

IMPORTANT NOTICE

NOT FOR DISTRIBUTION INTO THE UNITED STATES

IMPORTANT: You must read the following before continuing. The following applies to the offering circular (the “Offering Circular”) following this page, and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer (as defined in the Offering Circular) as a result of such access.

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES AND THE STANDBY LETTER OF CREDIT DESCRIBED HEREIN 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 OTHER JURISDICTION AND THE SECURITIES AND THE STANDBY LETTER OF CREDIT MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

THE FOLLOWING 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 UNITED STATES ADDRESS. 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. ANY INVESTMENT DECISION WOULD BE MADE ON THE BASIS OF THE TERMS AND CONDITIONS OF THE SECURITIES AND THE INFORMATION CONTAINED IN THE OFFERING CIRCULAR (AS AMENDED AND RESTATED) THAT WILL BE DISTRIBUTED TO YOU PRIOR TO THE PRICING DATE AND NOT ON THE BASIS OF THE ATTACHED DOCUMENT. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of Your Representation:

In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must be purchasing the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act. By accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to have represented to the Managers (as defined in the Offering Circular), the LC Bank (as defined in the Offering Circular) and the Issuer (1) that you and any customers you represent are not, and that the electronic mail address that you gave the Issuer and to which this e-mail has been delivered is not, located in the United States, its territories or possessions, and (2) that you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person.

The materials relating to any offering of securities described in the Offering Circular do not constitute, and may not be used in connection with, an offer or solicitation by or on behalf of any of the Issuer, the LC Bank or the Managers in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licenced broker or dealer and the Managers or any affiliate of the Managers are licenced brokers or dealers in that jurisdiction, the offering shall be deemed to be made by the Managers or such affiliate on behalf of the Issuer in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents (each as defined in the Offering Circular) or any person who controls any of them nor any director, officer, employee nor agent of the Managers or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Managers.

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

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the Code as having an association (an “Association”) with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to 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 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 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 Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the Code, it being understood and agreed that such information shall only be used for the purpose of complying with the Code, during the book-building process for the offering. Failure to provide such information may result in that order being 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.

Actions that you may not take: If you receive this document by e-mail, you should not reply by e-mail to this document, 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.

OFFERING CIRCULAR



NEIJIANG ROAD AND BRIDGE GROUP CO., LTD (內江路橋集團有限公司)

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

CNY380,000,000 4.70 per cent. credit enhanced Bonds due 2026 with the benefit of an irrevocable Standby Letter of Credit issued by China Bohai Bank Co., Ltd., Chengdu Branch Issue Price: 100.00 per cent.

The 4.70 per cent. credit enhanced bonds due 2026 in the aggregate principal amount of CNY380,000,000 (the "Bonds") will be issued by Neijiang Road and Bridge Group Co., Ltd (內江路橋集團有限公司) (the "Issuer" or the "Company", collectively with its subsidiaries, the "Group"). Payments of principal and interest in respect of the Bonds will have the benefit of an irrevocable standby letter of credit (the "Standby Letter of Credit") denominated in CNY and issued by China Bohai Bank Co., Ltd., Chengdu Branch (the "LC Bank"). See "Appendix A – Form of Irrevocable Standby Letter of Credit" for the form of the Standby Letter of Credit.

The Bonds will bear interest on their outstanding principal amount from and including 13 December 2023 (the "Issue Date") at the rate of 4.70 per cent. per annum, payable semi-annually in arrear on 13 June and 13 December in each year, commencing on 13 June 2024 (each an "Interest Payment Date"). All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without set-off or counterclaim and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or the PRC or any political subdivision thereof or any authority therein or thereof having power to tax, unless such set-off, counterclaim, withholding or deduction is required by law. See "Terms and Conditions of the Bonds – Taxation".

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

The Issuer has made an application for the pre-issuance registration (the "Pre-Issuance Registration") in relation to the Bonds with the National Development and Reform Commission (the "NDRC") in accordance with the Administrative Measures for the Examination and Registration of Medium and Long-term Foreign Debts of Enterprises (Decree No. 56 of the National Development and Reform Commission) (企業中長期外債審核登記管理辦法 (國家發展和改革委員會令 第 56 號)) (the "Order 56") issued by the NDRC which came into effect on 10 February 2023. The Issuer has received the Certificate of Examination and Registration of Foreign Debts Borrowed (企業借用外債審核登記證明) dated 4 August 2023 from the NDRC (the "NDRC Certificate") evidencing the completion of such Pre-Issuance Registration. Pursuant to the Order 56 and the NDRC Certificate, the Issuer shall cause the relevant information relating to the issue of the Bonds to be reported to the NDRC after the Issue Date and comply with the continuing obligations within the relevant time periods prescribed by the NDRC and any implementation rules as issued by the NDRC from time to time or pursuant to relevant laws and regulations.

The Issuer undertakes that it will (i) within 15 Registration Business Days (as defined in the Terms and Conditions of the Bonds (the "Terms and Conditions" or the "Terms and Conditions of the Bonds")) after the Issue Date, register or cause to be registered with the State Administration of Foreign Exchange (the "SAFE") the Bonds pursuant to the Administrative Measures for Foreign Debt Registration (Hui Fa [2013] No. 19) (外債登記管理辦法 (匯發[2013]19 號)) effective as of 13 May 2013 and revised on 4 May 2015 and its operating guidelines ("Foreign Debt Registration"), (ii) use its best endeavours to complete the Foreign Debt Registration and obtain a registration record from SAFE on or before the Registration Deadline, (iii) if applicable, as soon as possible upon being required or requested to do so by any relevant governmental authority, file or cause to be filed with SAFE the Bonds pursuant to the Circular of the People's Bank of China on Matters concerning the Macro Prudential Management of Full-Covered Cross-border Financing (Yin Fa [2017] No. 9) (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知 (銀發[2017]9 號)) promulgated by the People's Bank of China (the "Cross Border Financing Circular") and (iv) comply with all applicable PRC laws and regulations in relation to the Bonds.

Unless previously redeemed, or purchased or cancelled, the Bonds will be redeemed at their principal amount on 13 December 2026 (the "Maturity Date"). The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with the Condition 16 (Notices) (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount together with any unpaid interest accrued up to (but not including) the date fixed for redemption, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions) as provided or referred to in Condition 8 (Taxation) as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 6 December 2023, and (ii) such obligation cannot be avoided by the Issuer 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 would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. At any time following the occurrence of a Relevant Event (as defined in the Terms and Conditions of the Bonds), each holder of Bonds (each a "Holder" or "Bondholder") will have the right, at such Bondholder's option, to require the Issuer to redeem all but not some only of such Bondholder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions) at 100 per cent. of their principal amount, together in each case with accrued interest up to (but excluding) the Put Settlement Date. See "Terms and Conditions of the Bonds – Redemption and Purchase".

If a Pre-funding Failure (as defined in the Terms and Conditions of the Bonds) occurs in respect of a scheduled payment of principal or interest payable under Condition 5 (Interest) or Condition 6(a) (Final Redemption), the Bonds shall be redeemed in whole, but not in part, on the Interest Payment Date immediately falling after the date the Trustee makes a Demand in accordance with Condition 2(c) (Pre-Funding) (the "Mandatory Redemption Date") at their principal amount, together with interest accrued to, but excluding, the Mandatory Redemption Date. See "Terms and Conditions – Redemption and Purchase – Mandatory Redemption upon Pre-funding Failure".

Investing in the Bonds involves certain risks. See "Risk Factors" beginning on page 17 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

For a more detailed description of the Bonds, see "Terms and Conditions of the Bonds" beginning on page 51.

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

The Bonds are not rated.

Application will be made for the listing of the Bonds on the Chongwa (Macao) Financial Asset Exchange Co., Ltd. (the "MOX").

The Offering Circular is for distribution to professional investors (as defined in Section 11 of the Guideline on Provision and Distribution of Financial Products (Circular 033/B/2010-DSB/AMCM)) ("MOX Professional Investors") only. Investors should not purchase the Bonds in the primary or secondary markets unless they are MOX Professional Investors and understand the risks involved. The Bonds are only suitable for MOX Professional Investors.

The MOX has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of the Offering Circular to MOX Professional Investors only have been reproduced in the Offering Circular. Listing of the Bonds on the MOX is not to be taken as an indication of the commercial merits or credit quality of the Bonds, the Company, the Group or the quality of disclosure in this Offering Circular.

The MOX takes no responsibility for the contents of this Offering Circular, makes no representation as to its accuracy or completeness and expressly disclaims 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 requirements in relation to MOX Professional Investors above and in this Offering Circular shall be construed as relating to offers and sales of the Bonds in Macau only.

