employee. The Group recognizes the compensation and social security contributions payable to the employee under the early retirement plan for the period since the date when the employee no longer renders any service till the normal retirement date in profit or loss (termination benefit), only if the criteria for recognition of provisions is met.

Other long-term employee benefits the Group offers, if meeting the requirements for defined contribution plan, shall be accounted for as defined contribution plan accordingly. Otherwise, accounting treatment of defined benefit plan shall be applied.

24. Bonds Payable

The Group accounts for its non-convertible corporate bond as liability at the amount actually received (less relevant transaction fees); the difference between the amount actually received from the issuance of the bond and total par value of the bond, as premium or discount of the bonds, shall be amortized at [effective interest rate/nominal interest rate] over the duration in accrued interest, and shall be accounted for in accordance with the same standards as borrowing costs.

The Group accounts for its convertible corporate bond separately as liability component and equity component at initial recognition. The liability component shall be initially recognized at its fair value which is determined first, the equity component is initially recognized at issue price of the bond (less relevant transaction costs) less amount initially recognized for the liability component.

25. Lease Liabilities

For the determination method and accounting treatment method of lease liabilities in 2021, please refer to Note IV.31 "Lease".

26. Estimated Liabilities

An obligation related to contingencies is recognized as an expected liability if it simultaneously meets the following conditions :(1) the obligation is a current obligation of the company; (2) the performance of the obligation is likely to result in outflow of economic benefits; (3) The amount of the obligation can be measured reliably.

At the balance sheet date, the projected liability is measured at the best estimate of the expenditure required to fulfill the relevant current obligation, taking into account the risks, uncertainties and time value of money associated with the contingencies.

If all or part of the expenses required to repay the estimated liabilities are expected to be compensated by a third party, the amount of compensation shall be recognized separately as an asset when it is basically determined to be received, and the amount of compensation recognized shall not exceed the book value of the estimated liabilities.

27.Revenue

The Group shall recognize the consideration received as revenue when the customer obtains control of promised goods or services if the contract with customer meets all of the following criteria : the parties to the contract have approved the contract and are committed to perform their respective obligations; each party's rights and obligations regarding the goods or services to be transferred are identified; the payment terms for the goods or services to be transferred are identified; the contract has commercial substances, i.e. the risk, timing or amount of the Group's future cash flow is expected to change as a result of the contract; it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

At contract inception, the Group shall identify every single performance obligation in the contract, and allocate the transaction price in proportion to each performance obligation based on the stand-alone selling prices of the promised goods or services underlying each obligation. When determining the transaction price, the Group shall consider the effects of variable consideration, the existence of a significant financing component in the contract, non-cash consideration and consideration payable to a customer.

For each of the performance obligation, the Group shall recognize the revenue over time at an amount of transaction price allocated to that performance obligation based on its progress towards complete satisfaction of the performance obligation, If one of the following criteria is met: a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; b) the Group's performance creates work in progress that the customer controls as it is created; and c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Progress towards complete satisfaction of a performance obligation is measured in accordance with input methods or output methods based on the nature of the goods or services to be transferred. If the Group may not be able to reasonably measure the progress towards complete satisfaction of a performance obligation, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group shall recognize revenue only to the extent of the costs incurred until such time that it can reasonably measure the progress towards complete satisfaction of that performance obligation.

If any of above criteria is not satisfied, the Group shall recognize revenue at an amount of transaction price allocated to the performance obligation at a point in time at which the customer obtains control of the promised goods or services. In determining the point in time at which a customer obtains control of the promised goods or services, the Group shall consider following indicators: a) the Group has a present right to payment for the promised goods or services, i.e. the customer is presently obliged to pay for such goods or services; b) the Group has transferred the legal title of the promised goods or services to the customer, i.e. the customer has legal tile to such goods or services; c) the Group has transferred physical possession of the promised goods or services, i.e. the customer has physical possession of such goods or services; d) the Group has transferred the significant risks and rewards of ownership of the promised goods or services to the customer, i.e. the customer has the significant risks and rewards of ownership of such goods or services; and e) the customer has accepted the promised goods or services, and other indicators of the transfer of control.

The company provides construction services to customers, and the commitment in the contract constitutes a single performance obligation. The company recognizes revenue during the construction period according to the performance progress, which is determined by the input method based on the proportion of accumulated incurred costs to the total expected contract costs.

The company's infrastructure construction business usually only includes the performance obligation of delivering the developed products. When the construction cost of the developed products is confirmed with the client, the control of the developed products is transferred, and the Company recognizes the realization of revenue at this point. The credit periods granted to customers by the Company are generally consistent with industry practice and there is no significant financing component.

28. Contract Costs

The incremental cost incurred by the Company in obtaining the contract, which is expected to be recovered, shall be recognized as an asset as the cost of obtaining the contract. However, if the amortization period of the asset does not exceed one year, the current profit or loss is recorded at the time of occurrence.

The cost incurred to perform the contract is recognized as an asset if it does not fall within the standard scope of accounting standards for enterprises other than Accounting Standards for Business Enterprises No. 14 - Revenue (revised in 2017) and simultaneously satisfies the following conditions: (1) The cost is directly related to a current or prospective contract, including direct labor, direct materials, manufacturing costs (or similar), costs expressly borne by the customer and other costs incurred solely as a result of the contract; (2) The cost increases the company's resources for future performance obligations; ③ The cost is expected to be recovered.

Assets related to contract costs are amortized on the same basis as commodity revenue recognition related to the assets and recorded in current profit and loss.

29. Government Grants

Government grants refer to monetary grants and non-monetary grants the Group receives from the government for free, excluding the capital invested by the government as an investor and in return the government can enjoy the corresponding owner's equity. Government grants involve grants related to assets and grants related to income. Monetary government grants shall be measured at the amount received or expected to be received. Non-monetary government grants shall be measured at fair value, and otherwise measured at nominal amount if the fair value cannot be reliably obtained. Government grants measured at nominal amount shall be recognized directly in profit or loss. The company defines the government subsidies obtained for the acquisition, construction or other forms of long-term assets as government subsidies related to the assets; The remaining government subsidies are defined as government subsidies related to income. If the object of subsidy is not clearly specified in the government documents, the subsidy shall be divided into government subsidy related to income and government subsidy related to assets in the following ways: (1) If the government documents clearly define the specific project for which the subsidy is targeted, the division shall be made according to the relative proportion of the expenditure amount of assets formed and the expenditure amount recorded into expenses in the budget of the specific project. The division proportion shall be reviewed on each balance sheet date and changed if necessary; (2) If the purpose is only generally stated in government documents without specifying specific projects, it shall be regarded as government subsidies related to income.

The company will confirm and measure the government subsidy according to the actual amount when it is actually received. However, if there is conclusive evidence at the end of the period that it can meet the relevant conditions stipulated by the financial support policy and is expected to receive the financial support fund, it shall be measured according to the amount receivable. The government subsidies measured according to the amount of receivables shall also meet the following conditions :(1) the amount of receivables has been confirmed by the competent government department in a document, or can be reasonably calculated according to the relevant provisions of the officially issued financial fund management measures, and it is expected that there is no major uncertainty in the amount; (2) is based on the local financial department formally issued and shall be in accordance with the provisions of the government information disclosure regulations and active public project and its financial support measures for the management of financial funds, and the management measures should be universality (any conform to the requirements as prescribed in the enterprise application), rather than specific to a particular enterprise set; (3) The appropriation period has been clearly promised in the relevant subsidy approval document, and the appropriation of the money is guaranteed by the corresponding financial budget, so it can be reasonably guaranteed to be received within the specified period; (4) Other relevant conditions (if any) to be met according to the specific situation of the Company and the subsidy item.

Government subsidies related to assets shall be recognized as deferred income, and shall be recorded into current profits and losses by stages in a reasonable and systematic way during the service life of relevant assets. Government subsidies related to income, used to compensate for related costs or losses in subsequent periods, shall be recognized as deferred income, and shall be recorded into current profit and loss during the period in which related costs, expenses or losses are recognized; Compensation for incurred costs or losses shall be directly recorded into current profits and losses.

If the government grants comprise both grants related to assets and grants related to income, the Group shall treat them separately, and if they cannot be distinguished from each other, they shall be accounted for as government grants related to income as a whole.

Government grants related to the daily operation of the Group shall be recognized in other income or by deducting related costs based on the nature of such economic business. Government grants unrelated to daily operation shall be recognized in non-operating revenue or expenses.

When the government grants become repayable, repayment of such grants shall be applied first against the remaining amount of deferred income recognized in respect of the grants. To the extent that the repayment exceeds any such deferred income, the repayment shall be recognized in profit or loss. For other conditions, the repayment shall be recognized immediately in profit or loss.

30. Deferred Tax Assets and Deferred Tax Liabilities

(1) Current income tax

On the balance sheet date, the current income tax liabilities (or assets) formed in the current and previous periods are measured at the amount of income tax that is expected to be paid (or returned) calculated in accordance with the provisions of the tax law. The taxable income on which the current income tax expenses are calculated is calculated after corresponding adjustments to the pre-tax accounting profits of the reporting period in accordance with the provisions of the relevant tariff laws.

(2)Deferred Tax Assets and Deferred Tax Liabilities

For temporary differences between the carrying amount and tax base of certain assets or liabilities, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the "balance sheet liability method".

The deferred tax liability shall not be recognized if it relates to the initial recognition of goodwill or the taxable temporary differences related to the initial recognition of assets or liabilities arising from a transaction that is neither a business combination nor occurs and does not affect accounting profit and taxable income (or deductible losses). In addition, the deferred income tax liabilities related to taxable temporary differences related to investments of subsidiaries, associated enterprises and joint ventures shall not be recognized if the Company can control the time when the temporary differences are reversed and such temporary differences are unlikely to be reversed in the foreseeable future.In addition to the above exceptions, the Company acknowledges all other taxable temporary differences arising from deferred tax liabilities.

The deferred tax assets shall not be recognized for the deductible temporary differences that are related to the initial recognition of assets or liabilities arising from transactions that are neither a business combination nor occur and do not affect accounting profits and taxable income (or deductible losses). In addition, the deferred tax assets related to the deductible temporary differences related to investments of subsidiaries, associated enterprises and joint ventures shall not be recognized if the temporary differences are not likely to be reversed in the foreseeable future or the taxable income amount used to offset the deductible temporary differences is not likely to be obtained in the future. In addition to the above exceptions, the Company shall recognize the deferred tax assets arising from other deductible temporary differences to the limit of the taxable income amount that is likely to be obtained to offset the deductible temporary differences.

For the deductible losses and tax deductions that can be carried forward in the following years, the corresponding deferred tax assets shall be recognized to the limit of the future taxable income that is likely to be used to offset the deductible losses and tax deductions.

On the balance sheet date, the deferred income tax assets and deferred income tax liabilities shall be measured according to the applicable tax rates during the expected collection of related assets or repayment of related liabilities according to the provisions of the tax law.

On the balance sheet date, the book value of the deferred income tax asset is reviewed. If it is likely that sufficient taxable income amount cannot be obtained to offset the benefits of the deferred income tax asset in the future, the book value of the deferred income tax asset will be written down.When it is likely to obtain sufficient taxable income, the amount written down shall be reversed.

(3) Income tax expense

Income tax expenses include current income tax and deferred income tax.

Except that the current income tax and deferred income tax related to transactions and events recognized as other comprehensive income or directly included in shareholders' equity are included in other comprehensive income or shareholders' equity, and the book value of goodwill adjusted by deferred income tax arising from business combinations, the rest current income tax and deferred income tax expenses or income are included in the current profit and loss.

(4) Offset of income tax

When it has the statutory right to settle on a net and intends to settle on a net or acquire assets and pay off liabilities at the same time, the company's current income tax assets and current income tax liabilities are presented at the net amount after offsetting.

When it has the statutory right to settle current income tax assets and current income tax liabilities on a net basis, and the deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax administration department on the same taxpayer or related to different taxpayers, However, in the period during which important deferred income tax assets and liabilities are reversed in the future, when the taxpayer involved intends to settle the current income tax assets and liabilities on a net basis or obtain assets and settle liabilities at the same time, the company's deferred income tax assets and deferred income tax liabilities are presented at the net amount after offsetting.

31.Leases

A lease is a contract that conveys the right to control the use of an identified asset or assets for a period of time in exchange for consideration. At inception of a contract, the Group assesses whether the contract is, or contains, a lease.

(1) The Group as the Lessee

The major class of the leased assets is Properties and buildings,Machinery equipment etc..

①Initial Measurement

At the commencement date, the Group recognizes the right to use the underlying asset during the lease term as right-of-use asset, and recognizes lease liability excluding short-term leases and leases of low-value assets at the present value of the lease payments that are not paid a that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

② Subsequent Measurement

The Group applies the depreciation requirements in Accounting Standards for Business Enterprises No. 4 – Fixed Assets (see Note IV-5 "Fixed Assets") in depreciating the right-of-use asset. If it is reasonably certain that the Group will obtain the ownership of the underlying asset by the end of lease term, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the lease term or the end of the useful life of the right-of-use asset.

The Group uses constant periodic rate of interest to calculate the interest on the lease liability in each period during the lease term, and recognizes the amount in profit or loss or in carrying amount of relevant asset. Variable lease payments not included in the measurement of the lease liability are recognized in profit or loss or in carrying amount of relevant asset when those payments occur.

After the commencement date, when there are changes in (a) in-substance fixed payments, (b) expected payments of guaranteed residual value, (c) index or rate in measurement of lease payments, or (d) results of assessment or exercise of options to purchase the underlying asset or options to extend or terminate the lease, the Group remeasures the lease liability at present value of the lease payments after the changes, and recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognizes any remaining amount of the remeasurement in profit or loss.

③Short-term Leases and Leases of Low-value Assets

For short-term leases (lease term of 12 month or less) and leases of low-value assets, a simplified method is adopted. Instead of recognizing right-of-use asset and lease liability, the Group recognizes the lease payments associated with those leases as an expense or in carrying amount of relevant assets on either a straight-line basis over the lease term or another systematic basis.

(2) The Group as the Lessor

At the commencement date, the Group classifies each of its leases as either an operating lease or a finance lease, based on the substance of the transaction. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset. An operating lease is a lease other than a finance lease.

① Operating Leases

The Group recognizes lease payments from operating leases as income on a straight-line basis over the lease term. Variable lease payments not included in measurement of the lease payments from operating leases shall be recognized in profit or loss when occur.

②Finance Leases

At commencement date, the Group recognizes a receivable under a finance lease, and derecognizes the underlying assets. At initial measurement, the receivable is an amount equal to the net investment in the lease (i.e., present value of the sum of unguaranteed residual value and lease payments that are not received at the commencement date, discounted at the interest rate implicit in the lease). The Group recognizes interest income over the lease term based on constant periodic interest rate. Income relating to variable lease payments not included in the measurement of the net investment in the lease shall be recognized in profit or loss when occurs.

32. Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Regardless that the fair value is observed or estimated using the valuation techniques, the fair value used for measurement and/or disclosed in this financial statement is determined on this basis.

(1) Assets and Liabilities Measured at Fair Value

At the year end, the assets measured at fair value mainly include Investment in other equity instruments.

(2) Valuation Techniques

When determining the fair value used to measure assets or liabilities, the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other supporting information are available to measure fair value. The valuation techniques used are the market approach, the income approach and the cost approach. The Group uses valuation techniques consistent with one or more of those approaches to measure fair value, the results shall be evaluated considering the reasonableness of the range of values indicated by those results, and the fair value selected by the Group is the one within that range that is most representative of fair value in the circumstances.

Fair value measurement is categorized into three levels based on whether the inputs are observable, and how important are the inputs to the fair value measurement as a whole:

Level 1 inputs are quoted prices (unadjusted) in active markets for the identical assets or liabilities that the Group can access at the measurement date. Active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active; (c) inputs other than quoted prices that are observable for the asset or liability, for example, interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads; and (d) market-corroborated inputs. Level 3 inputs are unobservable inputs for the asset or liability. The Group only uses Level 3 inputs to the extent that relevant observable inputs are not available, thereby allowing for situation in which there is little, if any, market activity for the asset or liability at the measurement date.