The denomination of the Bonds will be CNY1,000,000 each and integral multiples of CNY10,000 in excess thereof. 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 the Issue Date, with a common depositary for, Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except in the limited circumstances described in the Global Certificate, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Sole Global Coordinator, Joint Lead Manager and Joint Bookrunner

Yuan Tong Global Securities Limited

Joint Lead Managers and Joint Bookrunners

Shanghai Pudong Development Bank
Hong Kong Branch

China Zhesang Bank Co., Ltd.
(Hong Kong Branch)

BOCOM International

Founder Securities (Hong Kong)

Excellent Tide Securities Limited

Gee Hi International Securities
(Hong Kong) Limited

Offering Circular dated 6 December 2023

IMPORTANT NOTICE

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

The Issuer, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Group, the LC Bank, the Standby Letter of Credit and the Bonds which is material in the context of the issue and offering of the Bonds (including the information which, is required by applicable laws and regulations and which, according to the particular nature of the Issuer, the Group, the Standby Letter of Credit, the LC Bank and the Bonds, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer, the Group and the LC Bank and of the rights attaching to the Standby Letter of Credit and the Bonds); (ii) the statements contained in this Offering Circular and the answers, materials, information and documents provided by the Issuer to the investors relating to the Bonds are in every material particular true and accurate and, in the light of the circumstances under which they were made, not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the Group and the LC Bank are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Group, the LC Bank, the Standby Letter of Credit 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 respects; (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements in this Offering Circular; (vi) the information relating to the LC Bank included in the Offering Circulars has been derived from or extracted from, among other sources, publicly available information and the Issuer has exercised reasonable care in compiling and reproducing such information relating to the LC Bank; (vii) this Offering Circular does not include an untrue statement of a material fact; or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (viii) the statistical, industry and market-related data and forward-looking statements, each of which are included in this Offering Circular, are based on or derived or extracted from sources which the Issuer believes to be accurate and reliable in all material respects. The Issuer has taken reasonable care in reproducing or extracting, and thus including in this Offering Circular, such data.

This Offering Circular has been prepared by the Issuer solely for use in connection with the proposed offering of the Bonds and the issuance of the Standby Letter of Credit described in this Offering Circular. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of Yuan Tong Global Securities Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, China Zheshang Bank Co., Ltd. (Hong Kong Branch), BOCOM International Securities Limited, Founder Securities (Hong Kong) Limited, Excellent Tide Securities Limited and Gee Hi International Securities (Hong Kong) Limited (the “**Managers**”) or the Issuer or the LC Bank to subscribe for or purchase any of the Bonds. The distribution of this Offering Circular, the issuance of the Standby Letter of Credit and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds, the Standby Letter of Credit or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes.

There are restrictions on the offer and sale of the Bonds, the issuance of the Standby Letter of Credit and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, the PRC, Hong Kong, Singapore, Macau and Japan, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see “*Subscription and Sale*”. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise to acquire the Bonds. Distribution of this Offering Circular to any other person other than the investors and any person retained to advise such investors with respect to their purchase is unauthorised. Each investor, by accepting delivery of this Offering Circular, agrees to

the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE MANAGERS APPOINTED AND ACTING AS THE STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF SUCH STABILISATION MANAGER) (THE “STABILISATION MANAGER”) MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, THERE IS NO OBLIGATION ON SUCH STABILISATION MANAGER TO DO THIS. SUCH STABILISATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILISATION SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

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

This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular each investor agrees to these restrictions.

No representation or warranty, express or implied, is made or given by the Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as a promise, representation or warranty by the Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them. To the fullest extent permitted by law, the Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank and the Agents and their respective affiliates, directors, officers, employees, representatives, agents and advisers do not accept any responsibility for the contents of this Offering Circular and assumes no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them or on their behalf in connection with the Issuer, the issue and offering of the Bonds, the LC Bank and the issuance of the Standby Letter of Credit. Each of the Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank and the Agents and their respective affiliates, directors, officers, employees, representatives, agents and advisers and each person who controls any of them accordingly disclaim all and any liability whether arising in tort or contract or otherwise which they might otherwise have in respect of this Offering Circular or any such statement.

None of the Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or any Agent or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them undertakes to review the financial conditions or affairs of the Issuer, the Group or the LC Bank after the date of this Offering Circular nor to advise any investor or potential investor in the Bonds of any

information coming to the attention of the Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or any Agent or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them. The Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank, the Agents and their respective affiliates, directors, officers, employees, representatives, agents and advisers and each person who controls any of them have not independently verified any of the information contained in this Offering Circular and can give no assurance that the information is accurate, truthful or complete. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Group, the LC Bank, the Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank, the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision.

Singapore SFA Product Classification: *In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined the classification of the Bonds as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

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

In making an investment decision, investors must rely on their own examination of the Issuer, the Group and the terms of the offering 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 Group, the LC Bank, the Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank and the Agents or their respective directors, officers, employees, affiliates, advisers or agents or any person who controls any of them is making any representation to any purchaser of the Bonds regarding the legality of any investment in the Bonds by such purchaser under any legal investment or similar laws or regulations.

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

The contents of this Offering Circular have not been reviewed by any regulatory authority of any jurisdiction. You are advised to exercise caution in relation to the offering of the Bonds. If you are in any doubt about any of the contents of this Offering Circular, you should obtain independent professional advice.

The information included in this Offering Circular regarding China Bohai Bank Co., Ltd. (the “**Bank**” or “**China Bohai Bank**”) or the LC Bank is for information purposes only and is based on, or derived or extracted from, among other sources, publicly available information. Any information available from public sources that is referenced in this Offering Circular shall not be deemed to be incorporated by reference to this Offering Circular. In particular, the audited consolidated financial information and/or any unaudited but reviewed interim consolidated financial statements of the Bank are not included in or incorporated by reference in and do not form part of this Offering Circular. The Issuer has taken reasonable care in the compilation and reproduction of the information. However, none of the Issuer, the Group, the Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account

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

INDUSTRY AND MARKET DATA

All non-company specific statistics and data relating to the Group's industry or the economies of pertinent jurisdictions, such as the PRC, have been extracted or derived from publicly available information and various government sources. The Issuer believes that the sources of the information are appropriate for such information and the Issuer has taken reasonable care in extracting and reproducing such information. The Issuer has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, the information has not been independently verified by the Issuer, the Group, the LC Bank, the Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them and none of the Issuer, the Group, the LC Bank, the Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them makes any representation as to the correctness, accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

PRESENTATION OF FINANCIAL INFORMATION

FINANCIAL INFORMATION OF THE GROUP

This Offering Circular contains consolidated financial information of the Issuer as at and for the years ended 31 December 2020, 2021 and 2022, which has been extracted from the audited consolidated financial statements of the Issuer as at and for the three years ended 31 December 2022 (the “**Audited Consolidated Financial Statements**”). The Audited Consolidated Financial Statements were prepared and presented in accordance with the Accounting Standards for Business Enterprises in the PRC (“**PRC GAAP**”). The Audited Consolidated Financial Statements have been audited by Asia Pacific (Group) CPAs (Special General Partnership) (亞太(集團)會計師事務所(特殊普通合伙)) (“**Asia Pacific**”), the independent auditor of the Issuer in accordance with Auditing Standards for Chinese Certified Public Accountants. None of the Managers nor their respective affiliates, directors, employees, agents, representatives, officers and advisers has independently verified or checked the accuracy of the Audited Consolidated Financial Statements and there can be no assurance that the information contained therein is accurate, truthful or complete. PRC GAAP differs in certain material respect from International Financial Reporting Standards (“**IFRS**”). See “*Summary of Certain Differences Between PRC GAAP and IFRS*”.

Certain monetary amounts included in this Offering Circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the individual items and actual numbers may differ from those contained herein due to rounding.

FINANCIAL INFORMATION OF THE BANK

Copies of the Bank’s published audited consolidated financial statements and unaudited consolidated financial statements, as well as its other public filings, can be downloaded free of charge from the website of the Bank at <http://www.cbhb.com.cn/> and the website of The Stock Exchange of Hong Kong Limited (the “**HKSE**”) at <https://www.hkex.com.hk>. The financial statements of the Bank are not included in and do not form part of this Offering Circular. The information contained on the websites of the Bank and the HKSE is subject to change from time to time. No representation is made by the Issuer, the Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them and none of the Issuer, the Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them takes any responsibility for any information contained on the websites of the Bank and the HKSE.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

This Offering Circular has been prepared using a number of conventions, which investors should consider when reading the information contained herein. When using the terms the “**Issuer**”, the “**Company**”, the “**Group**” and words of similar import, Neijiang Road and Bridge Group Co., Ltd (內江路橋集團有限公司) itself, is being referred to, or to Neijiang Road and Bridge Group Co., Ltd and its consolidated subsidiaries, taken as a whole. Unless otherwise specified or the context requires, references herein to “**Renminbi**”, “**RMB**” or “**CNY**” are to the lawful currency of the PRC, references herein to “**U.S. dollars**” or “**U.S.\$**” or are to the lawful currency of the United States of America.

Unless otherwise specified or the context requires, in this Offering Circular, references to “**China**” and the “**PRC**” are to the People’s Republic of China and for the purpose of this Offering Circular only, exclude Taiwan, Macau and Hong Kong; references to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People’s Republic of China; references to “**Macau**” are to the Macau Special Administrative Region of the People’s Republic of China; and references to “**U.S.**” and the “**United States**” mean the United States of America. The “**PRC government**” or the “**State**” means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them.