When measuring the assets and liabilities at fair value, the Group gives the highest priority to use Level 1 inputs, followed by Level 2 inputs and Level 3 inputs.

(3) Accounting Treatment

For assets or liabilities measured at fair value, whether the Group shall recognize the changes in fair value in profit or loss or in other comprehensive income, shall be guided by relevant accounting standards under which the Group is required or allowed to measure or disclose such assets or liabilities at fair value, please see Note VI for other relevant information.

33, other important accounting policies and accounting estimates

(1) Termination of business

Termination refers to the component which has been disposed of or classified as held for sale by the Company and which can be separately distinguished in the operation and preparation of financial statements, meeting one of the following conditions: (1) The component represents an independent major business or a major operating region; (2) The component is part of a proposed disposal plan for a separate major business or a major operating region; ③ This component is a subsidiary acquired only for resale.

The accounting treatment for termination of operations is described in note IV, 12 "Assets held for Sale and Disposal Section".

34.Changes in Accounting Policies, Accounting Estimates, and Correction of Errors

(1) Changes in Accounting Policies

① Accounting policy changes resulting from the implementation of the new financial instrument standards

On March 31, 2017, the Ministry of Finance issued the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of financial instruments (2017 Revision) (Accounting Standards for Business Enterprises No. 23 - Transfer of financial assets (2017 revision) (Accounting Standards for Business Enterprises [2017] No. 8), accounting Standards for Business Enterprises No. 24 - set Period accounting (2017 revision) (accounting [2017] No. 9), in May 2, 2017 issued the accounting Standards for Business Enterprises No. 37 - Presentation of financial instruments (2017 revision) (accounting [2017] No. 14) (hereinafter referred to as the "new financial instrument standards"). Unlisted enterprises required to implement the accounting standards for business enterprises will be subject to the new financial instrument standards from January 1, 2021.

Subject to the resolution of the Board of Directors of the Company, the Company will commence the implementation of the foregoing new financial instrument criteria on January 1, 2021.

All recognized financial assets under the new financial instruments standard are subsequently measured at amortized cost or fair value. On the implementation date of the new standards for Financial Instruments, the business model of financial assets under management shall be evaluated based on the existing facts and conditions of the company at that date, and the characteristics of contractual cash flow on the financial assets shall be evaluated based on the facts and conditions of the initial recognition of the financial assets, and the financial assets shall be divided into three categories: It is measured at amortized cost, measured at fair value and its changes are included in other comprehensive income, and measured at fair value and its changes are included in current profit and loss. For equity instrument investment measured at fair value and recorded into other comprehensive income, when the recognition of the financial asset is terminated, the accumulated gains or losses previously recorded into other comprehensive income will be transferred from other comprehensive income to retained income, not recorded into current profit and loss.

Under the new financial instrument standard, the Company, on the basis of expected credit losses, makes provision for impairment and recognizes credit impairment losses for financial assets measured at amortized cost, debt instrument investments measured at fair value through other comprehensive income, lease receivables, contract assets and financial guarantee contracts.

The Company retroactively applies the new financial instrument Standard, but chooses not to restate the classification and measurement (including impairment) that involve the inconsistency between the data in the previous comparative financial statements and the new financial instrument standard. Therefore, for the cumulative impact of the first implementation of the standards, the Company adjusts the amount of retained earnings or other comprehensive income at the beginning of 2021 and other relevant items in the financial statements, which are not restated in the financial statements for the year 2020.

The main changes and implications of the implementation of the new financial Instruments Standard for the Group are as follows:

--On and after January 1, 2021, the Company designates part of its non-tradable equity investments as financial assets measured at fair value and whose changes are included in other comprehensive income, and presents them as investments in other equity instruments.

-- The income of certain financial products, trust products, equity proceeds and asset management plans held by the Company depends on the rate of return of the underlying assets, which were originally classified as financial assets available for sale. Since its contract cash flow is not only the payment of principal and interest based on outstanding principal, the Company reclassified it as a financial asset measured at fair value and recorded its changes in current profit and loss on and after January 1, 2021, and presented it as a trading financial asset.

-- A portion of the debt instrument held by the Company that is available for sale, the cash flow generated on a particular date is only the payment of principal and interest based on the outstanding principal amount, and the Company's business model for managing the financial asset is both the collection of contractual cash flows and the sale of the financial asset, The Company reclassified them from financial assets available for sale to other debt investments on and after January 1, 2021.

-- The company in the daily cash management will be part of the bank acceptance bill endorsement or discount, cash flow for a contract and to sell financial assets as the goal, therefore, the company after January 1, 202 and categorizing the notes receivable, such as heavy as the fair value and whose fluctuations are included in other comprehensive income financial asset classes, presentation of accounts receivable financing.

-- In daily fund management, the Company sells some of the receivables of specific customers through non-recourse factoring. For the receivables of specific customers, the company aims at both collecting contract cash flow and selling financial assets. Therefore, on and after January 1, 2021, the Company reclassified the receivables of such specific customers as measured at fair value and recorded the changes in other comprehensive income financial asset classes and reported them as accounts receivable financing or other debt investment.

A. Comparison table of classification and measurement of financial assets before and after the initial implementation date

a. Impact on consolidated financial statements

31/12/2020 (Before the change)			1/1/2021 (After the change)		
Items	Metering category	Book value	Items	Metering category	Book value
Available-for-sale financial assets	Measured at cost (equity instruments)	47,947,700.00	Other equity instrument investments	Fair value through other comprehensive income	38,947,700.00
			Long-term equity investments		9,000,000.00

b. Impact on the company's financial statements

31/12/2020 (Before the change)			1/1/2021 (After the change)		
Items	Metering category	Book value	Items	Metering category	Book value
Available-for-sale financial assets	Measured at cost (equity instruments)	38,947,700.00	Other equity instrument investments	Fair value through other comprehensive income	38,947,700.00

B. Adjustment table of which the book value of the original financial assets is adjusted to the book value of the new financial assets classified and measured according to the provisions of the new financial instrument standards on the date of initial application

a. Impact on consolidated financial statements

Items	31/12/2020 (Before the change)	rearrange	re-measure	1/1/2021 (After the change)
Fair value through other comprehensive income:				
Available-for-sale financial assets (The original code)	47,947,700.00			

55

Items	31/12/2020 (Before the change)	rearrange	re-measure	1/1/2021 (After the change)
Minus: transfer out to other equity instrument investments		38,947,700.00		
Minus: transfer out to long-term equity investments		9,000,000.00		
Balance presented under the new Financial Instruments Criteria				—
Other equity instrument investments	—			
Plus: transfer from financial assets available for sale (original criteria)		38,947,700.00		
Balance presented under the new Financial Instruments Criteria				38,947,700.00

b. Impact on the company's financial statements

Items	31/12/2020 (Before the change)	rearrange	re-measure	1/1/2021 (After the change)
Fair value through other comprehensive income:				
Available-for-sale financial assets(The original code)	38,947,700.00			
Less: Transfer out to other equity instrument investments		38,947,700.00		
Balance presented under the new Financial Instruments Criteria				—
Other equity instrument investments	—			
Plus: transfer from financial assets available for sale (original criteria)		38,947,700.00		
Balance presented under the new Financial Instruments Criteria				38,947,700.00

C. On the date of initial application, the financial liabilities held by the company: other current liabilities, non-current liabilities due within one year, bonds payable, long-term payables, and undue payable interest accrued during the holding period. It will be adjusted from other payables - interest payable to the corresponding financial liabilities on and after January 1, 2021.

② Changes in accounting policies resulting from the implementation of the new revenue standards

On July 5, 2017, the Ministry of Finance issued "Accounting Standards for Business Enterprises No. 14 - Revenue (2017 Revision)" (Cai Kuai [2017] No. 22) (hereinafter referred to as "New Revenue Standards"). Non-listed companies that implement the Accounting Standards for Business Enterprises are required to implement the new revenue standards from January 1, 2021.

With the resolution and approval of the Company's No. 1 Board of Directors, the Company will implement the aforementioned new revenue standards on January 1, 2021.

The new revenue standard establishes a new revenue recognition model for regulating revenue from contracts with customers. In order to implement the new revenue standard, the Company reassessed the recognition and measurement, accounting and presentation of major contract revenue. In accordance with the provisions of the new revenue standard, the Company has chosen to adjust only the cumulative impact figures for contracts that have not been completed as of January 1, 2021, and for the earliest comparable period before the beginning of the period (i.e. January 1, 2020) or before January 1, 2021 Contract changes that occurred prior to January 1 are simplified by identifying fulfilled and unfulfilled performance obligations, determining the transaction price, and apportioning the transaction price between fulfilled and unfulfilled performance obligations, based on the final arrangements for the contract modification . The cumulative impact amount of the first implementation adjusts the amount of retained earnings and other related items in the financial statements at the beginning of the current period of the first implementation (i.e. January 1, 2021), and no adjustment is made to the 2020 financial statements.

The main changes and impacts of the implementation of the new revenue standard are as follows:

——The company changed the contract consideration received from customers in advance due to the transfer of goods from the item of "accounts received in advance" to the item of "contract liabilities".

——Some receivables of the company do not meet the conditions of unconditional (that is, only depending on the passage of time) to collect consideration from customers, and the company reclassifies them as contract assets; Warranty deposits receivable are reclassified as contract assets for presentation.

The above implementation of the new financial instrument standards (financial liabilities), the implementation of the new income standards, the impact on the financial statements on January 1, 2021

Items	31/12/2020 (Before the change)		1/1/2021 (After the change)	
	Consolidated Statement	company statement	Consolidated Statement	company statement
Available-for-sale financial assets	47,947,700.00	38,947,700.00		
Other equity instrument investments			38,947,700.00	38,947,700.00
Long-term equity investments			9,000,000.00	
Unearned revenue	160,883,751.00		102,470.69	
Contract liabilities			147,512,507.86	
Other payables	1,583,640,570.63	2,007,510,359.53	1,386,857,588.22	1,813,685,331.76
Other payables - Interest payable	196,782,982.41	193,825,027.77		
Non-current liabilities due within one year	1,712,223,516.52	1,527,325,626.12	1,906,048,544.29	1,721,150,653.89
Other current liabilities	1,021,992,000.00		1,038,218,727.09	

(3) Accounting policy changes caused by the implementation of new lease standards

On December 7, 2018, the Ministry of Finance issued accounting Standards for Business Enterprises No. 21 -- Leasing (2018 Revision) (Accounting and Accounting [2018] No. 35) (hereinafter referred to as the "new leasing standards"). Upon the resolution of the Board of Directors of the Company, the company will implement the aforementioned new lease standards as of January 1, 2021, and make changes in relevant accounting policies in accordance with the provisions of the new lease standards.

In accordance with the new lease guidelines, the Company elects not to re-evaluate existing contracts as leases or inclusive leases for the first time. For leases as renters, the Company elects to adjust the cumulative number of impacts only for leases outstanding as of January 1, 2021. Cumulative impact amount adjusted for first execution Retained earnings and other relevant items in the financial statements at the beginning of the first execution period (i.e., January 1, 2021) will not be adjusted for comparable period information. For the finance lease on the first execution date, the Company, as the lessee, measures the right to use assets and lease liabilities respectively according to the original book value of the assets in the finance lease and the finance lease payable. For the operating lease on the first execution date, the lease liability shall be measured as the present value discounted by the incremental borrowing rate on the first execution date according to the remaining lease payment; the unpaid rent accrued under the original lease criteria on an accrual basis shall be included in the remaining lease payments.

For each lease, the Company elects to measure the right to use assets in accordance with one of the following two methods: A. Assume the carrying value of tbe new lease criteria from the commencement date of the lease term (using the incremental borrowing rate on the first execution date as the discount rate); B. An amount equal to the lease liability, and should be adjusted as necessary according to the prepaid rent. And in accordance with the accounting standards for Business Enterprises No. 8 - asset impairment, the right to use assets should be tested for impairment and corresponding accounting treatment should follow.

④ Implementation of the Accounting Standards for Business Enterprises Interpretation No. 14

The Ministry of Finance issued interpretation of Accounting Standards for Business Enterprises No. 14 on February 2, 2021 (Accounting [2021] No. 1, hereinafter referred to as "Interpretation No. 14"), effective as of the date of promulgation. The relevant businesses newly added from January 1, 2021 to the implementation date shall be adjusted according to Interpretation No. 14.

a. Public-private Partnership (PPP) Project Contract

Interpretation no. 14, for at the same time meet the interpretation described "double character" and "double control" of the PPP project contract, began on December 31, 2020 and to date has not yet been completed should be retroactive adjustment on PPP project contract, retroactive adjustment is not feasible, from the earliest traceable to adjust during the initial start application, Retained earnings at the beginning of the current year and other relevant items in the financial statements on the effective date of the adjustment of cumulative impact number shall not be adjusted for information in comparable periods.

b. Benchmark interest rate reform

Explanation No. 14 provides a simplified accounting treatment for cases where the base rate reform results in a change in the basis for determining cash flows related to financial instrument contracts and lease contracts.

According to the provisions of this interpretation, businesses related to the benchmark interest rate reform before December 31, 2020 shall be retroactively adjusted, unless retroactively adjusted is not feasible, and there is no need to adjust the data of the previous comparative financial statements. On the implementation date of this interpretation, the difference between the original book value of financial assets and financial liabilities and the new book value shall be included in the beginning retained earnings or other comprehensive earnings of the annual reporting period on the implementation date of this interpretation. The implementation of this provision has not had a material impact on the company's financial position and operating results.

(2). Changes in Accounting Estimates

None.

(3). Correction of Material Prior Period Errors

None.

35. Material accounting judgments and estimates

In the process of applying accounting policies, due to the inherent uncertainty of business activities, the Company needs to judge, estimate and assume the book value of the statement items that cannot be accurately measured. These judgments, estimates and assumptions are based on the past historical experience of the Company's management and taking into account other relevant factors. These judgments, estimates and assumptions affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities on the balance sheet date. However, the actual results resulting from the uncertainty of these estimates may differ from the current estimates of the Company's management, which in turn may cause a material adjustment to the carrying amount of the future affected assets or liabilities.

The Company periodically reviews the foregoing judgments, estimates and assumptions on the basis of going concern. If the change in accounting estimates only affects the current period of change, the impact number shall be confirmed in the current period of change; If it affects both the current period of change and the future period, the number of influences shall be confirmed in the current period of change and the future period of change.

At the Balance sheet date, the company is required to make judgments, estimates and assumptions about the amounts of items in the financial statements in the following important areas:

(1) Revenue recognition

As described in note 4, 27, "Revenue," the Company's revenue recognition involves the following material accounting judgments and estimates: identification of customer contracts; Estimate the recoverability of the consideration to which the goods are entitled as a result of the transfer to the customer; Identify performance obligations in the contract; Estimate the variable consideration that exists in the contract and the amount of cumulative recognized revenue that is highly unlikely to be materially reversed when the related uncertainty is resolved; Whether there is a significant financing component in the contract; Estimate the individual price of a single performance obligation in the contract; Determine whether the performance obligation is to be performed within a certain period of time or at a certain point; Determination of implementation progress, etc.

The Company mainly relies on its past experience and work to make judgments. Such material judgments and estimated changes may have an impact on, and may have a material impact on, the operating revenues, operating costs, and profits and losses of the current or future periods of the changes.

(2) Impairment of financial assets

The Company uses the expected credit loss model to evaluate the impairment of financial instruments, and the application of the expected credit loss model requires making significant judgments and estimates, taking into account all reasonable and evidence-based information, including forward-looking information. In making such judgments and estimates, the Company shall, based on historical data and in combination with economic policies, macroeconomic indicators, industry risks, external market environment, technological environment, changes in customer conditions and other factors, infer the expected changes in debtor's credit risks.

(3) Fair value of financial instruments

For financial instruments that do not have an active trading market, the Company determines their fair value through various valuation methods. These valuation methods include discounted cash flow model analysis. In the valuation, the Company shall estimate future cash flow, credit risk, market volatility and correlation, and select an appropriate discount rate. These related assumptions are uncertain, and their changes will have an impact on the fair value of financial instruments. The Company does not use cost as the best estimate of fair value for equity instrument investments or contracts with public quotations.

(4) Long-term asset impairment provisions

On the balance sheet date, the Company judges whether there is any indication of possible impairment of non-current assets other than financial assets. For intangible assets with uncertain service life, in addition to the impairment test conducted annually, the impairment test shall also be conducted when there are signs of impairment. Other non-current assets other than financial assets shall be tested for impairment when there are indications that their carrying amount is not recoverable.

An impairment occurs when the carrying value of an asset or asset group is higher than the recoverable amount, that is, the higher of the net fair value minus disposal expenses and the present value of projected future cash flows.

The net fair value after deducting disposal expenses is determined by reference to the agreed sale price or observable market price of similar assets in fair trade, minus the incremental cost directly attributable to the disposal of such assets.

When estimating the present value of future cash flows, you need to make significant judgments about the production of the asset (or group of assets), its selling price, related operating costs, and the discount rate used to calculate the present value. In estimating recoverable amounts, the Company uses all relevant information available to it, including projections of production volumes, selling prices and related operating costs based on reasonable and supported assumptions.

The Company tests goodwill for impairment at least annually. This requires an estimate of the present value of the future cash flows of the asset group or portfolio to which goodwill is allocated. When predicting the present value of the future cash flow, the company needs to predict the cash flow generated by the future asset group or the portfolio of asset group, and select an appropriate discount rate to determine the present value of the future cash flow.

(5) Depreciation and amortization

The depreciation and amortization of investment real estate, fixed assets and intangible assets shall be calculated and amortized by the straight-line method during their service life after taking into account their residual value. The Company periodically reviews the useful life to determine the amount of depreciation and amortization expense to be credited to each reporting period. The service life is determined by the Company based on previous experience with similar assets and in combination with anticipated technological updates. Adjustments to depreciation and amortization expense are made for future periods if previous estimates change materially.

(6) Income tax

In the normal business activities of the Company, there are certain uncertainties in the final tax treatment and calculation of some transactions. Whether some items can be itemized before tax requires the examination and approval of tax authorities. If the final determination of these tax matters is different from the amount originally estimated, the difference will have an impact on the current and deferred income tax during the final determination period.

(7) Lease

(1) Identification of lease

In identifying whether a contract is a lease or inclusive lease, the Company needs to assess whether there is an identified asset and the customer controls the right to use the asset for a certain period of time. In doing so, consideration is given to the nature of the asset, material replacement rights, and whether the client is entitled to and able to dominate the use of the asset in almost all the economic benefits arising from the use of the asset during the period.

② Classification of lease

As a lessee, the company classifies leases into operating leases and finance leases. In making the classification, management needs to make an analysis and judgment as to whether all the risks and rewards associated with the ownership of the leased assets have been materially transferred to the lessee.

③ Lease liabilities

When the Company is the lessee, the lease liability is initially measured according to the present value of the outstanding lease payments on the commencement date of the lease term. In measuring the present value of the lease payment, the Company estimates the discount rate used and the term of the lease contract with a renewal option or termination option. In evaluating the term of the lease, the Company takes into account all relevant facts and circumstances of economic benefit to the Exercise of the Option by the Company, including anticipated changes in facts and circumstances between the commencement date of the lease term and the exercise date of the option. Different judgments and estimates may affect the recognition of lease liabilities and use-right assets and will affect profit and loss in subsequent periods.

V. TAX

1. Major taxes categories and tax rates

Categories of taxes	Taxation basis	Tax rate
Value-added tax ("VAT")	Project construction project,	9%、
	lease project	5%, 9%
Land use taxes	The area of land actually occupied	8 yuan/ , 4.8 yuan/
City construction taxes	Turnover tax payable	7%
Educational surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%
Income tax	Taxable income	25%

2. Tax incentives and approvals

(1) Circular of The State Administration of Taxation of the Ministry of Finance on The Implementation of Preferential Tax Reduction and Exemption Policies for Small and Micro Enterprises (Finance and Taxation [2019] No. 13) : For the part of annual taxable income of small and micro enterprises that does not exceed 1 million Yuan, 25% will be deducted into the taxable income, and the enterprise income tax will be paid at the rate of 20%; For the part of annual taxable income exceeding 1 million yuan but not exceeding 3 million yuan, 50% of the taxable income will be reduced and the enterprise income tax will be paid at the tax rate of 20%. The execution period is from January 1, 2019 to December 31, 2021.

Announcement of the State Administration of Taxation of the Ministry of Finance on The Implementation of The Preferential Income Tax Policies for Small and Micro Enterprises and Individual Industrial and Commercial Households (Announcement No. 12, 2021 of the State Administration of Taxation of the Ministry of Finance), On the basis of the preferential policies stipulated in Article 2 of the Circular of the State Administration of Taxation of the Ministry of Finance on the Implementation of The Preferential Tax Reduction and Exemption Policies for Small and Micro Enterprises (Finance and Taxation [2019] No. 13), the enterprise income tax shall be halved. The execution period is from January 1, 2021 to December 31, 2022.

(2) Circular of The State Administration of Taxation of the Ministry of Finance on The Implementation of Preferential Tax Reduction and Exemption Policy for Small and Micro Enterprises (Finance and Taxation

[2019] No.13) : By the people's governments of provinces, autonomous regions and municipalities directly under the central government according to the actual situation in this region, as well as the macroeconomic regulation and control need to be sure, for small-scale taxpayers to the tax rate of 50% of value added tax reduction tax, urban maintenance and construction tax, property tax, urban land use tax, stamp duty (excluding securities transaction stamp tax), cultivated land usage tax, additional, local education and educational expenses to add.

According to the Notice of Shandong Provincial Taxation Bureau on The Implementation of Preferential Policies of VALUE-ADDED Tax for Small-scale Taxpayers issued by The State Taxation Administration of Shandong Provincial Finance Department (Lu Cai Shui [2019] No.6), from January 1, 2019 to December 31, 2021, The resource tax, urban maintenance and construction tax, real estate tax, urban land use tax, stamp tax (excluding stamp tax on securities transactions), farmland occupation tax, education surcharge and local education surcharge will be levied at a reduced rate of 50% for small-scale VAT payers.

(3) Announcement of the State Administration of Taxation of the Ministry of Finance on Supporting Value-added Tax Policies for Resuming Work and Business of Self-employed Businesses (Announcement Of the State Administration of Taxation of the Ministry of Finance No.13, 2020) : From March 1, 2020 to May 31, small-scale VAT taxpayers in other provinces, autonomous regions and municipalities, except Hubei Province, will be charged VAT at a reduced rate of 1% from the taxable sales income of 3%. For VAT items with 3% pre-payment rate, 1% pre-payment rate shall be deducted.

Announcement of the State Administration of Taxation of the Ministry of Finance on Extending the Implementation Period of the Policy of Reducing or Exempting Value-added Tax for Small-scale Taxpayers (Announcement No. 24, 2020 of the State Administration of Taxation of the Ministry of Finance of China), extending the implementation period of the preferential tax policies stipulated (Announcement No. 13, 2020 of the State Administration of Taxation of the Ministry of Finance of China) to December 31, 2020.

Notice of the State Administration of Taxation of the Ministry of Finance on The Continuation of Some Preferential Tax Policies in Response to the Epidemic (Announcement No. 7, 2021 of the State Administration of Taxation of the Ministry of Finance of China), the period of implementation of preferential tax policies stipulated in the State Administration of Taxation of the Ministry of Finance of China (Announcement No. 13, 2020 of the State Administration of Taxation of the Ministry of Finance of China) is extended to December 31, 2021.

VI. Significant Items in Consolidated Financial Statements

Unless otherwise specified, the following note items are in RMB; " Opening balance " refers to January 1, 2021, " Closing balance " refers to December 31, 2021, " Prior Year" refers to 2020, and " Current Year" Refers to 2021.

1.Monetary fund

Items	Closing balance	Opening balance
Cash on hand	20,133.55	25,295.95
Bank deposits	261,753,304.45	1,361,472,068.57
Other cash balances	1,190,500,000.00	40,500,000.00
Total	1,452,273,438.00	1,401,997,364.52

The restricted cash/bank balances are as follows:

Items	Closing balance	Opening balance
Bank deposit	950,000,000.00	432,050,000.00
ETC frozen capital	13,000.00	1,000.00
Performance bond	240,500,000.00	40,500,000.00
Wage deposit	14,493,461.58	7,887,789.59
Judicial frozen capital	4,487,685.20	69,939,955.39
Total	1,209,494,146.78	550,378,744.98

2. Notes Receivable

Items	Closing balance	Opening balance
Bank acceptance draft	420,000,000.00	
Commercial acceptance draft		
Subtotal	420,000,000.00	
Minus Bad Debts Provision		
Total	420,000,000.00	

(2) Notes Receivable that has been Endorsed or Discounted But Not Yet Mature at Year End

Classification	Amount derecognized at year end	Amount not derecognized at year end
Bank acceptance draft		420,000,000.00
Commercial acceptance draft		
Total		420,000,000.00

3. Accounts receivable

(1) Accounts receivable are shown by age of account

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	5,848,412.02	977,338.46
1 to 2 years (including 2 years)	520,245.46	1,690,430.20
2 to 3 years (including 3 years)	1,138,156.44	216,341.92
3 to 4 years (including 4 years)	169,266.40	3,523,357.06
4 to 5 years (including 5 years)	2,833,357.06	3,084.19
More than 5 years	3,084.19	-

Aging	Closing balance	Opening balance
Subtotal	10,512,521.57	6,410,551.83
Minus Bad Debts Provision	2,000,967.01	1,077,133.54
Total	8,511,554.56	5,333,418.29

(2) Discloure According to the bad debt withdrawal method

Categories	Closing balance				
	Gross carrying amount		Provision for Bad Debts		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with single amount and separate provision for bad debts					
Including:					
Accounts receivable with provision for bad debts based on the combination risk characteristics	10,512,521.57	100.00	2,000,967.01	19.03	8,511,554.56
Including:					-
aging analysis method	5,168,009.08	49.16	2,000,967.01	38.72	3,167,042.07
risk-free combination method	5,344,512.49	50.84			5,344,512.49
Total	10,512,521.57	--	2,000,967.01	--	8,511,554.56

(Continued)

Categories	Opening balance				
	Gross carrying amount		Provision for Bad Debts		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with single amount and separate provision for bad debts					
Including:					
Accounts receivable with provision for bad debts based on the combination risk characteristics	6,410,551.83	100.00	1,077,133.54	16.80	5,333,418.29
Including:					
aging analysis method	6,070,413.55	94.69	1,077,133.54	17.74	4,993,280.01
risk-free combination method	340,138.28	5.31			340,138.28
Total	6,410,551.83	--	1,077,133.54	--	5,333,418.29

①. Using Aging Analysis Method

Aging	Closing balance		
	Book Balance	Provision for Bad Debts	Percentage (%)
Within 1 year (including 1 year)	807,732.28		0.00%
1 to 2 years (including 2 years)	506,550.99	25,327.55	5.00%
2 to 3 years (including 3 years)	1,138,156.44	113,815.64	10.00%
3 to 4 years (including 4 years)	100,000.00	30,000.00	30.00%
4 to 5 years (including 5 years)	2,612,485.18	1,828,739.63	70.00%
More than 5 years	3,084.19	3,084.19	100.00%
Total	5,168,009.08	2,000,967.01	38.72%

(3) Provision for bad debts

Categories	Opening balance	Changes in the current period				Closing balance
		Accrual	Take back or switch back	Resale or write-off	Other changes	
Bad debt provision for accounts receivable	1,077,133.54	923,833.47				2,000,967.01
Total	1,077,133.54	923,833.47				2,000,967.01

(4)Top Five Debtors According to Closing Balances

Company name	Closing balance	Proportion of total Accounts receivables	Allowance for doubtful accounts
Shandong Hanhai Real Estate Co., Ltd.	2,196,896.36	20.90%	1,537,827.45
Weihai Jinkai Real Estate Co., Ltd.	546,013.08	5.19%	23,462.43
Weihai Huating Real Estate Development Co., Ltd.	506,550.99	4.82%	25,327.55
Weihai Wendeng District Finance Bureau	569,362.42	5.42%	-
Weihai Wendeng District Office Affairs Service Center	4,271,317.32	40.63%	
Total	8,090,140.17	76.96%	1,586,617.43

4.Prepayments

(1) Aging Analysis

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	318,453,467.18	86.03	21,886,919.79	10.54
1 to 2 years	8,721,878.46	2.36	39,534,417.46	19.05
2 to 3 years	15,388,812.40	4.16	85,103,407.90	41.01
More than 3 years	27,581,982.44	7.45	61,014,400.00	29.40

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Total	370,146,140.48	100.00	207,539,145.15	100.00

(2) Top Five Advances to Suppliers Classified by Debtors at Year End

Debtor name	Closing balance	Proportion of total Prepayments (%)	Reasons for being unsettled
Wendeng Fuchang Materials Trading Co., Ltd.	291,418,968.94	78.73%	Advance payment
Weihai Haisheng Real Estate Co., Ltd.	54,706,881.59	14.78%	Advance payment
Fujian Yongtai Construction Engineering Company Wendeng Branch	6,573,350.00	1.78%	Advance payment
Agricultural Comprehensive Service Center, Jieshi Town, Wendeng District, Weihai City	3,000,000.00	0.81%	Advance payment
Weihai Wendeng District Hengtong Water Supply Installation Engineering Co., Ltd.	2,745,999.72	0.74%	installation fee
Total	358,445,200.25	96.84%	

5. Other Receivables

Items	Closing balance	Opening balance
Interests receivable		
Dividends receivable	5,409,231.32	10,357,349.02
Other receivables	8,285,347,519.97	7,241,225,617.36
Total	8,290,756,751.29	7,251,582,966.38

(1)Dividends receivable

Investee	Closing balance	Opening balance
Weihai Yuquan New Building Materials Co., Ltd.	5,409,231.32	10,357,349.02
Subtotal	5,409,231.32	10,357,349.02
Minus Bad Debts Provision		
Total	5,409,231.32	10,357,349.02

(2) Other Receivables

① Aging Analysis

Aging	Closing balance
Within 1 year (including 1 year)	7,319,360,166.37
1 to 2 years (including 2 years)	838,659,037.14
2 to 3 years (including 3 years)	114,250,984.46
3 to 4 years (including 4 years)	91,736,429.00
4 to 5 years (including 5 years)	3,343.00
More than 5 years	308,377,220.16

Aging	Closing balance
Subtotal	8,672,387,180.13
Minus Bad Debts Provision	387,039,660.16
Total	8,285,347,519.97

②Classification by nature of payment

nature of payment	Closing balance	Opening balance
security deposit	105,407,248.41	96,998,531.51
Accounts and others	8,566,979,931.72	7,426,881,217.20
Subtotal	8,672,387,180.13	7,523,879,748.71
Minus Bad Debts Provision	387,039,660.16	282,654,131.35
Total	8,285,347,519.97	7,241,225,617.36

③ Provision of bad debts

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment has occurred)	
Beginning of the year	282,654,131.35			282,654,131.35
In the current period:				
—Move to the second stage				
—Move to the third stage				
—Switch back to the second stage				
—Switch back to the first stage				
Withdrawal for the current period	104,385,528.81			104,385,528.81
Revert this period				
Resale of the current period				
Write off this period				
Other changes				
Ending Balanc	387,039,660.16			387,039,660.16