Historical amounts translated into Renminbi have been translated at historical rates of exchange. Such translations should not be construed as representations that the amounts referred to herein could have been or could be converted into Renminbi at those rates or any other rate at all. This Offering Circular contains translation of certain Renminbi amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise specified, where financial information in relation to the Issuer has been translated into U.S. dollars, it has been so translated, for convenience only, at the rate of CNY6.8972 to U.S.\$1.00 (the noon buying rate in New York City on 30 December 2022 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York). No representation is made that the Renminbi amounts referred to in this Offering Circular could have been or could be converted into U.S. dollars at any particular rate or at all.

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

- “**CSRC**” are to the China Securities Regulatory Commission (中國證券監督管理委員會);
- “**CBRC**” are to the China Banking Regulatory Commission (中國銀行業監督管理委員會), the predecessor of CBIRC;
- “**CBIRC**” are to the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會), which was revoked after the establishment of the NAFR on 18 May 2023;
- “**GDP**” are to gross domestic product;
- “**MOF**” are to the Ministry of Finance of the PRC (中華人民共和國財政部);
- “**MOFCOM**” are to the Ministry of Commerce of the PRC (中華人民共和國商務部);
- “**NAFR**” are to the National Administration of Financial Regulation (國家金融監督管理總局) of the PRC;
- “**NDRC**” are to the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會);
- “**Neijiang Municipal Government**” refer to the People’s Government of Neijiang Municipality (內江市人民政府);
- “**Neijiang SASAC**” are to State-owned Assets Supervision and Administration Commission of Neijiang Municipal People’s Government (內江市人民政府國有資產監督管理委員會) or its successor;

- “**PBOC**” are to the People’s Bank of China (中國人民銀行), the central bank of the PRC;
- “**SAFE**” are to the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) or its competent local counterparts;
- “**SAT**” are to the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局);
- “**Sichuan Provincial Government**” are to the People’s Government of Sichuan Province (四川省人民政府);
- “**State Council**” are to the State Council of the PRC (中華人民共和國國務院); and
- “**VAT**” are to value added tax.

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

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

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 conditions, expansion plans and business strategy. These forward-looking statements are based on the Group's current expectations and projections about future events. Although the Group believes that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- general economic and political conditions in the PRC and globally;
- risks associated with business activities in the PRC, including but not limited to the PRC regulatory environment;
- macroeconomic measures taken by the PRC government to manage economic growth;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Group's business;
- the Group's business strategy and plan of operation;
- the Group's business prospects and capital expenditure plans;
- the actions and developments of the Group's competitors;
- the Group's financial condition and performance;
- future developments, trends and conditions in the industry and markets in which the Group operates;
- fluctuations in interest rates and the availability of credit;
- changes or volatility in 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;
- various business opportunities that the Group may pursue; 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 conditions 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, profitability, planned projects and other matters as they relate to the Issuer or the Group 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 Group's actual results could differ materially from those anticipated in those forward-looking statements.

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SUMMARY

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

OVERVIEW

Founded in December 2013, the Company is one of the largest state-owned enterprises for infrastructure construction in Neijiang City in terms of asset size. The Group's primary functions are to undertake investments, financing, construction, and operation of local infrastructure, mainly roads and bridges, as well as state-owned assets management.

Neijiang City is located in the southeast of the Sichuan Basin and at the centre of the Chengdu-Chongqing development axis. It covers an area of approximately 5,385 square kilometres and governs two districts, three counties, one national-level economic and technological development zone, and one national high-tech industrial development zone. With a total population of 3,988 thousand, it is a national sanitary city and a provincial civilised city. Neijiang City is a national comprehensive transportation hub, a key gateway to the new land-sea passage (陸海新通道) in the west, and an important transportation hub in the Chengdu-Chongqing region. Major routes such as the Chengdu-Chongqing Railway, Chengdu-Chongqing Highway, and Chengdu-Chongqing High-Speed Railway pass through Neijiang City. In the national comprehensive three-dimensional transportation network layout of "six axes, seven corridors, eight channels" (六軸七廊八通道), two axes, two corridors and one channel intersect in Neijiang City. In 2022, its GDP reached RMB165.7 billion, representing an increase of 1.5 per cent. over the previous year.

Leveraging on unique geographic advantages and through ten years of development, the Group has formed a diversified business portfolio through which it primarily engages in infrastructure construction, commodities trading, steel processing and distribution and engineering construction businesses. The summary of each segment is as follows:

- *Infrastructure Construction.* The Group, as a key player in the construction of roads, bridges, and other infrastructure in Neijiang city, covers a wide range of services in its infrastructure construction business. These services include investment in roads and bridges, development, construction, and management of highway bridges and related projects, engineering construction, road and bridge maintenance, engineering design, engineering testing and inspection, project supervision, technical consulting for highway engineering, as well as the sale of construction materials. For the years ended 31 December 2020, 2021 and 2022, operating income generated from the Group's infrastructure construction business was approximately RMB452.6 million, RMB430.8 million and RMB378.2 million, respectively, representing 81.7 per cent., 48.5 per cent. and 19.8 per cent., respectively, of the Group's total operating income for the same periods.
- *Commodities Trading.* The Group commenced its commodities trading business through its wholly-owned subsidiary Neijiang Supply Chain Group Co., Ltd. (內江供應鏈集團有限公司) in 2020, and did not record any operating income from the commodities trading business in 2020. The Group's commodities trading business has gradually become a pillar segment which further diversified the Group's businesses. The Group primarily trades steel, base liquor and agricultural products. The Group has experienced rapid growth in its commodities trading business. For the years ended 31 December 2021 and 2022, operating income generated from the Group's commodities trading business was RMB244.0 million and RMB737.5 million, respectively, representing 27.5 per cent., and 38.5 per cent. of the Group's total operating income for the same periods.
- *Steel Processing and Distribution.* In 2020, the Group began to engage in steel processing and distribution through its subsidiary Sichuan Lvjian Hangxiao Steel Structure Co., Ltd. (四川綠建杭蕭鋼構有限公司) ("**Lvjian Hangxiao**"), which specialises in the processing, distribution and installation of steel frames and structures as well as the sale of structural steel products including box columns, I-beams and cross beams. The steel structure product series sold by the Group mainly fall into two categories, namely steel pipe bundle

structural housing system (鋼管束組合結構住宅體系) and steel frame concrete simplified structural housing system (鋼框架混凝土簡體結構住宅體系). For the years ended 31 December 2020, 2021 and 2022, operating income generated from the Group's steel processing and distribution business was RMB35.5 million, RMB127.7 million and RMB487.7 million, respectively, representing 6.4 per cent., 14.4 per cent. and 25.5 per cent., respectively, of the Group's total operating income for the same periods.

- *Engineering Construction.* The Group conducts its engineering construction business primarily through its subsidiary, namely, Lvjian Hangxiao. Lvjian Hangxiao holds a qualification for steel structural components manufacturing, installation and sales. For the years ended 31 December 2020, 2021 and 2022, operating income generated from the Group's engineering construction business was RMB6.9 million, RMB15.2 million and RMB101.3 million, respectively, representing 1.2 per cent., 1.7 per cent., and 5.3 per cent. of the Group's total operating income for the same periods.

In addition, the Group engages in other businesses, such as engineering design, parking services and motor vehicle inspection.

For the years ended 31 December 2020, 2021 and 2022, the total operating income from the Group's business operation was RMB554.2 million, RMB887.7 million and RMB1,913.8 million, respectively. As at 31 December 2020, 2021 and 2022, the total assets of the Group were RMB8,907.5 million, RMB10,199.7 million and RMB12,665.0 million, respectively.

RECENT DEVELOPMENTS

Gratuitously Transfer of Neijiang Hongda Road and Bridge Construction Engineering Co., Ltd.

Pursuant to the Approval of the Survival and Separation of Neijiang Road and Bridge Group Co., Ltd as well as Matters Relating to the Cultivation of Neijiang Hongda Road and Bridge Construction Engineering Co., Ltd. (內江鴻達路橋建設工程有限公司) (“**Hongda Company**”, currently known as Sichuan Hongda Transportation Development Group Co., Ltd. (四川鴻達交通發展集團有限公司)) (關於同意內江路橋集團有限公司存續分立及培育內江鴻達建設工程有限公司相關事項的批復) issued by Neijiang SASAC in September 2023, Neijiang SASAC, the controlling shareholder of the Company, decided to gratuitously transfer certain assets of the Group with an aim to cultivate and differentiate the functions of the Group and Hongda Company. As a result, Hongda Company, previously a wholly-owned subsidiary of the Company, along with all subsidiaries held by Hongda Company, was gratuitously transferred out of the Group and the Company no longer hold interest in it. After such transfer, Hongda Company's sole shareholder became the Neijiang SASAC.