④Bad debt provision situation

Categories	Opening balance	Changes in the current period				Closing balance
		Accrual	Take back or switch back	Resale or write-off	Other changes	
Provision for bad debts of other receivables	282,654,131.35	104,385,528.81				387,039,660.16

Categories	Opening balance	Changes in the current period				Closing balance
		Accrual	Take back or switch back	Resale or write-off	Other changes	
Total	282,654,131.35	104,385,528.81				387,039,660.16

⑤Top Five Debtors According to Closing Balances

Debtor name	Closing balance	Aging	Proportion of total other receivables (%)	bad-debt provision of Closing balance
Weihai Qingwen Industrial Co., Ltd	1,658,288,210.26	Within 1 year	19.12%	
Weihai Shengxin Construction Engineering Co., Ltd.	778,060,708.81	Within 1 year RMB 595,560,708.81, 1 to 2 years RMB 182,500,000.00	8.97%	9,125,000.00
Weihai Meilun Road Bridge Engineering Co., Ltd.	720,194,619.83	Within 1 year	8.30%	
Weihai Kangtai Water Development Co., Ltd.	697,483,079.17	Within 1 year	8.04%	
Weihai Chuangwen Construction Engineering Co., Ltd.	680,180,000.00	Within 1 year RMB 346,680,000.00, 1 to 2 years RMB 333,500,000.00	7.84%	16,675,000.00
Total	4,534,206,618.07	—	52.28%	25,800,000.00

6.Inventories

(1) Classification of inventories

Items	Closing balance		
	Gross carrying amount	Write-down	Carrying amount
Raw materials	1,389,632.72		1,389,632.72
Low-value consumables	146,861.59		146,861.59
Merchandise	79,896,976.88		79,896,976.88
Reusable materials	10,088,375.35		10,088,375.35
Development cost and product development	23,192,702,643.96		23,192,702,643.96
Contract performance costs	144,758,639.81		144,758,639.81
Total	23,428,983,130.31		23,428,983,130.31

(Continued)

Items	Opening balance		
	Gross carrying amount	Write-down	Carrying amount
Raw materials	1,469,562.76		1,469,562.76
Low-value consumables			
Merchandise	35,645,552.05		35,645,552.05
Reusable materials	9,430,950.58		9,430,950.58

Items	Opening balance		
	Gross carrying amount	Write-down	Carrying amount
Development cost and product development	20,811,085,655.87		20,811,085,655.87
Contract performance costs	147,967,627.71		147,967,627.71
Total	21,005,599,348.97		21,005,599,348.97

7. Contract Assets

Items	Closing balance			Opening balance		
	Gross carrying amount	Impairment loss	Carrying amount	Gross carrying amount	Impairment loss	Carrying amount
Wendeng District Armed Forces Militia training base renovation phase I project	135,229.60		135,229.60			
Less: included in other non-current assets						
Total	135,229.60		135,229.60			

8. Other Current Assets

Items	Closing balance	Opening balance
Provisional input tax	5,603,357.54	21,130,009.54
Pending deduct VAT on purchase	73,588,347.22	14,571,961.32
Advance income tax	109,639,959.28	1,084,873.58
Fixed deposit interest	698,794.52	
Total	189,530,458.56	36,786,844.44

9. Long-term Equity Investments

Investee	Opening balance	Increase/decrease in current year				
		Increase in investments	Decrease in investments	Investment gain or loss recognized under equity method	Adjustment in other comprehensive income	Other changes in equity
Joint ventures						
Shandong Sinotrans Eurasia Internet of Things Operation Co., Ltd.	9,000,000.00			929,266.69		
Zhongbing Kunyu (Weihai) Cultural Tourism Development Co., LTD		500,000.00				
Total	9,000,000.00	500,000.00		929,266.69		

(Continued)

Investee	Increase/decrease in current year			Closing balance	Closing balance of impairment loss
	Cash dividends declared and profits to be distributed	Impairment loss	Others		
Joint ventures					
Shandong Sinotrans Eurasia Internet of Things Operation Co., Ltd..				9,929,266.69	
Zhongbing Kunyu (Weihai) Cultural Tourism Development Co., LTD				500,000.00	
Total				10,429,266.69	

10. Other Equity Instrument Investments

Items	Closing balance	Opening balance
Weihai Yuquan New Building Materials Co., Ltd	38,947,700.00	38,947,700.00
Weihai Huiwen New Material Technology Co., Ltd.	126,454.10	
Total	39,074,154.10	38,947,700.00

11. Investment Properties

Items	Buildings	Total
A、Total gross carrying amount		
1.Opening balance		
2.Increase in current year	99,758,909.74	99,758,909.74
(1) Purchase	81,296,387.80	81,296,387.80
(2)Transfer of construction in progress	18,462,521.94	18,462,521.94
3.Decrease in current year		
(1)Disposal or scrap		
4.Closing balance	99,758,909.74	99,758,909.74
B、Accumulated depreciation (amortization)		
1.Opening balance		
2.Increase in current year	1,891,489.29	1,891,489.29
(1)Provision or amortization	1,891,489.29	1,891,489.29
3.Decrease in current year		
(1)Disposal or scrap		
4.Closing balance	1,891,489.29	1,891,489.29
C、Cumulative amount of impairment loss		
1.Opening balance		
2.Increase in current year		
(1)Provision		
3.Decrease in current year		

Items	Buildings	Total
(1)Disposal or scrap		
4.Closing balance		
D、 Total carrying amount		
1.Closing balance	97,867,420.45	97,867,420.45
2.Opening balance		

12. Fixed Assets

Items	Closing balance	Opening balance
Fixed assets	1,998,469,264.56	2,059,057,126.13
Disposal of fixed assets		
Total	1,998,469,264.56	2,059,057,126.13

(1)Fixed Assets

Items	Buildings	Transportation equipment	Office equipment	Electronic equipment	Machinery Equipment	Pipe network	Total
A.Total gross carrying amount							
1.Opening balance	766,130,323.59	3,111,319.74	2,847,178.24	3,207,682.30	4,907,272.27	1,503,740,050.23	2,283,943,826.37
2.Increase in current year	101,715,576.97	571,491.96	95,329.63	150,151.20	503,276.64		103,035,826.40
(1) Purchase		571,491.96	95,329.63	150,151.20	503,276.64		1,320,249.43
(2) Transfer	88,399,798.17						88,399,798.17
(3) Others	13,315,778.80						13,315,778.80
3.Decrease in current year	41,223,074.89			265,244.00			41,488,318.89
(1)Disposal or scrap	13,689,127.79			265,244.00			13,954,371.79
(3) Others	27,533,947.10						27,533,947.10
4.Closing balance	826,622,825.67	3,682,811.70	2,942,507.87	3,092,589.50	5,410,548.91	1,503,740,050.23	2,345,491,333.88
B.Accumulated depreciation							
1.Opening balance	36,199,015.63	1,697,149.82	1,386,887.41	1,921,986.79	375,748.46	183,305,912.13	224,886,700.24
2.Increase in current year	26,191,684.45	551,916.08	348,418.59	247,463.18	1,159,630.45	95,637,867.12	124,136,979.87
(1)Provision	26,191,684.45	551,916.08	348,418.59	247,463.18	1,159,630.45	95,637,867.12	124,136,979.87
3.Decrease in current year	1,886,716.51			114,894.28			2,001,610.79
(1)Disposal or scrap	838,496.41			114,894.28			953,390.69
(2) Others	1,048,220.10						1,048,220.10
4.Closing balance	60,503,983.57	2,249,065.90	1,735,306.00	2,054,555.69	1,535,378.91	278,943,779.25	347,022,069.32
C. Total impairment loss							
1.Opening balance							
2.Increase in current year							

Items	Buildings	Transportation equipment	Office equipment	Electronic equipment	Machinery Equipment	Pipe network	Total
(1)Provision							
3.Decrease in current year							
(1)Disposal or scrap							
4.Closing balance							
D.Total carrying amount							
1.Closing balance	766,118,842.10	1,433,745.80	1,207,201.87	1,038,033.81	3,875,170.00	1,224,796,270.98	1,998,469,264.56
2.Opening balance	729,931,307.96	1,414,169.92	1,460,290.83	1,285,695.51	4,531,523.81	1,320,434,138.10	2,059,057,126.13

(2)Fixed Assets Without Certificates of Ownership

Items	Carrying amount	Reason for not obtaining certificates of ownership
residential area 5#, 6# underground garage	18,162,430.92	The final account of completion has not been processed
Liangshuiwan Garage	145,039.20	Without a license
Fushouju Villa	194,900.00	Without a license
Korea-korea Commercial Plaza C	8,926,656.86	The final account of completion has not been processed
Garage No. 26-5, Zhengqi Road	72,547.05	Without a license
Wenxin Jiayuan community	438,379.00	The final account of completion has not been processed
Total	27,939,953.03	

13.Construction in Progress

Items	Closing balance	Opening balance
Construction in Progress	285,428,788.15	72,377,428.59
Construction materials	-	-
Total	285,428,788.15	72,377,428.59

(1) Construction in Progress

① Construction in Progress

Items	Closing balance			Opening balance		
	Gross carrying amount	Impairment loss	Carrying amount	Gross carrying amount	Impairment loss	Carrying amount
Medical Rehabilitation Center	43,882,596.61		43,882,596.61	29,067,995.45		29,067,995.45
Guangzhou East road buildings	4,625,421.00		4,625,421.00	4,625,421.00		4,625,421.00
Wanli City Building	236,920,770.54		236,920,770.54	38,684,012.14		38,684,012.14
Total	285,428,788.15		285,428,788.15	72,377,428.59		72,377,428.59

②Changes of Significant Construction in Progress in Current Year

Project name	Opening balance	Increase in current year	Amount transferred to fixed assets in current year	Closing balance
Medical Rehabilitation Center	29,067,995.45	33,277,123.10	18,462,521.94	43,882,596.61
Wanli City Building	38,684,012.14	198,236,758.40		236,920,770.54
Standardized plant		83,053,686.16	83,053,686.16	
Total	67,752,007.59	314,567,567.66	101,516,208.10	280,803,367.15

14. Right-of-use Assets

Items	Buildings	Total
A. Total gross carrying amount		
1.Opening balance		
2.Increase in current year	4,627,745.57	4,627,745.57
(1) Transfer	4,627,745.57	4,627,745.57
3.Decrease in current year		
(1)Disposal or scrap		
4.Closing balance	4,627,745.57	4,627,745.57
B. Accumulated depreciation		
1.Opening balance		
2.Increase in current year		
(1)Provision		
3.Decrease in current year		
(1)Disposal or scrap		
4.Closing balance		
C. Total impairment loss		
1.Opening balance		
2.Increase in current year		
(1)Provision		
3.Decrease in current year		
(1)Disposal or scrap		
4.Closing balance		
D.Total carrying amount		
1.Closing balance	4,627,745.57	4,627,745.57
2.Opening balance		

15. Intangible Assets

(1) Classification

Items	Land usage right	Maritime usage right	Reservoir areas	Softwares	Total
A.Total gross carrying amount					
1.Opening balance	14,030,558,200.91	4,203,432,186.00	3,918,633,200.00	276,696.20	22,152,900,283.11
2.Increase in current year	1,606,045,268.34				1,606,045,268.34
(1) Purchase	1,606,045,268.34				1,606,045,268.34
3.Decrease in current year	775,696,245.14				775,696,245.14
(1)Disposal or scrap	775,696,245.14				775,696,245.14
4.Closing balance	14,860,907,224.11	4,203,432,186.00	3,918,633,200.00	276,696.20	22,983,249,306.31
B. Accumulated amortization					
1.Opening balance	724,200,087.40	2,309,970,317.41	266,684,759.39	78,185.38	3,300,933,349.58
2.Increase in current year	365,207,669.29	531,266,272.92	65,310,553.32	55,341.57	961,839,837.10
(1)Provision	365,207,669.29	531,266,272.92	65,310,553.32	55,341.57	961,839,837.10
3.Decrease in current year	73,726,976.13				73,726,976.13
(1)Disposal or scrap	73,726,976.13				73,726,976.13
4.Closing balance	1,015,680,780.56	2,841,236,590.33	331,995,312.71	133,526.95	4,189,046,210.55
C. Total impairment loss					
1.Opening balance					
2.Increase in current year					
(1)Provision					
3.Decrease in current year					
(1)Disposal or scrap					
4.Closing balance					
D.Total carrying amount					
1.Closing balance	13,845,226,443.55	1,362,195,595.67	3,586,637,887.29	143,169.25	18,794,203,095.76
2.Opening balance	13,306,358,113.51	1,893,461,868.59	3,651,948,440.61	198,510.82	18,851,966,933.53

16.Long-term Prepaid Expenses

Items	Opening balance	Increase in current year	Amortization in current year	Other decrease	Closing balance
The right to use the building	1,804,212.45		195,050.04		1,609,162.41
service charge	3,976,242.94		1,463,204.62		2,513,038.32
Issuance fee etc.	48,999,635.73			48,999,635.73	
Finance lease fee	31,136,836.34			31,136,836.34	
Total	85,916,927.46	0.00	1,658,254.66	80,136,472.07	4,122,200.73

17.Deferred Tax Assets

Items	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Impairment loss for assets	389,040,627.17	97,260,156.78	283,731,264.89	70,932,816.21
Tota	389,040,627.17	97,260,156.78	283,731,264.89	70,932,816.21

18. Other Non-current Assets

Items	Closing balance			Opening balance		
	Gross carrying amount	Write-down	Carrying amount	Gross carrying amount	Write-down	Carrying amount
Temporary facilities	774,301.99		774,301.99	749,059.27		749,059.27
Fixed deposit interest	24,131,969.19		24,131,969.19			
Less: portion due within one year						
Tota	24,906,271.18		24,906,271.18	749,059.27		749,059.27

19. Short-term Loans

(1) Classification

Items	Closing balance	Opening balance
Mortgage loans		550,000,000.00
Guaranteed &Mortgage loans	250,000,000.00	150,000,000.00
Discounted bills	600,000,000.00	
Tota	850,000,000.00	700,000,000.00

(2) Guaranteed &Mortgage loans

Lenders	Closing balance	Life of loan	Guarantor &Mortgage
Wendeng Branch of Hengfeng Bank Co., Ltd	150,000,000.00	2021/4/22-2022/4/21	Weihai Taihe Investment Co., Ltd as guarantee and it's land use right as mortgage
Weihai Wendeng Branch of China Minsheng Bank	100,000,000.00	2021/6/30-2022/6/30	Weihai Taihe Investment Co., Ltd as guarantee and it's land use right as mortgage
Total	250,000,000.00		--

(3) Discounted bills

Lenders	Closing balance	Life of bills
Tai'an Bank Co., Ltd. Chezhan branch	100,000,000.00	2021/8/27-2022/8/26
Bank of Beijing Co., Ltd. Jinan Branch	80,000,000.00	2021/12/24-2022/12/14
Bank of Beijing Co., Ltd. Jinan Branch	190,000,000.00	2021/12/15-2022/12/15
Wendeng Branch of Hengfeng Bank Co., Ltd	150,000,000.00	2021/3/5-2022/3/5
Wendeng Branch of Hengfeng Bank Co., Ltd	80,000,000.00	2021/5/26-2022/5/26

Lenders	Closing balance	Life of bills
Total	600,000,000.00	

20.Notes Payable

Items	Closing balance	Opening balance
Commercial acceptance draft	80,000,000.00	
Bank acceptance draft	239,900,000.00	120,000,000.00
Total	319,900,000.00	120,000,000.00

21.Accounts Payable

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	169,129,118.10	63,553,452.34
1-2 years (including 2 years)	13,332,150.56	23,677,718.67
2-3 years (including 3 years)	6,028,461.06	3,095,325.76
More than3 years	3,515,912.89	2,362,860.89
Total	192,005,642.61	92,689,357.66