As at 31 December 2022, Hongda Company's total assets were RMB378.6 million, accounting for approximately 3.0 per cent. of the total assets of the Group as at the same date. For the years ended 31 December 2022, Hongda Company's total operating income and total profit was RMB101.9 million and RMB14.0 million, respectively, representing 5.3 per cent. and 16.3 per cent. of the Group's total operating income and total profit, respectively, for the same period. After such transfer, the Company would continue to prioritise infrastructure construction in Neijiang City while Hongda Company will focus on the smart city infrastructure construction and landscape renovation. As such, the Group believes that such assets transfer would not be materially and adversely affect the Group's business. Nonetheless, there can be no assurance that Neijiang SASAC, the Company's controlling shareholder, would not exert other significant influence on the Group, which may have an adverse impact on the Group's business, financial condition and results of operation. See also “*Risk Factors – Risks Relating to the Group's Business – The Neijiang SASAC and the Neijiang Municipal Government may exert significant influence on the Group, and could cause the Group to make decisions or modify the scope of its operations, or impose new obligations on the Group, which may not be in the Group's best interests or may not maximise the Group's profits*”.

Issuance of Onshore Debt Securities

On 27 April 2023, the Company issued private placement notes in an aggregated principal amount of RMB640.0 million with a tenor of five years and a fixed annual interest rate of 7.5 per cent. (the “**April Notes**”). On 27 September 2023, the Company issued private placement notes in an aggregated principal amount of RMB360.0 million with a tenor of five years and a fixed annual interest rate of 6.5 per cent. (the “**September Notes**”). As at the

date of this Offering Circular, the entire principal amount of the April Notes and the September Notes remains outstanding.

COMPETITIVE STRENGTHS

The Company believes that the following strengths are important to its success and future development.

- Well-positioned to Leverage the Excellent Location of Neijiang City for Business Growth
- Strong Support from Local Governments
- Diversified Financing Channels
- Strong and Experienced Management Team

BUSINESS STRATEGIES

The Company intends to focus on the following business strategies.

- Continue to Develop Various Business Models for Urban Infrastructure Construction
- Continue to Develop the Group as A Traffic Construction Investment Company and Diversify Its Business Portfolio and Expand into Industries that may Provide Synergies with the Group's Core Business

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 | Neijiang Road and Bridge Group Co., Ltd (内江路橋集團有限公司). |
| Legal Entity Identifier of the Issuer | 836800PBS1R7DJ7BWD83. |
| LC Bank | China Bohai Bank Co., Ltd., Chengdu Branch. |
| Bonds | CNY380,000,000 4.70 per cent. credit enhanced bonds due 2026. |
| Issue Price | 100.00 per cent. |
| Form and Denomination | The Bonds will be issued in the specified denomination of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof. |
| Interest | The Bonds will bear interest on their outstanding principal amount from and including 13 December 2023 at the rate of 4.70 per cent. per annum, payable semi-annually in arrear on 13 June and 13 December in each year, commencing on 13 June 2024 (each an “ Interest Payment Date ”). |
| Issue Date | 13 December 2023. |
| Maturity Date | 13 December 2026. |
| Standby Letter of Credit | The Bonds will have the benefit of the Standby Letter of Credit issued in favour of the Trustee, on behalf of itself and the Bondholders, by the LC Bank. The Standby Letter of Credit shall be drawable by the Trustee as beneficiary under the Standby Letter of Credit for itself and on behalf of the Bondholders upon the presentation of a demand by authenticated SWIFT (or any such method of communication as otherwise permitted under the Standby Letter of Credit) sent to the LC Bank by the Trustee or on behalf of the Trustee in accordance with the Standby Letter of Credit (a “ Demand ”) stating that (i) the Issuer has failed to comply with Condition 2(c) (<i>Pre-Funding</i>) in relation to pre-funding the amount that is required to be pre-funded under the Terms and Conditions and/or failed to provide the Required Confirmations (as defined in Condition 2(c) (<i>Pre-Funding</i>)) in accordance with Condition 2(c) (<i>Pre-Funding</i>); or (ii) an Event of Default (as defined in Condition 9 (<i>Events of Default</i>)) has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 9 (<i>Events of Default</i>). |

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

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

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

The LC Bank's aggregate liability under the Standby Letter of Credit shall be expressed and payable in CNY and shall not exceed CNY396,044,000 (the "**Maximum Limit**"), an amount representing only (i) the aggregate principal amount of the Bonds plus interest payable for one Interest Period (as defined below) in accordance with the Terms and Conditions and (ii) CNY7,114,000 being the maximum amount payable under the Standby Letter of Credit for any fees, costs, expenses, indemnity payments and all other amounts which may be incurred by the Trustee or payable by the Issuer under or in connection with the Bonds, the Terms and Conditions, the Trust Deed, the Agency Agreement, the Standby Letter of Credit and/or any other transaction document relating to the Bonds. The Standby Letter of Credit takes effect at the place of the issuing bank from the Issue Date, which shall not be prior to the issuance date of the Standby Letter of Credit and shall remain valid and in full force until 5:30 p.m. (Hong Kong time) on 13 January 2027 and shall expire at the place of the issuing bank.

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

Pre-funding

In order to provide for the payment of any amount in respect of the Bonds (the "**Relevant Amount**") as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than 10:00 a.m. (Hong Kong time) on the Business Day (the "**Pre-funding Date**") falling ten Business Days prior to the due date for such payment:

- (A) unconditionally pay or procure to be paid the Relevant Amount in immediately available and cleared funds into the Pre-funding Account; and
- (B) deliver to the Trustee and the Principal Paying Agent by facsimile or by way of scanned copy in email (x) a Payment and Solvency Certificate signed by any Authorised Signatory, and (y) a copy of the irrevocable payment

instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the relevant Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment (together, the “**Required Confirmations**”).

The Pre-funding Account Bank shall notify the Trustee and the Principal Paying Agent as soon as reasonably practicable upon any failure by the Issuer to pay the Relevant Amount into the Pre-funding Account in accordance with the Terms and Conditions of the Bonds. If the Relevant Amount has not been paid into the Pre-funding Account in full and the Pre-funding Account Bank has notified the Trustee of such failure (and the Trustee may rely conclusively on any such notification), or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date (a “**Pre-funding Failure**”), the Trustee shall:

- (A) as soon as reasonably practicable send the notice substantially in the form set out in the Trust Deed (the “**Pre-funding Failure Notice**”) to the Bondholders by the second Business Day immediately following the Pre-funding Date of (a) the Pre-funding Failure and (b) the redemption of the Bonds in accordance with Condition 6(d) (*Mandatory Redemption upon Pre-funding Failure*) to occur as a result of the Pre-funding Failure; and
- (B) by no later than 5:30 p.m. (Hong Kong time) on the second Business Day following the Pre-funding Date issue a Demand to the LC Bank for the aggregate principal amount in respect of all of the Bonds then outstanding, together with any interest accrued to but excluding the Mandatory Redemption Date (as defined in Condition 6(d) (*Mandatory Redemption upon Pre-funding Failure*)) and all fees, costs, expenses, indemnity payments and all other amounts incurred by the Trustee or payable by the Issuer under or in connection with the Bonds, the Terms and Conditions of the Bonds, the Trust Deed, the Agency Agreement, the Standby Letter of Credit and/or any other transaction document relating to the Bonds, provided that, in accordance with the terms of the Standby Letter of Credit, the Trustee need not physically present an original of the Demand under the Standby Letter of Credit to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT to the LC Bank or in the event that the SWIFT system is not available for any reason, by way of such other means as permitted under the Standby Letter of Credit.

Following receipt by the LC Bank of such Demand by 5:30 p.m. (Hong Kong time) on a Business Day, the LC Bank shall by 10:00 a.m. (Hong Kong time) on the fourth Business Day after the Business Day on which the LC Bank receives such Demand (or if such Demand is received by the LC Bank after 5:30 p.m. (Hong Kong time) on a Business Day, then on the fifth Business Day after the Business Day on which the LC Bank receives such demand),

pay to or to the order of the Trustee the amount in CNY specified in the Demand in immediately available and cleared funds in accordance with the instructions specified in the Demand to the LC Proceeds Account.

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

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

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

Events of Default..... If an Event of Default as described under Condition 9 (*Events of Default*) occurs, the Trustee at its absolute discretion may, and if so requested in writing by Holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution (as defined in the Terms and Conditions), shall (provided in any such case that the Trustee shall have first been indemnified and/or secured and/or pre-funded to its satisfaction), give notice in writing to the Issuer that the Bonds are, due and payable. Upon any such notice being given to the Issuer, the Bonds shall immediately become due and payable at their principal amount together (if applicable) with any accrued and unpaid interest.

Cross-Default The Bonds are subject to a cross-default provision in respect of the Issuer and a cross-default provision in respect of the LC Bank as further described in Condition 9(a)(iii) (*Cross-Default*) and Condition 9(b)(i) (*Cross-Acceleration*) of the Terms and Conditions, respectively.

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

Where such withholding or deduction is made by the Issuer for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or the PRC up to and including the aggregate rate applicable on 6 December 2023 (the “**Applicable Rate**”), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the

amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

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

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

Redemption for Taxation Reasons..... The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders in accordance with Condition 16 (*Notices*) (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount together with any unpaid interest accrued up to (but not including) the date fixed for redemption, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 6 December 2023, and (ii) such obligation cannot be avoided by the Issuer 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 would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. See “*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 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 100 per cent. of their principal amount, together in each case with accrued interest up to (but excluding) such Put Settlement Date. See “*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Events*”.

Mandatory Redemption upon Pre-funding Failure If any Bondholder shall have exercised its right to require the Issuer to redeem its Bonds in accordance with Condition 6(c) (*Redemption for Relevant Events*) and the Trustee makes a Demand in accordance with Condition 2(c) (*Pre-Funding*) as a result of a Pre-funding Failure relating to the amount payable pursuant to such redemption, the Bonds shall be redeemed in whole, but not in part,

at their principal amount in accordance with this Condition 6(d) (*Mandatory Redemption upon Pre-funding Failure*) on the Put Settlement Date, together with interest accrued to, but excluding, the Put Settlement Date.

If a Pre-funding Failure occurs in respect of a scheduled payment of principal or interest payable under Condition 5 (*Interest*) or Condition 6(a), the Bonds shall be redeemed in whole, but not in part, on the Interest Payment Date immediately falling after the date the Trustee makes a Demand in accordance with Condition 2(c) (*Pre-Funding*) (the “**Mandatory Redemption Date**”) at their principal amount, together with interest accrued to, but excluding, the Mandatory Redemption Date.

Further Issues

The Issuer may from time to time without the consent of the Bondholders and in accordance with the Trust Deed, create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects save for the first payment of interest on them and the timing for complying with the Registration Condition (as defined in the Terms and Conditions of the Bonds), for making the NDRC Post-Issue Filing, the Foreign Debt Registration, filing of the Bonds pursuant to the Cross Border Financing Circular, and any reports or notices in respect thereof) and so that the same shall be consolidated and form a single series with the outstanding Bonds, provided that a further or supplemental or replacement standby letter of credit is issued by the LC Bank (or an amendment is made to the Standby Letter of Credit) on terms that are substantially similar to the Standby Letter of Credit (including that the stated amount of such further or supplemental standby letter of credit is at least equal to the principal of and an amount equal to one interest payment due on such further securities) and such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed. References to the Standby Letter of Credit shall thereafter include such further or supplemental or replacement or amended standby letter of credit. See “*Terms and Conditions of the Bonds – Further Issues*”.

Governing Law and Jurisdiction

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

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Trust Deed, the Agency Agreement and the Standby Letter of Credit and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Trust Deed, the Agency Agreement and the Standby Letter of Credit may be brought in such courts.

Trustee

China CITIC Bank International Limited.

Principal Paying Agent

China CITIC Bank International Limited.

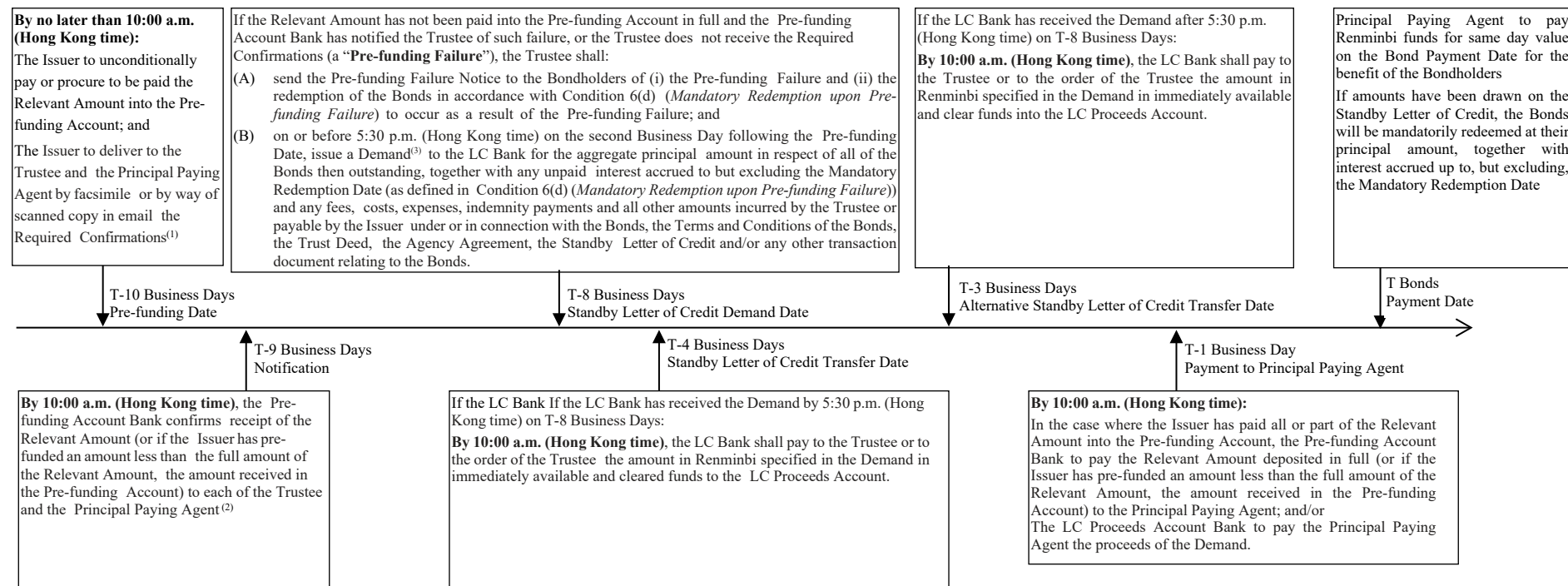
Transfer Agent and Registrar

China CITIC Bank International Limited.

| | |
|---|--|
| Pre-funding Account Bank and LC Proceeds Account Bank..... | China CITIC Bank International Limited. |
| Clearing Systems | The Bonds will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee for, and deposited on the Issue Date with, a common depository for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through records maintained by, Euroclear and Clearstream. Except in the limited circumstances described in the Global Certificate, certificates for Bonds will not be issued in exchange for beneficial interests in the Global Certificate. |
| Listing | Application will be made to the MOX for the listing of by way of debt issues to Professional Investors only and it is expected that dealing in, and listing of, the Bonds on the MOX will commence on or about 14 December 2023. Admission to the listing of the Bonds on the MOX shall not be taken as an indication of the merits of the Issuer or the Bonds. |
| Selling Restrictions | The Bonds and the Standby Letter of Credit will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See “ <i>Subscription and Sale</i> ”. |
| ISIN | XS2730171357. |
| Common Code | 273017135. |

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

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



Notes:

- (1) The Required Confirmations consist of: (a) a Payment and Solvency Certificate signed by any Authorised Signatory; and (b) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the relevant Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment.
- (2) The confirmation from the Pre-funding Account Bank to the Trustee and the Principal Paying Agent shall be by way of authenticated SWIFT or other means of communication as the Trustee or the Principal Paying Agent may in its discretion agree with the Pre-funding Account Bank.
- (3) The Trustee need not physically present an original of the Demand under the Standby Letter of Credit to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT to the LC Bank or in the event that the SWIFT system is not available for any reason, by way of such other means as permitted under the Standby Letter of Credit.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The summary consolidated financial information of the Issuer as at and for the years ended 31 December 2020, 2021 and 2022 set forth below is derived from the Audited Consolidated Financial Statements. The Audited Consolidated Financial Statements were prepared and presented in accordance with PRC GAAP. The Audited Consolidated Financial Statements have been audited by Asia Pacific. PRC GAAP is substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. For a summary of the material differences, see "Summary of Certain Differences between PRC GAAP and IFRS". Prospective investors should seek advice from their financial and tax advisors if they have doubts about the differences. Historical results are not necessarily indicative of results that may be achieved in any future period.

The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial statements of the Issuer, including the notes thereto, included elsewhere in this Offering Circular.