22.Unearned Revenue

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	2,588,539.84	102,470.69
More than1 years		
Total	2,588,539.84	102,470.69

23.Contract Liabilities

Items	Closing balance	Opening balance
Contract liabilities related to the sale of goods	14,465,111.17	
Contract liabilities related to construction	38,207,469.61	147,420,598.45
Mapping fee	70,708.91	91,909.41
Less: Included in other non-current liabilities		
Total	52,743,289.69	147,512,507.86

24.Taxes and Surcharge Payable

Items	Closing balance	Opening balance
VAT	288,755,646.70	224,066,553.72
City construction taxes	18,996,358.91	16,947,826.00
Land use taxes	18,150,108.70	17,355,001.92
Property taxes	1,303,167.62	1,632,354.88
Individual income taxes	19,696.04	11,591.47
Education surcharges (including local education surcharges)	13,568,692.86	12,102,765.13

Items	Closing balance	Opening balance
Others	959,008.81	1,281,509.05
Total	341,752,679.64	273,397,602.17

25. Other Payables

Items	Closing balance	Opening balance
Interest payable		
Dividend payable		
Others	1,674,985,376.16	1,386,857,588.22
Total	1,674,985,376.16	1,386,857,588.22

(1) Others

① Other Payables Presented by Aging

Aging	Closing balance	Opening balance
Within 1 year (including 1 year)	700,807,098.66	472,258,946.19
1-2 years (including 2 years)	135,418,484.70	714,119,556.23
2-3 years (including 3 years)	633,080,707.00	74,951,219.08
More than3 years	205,679,085.80	125,527,866.72
Total	1,674,985,376.16	1,386,857,588.22

② Significant Other Payables Aged Over One Year

Creditor	Closing balance	Proportion	Account age	nature or content
Weihai Senwei Industrial Co., Ltd	481,429,625.89	28.74%	Within 1 year 1,640,000.00 ;1-2 years RMB 448,782,306.66; 2-3 years RMB 31,007,319.23	current payment
Weihai Wendeng District Financial Assets Operation Co., Ltd	637,447,872.00	38.06%	2-3 years	current payment
Wendeng Jintan Investment Management Co., Ltd	200,747,225.30	11.99%	Within 1 year RMB 200,000,000.00; More than3 years RMB 747,225.30	current payment
Weihai Wendeng District Water Supply Co., Ltd	82,449,560.00	4.92%	More than3 years	current payment
Total	1,402,074,283.19	83.71%		

26.Non-current Liabilities Due Within One Year

Items	Closing balance	Opening balance
Long-term loans due within one year	1,379,842,800.00	1,057,732,800.00
Bonds payable due within one year	2,668,522,463.83	478,393,027.77
Long-term payables due within one year	1,061,348,022.91	369,922,716.52
Lease liabilities due within one year		

Items	Closing balance	Opening balance
Total	5,109,713,286.74	1,906,048,544.29

27. Other Current Liabilities

Items	Closing balance	Opening balance
Short-term bonds payable	546,277,399.74	1,024,949,954.64
Pending transfer tax	4,471,988.68	13,268,772.45
Total	550,749,388.42	1,038,218,727.09

Including: short-term bonds payable

Bond name	Par value	Issue date	Maturity date	Amount issued	Closing balance	Opening balance
Wendenglanhai bonds 2020	$100.00	2020/11/25	2021/11/24	$80,000,000.00		524,949,954.64
20 Wenhailantou 02	100.00	2020/12/24	2021/12/24	500,000,000.00		500,000,000.00
Wendenglanhai bonds 2021	$100.00	2021/11/16	2022/11/15	$85,000,000.00	546,277,399.74	

28. Long-term Loans

Categories	Closing balance	Opening balance
Pledge loan	1,795,361,800.00	1,994,345,400.00
Mortgage loan	1,068,850,000.00	786,950,000.00
Guaranteed loan	190,000,000.00	200,000,000.00
Guaranteed& Mortgage loan	1,432,000,000.00	507,000,000.00
Mortgage& Pledge loan	736,500,000.00	860,500,000.00
Guaranteed& Pledge loan	785,714,200.00	928,571,400.00
Guaranteed& Pledge& Mortgage loan	1,600,000,000.00	1,800,000,000.00
Less: the part due within one year	1,379,842,800.00	1,057,732,800.00
Total	6,228,583,200.00	6,019,634,000.00

(1) Pledge loan

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Pledge
Weihai Branch of Industrial Bank Co., Ltd.	392,900,000.00	35,700,000.00	2018/2/9-2032/12/20	Account receivables
Wendeng Branch of China Construction Bank Co., Ltd.	23,900,000.00	1,300,000.00	2017/4/1-2034/11/7	Account receivables
Wendeng Branch of China Construction Bank Co., Ltd.	17,000,000.00	800,000.00	2017/4/11-2034/11/7	Account receivables
Wendeng Branch of China Construction Bank Co., Ltd.	16,700,000.00	900,000.00	2018/3/30-2034/11/7	Account receivables
Wendeng Branch of China Construction Bank Co., Ltd.	33,312,400.00	2,000,000.00	2018/3/30-2038/3/30	Account receivables
Wendeng Branch of China Construction Bank Co., Ltd.	15,200,000.00	800,000.00	2018/4/2-2034/11/7	Account receivables

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Pledge
Wendeng Branch of China Construction Bank Co., Ltd.	26,800,000.00	1,200,000.00	2018/4/2-2034/11/7	Account receivables
Wendeng Branch of China Construction Bank Co., Ltd.	22,370,000.00	1,300,000.00	2018/4/25-2038/4/25	Account receivables
Industrial & Commercial Bank of China Wendeng Branch	256,000,000.00	16,000,000.00	2017/10/30-2037/10/13	Account receivables
Industrial & Commercial Bank of China Wendeng Branch	84,000,000.00	8,000,000.00	2017/1/1-2031/12/29	Account receivables
Industrial & Commercial Bank of China Wendeng Branch	95,640,600.00	4,448,400.00	2018/3/2-2043/1/2	Account receivables
Industrial & Commercial Bank of China Wendeng Branch	72,807,600.00	3,386,400.00	2018/3/5-2043/1/2	Account receivables
Industrial & Commercial Bank of China Wendeng Branch	225,939,200.00	10,508,800.00	2018/4/20-2043/1/2	Account receivables
Zhongrong International Trust Co., Ltd.	512,792,000.00	267,792,000.00	2020/6/23- 2023/6/23	Account receivables
Total	1,795,361,800.00	354,135,600.00		--

(2) Mortgage loan

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Mortgage
Weihai Wendeng Branch of China Minsheng Bank	230,000,000.00	60,000,000.00	2019/9/29-2024/9/27	Land use rights
Weihai Wendeng Branch of China Minsheng Bank	235,000,000.00	60,000,000.00	2020/9/29-2024/9/27	Land use rights
Shandong Wendeng Rural Commercial Bank Co. Ltd	81,850,000.00	81,850,000.00	2020/10/14-2022/8/11	Land use rights
Industrial & Commercial Bank of China Wendeng Branch	277,000,000.00	46,000,000.00	2021/7/2-2027/12/1	Land use rights
Communications Bank of China Weihai Wendeng Branch	245,000,000.00		2021/10/15-2037/10/14	Land use rights
Total	1,068,850,000.00	247,850,000.00		--

(3) Guaranteed loan

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Guarantor
Weihai Branch of Qilu Bank Co., Ltd	190,000,000.00	10,000,000.00	2020/7/27-2023/7/26	Weihai Wendeng District City Assets Management Co., Ltd
Total	190,000,000.00	10,000,000.00		--

(4) Guaranteed & Mortgage loan

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Guarantor &Mortgage
Shanghai Pudong Development Bank Co., Ltd. Weihai Branch	108,000,000.00	108,000,000.00	2020/10/21-2022/10/20	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee and it's land use right as mortgage;

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Guarantor &Mortgage
Weihai Commercial Bank Co., Ltd. Wendeng Sub-branch	34,000,000.00	6,000,000.00	2020/12/23-2023/12/23	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee and it's land use right as mortgage;
Weihai Commercial Bank Co., Ltd. Wendeng Sub-branch	504,000,000.00	189,000,000.00	2021/1/4-2024/1/4	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee and it's land use right as mortgage;
Weihai Wendeng District Branch of Agricultural Development Bank of China	236,000,000.00	28,000,000.00	2020/8/30-2030/7/23	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee;Land use rights of the Company
Weihai Wendeng District Branch of Agricultural Development Bank of China	350,000,000.00		2021/2/19-2035/2/6	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee;Land use rights of the Company
Weihai Wendeng District Branch of Agricultural Development Bank of China	200,000,000.00		2021/6/23-2035/2/6	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee;Land use rights of the Company
Total	1,432,000,000.00	331,000,000.00		--

(5) Mortgage & Pledge loan

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Mortgage & Pledge
Weihai Wendeng District Branch of Agricultural Development Bank of China	30,000,000.00	30,000,000.00	2016/12/16-2022/5/17	Land use rights as mortgage;account receivables as pledge
Weihai Wendeng District Branch of Agricultural Development Bank of China	246,000,000.00	44,000,000.00	2017/6/30-2027/12/15	Land use rights as mortgage;account receivables as pledge
Weihai Wendeng District Branch of Agricultural Development Bank of China	100,000,000.00		2017/7/27-2029/12/14	
Weihai Wendeng District Branch of Agricultural Development Bank of China	150,000,000.00		2018/4/25-2033/6/15	
Weihai Wendeng District Branch of Agricultural Development Bank of China	50,000,000.00		2018/5/18-2034/6/15	
Bank of Qingdao of Weihai Wendeng Branch	160,500,000.00	20,000,000.00	2020/3/4-2025/3/3	Mortgage of houses and buildings ; pledge of income from future operational properties
Total	736,500,000.00	94,000,000.00		--

(6) Mortgage & Pledge loan

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Guarantor & Pledge
Weihai Branch of Industrial Bank Co., Ltd.	392,857,100.00	71,428,600.00	2017/1/3-2027/1/2	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee ; the Company's account receivables as pledge
Weihai Branch of Industrial Bank Co., Ltd.	78,571,420.00	14,285,720.00	2017/3/20-2027/1/2	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee ; the Company's account receivables as pledge

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Guarantor & Pledge
Weihai Branch of Industrial Bank Co., Ltd.	78,571,420.00	14,285,720.00	2017/3/24-2027/1/2	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee ; the Company's account receivables as pledge
Weihai Branch of Industrial Bank Co., Ltd.	78,571,420.00	14,285,720.00	2017/3/30-2027/1/2	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee ; the Company's account receivables as pledge
Weihai Branch of Industrial Bank Co., Ltd.	157,142,840.00	28,571,440.00	2017/6/13-2027/1/2	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee ; the Company's account receivables as pledge
Total	785,714,200.00	142,857,200.00		--

(7) Guaranteed & Pledge & Mortgage loan

Lenders	Long-term loan balance	Due within 1 year	Life of loan	Guarantor/Mortgag/ Pledge
Weihai Wendeng District Branch of Agricultural Development Bank of China	300,000,000.00	200,000,000.00	2015/7/24-2023/5/15	Weihai Wendeng District City Assets Management Co., Ltd. as guarantee and it's land use right as mortgage; the Company's account receivables as pledge; Land use rights of the Company
Weihai Wendeng District Branch of Agricultural Development Bank of China	500,000,000.00		2015/8/6-2025/11/14	
Weihai Wendeng District Branch of Agricultural Development Bank of China	200,000,000.00		2015/10/30-2026/11/13	
Weihai Wendeng District Branch of Agricultural Development Bank of China	200,000,000.00		2017/4/11-2030/7/16	
Weihai Wendeng District Branch of Agricultural Development Bank of China	400,000,000.00		2016/12/20-2028/11/15	
Total	1,600,000,000.00	200,000,000.00		--

29.Bonds Payable

Bond name	Par value	Issue date	Bond term	Amount issued	Closing balance	Opening balance
16 Wenlanhai	100.00	2016/10/26	7years	1,500,000,000.00	598,875,697.67	908,857,333.34
17 Wenlan 01	100.00	2017/9/25	5years	1,700,000,000.00	1,695,727,535.72	1,700,156,111.12
19 Wenlan 01	100.00	2019/8/14	5years	2,500,000,000.00		2,565,395,833.33
19 Lu Wendeng Bluesea ZR001	100.00	2019/6/27	3years	500,000,000.00	517,247,877.80	518,861,111.10
20 Wenlan 02	100.00	2020/8/11	5years	1,200,000,000.00	1,221,444,634.78	1,228,123,333.33
20 wenlanhai licai 01	100.00	2020/8/7	3years	650,000,000.00	664,395,001.30	667,252,083.33
20 Wenlan 03	100.00	2020/9/2	5years	500,000,000.00	508,797,596.70	509,747,222.22
20 lanhaitouzi MTN001	100.00	2020/12/18	5years	420,000,000.00	418,986,495.91	420,000,000.00

Bond name	Par value	Issue date	Bond term	Amount issued	Closing balance	Opening balance
21 Wenlan 01	100.00	2021/6/25	2+2+1 年	650,000,000.00	653,201,919.04	
21 Wenlan 02	100.00	2021/7/30	2+2+1years	600,000,000.00	599,636,530.12	
21 Wenlan 03	100.00	2021/9/29	2+2+1years	580,000,000.00	586,018,979.94	
21 Wenlan 04	100.00	2021/11/12	2+2+1years	450,000,000.00	446,231,354.66	
21Lanhai 01	100.00	2021/8/18	7years	600,000,000.00	538,372,912.16	
21Lanhai 02	100.00	2021/9/24	7years	600,000,000.00	552,313,956.54	
21Lanhai 03	100.00	2021/11/26	7years	600,000,000.00	545,177,611.20	
Less: Bonds payable due within one year					2,668,522,463.83	478,393,027.77
Total					6,877,905,639.71	8,040,000,000.00

30. Long-term Payables

Items	Closing balance	Opening balance
Long-term payables	2,256,393,001.62	1,469,978,344.06
Special payables	676,000,000.00	676,000,000.00
Total	2,932,393,001.62	2,145,978,344.06

(1) Long-term payables

Items	Closing balance	Opening balance
Weihai Finance Assets Operation Co., Ltd.	755,647,300.00	785,147,300.00
Ping An International Financial Leasing (Tianjin) Co., Ltd.	100,497,506.64	168,753,933.43
Far Eastern Horizon Financial Leasing Co., Ltd.	307,274,104.64	435,999,827.15
AVIC International Leasing Co., Ltd	194,625,726.92	300,000,000.00
China Eastern Airlines International Financial Leasing Co. Ltd	91,434,773.84	150,000,000.00
Changjiang United Financial Leasing Co., Ltd.	225,347,427.48	
Jiushi Financial Leasing Co., Ltd.	113,650,033.31	
Gansu Lanyin Financial Leasing Co., Ltd.	150,705,548.46	
General Global International Financial Leasing (Tianjin) Co., Ltd.	165,192,136.15	
Hebei Financial Leasing Co., Ltd.	73,088,411.75	
Jiyin Financial Leasing Co., Ltd.	86,892,359.33	
Huiyin Financial Leasing Co., Ltd.	125,047,707.40	
Hengqin Huatong Financial Leasing Co., Ltd.	126,745,402.18	
Jiangsu Financial Leasing Co., Ltd.	100,877,940.62	
China Huarong Asset Management Co., Ltd. Shandong Branch	400,916,666.67	
Cathay Leasing Co., LTD	133,690,792.37	
Haitong Hengxin International Finance Co., Ltd.	166,107,186.77	

Items	Closing balance	Opening balance
Minus: Long-term payments due within one year	1,061,348,022.91	369,922,716.52
Total	2,256,393,001.62	1,469,978,344.06

(2) Special Payables

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
Special funds for the renovation of old residential areas	676,000,000.00			676,000,000.00
Total	676,000,000.00			676,000,000.00

31.Estimated liabilities

Items	Closing balance	Opening balance
Outstanding lawsuit	3,651,924.00	
Total	3,651,924.00	

32.Paid-in Capital

Name of Investors	Opening balance		Increase in current year	Decrease in current year	Closing balance	
	Amount invested	Proportion (%)			Amount invested	Proportion (%)
Weihai Wenteng District State-owned Assets Service Center	500,000,000.00	100.00			500,000,000.00	100.00
Total	500,000,000.00	100.00			500,000,000.00	100.00

33.Capital Reserve

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
I. Capital premiums				
II. Other capital reserve	26,650,593,102.96	780,441,110.50		27,431,034,213.46
Including: Appropriate funds transferred in	17,005,134,869.94	740,021,349.30		17,745,156,219.24
Assets transferred in	9,645,458,233.02	40,419,761.20		9,685,877,994.22
Total	26,650,593,102.96	780,441,110.50		27,431,034,213.46

Note: The increase in this period is mainly due to the free injection of monetary funds by the Finance Bureau of Wendeng District, Weihai City.