SUMMARY CONSOLIDATED INCOME STATEMENT

| | For the year ended 31 December | | | |
|---|--------------------------------|--------------------|-----------------|-----------------|
| | 2020 | 2021 | 2022 | |
| | (RMB) | (RMB) | (RMB) | (U.S.\$) |
| | (audited) | (audited) | (audited) | (unaudited) |
| | <i>(in thousands)</i> | | | |
| Operating income | 554,228.1 | 887,683.1 | 1,913,753.6 | 277,468.2 |
| Operating cost..... | (502,684.5) | (811,344.0) | (1,764,277.2) | (255,796.2) |
| Taxes and surcharge | (6,841.3) | (8,179.0) | (11,980.1) | (1,736.9) |
| Selling expenses | (381.5) | (2,402.8) | (9,082.3) | (1,316.8) |
| General and administrative expenses | (46,439.5) | (65,655.1) | (107,941.3) | (15,650.0) |
| Research and development expenses | — | — | (1,207.2) | (175.0) |
| Finance expenses..... | (157,422.8) | (265,511.2) | (347,462.91) | (50,377.4) |
| Other income | 208,528.1 | 321,340.8 | 347,009.1 | 50,311.6 |
| Investment income..... | 1,517.1 | 1,440.2 | 7,159.0 | 1,038.0 |
| Gain from fair value changes | 26,089.0 | 5,618.8 | 63,390.0 | 9,190.7 |
| Credit impairment gains / (losses)..... | 2,222.8 | (203.3) | (5,504.3) | (798.1) |
| Assets impairment gains / (losses)..... | 81.7 | — | (2.0) | (0.3) |
| Operating profit..... | 78,897.2 | 62,787.5 | 83,854.3 | 12,157.7 |
| Non-operating income | 1,793.8 | 552.3 | 3,512.0 | 509.2 |
| Non-operating expenses | (2,177.5) | (2,977.3) | (1,440.8) | (208.9) |
| Total profit | 78,513.5 | 60,362.5 | 85,925.6 | 12,458.0 |
| Income tax expenses..... | (7,574.9) | (3,520.9) | (21,147.5) | (3,066.1) |
| Net profit | 70,938.6 | 56,841.6 | 64,778.1 | 9,391.9 |
| Net profit from attributable to owners of the company | 74,099.7 | 68,720.2 | 71,087.0 | 10,306.7 |
| Non-controlling losses..... | (3,161.1) | (11,878.7) | (6,309.0) | (914.7) |
| Other comprehensive income, net of tax..... | 4,446.2 | (353,905.9) | 1,722.4 | 249.7 |

| | For the year ended 31 December | | | |
|---|---------------------------------------|--------------------|--------------------|-------------------------|
| | 2020 | 2021 | 2022 | |
| | (RMB) (audited) | (RMB) (audited) | (RMB) (audited) | (U.S.\$) (unaudited) |
| | <i>(in thousands)</i> | | | |
| Total comprehensive income..... | 75,384.8 | (297,064.3) | 66,500.5 | 9,641.7 |
| Attributable to shareholders of the company | 78,545.9 | (285,185.6) | 72,762.4 | 10,549.6 |
| Attributable to non-controlling interests | <u>(3,161.1)</u> | <u>(11,878.7)</u> | <u>(6,261.9)</u> | <u>(907.9)</u> |

SUMMARY CONSOLIDATED BALANCE SHEET

| | As at 31 December | | | |
|---|--------------------------|---------------------|---------------------|--------------------|
| | 2020 | 2021 | 2022 | |
| | (RMB) | (RMB) | (RMB) | (U.S.\$) |
| | (audited) | (audited) | (audited) | (unaudited) |
| | <i>(in thousands)</i> | | | |
| Current assets | | | | |
| Cash at bank and on hand... | 383,712.0 | 638,429.3 | 569,388.2 | 82,553.5 |
| Bills receivable | 4,000.0 | 9,206.0 | — | — |
| Accounts receivable | 1,031,581.1 | 1,127,506.2 | 1,759,417.6 | 255,091.6 |
| Prepayments | 113,344.3 | 119,596.4 | 252,124.1 | 36,554.6 |
| Other receivables | 907,421.3 | 1,665,135.6 | 2,131,970.0 | 309,106.6 |
| Inventories | 796,854.8 | 1,377,851.5 | 2,218,887.8 | 321,708.5 |
| Contract assets | — | — | 2,124.5 | 308.0 |
| Other current assets | 10,351.9 | 12,575.3 | 4,574.8 | 663.3 |
| Total current assets | 3,247,265.4 | 4,950,300.4 | 6,938,487.1 | 1,005,986.1 |
| Non-current assets | | | | |
| Long-term equity investments | 47,555.7 | 76,517.1 | 215,874.3 | 31,298.8 |
| Other equity instruments investments | 843,702.8 | 908,852.8 | 959,111.3 | 139,058.1 |
| Other non-current financial assets | 126,500.0 | 192,250.0 | 197,823.3 | 28,681.7 |
| Investment properties | 4,349,300.6 | 3,690,602.5 | 3,942,064.9 | 571,545.7 |
| Fixed assets | 11,991.5 | 209,693.3 | 90,282.2 | 13,089.7 |
| Construction in progress | 132,314.6 | 34,145.1 | 142,245.1 | 20,623.6 |
| Intangible assets | 64,835.2 | 60,979.6 | 67,581.5 | 9,798.4 |
| Development expenditure .. | — | — | 1,157.1 | 167.8 |
| Goodwill | — | — | 10,861.5 | 1,574.8 |
| Long-term deferred expenses | 83,947.7 | 76,249.5 | 98,023.5 | 14,212.1 |
| Deferred tax assets | 64.9 | 115.5 | 1,491.6 | 216.3 |
| Total non-current assets .. | 5,660,212.9 | 5,249,405.3 | 5,726,516.2 | 830,266.8 |
| Total assets | 8,907,478.4 | 10,199,705.8 | 12,665,003.3 | 1,836,252.9 |
| Current liabilities | | | | |
| Short-term loans | 911,225.1 | 1,044,472.7 | 1,994,201.5 | 289,132.0 |
| Bills payable | — | — | 139,149.6 | 20,174.8 |
| Accounts payable | 61,832.0 | 73,342.4 | 101,572.6 | 14,726.6 |
| Contractual liability | 3,394.6 | 2,429.6 | 47,733.1 | 6,920.7 |
| Employee benefits payable | 8,522.6 | 12,313.6 | 18,190.9 | 2,637.4 |
| Taxes payable | 83,097.6 | 121,440.5 | 166,499.2 | 24,140.1 |
| Other payable | 50,095.1 | 196,305.6 | 312,942.9 | 45,372.5 |
| Non-current liabilities due within one year | 632,125.8 | 806,985.8 | 1,623,032.0 | 235,317.5 |
| Other current liabilities | — | — | 1,454.3 | 210.9 |
| Total current liabilities | 1,750,292.8 | 2,257,290.1 | 4,404,776.1 | 638,632.5 |
| Non-current liabilities | | | | |
| Long-term loans | 1,360,165.3 | 1,819,525.6 | 1,683,889.1 | 244,141.0 |
| Bonds payable | — | 476,191.7 | 477,463.4 | 69,225.7 |

| | As at 31 December | | | |
|---|--------------------------|---------------------|---------------------|-------------------------|
| | 2020 | 2021 | 2022 | |
| | (RMB) (audited) | (RMB) (audited) | (RMB) (audited) | (U.S.\$) (unaudited) |
| | <i>(in thousands)</i> | | | |
| Long-term payables..... | 1,073,500.0 | 729,500.0 | 1,063,872.0 | 154,246.9 |
| Deferred tax liabilities..... | 259,115.4 | 143,058.6 | 158,902.7 | 23,038.7 |
| Total non-current liabilities | 2,692,780.7 | 3,168,276.0 | 3,384,127.2 | 490,652.3 |
| Total liabilities | 4,443,073.5 | 5,425,566.1 | 7,788,903.3 | 1,129,284.8 |
| Shareholders' equity | | | | |
| Paid-in capital..... | 960,000.0 | 1,139,000.0 | 1,139,000.0 | 165,139.5 |
| Capital reserve..... | 2,391,706.5 | 2,877,414.0 | 2,877,585.0 | 417,210.6 |
| Other comprehensive income..... | 494,362.0 | 140,456.2 | 142,131.6 | 20,607.1 |
| Specific reserve | 48.6 | 92.1 | 162.2 | 23.5 |
| Surplus reserve | 70,808.4 | 79,061.7 | 87,784.7 | 12,727.6 |
| Retained earnings | 529,075.6 | 531,590.6 | 565,244.2 | 81,952.7 |
| Total equity attributable to shareholders of the company | 4,446,001.0 | 4,767,614.5 | 4,811,907.6 | 697,661.0 |
| Non-controlling interests.... | 18,404.0 | 6,525.2 | 64,192.5 | 9,307.0 |
| Total owners' equity..... | 4,464,405.0 | 4,774,139.7 | 4,876,100.1 | 706,968.1 |
| Total liabilities and shareholders' equity..... | 8,907,478.5 | 10,199,705.7 | 12,665,003.3 | 1,836,252.9 |

SUMMARY CONSOLIDATED CASH FLOWS STATEMENT

| | For the year ended 31 December | | | |
|--|---------------------------------------|--------------------|--------------------|-------------------------|
| | 2020 | 2021 | 2022 | |
| | (RMB) (audited) | (RMB) (audited) | (RMB) (audited) | (U.S.\$) (unaudited) |
| | <i>(in thousands)</i> | | | |
| Net cash flows used in operating activities..... | (793,767.1) | (611,753.5) | (1,289,500.9) | (186,960.1) |
| Net cash flows used in investing activities | (1,099,936.2) | (265,280.1) | (292,823.5) | (42,455.4) |
| Net cash flows from financing activities..... | 1,909,181.4 | 1,176,073.2 | 1,495,387.5 | 216,810.8 |
| Effect of foreign exchange rate changes on cash and cash equivalents | — | — | 499.1 | 72.4 |
| Net increase in cash and cash equivalents..... | 15,478.1 | 299,039.6 | (86,437.9) | (12,532.3) |
| Cash and cash equivalents at the beginning of the year | 207,342.1 | 222,820.1 | 521,859.8 | 75,662.6 |

| | For the year ended 31 December | | | |
|---|---------------------------------------|------------------|------------------|-----------------|
| | 2020 | 2021 | 2022 | |
| | (RMB) | (RMB) | (RMB) | (U.S.\$) |
| | (audited) | (audited) | (audited) | (unaudited) |
| | <i>(in thousands)</i> | | | |
| Cash and cash equivalents at the end of the year | 222,820.1 | 521,859.7 | 435,421.9 | 63,130.2 |