34.Surplus Reserve

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
Statutory surplus reserve	196,771,963.54	32,380,138.05	-	229,152,101.59
Total	196,771,963.54	32,380,138.05	-	229,152,101.59

Note: In accordance with the Corporation Law and the Company's articles of association, the company shall withdraw 10% of its net profit as its legal surplus reserve.

35. Undistributed profits

Items	Current year	Prior year
Adjust the undistributed profits of the previous period	1,860,155,838.89	1,575,123,661.39
Adjust total amount of undistributed profits at the beginning balance (increase by a "+", decrease by a " – ")		
Adjusted opening balance of undistributed profits	1,860,155,838.89	1,575,123,661.39
Add: net profits attribute to owners of the parent company during the current period	358,358,572.07	317,741,631.53
Less: Extraction of statutory surplus reserve	32,380,138.05	32,709,454.03
Extraction of discretionary surplus reserve		
Withdraw General contingency reserve		
Common stock dividends payable	2,000,000.00	
Common stock dividends converted to paid-in capital		
Closing balance	2,184,134,272.91	1,860,155,838.89

36. Operating Revenue and Operating Costs

Items	Current year		Prior year	
	Revenue	Costs	Revenue	Costs
Principal operating activities	2,980,595,594.44	2,293,238,782.37	2,751,096,458.25	2,124,705,063.82
Other operating activities	130,342,267.86	96,424,986.27	125,878,092.76	95,637,867.16
Total	3,110,937,862.30	2,389,663,768.64	2,876,974,551.01	2,220,342,930.98

(2) Revenue generated under the current contract

Contract Classification	Current year		Prior year	
	Revenue	Costs	Revenue	Costs
Project construction	526,974,687.20	497,063,131.27	625,073,395.57	627,225,056.06
Product sales	2,272,949,500.78	1,611,578,755.07	1,945,482,083.87	1,314,883,000.00
lease	307,990,915.99	279,996,876.95	303,321,834.77	278,068,934.92
Surveying and mapping	1,477,373.13	237,886.20	2,394,479.82	
Others	1,545,385.20	787,119.15	702,756.98	165,940.00
Total	3,110,937,862.30	2,389,663,768.64	2,876,974,551.01	2,220,342,930.98

37. Taxes and surcharges

Items	Current year	Prior year
City construction taxes	9,213,110.31	9,618,661.98
Education surcharges (including local education surcharges)	6,580,747.00	6,899,784.71
Property taxes	4,754,158.59	6,862,213.42
Land use taxes	72,767,116.13	70,209,481.33

Items	Current year	Prior year
Vehicle and boat use tax	7,090.38	5,350.38
stamp duty	2,584,969.27	2,706,081.30
Local water conservancy construction fund tax	1,941.29	759,561.57
Resource taxes	6,783.40	13,770.60
Others	29,147.56	
Total	95,945,063.93	97,074,905.29

Note: please refer to NoteVI for details of taxes and additional payment standards.

38.Financial Expenses

Items	Current year	Prior year
Interest expenses	256,883,199.37	269,385,466.10
Less: Interest income	82,140,541.71	2,969,652.81
Exchange gains or losses	4,389.55	1,899,964.54
Others	49,303,057.75	22,022,247.36
Total	224,050,104.96	290,338,025.19

39.Other Income

Items	Current year	Prior year
Government grants related to daily operation of the Company	897,670,000.00	851,484,300.00
Withholding and repaying individual income tax service fee	1,794.27	809.09
Total	897,671,794.27	851,485,109.09

40.Investment Income

Sources for investment income	Current year	Prior year
Income from long-term equity investments using equity method	929,266.69	
Income from other equity instrument investments	5,325,426.76	
Income from available-for-sale financial assets		4,621,879.34
Others	2,506.85	98,849.32
Total	6,257,200.30	4,720,728.66

41.Credit Impairment Loss

Items	Current year	Prior year
Bad debt loss of accounts receivable	-923,833.47	
Bad debt losses of other receivables	-104,385,528.81	
Total	-105,309,362.28	

Note: in the above table, the loss is marked with "-".

42.Asset Impairment Losses

Items	Current year	Prior year
Bad debt loss	———	-39,996,417.99
Total		-39,996,417.99

Note: in the above table, the loss is marked with "-".

43.Gains on Disposal of Assets

Items	Current year	Prior year
Gain on disposal of non-current assets	194,923.59	-49,250.00
Total	194,923.59	-49,250.00

44.Non-operating Income

Items	Current year	Prior year
Government grants unrelated to daily operation of the Company	11,250.52	162,813.00
Others	75,663.72	949,055.00
Total	86,914.24	1,111,868.00

45.Non-operating Expenses

Items	Current year	Prior year
Donations		10,000.00
lawsuit compensation	20,980,228.00	
Others	272,123.67	
Total	21,252,351.67	10,000.00

46.Income Tax Expenses

Items	Current year	Prior year
Income tax expenses in current period	2,787,553.85	29,061.64
Adjustment of deferred income taxes	-26,327,340.57	-9,999,104.50
Total	-23,539,786.72	-9,970,042.86

47.Supplementary information of the cash flow statement

(1) Using Indirect Method to Reconcile Net Profit to Cash Flows from Operating Activities

Supplementary information	Current year	Prior year
1.To reconcile net profit to cash flows from operating activities:	—	—
Net profit	358,814,741.09	317,249,778.78
Add: Impairment losss		39,996,417.99
Credit impairment loss	105,309,362.28	
Depreciations of fixed assets, oil and gas assets, and bearer biological assets	126,028,469.16	121,849,815.27
Depreciation of right-of-use assets		
Amortizations of intangible assets	961,839,837.10	910,994,009.22

Supplementary information	Current year	Prior year
Amortizations of long-term prepaid expenses	1,947,499.94	19,584,767.98
Losses on disposal of fixed assets, intangible assets and other long-term assets (gain expressed with "-")	194,923.59	49,250.00
Losses on retirement of fixed assets (gain expressed with "-"))		
Losses on changes in fair value (gain expressed with "-")		
Financial expenses (gain expressed with "-")	256,887,588.92	271,285,430.64
Investment losses (gain expressed with "-")	-6,257,200.30	-4,720,728.66
Decrease in deferred tax assets (increase expressed with "-")	-26,327,340.57	-9,999,104.50
Increase in deferred tax liabilities (decrease expressed with "-")		
Decrease in inventories (increase expressed with "-")	-1,840,066,168.71	-4,480,565,259.03
Decrease in receivables in operating activities (increase expressed with "-")	-678,063,834.15	2,239,531,476.25
Increase in payables in operating activities (decrease expressed with "-")	150,309,517.47	158,828,100.29
Others		
Net cash flow from operating activities	-589,382,604.18	-415,916,045.77
2. Significant investing and financing activities that do not involve cash receipts or payments	—	—
Debts converted to capital		
Convertible debts due within one year		
Fixed assets leased in under finance leases		
3. Net changes of cash and cash equivalents	—	—
Closing balance of cash	242,779,291.22	851,618,619.54
Less: Opening balance of cash	851,618,619.54	595,102,277.67
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-608,839,328.32	256,516,341.87

(2) Composition of Cash and Cash Equivalents

Items	Closing balance	年初余额
I. Cash	242,779,291.22	851,618,619.54
Including: Cash on hand	20,133.55	25,295.95
Demand deposits	242,759,157.67	851,593,323.59
Other cash/bank balance available for payment		
II. Cash equivalents		
Including: Bond investments due within three months		
III. Closing balance of cash and cash equivalents	242,779,291.22	851,618,619.54

48. Foreign Currency Monetary Items

Items	Closing balance in foreign currency	Exchange rate	Closing balance in CNY (translated)
Monetary fund			
Including: USD	4,284,862.79	6.3757	27,318,999.69
Other current liabilities			
Including: USD	85,681,164.38	6.3757	546,277,399.74

49. Assets with Restricted Ownership or Use Rights

Items	Carrying amount at year end	Reason for restriction
Monetary fund	1,209,494,146.78	Security deposit,ETC to freeze, pledged fixed deposit etc.
Intangible assets	10,904,974,492.04	Mortgage
Fixed assets	352,726,887.18	Mortgage
Other current assets	698,794.52	Interest on fixed deposits
Other non-current assets	24,131,969.19	Interest on fixed deposits
Total	12,492,026,289.71	

VII.Changes Of Consolidation Scope

No.	Name	Closing balance of net assets	Net profit in current year
1	Weihai Changhuikou Reservoir Engineering Construction Co., LTD	48,812.47	-1,887.53

VIII. Equity in Other Entities

1.Subsidiaries

(1) Compositions of enterprise groups

Subsidiary name	Main place of business	Registration place	Nature of business	Proportion of shareholding (%)		Proportion of voting rights(%)	Acquired method
				Direct	Indirect		
Weihai Taihe Investment Co., Ltd.	Weihai City	Weihai City	Commercial service industry	100.00		100.00	Free of charge transfer
Shandong Wendeng Bone Rehabilitation And Health Co., Ltd	Weihai City	Weihai City	Residential Service	51.00		51.00	Invest to establish
Weihai Wenyu New Momentum Development Co., Ltd	Weihai City	Weihai City	Commercial service industry	100.00		100.00	Invest to establish
Weihai Wenyu Construction Co., Ltd	Weihai City	Weihai City	Civil engineering construction industry	100.00		100.00	Free of charge transfer
Rowen International Co., Ltd.	Hongkong	Hongkong	Comprehensive	100.00		100.00	Invest to establish
Weihai Wenda Tourism Development Co., Ltd.	Weihai City	Weihai City	Commercial service industry		100.00	100.00	Invest to establish

Subsidiary name	Main place of business	Registration place	Nature of business	Proportion of shareholding (%)		Proportion of voting rights(%)	Acquired method
				Direct	Indirect		
Weihai Kunyu Construction and Development Co., Ltd	Weihai City	Weihai City	Building decoration and other construction industry	100.00		100.00	Free of charge transfer
Weihai Wenyu Land Planning and Design Service Co., Ltd	Weihai City	Weihai City	Special Technical Services	100.00		100.00	Free of charge transfer
Weihai Changhuikou Reservoir Engineering Construction Co., Ltd	Weihai City	Weihai City	Building decoration and other construction industry	60.80		60.80	Invest to establish

(Continued))

Company name	Registered capital	Business scope	Minority equity
Weihai Taihe Investment Co., Ltd.	100,000,000.00	Foreign investment and asset management with its own assets within the scope of laws and administrative regulations; Land development, consolidation and management; Construction of urban roads and infrastructure; Real estate development and management; Construction of supporting commercial houses, ordinary commercial houses and low-income housing, housing demolition and relocation sources, construction projects; Construction equipment installation works; Landscape design and construction engineering; Interior and exterior decoration project; Development, investment, operation and management of tourist scenic spots; Hotel management.	
Shandong Wendeng Bone Rehabilitation And Health Co., Ltd	340,000,000.00	Elderly services;Health maintenance services;Beauty salon service; Health and rehabilitation services; Catering services; Lease of premises; Health technology research and development, consultation and training; Health, beauty supplies development and sales.	2,626,724.02
Weihai Wenyu New Momentum Development Co., Ltd	50,000,000.00	Incubation of science and technology enterprises; Project investment; Technical development consultation and technical services; Lease of premises; Property services; Business management consulting.	
Weihai Wenyu Construction Co., Ltd	100,000,000.00	Housing construction, civil engineering, construction and installation engineering, building decoration and decoration construction; Concrete structural members manufacturing; Building materials, hardware, furniture, decoration materials sales; Real estate development and operation, housing leasing; Sales and leasing of construction machinery and equipment; Engineering management service, engineering design; Maintenance of municipal facilities.	
Rowen International Co., Ltd.	1,000,000.00 (美元)	Comprehensive business	
Weihai Wenda Tourism Development Co., Ltd.	150,000,000.00 (美元)	Development of tourist attractions; Construction and operation of tourist facilities; Development and management of commercial syntheses; Tourism services; Catering service.	
Weihai Kunyu Construction and Development Co., Ltd	50,000,000.00	Development of tourism projects; Comprehensive service and management of scenic spots; Civil engineering construction; Construction of municipal works; Construction of steel structure; Construction of waterproof and thermal insulation works; Construction of earthwork; Construction of gardens and ancient buildings; Foundation and foundation engineering construction; Real estate development and management; Sale of building materials (excluding paint).	
Weihai Wenyu Land Planning and Design Service Co., Ltd	6,000,000.00	Engineering survey: control survey, topographic survey, urban and rural planning alignment survey, urban and rural land survey (to implement the corresponding level of quotas); Urban planning technical services.	

Company name	Registered capital	Business scope	Minority equity
Weihai Changhuikou Reservoir Engineering Construction Co., Ltd	50,000,000.00	General projects: landscaping engineering construction; engineering management services; earthwork engineering construction; house demolition services; foreign contracted projects. Licensed projects: all kinds of engineering construction activities.	-739.91

(2)Significant Partially-owned Subsidiaries

1）Details of minority shareholders

No.	Enterprise name	Proportion of non-controlling interests (%)	Profit or loss attributable to non-controlling interests	Dividends paid to non-controlling interests	Cumulative non-controlling interests at year end
1	Shandong Wendeng Bone Rehabilitation And Health Co., Ltd	49.00	456,908.93		2,626,724.02
2	Weihai Changhuikou Reservoir Engineering Construction Co., Ltd	39.20	-739.91		-739.91

IX. Contingencies and Commitment

1. Major Commitments

None.

2. Contingencies

(1) Major lawsuits involving the Company

The housing sales contract dispute case among Mingsheng Sun, Weihai Wendeng District Bluesea Investment & Development Co., Ltd and Wendeng Jingu Real Estate Development Co., Ltd.

On March 6th 2015, the Company signed a contract for the transfer of housing and land use rights of the second area land and above-ground buildings of Wendeng District Dawulibaihuicheng community with assignor, Wendeng Jingu Real Estate Development Co., Ltd (hereinafter referred to as "Jingu") without knowing these transaction object have been mortgaged or sealed off and some houses were signed online.

On July 27th 2016, Mingsheng Sun as the plaintiff submitted the case that he had signed the commercial housing sales contracts of Wendeng Dawulibaihuicheng community with a total of more than 0.7million square meters with Jingu and the contracts had been recorded online with registration procedures to The Secondary Intermediate People's Court of Tianjin, the Company and Jingu as defendants. Mingsheng Sun required Jingu to return the payments, interests and the losses of price differences amounted to RMB 97,599,684.00 and required the Company to undertake the joint liabilities.

On November 12th 2016, Wendeng district court issued civil judgment No. 1485 of Weiwenmin-chuzi (2015), ruling that the sales contract signed by the Company and Jingu on March 6th 2015 was terminated in September 2016, and the signed contract of transfer of state-owned land use right was invalid.

After negotiation, on December 15th 2016, Mingsheng Sun reached a framework agreement on the settlement of this case with the Company and other litigants. Mingsheng Sun promised to submit the withdrawal application to the court for all the cases related to the Company.

In January 2017, Mingsheng Sun appeal The Secondary Intermediate People's Court of Tianjin for alteration of the original claims, termination the commercial housing sale agreement signed with Jingu on September 2, 2014 , requiring Jingu to return the payments with interests and losses of price differences amounted to RMB 18,585,381.00. After the alteration of the original claims, due to the objective of lawsuit is under 200.00 million, on March 30th 2017, The Secondary Intermediate People's Court of Tianjin issued civil ruling paper of (2016)Jin 02 Minchu No.467, and transferred this case to Tianjin Hedong District People's Court.

On December 19th 2017, the first hearing of Hedong District Court was held. On August 23rd 2018, Tianjin Hedong District People's Court issued (2017) Jin 0102 Minchu No.4291 civil judgment as following: rescission of the agreement signed on September 2nd 2014 for sale and purchase of commercial housing signed by plaintiff Mingsheng Sun and defendant Jingu; the defendant Jingu repay the plaintiff Mingsheng Sun RMB 10,944,192.00 of the houses payments and repay the interests losses according to the standard of banks corresponding loan interest rate from March 6th 2015 to the date of the actual refund of the purchase amount; within 10 days from the effective date of this judgment, the defendant, Jingu, shall compensate the plaintiff, Mingsheng Sun, RMB 6,384,112.00 for the differences losses of the purchased houses; the Company and the People's Government of Wendeng District of Weihai shall undertake joint and several liabilities for compensation with the defendant, Jingu; reject other lawsuit requests of plaintiff, Mingsheng Sun.

The Company has appealed against the civil judgment of (2018) Jin 02 Minzhong No.7611 issued by The Secondary Intermediate People's Court of Tianjin as following: rescission of (2017) Jin 0102 Minchu No.4291 civil judgment issued by Tianjin Hedong District People's Court; retrial this case by Tianjin Hedong District People's Court.

On December 23rd 2019, Tianjin Hedong District People's Court (2019) Jin0102, Minchu No. 3507 judgment : ① The defendant, Wendeng Jingu Real Estate Development Co., Ltd., shall compensate the plaintiff Mingsheng Sun a lump sum of RMB 10,944,192 house payment and the related interests within 10 days after tbis judgment takes effect. ② The defendant, Wendeng Jingu Real Estate Development Co., Ltd. paid the plaintiff a lump sum of RMB 6,384,112.00 for the balance loss of the houses purchased. ③ When the defendant, Wendeng Jingu Real Estate Development Co., Ltd., fails to compensate the plaintiff, Sun Mingsheng, for the above economic losses, the defendant, Weihai Wendeng Bluesea Investment and Development Co., Ltd., shall bear the supplementary compensation liability for the above items ① and ②. ④ Dismiss other claims of the plaintiff, Mingsheng Sun.

After the company filed an appeal, on May 31, 2021, the Tianjin Hedong District Court made a civil judgment (2020) Jin 02 Min Zhong No. 2040: the appeal was rejected and the original judgment was upheld. Later, Sun Mingsheng applied to Tianjin Hedong District People's Court for compulsory execution. During the execution process, Hedong District Court made (2021) Jin 0102 No. 3167 execution ruling on June 24, 2021: Freeze and allocate Wendeng Jingu Real Estate Development Co., Ltd. The bank deposit of RMB 20,980,228.00 under the name of the company and Weihai Wendeng District Blue Ocean Investment Development Co., Ltd., the withdrawal of the equivalent income of the person subject to execution or the seizure of the equivalent property. Afterwards, the company lodged an enforcement objection with the Tianjin Hedong District Court, and applied to the Tianjin Hedong District Court to suspend the enforcement of the case; stop taking enforcement measures against the company and lift all enforcement measures including sealing up and freezing bank account deposits. The Tianjin Hedong District Court (2021) Jin 0102 Zhiyi No. 395 enforced the ruling and rejected the company's objection.

On November 11, 2021, the Tianjin Hedong District Court made an enforcement ruling (2021) Jin 02 Zhifu No. 322: rejecting the company's application for reconsideration and maintaining the objection ruling (2021) Jin 0102 Zhiyi No. 395 of the Tianjin Hedong District People's Court. On December 3, 2021, the Tianjin Hedong District People's Court enforced the company's amount of RMB 17,328,304.00. Due to the problem of interest calculation, the company raised an objection to the Tianjin Hedong District Court, and the Tianjin Hedong District Court has not yet issued a ruling on this objection. As of the date of the audit report, Sun Mingsheng applied for preservation and seized 4,487,685.20 yuan of bank deposits of the company.

On June 15, 2020, Sun Mingsheng filed a lawsuit against the Company in Tianjin Hebei District People's Court for the same reason as that filed by Tianjin Hedong District People's Court. We challenge the jurisdiction.

In August 2020, Tianjin Hebei District People's Court rejected the objection raised by Weihai Wendeng District Blue Ocean Investment and Development Co., Ltd. to the jurisdiction of the case, and froze the deposit of 16,772,782 yuan, 16,824,255 yuan and 16,820,555 yuan in the bank account of Weihai Wendeng District Blue Ocean Investment and Development Co., Ltd.

In November 2020, the Second Intermediate People's Court of Tianjin ruled to cancel the three civil orders issued by Tianjin Hebei District People's Court in August 2020, and the case was transferred to the Wendeng District People's Court of Weihai City, Shandong Province for handling.

In December 2021, Sun Mingsheng filed a lawsuit in the People's Court of Jinan High-tech Industrial Development Zone, asking the company to compensate the purchase price of 59,733,349.00 yuan and interest, and compensate the loss of 60,208,916.00 yuan for the difference in the purchase price. In January 2022, Sun Mingsheng applied for preservation and freezing of the company's bank Deposit 121,012,449.00 yuan. As of the date of the audit report, this case is in the appeal procedure of the jurisdiction ruling.

(2) External guarantee items

As of December 31st, 2021, the company provides the following guarantees for other entities:

NO.	Lending bank	Guaranteed entity	The ending balance of guarantee	Guarantee due date
1	China Everbright Bank Co. LTD. Weihai Branch	Weihai Wendeng District Water Conservancy Construction and Development Co. Ltd	250,000,000.00	2022/1/13

NO.	Lending bank	Guaranteed entity	The ending balance of guarantee	Guarantee due date
2	China Everbright Bank Co. LTD. Weihai Branch	Wendeng Mountain sea spring Tourism Development Co. LTD	45,000,000.00	2023/11/19
3	Wendeng Branch of China Construction Bank Co., Ltd	Weihai Wendeng District Water Conservancy Construction and Development Co. Ltd	384,000,000.00	2029/9/10
4	Industrial And Commercial Bank of China Weihai Wendeng Branch	Weihai Wendeng District Transportation Construction and Development Co., Ltd	135,000,000.00	2027/12/1
5	Weihai Wendeng District Branch of Agricultural Development Bank of China	Wendeng Jintan Investment Management Co., Ltd	597,000,000.00	2033/8/12
6	Weihai Wendeng District Branch of Agricultural Development Bank of China	Weihai Wendeng District Transportation Construction and Development Co., Ltd	400,000,000.00	2028/5/5
7	Shandong Wendeng Rural Commercial Bank Co. Ltd	Weihai wensheng stone co., LTD	63,980,000.00	2022/4/29
8	Shandong Wendeng Rural Commercial Bank Co. Ltd	Wendeng Water Conservancy Construction and Installation Engineering Company	43,880,000.00	2024/3/11
9	Shandong Wendeng Rural Commercial Bank Co. Ltd	Weihai Fude Decoration Engineering Co., Ltd.	45,980,000.00	2024/3/9
10	Shandong Wendeng Rural Commercial Bank Co. Ltd	Weihai Shengxin Construction Engineering Co., Ltd.	44,880,000.00	2024/3/11
11	Shandong Wendeng Rural Commercial Bank Co. Ltd	Weihai Shunsheng Construction Engineering Co., Ltd.	29,980,000.00	2024/3/21
12	Shandong Wendeng Rural Commercial Bank Co. Ltd	Weihai Shunsheng Construction Engineering Co., Ltd.	48,980,000.00	2024/3/21
13	Shandong Wendeng Rural Commercial Bank Co. Ltd	Weihai Chengli Construction and Installation Engineering Co., Ltd.	44,780,000.00	2025/9/9
14	Shandong Wendeng Rural Commercial Bank Co. Ltd	Weihai Kangtai Water Development Co. LTD	46,980,000.00	2025/9/9
15	Weihai Wendeng Branch of Bank of Communications Co. LTD	Weihai Wendeng District Transportation Construction and Development Co., Ltd	480,000,000.00	2030/9/27
16	Weihai Wendeng Branch of Bank of Communications Co. LTD	Wendeng Jintan Investment Management Co., Ltd	500,000,000.00	2022/3/30
17	Weihai Wendeng Branch of Bank of Communications Co. LTD	Weihai Longsheng Trading Co., Ltd.	15,000,000.00	2023/6/22
18	Weihai Wendeng Branch of Bank of Communications Co. LTD	Weihai City Wendeng District Changyang military grain Supply Station Co. LTD	48,000,000.00	2023/9/29
19	Weihai Wendeng Branch of Bank of Communications Co. LTD	Wendeng District Maternal and child Health Hospital, Weihai City	40,000,000.00	2022/8/9
20	Rizhao Bank Co., LTD. Weihai Branch	Weihai Xinzang Construction and Installation Engineering Co., Ltd.	196,000,000.00	2022/1/7
21	Rizhao Bank Co., LTD. Weihai Branch	Weihai Xinzang Construction and Installation Engineering Co., Ltd.	98,000,000.00	2022/1/13
22	China Everbright Bank Co. LTD. Weihai Branch	Wendeng Mountain sea spring Tourism Development Co. LTD	45,000,000.00	2023/12/6
23	China Everbright Bank Co. LTD. Weihai Branch	Wendeng Mountain sea spring Tourism Development Co. LTD	45,000,000.00	2023/12/9

NO.	Lending bank	Guaranteed entity	The ending balance of guarantee	Guarantee due date
24	Qishang Bank Co., LTD. Weihai Wendeng Branch	Wendeng Jintan Investment Management Co., Ltd	257,000,000.00	2026/1/4
25	Qishang Bank Co., LTD. Weihai Wendeng Branch	Weihai Kangtai Water Development Co. LTD	135,000,000.00	2022/1/25
26	Weihai Wendeng Branch of China Minsheng Bank	Weihai Taihong Industrial Co., Ltd	210,000,000.00	2025/4/29
27	Bank of Qingdao of Weihai Wendeng Branch	Wendeng Jintan Investment Management Co., Ltd	223,090,000.00	2023/7/13
28	Bank of Qingdao of Weihai Wendeng Branch	Weihai Anwar Construction Engineering Co., LTD	59,400,000.00	2024/11/22
29	Industrial And Commercial Bank of China Weihai Wendeng Branch	Weihai Wendeng District Transportation Construction and Development Co., Ltd	90,000,000.00	2022/1/6
30	Industrial And Commercial Bank of China Weihai Wendeng Branch	Weihai Wendeng District Financial Assets Operation Co., Ltd	328,300,000.00	2043/12/15
31	Bank of Beijing Jinan Branch	Weihai Wendeng District Transportation Construction and Development Co., Ltd	190,000,000.00	2022/11/29
32	Bank of Beijing Jinan Branch	Weihai Shunsheng Construction Engineering Co., Ltd.	80,000,000.00	2023/12/23
33	Bank of Beijing Jinan Branch	Wendeng Water Conservancy Construction and Installation Engineering Company	50,000,000.00	2023/12/23
34	Bank of Communications Co. LTD. Weihai Wendeng Branch	Weihai Wendeng District Water Conservancy Construction and Development Co. Ltd	400,000,000.00	2037/12/25
35	Weihai Branch of Industrial Bank Co., Ltd.	Wendeng Jintan Investment Management Co., Ltd	50,000,000.00	2023/8/12
36	Chongqing Xiyu Financial Leasing Co., Ltd.	Wendeng Jintan Investment Management Co., Ltd	126,609,829.07	2024/4/1
37	Zhejiang Construction Financial Leasing Co., Ltd.	Wendeng Jintan Investment Management Co., Ltd	74,547,160.29	2025/3/1
38	Yu Nong Commercial Financial Leasing Co., Ltd.	Wendeng Jintan Investment Management Co., Ltd	125,976,341.86	2024/6/8
39	Qingdao Qingyin Financial Leasing Co., Ltd.	Wendeng Jintan Investment Management Co., Ltd	250,000,000.00	2024/4/29
40	Shandong Iron and Steel Financial Holding Financial Leasing (Shenzhen) Co., Ltd.	Wendeng Jintan Investment Management Co., Ltd	50,000,000.00	2024/11/18
41	Shandong International Trust Co., Ltd.	Wendeng Jintan Investment Management Co., Ltd	137,000,000.00	2023/8/27
42	Shandong Huitong Financial Leasing Co. Ltd	Weihai Huichang Construction Development Co., Ltd	77,136,449.54	2024/11/26
43	Shandong Huitong Financial Leasing Co. Ltd	Weihai Huichang Construction Development Co., Ltd	88,734,392.48	2025/1/8
44	Jiushi Financial Leasing Co., Ltd.	Weihai Taihong Industrial Co., Ltd	42,436,749.59	2024/6/23
45	Jiushi Financial Leasing Co., Ltd.	Weihai Taihong Industrial Co., Ltd	42,436,749.59	2024/6/23
46	Harbin Bank Financial Leasing Co., Ltd.	Weihai Kangtai Water Development Co. LTD	200,000,000.00	2025/7/15

NO.	Lending bank	Guaranteed entity	The ending balance of guarantee	Guarantee due date
47	Ping An International Financial Leasing (Tianjin) Co., Ltd.	Weihai Shunsheng Construction Engineering Co., Ltd.	100,000,000.00	2024/12/22
48	Guangzhou High-tech Zone Financial Leasing Co., Ltd.	Weihai Wendeng District City Assets Management Co., Ltd	80,000,000.00	2026/12/1
49	Bank of Qingdao Co., Ltd. Weihai Wendeng Sub-branch	Weihai Wendeng District City Assets Management Co., Ltd	400,000,000.00	2024/11/28
50	Bank of Qingdao Co., Ltd. Weihai Wendeng Sub-branch	Weihai Wendeng District City Assets Management Co., Ltd	350,000,000.00	2025/1/20
51	Weihai Wendeng District City Assets Management Co., Ltd.20wendeng	Weihai Wendeng District City Assets Management Co., Ltd	600,000,000.00	2027/12/10
52	Weihai Wendeng District City Assets Management Co., Ltd.21wendeng01	Weihai Wendeng District City Assets Management Co., Ltd	600,000,000.00	2028/6/28
	Total		9,065,107,672.42	

X. Events after the Reporting Period

On October 9, 2021, Weihai Kunyu Mountain Construction Development Co., Ltd. and Fujian Changgu Yikang Investment Partnership (Limited Partnership) signed an equity transfer contract, and the transfer target was 40% equity of Zhongbing Kunyu (Weihai) Cultural Tourism Development Co., Ltd. , the transfer price is RMB500,000.00, and the equity transfer will be completed on January 26, 2022.

XI. Relationships and Transactions with Related Parties

1. Basic Information of the Parent

Name of the parent	Main place of business	Registration place	Registered capital	Proportion of shares held by the parent (%)	Proportion of voting rights held by the parent (%)
Weihai Wenteng District State-owned Assets Service Center.	Weihai City	Asset supervision and management	412,000.00	100.00	100.00

2. Subsidiaries

See Note VIII. Rights and interests in other entities.

3. Joint Ventures and Associates

See Note VI-9 “Long-term Equity Investments”.