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information contained in this Offering Circular, including the risks and uncertainties described below. The businesses, financial conditions or results of operations of the Group could be materially and adversely affected by any of these risks. The Group believes that the following factors may affect its ability to fulfil its obligations under the Bonds. Additional risks and uncertainties not presently known to the Group or which the Group currently deems immaterial may also have an adverse effect on an investment in the Bonds. All of these factors are contingencies which may or may not occur and the Group is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which the Group believes may be material for the purpose of assessing the market risks associated with the Bonds are described below. The Group believes that the factors described below represent the principal risks inherent in investing in the Bonds, but the inability of the Group to repay principal, pay interest (if any) or other amounts or fulfil other obligations on or in connection with the Bonds may occur for other reasons and the Group does not represent that the statements below regarding the risks of holding the Bonds are exhaustive.

RISKS RELATING TO THE GROUP'S BUSINESS

The Group's business, financial conditions, results of operations and prospects are heavily dependent on the level of economic development in the PRC, Sichuan Province and Neijiang City.

The Group's businesses and assets are highly concentrated in Neijiang City (内江市), a city in Sichuan Province (四川省), the PRC. The Group's main business segments include infrastructure construction, commodities trading, steel processing and distribution and engineering construction. The Group's business segments are closely related to regional and national economic development. Therefore, its business, financial conditions, results of operations and prospects have been and will continue to be heavily dependent on the level of economic development of Neijiang City, Sichuan Province and the PRC. Any fluctuations in the regional or national economic environment would directly and materially affect the Group's results of operations and subject the Group to various risks periodically.

A key factor affecting such development is the economic conditions in the PRC generally and in Neijiang City. In recent years, there has been a slowdown in the growth of China's economic development as evidenced by a decrease in the PRC's GDP annual growth rate. According to the National Statistics Bureau of the PRC, the annual growth rate of the PRC's GDP slowed down in the recent years from 6.7 per cent. in 2018 to 3.0 per cent. in 2022. Neijiang City has similarly experienced a slowdown in economic growth in recent years. According to the Neijiang Municipal Statistics Bureau (内江市统计局), the annual growth rate of GDP in Neijiang City slowed down from 8.6 per cent. in 2018 to 1.5 per cent. in 2022. Further indication of the slowdown in the growth of China's economy is evidenced by an increase in bond defaults by PRC corporate issuers. In particular, currency depreciations of emerging markets and escalated China-U.S. trade friction may adversely impact the PRC economy. There can be no assurance that the level of economic development in the PRC or Neijiang City will continue to grow at the rates seen before, and it is unclear how the economic development in Neijiang City will be affected by a perceivable slowdown in the growth of the economy in the PRC. Any continuing slowdown in the economic development in the PRC or Neijiang City may decrease the demand for the Group's business and adversely affect the Group's business, financial conditions, results of operations and prospects.

The Group's business, financial condition, results of operations, profitability and prospects are subject to effects of global economic events.

The Group's business, financial condition, results of operations, profitability and prospects may be affected by general global economic conditions. 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 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 addition, the ongoing trade disputes between the PRC and the United States and the increase in tariffs imposed by the United States on Chinese imports have contributed to increased market volatility, weakened business and consumer confidence and diminished expectations for economic growth around the world. The military conflict between Russia and Ukraine since late February 2022 could also lead to disruption, instability and volatility in global markets and industries and could adversely impact macroeconomic conditions and give rise to regional instability. The United States, the United Kingdom and other governments and jurisdictions have imposed severe economic sanctions against and export controls over Russia and Russian interests, have removed Russia from the SWIFT system, and have threatened additional sanctions and controls. The impact of these measures, potential responses to them by Russia, as well as the impacts on the global financial markets are unknown. The global credit markets have experienced, and may continue to experience, volatility and liquidity disruptions, which have resulted in the consolidation, failure or near failure of a number of institutions in the banking and insurance industries, such as the collapse of Silicon Valley Bank and the acquisition of Credit Suisse Group AG by UBS Group AG in the first half of 2023.

Further, the outbreak of the novel coronavirus disease (the “COVID-19 pandemic”) resulted in a number of countries declaring a state of emergency and a number of countries, including the PRC, Japan, the United States, members of the European Union and the United Kingdom, imposing extensive business and travel restrictions with a view to containing the pandemic. Widespread reductions in consumption, industrial production and business activities arising from the COVID-19 pandemic have significantly disrupted the global economy and global markets and are likely to result in a global economic recession. In addition, the COVID-19 pandemic has led to significant volatility in the global markets across all asset classes, including stocks, bonds, oil and other commodities and this volatility may persist for some time.

The PRC economy is sensitive to global economic conditions, and it is impossible to predict how the PRC economy will develop in the future and whether it may slow down due to a global crisis or experience a financial crisis. There can be no assurance that changes in the economic, social and political conditions in the PRC or the global economy would not have a material adverse effect on the Group’s business, financial condition, results of operations, profitability and prospects.

The outlook for the global economy and financial markets remain uncertain. Instability in the global economy may materially and adversely affect the markets in which the Group operates, which may lead to a decline in the general demand for the Group’s services and products. If economic conditions were to worsen or if the economic recovery fails to continue or if an economic slowdown were to return, the Group may have difficulty accessing the financial markets, which could make it more difficult or expensive to obtain funding and, in addition, there can be no assurance that the Group will be able to raise finance at a reasonable cost, or at all. Therefore, instability in the global economy may materially and adversely affect the Group’s business, financial condition and results of operations.

The Neijiang SASAC and the Neijiang Municipal Government may exert significant influence on the Group, and could cause the Group to make decisions or modify the scope of its operations, or impose new obligations on the Group, which may not be in the Group’s best interests or may not maximise the Group’s profits.

The Group is controlled by the Neijiang SASAC, which is under the administration of the Neijiang Municipal Government. As its controlling shareholder, the Neijiang SASAC participates in and closely monitors the Group’s decision-making process for key projects, reviews the Group’s development strategy and investment plans and appoints, and conducts annual appraisals on, the directors, supervisors and senior management of the Group. The Group’s senior management and the Neijiang SASAC have regular in-depth discussions regarding key investment projects, and essential appraisal procedures are conducted before investment decisions are made. Because of the involvement of the Neijiang SASAC in the affairs of the Group as its controlling shareholder, there can be no assurance that the Neijiang SASAC and the Neijiang Municipal Government will not interfere with the business and operations of the Group, and any such interference may have a material adverse effect on the Group’s business, financial conditions, results of operations, financial performance and prospects.

In addition, the Neijiang SASAC and the Neijiang Municipal Government may also exert significant influence on the Group's major business decisions and strategies, including the scope of its operations, investment decisions and dividend policy. There is no assurance that the Neijiang SASAC and the Neijiang Municipal Government would always make decisions in the Group's best interests or with the aim of maximising the Group's profits. For example, the Neijiang SASAC or the Neijiang Municipal Government may influence the Group's business and strategy in a manner beneficial to Neijiang City as a whole but not necessarily in the Group's best interests. The Neijiang Municipal Government could also change its policies, plans, preferences, views, expectations, projections, forecasts and opinions, as a result of changes in the PRC's economic, political and social environment and its projections of population and employment growth. Any such change may have a material adverse effect on the Group's business, financial conditions, results of operations and prospects.

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

In light of the strategic importance of the Group's business operations to Neijiang City, the Group has received substantial support from the PRC government, including the Neijiang Municipal Government and the Neijiang SASAC, which is critical to the Group's business operation. The government support received by the Group includes favourable policies, business opportunities, capital injection and government subsidies. For the years ended 31 December 2020, 2021 and 2022, the government subsidies received by the Group amounted to RMB210.0 million, RMB321.6 million and RMB347.1 million, respectively. However, there is no assurance that the PRC government will continue to provide support to the Group or that the existing or other types of government support will not be reduced or terminated due to changes in government policies or otherwise. If any governmental support currently available to the Group is reduced or discontinued in the future, the Group's business, financial conditions and results of operations would be materially and adversely affected.

The Group has historically experienced net cash outflows from operating activities and investing activities and any continued or significant fluctuation in the future may adversely affect the Group's financial conditions.