4. Other Related Parties

Name of related parties	Relationship with the Group
Weihai Yuquan New Building Materials Co., Ltd	shareholding company

5. Related Party Transactions

①Purchase of Goods

Name of related parties	Current year (tax included)	Prior year (tax included)
Weihai Yuquan New Building Materials Co., Ltd	80,733,501.25	10,021,427.00

②Guarantees

Guarantor	Guaranteed party	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Weihai Taihe Investment Co., Ltd.	Weihai Wendeng District Bluesea Investment & Development Co., Ltd	550,000,000.00	2021/2/7	2035/2/6	No
Weihai Taihe Investment Co., Ltd.	Weihai Wendeng District Bluesea Investment & Development Co., Ltd	236,000,000.00	2020/7/27	2030/7/23	No
Weihai Taihe Investment Co., Ltd.	Weihai Wendeng District Bluesea Investment & Development Co., Ltd	81,850,000.00	2020/10/13	2022/8/11	No
Weihai Taihe Investment Co., Ltd.	Weihai Wendeng District Bluesea Investment & Development Co., Ltd	100,000,000.00	2021/6/30	2022/6/30	No
Weihai Taihe Investment Co., Ltd.	Weihai Wendeng District Bluesea Investment & Development Co., Ltd	150,000,000.00	2021/4/22	2022/4/21	No
Weihai Taihe Investment Co., Ltd.	Weihai Wendeng District Bluesea Investment & Development Co., Ltd	200,000,000.00	2021/3/23	2022/3/22	No
Weihai Taihe Investment Co., Ltd.	Weihai Wendeng District Bluesea Investment & Development Co., Ltd	600,000,000.00	2021/8/31	2028/8/31	No
Weihai Taihe Investment Co., Ltd.	Weihai Wendeng District Bluesea Investment & Development Co., Ltd	600,000,000.00	2021/7/15	2028/7/15	No
Weihai Taihe Investment Co., Ltd.	Weihai Wendeng District Bluesea Investment & Development Co., Ltd	400,000,000.00	2021/6/4	2023/6/4	No
Weihai Wendeng District Bluesea Investment & Development Co., Ltd	Weihai Wenyu New Momentum Development Co., Ltd	80,000,000.00	2021/12/24	2023/12/23	No
Weihai Wendeng District Bluesea Investment & Development Co., Ltd	Weihai Wenyu New Momentum Development Co., Ltd	168,558,838.77	2021/6/30	2024/6/30	No

③Balance of receivables and payables of related parties

Items	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts payable				
Weihai Yuquan New Building Materials Co., Ltd	21,257,237.59	11.07%	7,672,347.30	8.28%
Total	21,257,237.59	11.07%	7,672,347.30	8.28%

XII.Notes to Major Items in Financial Statements of the Parent

1.Other Receivables

Items	Closing balance	Opening balance
Interests receivable		
Dividends receivable	5,409,231.32	10,357,349.02
Other receivables	7,398,205,657.81	5,810,422,121.65
Total	7,403,614,889.13	5,820,779,470.67

(1)Dividends receivable

Investee	Closing balance	Opening balance
Weihai Yuquan New Building Materials Co., Ltd.	5,409,231.32	10,357,349.02
Subtotal	5,409,231.32	10,357,349.02
Minus Bad Debts Provision		
Total	5,409,231.32	10,357,349.02

(2) Other Receivables

① Aging Analysis

Aging	Closing balance
Within 1 year (including 1 year)	6,274,316,445.28
1 to 2 years (including 2 years)	1,034,722,950.64
2 to 3 years (including 3 years)	114,242,441.89
3 to 4 years (including 4 years)	403,820.00
4 to 5 years (including 5 years)	
More than 5 years	208,377,220.16
Subtotal	7,632,062,877.97
Minus Bad Debts Provision	233,857,220.16
Total	7,398,205,657.81

②Classification by nature of payment

nature of payment	Closing balance	Opening balance
security deposit	80,764,140.83	61,051,095.92
Receivables from related parties	2,222,495,031.03	1,091,453,807.56
Non-related party transactions	5,320,390,745.27	4,837,125,794.46
Others	8,412,960.84	1,332,687.56
Subtotal	7,632,062,877.97	5,990,963,385.50
Minus Bad Debts Provision	233,857,220.16	180,541,263.85
Total	7,398,205,657.81	5,810,422,121.65

③ Provision of bad debts

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit loss in the next 12 months	Expected credit loss for the entire duration (no credit impairment occurred)	Expected credit loss for the entire duration (credit impairment has occurred)	
Beginning of the year	180,541,263.85			180,541,263.85
In the current period:				
—Move to the second stage				
—Move to the third stage				

Bad debt provision	First stage Expected credit loss in the next 12 months	Second stage Expected credit loss for the entire duration (no credit impairment occurred)	Third stage Expected credit loss for the entire duration (credit impairment has occurred)	Total
—Switch back to the second stage				
—Switch back to the first stage				
Withdrawal for the current period	53,315,956.31			53,315,956.31
Revert this period				
Resale of the current period				
Write off this period				
Other changes				
Ending Balanc	233,857,220.16			233,857,220.16

④Bad debt provision situation

Categories	Opening balance	Changes in the current period				Closing balance
		Accrual	Take back or switch back	Resale or write-off	Other changes	
Provision for bad debts of other receivables	180,541,263.85	53,315,956.31				233,857,220.16
Total	180,541,263.85	53,315,956.31				233,857,220.16

⑤Top Five Debtors According to Closing Balances

Debtor name	Closing balance	Aging	Proportion of total other receivables	bad-debt provision of Closing balance
Weihai Wenyu New Momentum Development Co., Ltd	2,054,821,254.83	Within 1 year RMB1,385,973,945.97, 1 to 2 yearsRMB 668,847,308.86	26.92%	
Weihai Meilun Road & Bridge Engineering Co., Ltd	720,194,619.83	Within 1 year	9.44%	
Weihai Kangtai Water Development Co. LTD	697,483,079.17	Within 1 year	9.14%	
Weihai wensheng stone co., LTD	650,000,000.00	Within 1 year	8.52%	
Weihai Wencheng Construction Group Co., Ltd.	400,000,000.00	1 to 2 years RMB290,400,000.00, 2 to 3 yearsRMB 109,600,000.00	5.24%	25,480,000.00
Total	4,522,498,953.83	—	59.26%	25,480,000.00

2. Long-term Equity Investments

(1) Classification of Long-term Equity Investments

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
Investments in subsidiaries	2,691,732,324.88	15,045,019.46		2,706,777,344.34

Items	Opening balance	Increase in current year	Decrease in current year	Closing balance
Investments in joint ventures				
Investments in associates				
Subtotal	2,691,732,324.88	15,045,019.46		2,706,777,344.34
Less: Impairment loss for long-term equity investments				
Total	2,691,732,324.88	15,045,019.46		2,706,777,344.34

（2）Invest in subsidiaries

Investee	Opening balance	Increase in current year	Decrease in current year	Closing balance	本期计提减值准备	减值准备年末余额
Weihai Taihe Investment Co.,Ltd	2,456,130,248.10			2,456,130,248.10		
Shandong Wendeng Bone Rehabilitation And Health Co., Ltd	159,000,000.00	14,400,000.00		173,400,000.00		
Weihai Wenyu New Momentum Development Co., Ltd	16,614,635.65	594,319.46		17,208,955.11		
Weihai Wenyu Construction Co., Ltd	15,298,087.11			15,298,087.11		
Weihai Wenyu Land Planning and Design Service Co. LTD	8,676,893.81			8,676,893.81		
Weihai Kunyu Construction and Development Co. LTD	36,012,460.21			36,012,460.21		
Weihai Changhuikou Reservoir Engineering Construction Co., LTD		50,700.00		50,700.00		
Total	2,691,732,324.88	15,045,019.46		2,706,777,344.34		

3.Operating Revenue and Operating Costs

（1）Operating Revenue and Operating Costs

Items	Current year		Prior year	
	Revenue	Costs	Revenue	Costs
Principal operating activities	2,374,401,860.69	1,794,009,822.83	2,123,547,040.47	1,497,480,007.76
Other operating activities	128,757,358.85	95,637,867.12	125,823,449.91	95,637,867.16
Total	2,503,159,219.54	1,889,647,689.95	2,249,370,490.38	1,593,117,874.92

(2) Revenue generated under the current contract

Contract Classification	Current year		Prior year	
	Revenue	Costs	Revenue	Costs
Product sales	2,197,002,047.66	1,611,578,755.07	1,946,052,918.33	1,315,048,940.00
lease	303,918,639.65	278,068,934.88	303,308,073.30	278,068,934.92
Others	2,238,532.23		9,498.75	
Total	2,503,159,219.54	1,889,647,689.95	2,249,370,490.38	1,593,117,874.92

4.Other Income

Items	Current year	Prior year
Government grants related to daily operation of the Company	419,670,000.00	350,484,300.00
Withholding and repaying individual income tax service fee	494.52	261.63
Total	419,670,494.52	350,484,561.63

5.Investment Income

Sources for investment income	Current year	Prior year
Income from other equity instrument investments	5,325,426.76	
Income from available-for-sale financial assets		4,621,879.34
Total	5,325,426.76	4,621,879.34

NOTE 13- OTHER IMPORTANT MATTERS

The company deals with the payment guarantee business at the Tianfu Sub-branch of Weihai Commercial Bank Co., Ltd., the amount of which is RMB 135 million, and the maturity is 2020.7.20-2023.7.20.

Weihai Wendeng District Bluesea Investment & Development Co., Ltd

April 15th, 2022

统一社会信用代码

91110102089698790Q

营业执照

(副 本)(6–1)

名　　称　中勤万信会计师事务所（特殊普通合伙）

类　　型　特殊普通合伙企业

执行事务合伙人　胡柏和

经营范围　审查企业会计报表、出具审计报告；验证企业资本，出具验资报告；办理企业合并、分立、清算事宜中的审计业务，出具有关报告；基本建设年度财务决算审计；代理记帐；会计咨询、税务咨询、管理咨询、会计培训；法律、法规规定的其他业务。（市场主体依法自主选择经营项目，开展经营活动；依法须经批准的项目，经相关部门批准后依批准的内容开展经营活动；不得从事国家和本市产业政策禁止和限制类项目的经营活动。）

成立日期　2013年12月13日

合伙期限　2013年12月13日 至 2043年12月12日

主要经营场所　北京市西城区西直门外大街112号十层1001

登记机关

北京市西城区市场监督管理局

2022 年 02 月 10 日

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

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

证书序号：0014470

会计师事务所

执业证书

名　　称：中勤万信会计师事务所（特殊普通合伙）

首席合伙人：胡柏和

主任会计师：

经营场所：北京市西城区西直门外大街112号十层1001

组织形式：特殊普通合伙

执业证书编号：11000162

批准执业文号：京财会许可〔2013〕0083号

批准执业日期：2013年12月11日

说　明

1、《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。

2、《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。

3、《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。

4、会计师事务所终止或执业许可注销的，应当向财政部门交回《会计师事务所执业证书》。

发证机关：北京市财政局

二〇二〇年十一月十一日

中华人民共和国财政部制

姓　　名 Full name [illegible]
性　　别 Sex 男
出生日期 Date of birth 1973-09-11
工作单位 Working unit 中勤万信会计师事务所
身份证号码 Identity card No. 110102730911111

证书编号：No. of Certificate 110001620030
批准注册协会：Authorized Institute of CPAs 北京注册会计师协会
发证日期：Date of Issuance 2003 年 07 月 23 日

记
ration

姓名：[illegible]
证书编号：110001620030
格，继续有效一年。
... is valid for another year after this renewal.

2004 年 3 月 1 日

记
ration

格，继续有效一年。
... valid for another year after this renewal.

2017

2006 年 3 月 1 日

注册会计师工作单位变更事项登记
Registration of the Change of Working Unit by a CPA

同意调出
Agree the holder to be transferred from

事务所 CPAs

转出协会盖章
Stamp of the transfer-out Institute of CPAs

年 1 月 21 日

同意调入
Agree the holder to be transferred to

事务所 CPAs

转入协会盖章
Stamp of the transfer-in Institute of CPAs

月 21 日

注册会计师工作单位变更事项登记
Registration of a Change of Working Unit by a CPA

同意调出
Agree the holder to be transferred from

事务所 CPAs

转出协会盖章
Stamp of the transfer-out Institute of CPAs

2015 年 8 月 3 日

同意调入
Agree the holder to be transferred to

中勤万信会计师事务所（特殊普通合伙）浙江分所

事务所 CPAs

转入协会盖章
Stamp of the transfer-in Institute of CPAs

2015 年 8 月 28 日

年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.

2008 年 3 月 20 日

年检登记
Annual Renewal Registration

姓名：吴雨文
证件编号：110001980061
This certificate is valid for another year after this renewal.

证书编号：110001980061
No. of Certificate

批准注册协会：北京注册会计师协会
Authorized Institute of CPAs

发证日期：2005-6-15
Date of Issuance

姓名 Full name：吴雨文

性别 Sex：男

出生日期 Date of birth：1973-10-21

工作单位 Working unit：[illegible]会计师事务所有限责任公司

身份证号码 Identity card No.：342224731021517

注册会计师工作单位变更事项登记
Registration of the Change of Working Unit by a CPA

同意调出
Agree the holder to be transferred from

事务所 CPAs

转出协会盖章
Stamp of the transfer-out Institute of CPAs

2014 年 1 月 27 日

同意调入
Agree the holder to be transferred to

事务所 CPAs

转入协会盖章
Stamp of the transfer-in Institute of CPAs

2014 年 1 月 27 日

注意事项

一、注册会计师执行业务，必要时须向委托方出示本证书。
二、本证书只限于本人使用，不得转让、涂改。
三、注册会计师停止执行法定业务时，应将本证书缴还主管注册会计师协会。
四、本证书如遗失，应立即向主管注册会计师协会报告，登报声明作废后，办理补发手续。

NOTES

1. When practising, the CPA shall show the client this certificate when necessary.
2. This certificate shall be exclusively used by the holder. No transfer or alteration shall be allowed.
3. The CPA shall return the certificate to the competent Institute of CPAs when the CPA stops conducting statutory business.
4. In case of loss, the CPA shall report to the competent Institute of CPAs immediately and go through the procedure of reissue after making an announcement of loss on the newspaper.

ISSUER

Rowen International Co., Limited
（魯威國際有限公司）
11/F Central Tower
28 Queen's Road Central
Hong Kong

GUARANTOR

Weihai Wendeng District Bluesea Investment & Development Co., Ltd
（威海市文登區藍海投資開發有限公司）
c/o No. 106-2
Wenchang Road, Tianfuban
Wendeng District
Weihai
Shandong, China

TRUSTEE

Bank of Communications Trustee Limited
1/F, Far East Consortium Building
121 Des Voeux Road Central
Hong Kong

PRINCIPAL PAYING AGENT, TRANSFER AGENT AND REGISTRAR

Bank of Communications Co., Ltd. Hong Kong Branch
16/F, COS Centre
56 Tsun Yip Street, Kwun Tong
Hong Kong

LEGAL ADVISERS

To the Issuer and the Guarantor as to English law

DeHeng Law Offices (Hong Kong) LLP
28th Floor
Henley Building
5 Queen's Road Central
Central
Hong Kong

To the Managers as to English law

Linklaters
11th Floor, Alexandra House
Chater Road, Central
Hong Kong

To the Managers as to PRC law

Beijing DHH (Jinan) Law Firm
4th Floor, Xiangheng Mansion
No.102, Luoyuan Street
Lixia District, Jinan City
Shandong, China

To the Trustee as to English law

Linklaters
11th Floor, Alexandra House
Chater Road, Central
Hong Kong

AUDITORS OF THE GUARANTOR

Peking Certified Public Accountants
10th floor, No. 112 Yangguang Building
Xizhimenwai Street
Beijing, China