For the years ended 31 December 2020, 2021 and 2022, the Group recorded net cash outflows from operating activities of approximately RMB793.8 million, RMB611.8 million and RMB1,289.5 million, respectively. The consecutive net cash outflows from operating activities during the periods indicated is mainly resulted from the expansion of the Group's business scale, as well as the capital-intensive nature of the Group's infrastructure construction business. The Group's infrastructure construction projects may be subject to unexpected delays, which may in turn result in mismatches between the construction timetables which determine the project expenditures and the payment timetables which determine the operating income from those projects. In addition, for the years ended 31 December 2020, 2021 and 2022, the Group recorded net cash outflows from investing activities of approximately RMB1,099.9 million, RMB265.3 million and RMB292.8 million, respectively. The consecutive net cash outflows from investing activities during the periods indicated is mainly resulted from the Group's continued investments into its principal business segments in line with the expansion of its business scale. Net cash outflows may harm the Group's ability to make additional capital expenditures to expand its operations and its ability to repay its debts. The Group may need to obtain external financing to satisfy its liquidity needs and to repay its debts.

The Group may not be able to achieve or sustain net cash inflows, and even if the Group achieves net cash inflows, such cash inflows may not be sufficient to satisfy its anticipated capital expenditures and other cash needs. If the Group continues to record net cash outflows from its operating activities or investing activities, its repayment capability may be materially and adversely affected.

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

The Group relies on operating income generated from its business, bank loans and proceeds from issuances of debt securities to satisfy its capital requirements, and the Group has incurred a significant amount of

outstanding indebtedness. As at 31 December 2022, the Group's total indebtedness (comprising short-term loans, non-current liabilities due within one year, long-term loans, bonds payables and long-term payables) was approximately RMB6,842.5 million, representing 54.0 per cent. of the Group's total assets, of which approximately RMB3,617.2 million would become due within 12 months.

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

- requiring the Group to dedicate part of its operating cash flow to service its indebtedness before it receives government funding;
- increasing the Group's finance costs, thus affecting the overall profits of the Group;
- limiting the Group's flexibility in planning for or responding to changes in the Group's businesses and the industries in which it operates;
- limiting, together with the financial and other restrictive covenants of the Group's indebtedness, among other things, the Group's ability to borrow additional funds; and
- increasing the Group's vulnerability to adverse general economic and industry conditions.

The Group's borrowings may be secured. Third-party security rights may limit the Group's use of the underlying collateral assets and adversely affect its operational efficiency. As at 31 December 2022, the Group's restricted assets (comprising of monetary funds, inventories, intangible assets and investment properties) amounted to RMB1,644.4 million, representing 13.0 per cent. of its total assets. If the Group is unable to service its secured debt on a timely basis, the assets provided as collateral for such debt may be subject to foreclosure, which may adversely affect the Group's business, financial conditions, results of operations and prospects.

As the Group's business scale continues to grow, its reliance on external financing may continue to increase. There is no assurance that the Group's cash flow and capital resources will be sufficient to service its debt. Failure to service its debt could result in acceleration of debts, imposition of penalties, legal actions against the Group by its creditors, or even bankruptcy of the Group.

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

Certain financing contracts entered into by members of the Group may contain operational and financial restrictions on the Group or, as the case may be, the relevant subsidiary's business, that prohibit the borrower from incurring additional indebtedness unless it is able to satisfy certain financial ratios, restrict the borrower from creating security or granting guarantees or prohibit the borrower from changing its business and corporate structure, without the lender's prior consent. The ability of the Company or any of its relevant subsidiaries (as borrower) to meet such financial restrictions may be affected by events beyond its control. Such restrictions may also adversely affect the Group's ability to respond to changes in market conditions, take advantage of business opportunities the Group believes to be desirable, obtain future financing, fund capital expenditures, or withstand a continuing or future downturn in its business. Any of these factors could materially and adversely affect the Group's ability to satisfy its obligations under the Bonds and other debt.

If the Company or any of its subsidiaries is unable to comply with the restrictions (including restrictions on 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 Company or its subsidiaries, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Some of the financing contracts entered into by the Company and its subsidiaries may contain cross-acceleration or cross-default provisions. As a result, a default by the Company or any of its subsidiaries under any of such

agreements may cause the acceleration of repayment of not only such debt but also other debt, including the Bonds, or result in a default under other debt agreements. If any of these events occurs, there is no assurance that the Company or its subsidiaries will be able to obtain the lenders' waiver in a timely manner or that the assets and cash flow of the Company or its subsidiaries would be sufficient to repay all of their respective debts in full as they become due, or that the Company or its subsidiaries would be able to find alternative financing. Even if the Company and its subsidiaries could obtain alternative financing, there is no assurance that it would be on terms that are favourable or acceptable to the Company or, as the case may be, its subsidiaries.

The Group is exposed to risks in relation to its inventory.

The Group maintains a relatively high level of inventory due to the nature of its businesses. As at 31 December 2020, 2021 and 2022, the Group's inventories amounted to RMB796.9 million, RMB1,377.9 million and RMB2,218.9 million, respectively, representing 8.9 per cent., 13.5 per cent. and 17.5 per cent., respectively, of the Group's total assets as at the same dates. The Group's inventories consist primarily of development costs and land for development. As at 31 December 2022, the Group did not provide for any allowance for impairment for its inventory.

The value of the Group's inventories may not be fully realised as the operating income generated from and cash received for its infrastructure construction projects are subject to various factors, including the willingness and ability of its customer to timely pay the agreed-upon premium for infrastructure construction projects. Any impairment in the Group's inventories may materially and adversely affect the Group's business, financial conditions, results of operations or prospects.

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

As at 31 December 2020, 2021 and 2022, the Group's accounts receivables amounted to RMB1,031.6 million, RMB1,127.5 million and RMB1,759.4 million, respectively, representing 11.6 per cent., 11.1 per cent. and 13.9 per cent., respectively, of the Group's total assets as at the same dates. These accounts receivables mainly represent amounts due to the Group by relevant governmental construction departments and institutions. The recovery of these accounts receivables may take a significant period of time and is subject to uncertainties, which exposes the Group to credit risks. Therefore, any delay or default in the payments to the Group may increase the Group's cash flow pressure which will in turn increase its financial vulnerability and adversely affect its financial conditions and results of operations. In addition, the Group's exposure to credit risks is also concentrated on certain key counterparties. As at 31 December 2022, the Group's other receivables amounted to RMB907.4 million, RMB1,665.1 million and RMB2,132.0 million, respectively, representing 10.2 per cent., 16.3 per cent., and 16.8 per cent., respectively, of the Group's total assets as at the same dates. A deterioration of the ability or willingness of any of these counterparties to pay such other receivables may have a material adverse impact on the Group's financial conditions and results of operations.

There are inherent risks associated with the ability and willingness of the Group's counterparties and the governmental entities to make timely payments. As at 31 December 2020, 2021 and 2022, provisions for the Group's accounts receivables amounted to RMB0.2 million, RMB0.4 million and RMB2.1 million, respectively, and provisions for the Group's other receivables amounted to RMB0.1 million, RMB0.1 million and RMB3.8 million, respectively. These provisions may not be sufficient to cover actual credit loss in the event of any failure by the Group's counterparties and governmental entities to make timely payments, which could materially and adversely affect the Group's liquidity and in turn affect its business, financial condition or results of operations.

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

The PRC government has in recent years issued multiple regulations intended to restrict the ability of local governments to use state-owned enterprises to incur debt that should be directly incurred by government bodies. These regulations include the Notice on Strengthening the Administration of Local Government

Financing Vehicles (Guo Fa [2010] No. 19) (關於加強地方政府融資平台公司管理有關問題的通知(國發[2010]19號)) (“**Circular 19**”) in June 2010 and the Opinion on Enhancing the Administration of Fiscal Debts of Local Governments (Guo Fa [2014] No. 43) (關於加強地方政府性債務管理的意見(國發[2014]43號)) (“**Circular 43**”) released by the State Council in September 2014, the Notice on Further Regulating Issuance of Bonds by Local Government Financing Vehicles (Fa Gai Ban Cai Jin [2010] No. 2881) (關於進一步規範地方政府投融資平台公司發行債券行為有關問題的通知(發改辦財金[2010]2881號)) released by the NDRC issued in November 2010 (“**Circular 2881**”), the Circular on Further Regulating the Debt Financing Behaviours of Local Government (Cai Yu [2017] No. 50) (關於進一步規範地方政府舉債融資行為的通知(財預[2017]50號)) (“**Circular 50**”) jointly issued by the MOF, the NDRC, the Ministry of Justice of the PRC, the PBOC, the China Banking Regulatory Commission (reorganised into the China Banking and Insurance Regulatory Commission) and the China Securities Regulatory Commission in April 2017, the Circular on Firmly Curbing Local Governments’ Illegal Financing Activities in the Name of Government Procurement of Services (Cai Yu [2017] No. 87) (關於堅決制止地方以政府購買服務名義違法違規融資的通知(財預[2017]87號)) (“**Circular 87**”) issued by the MOF in May 2017, the Notice of the Ministry of Finance on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (Cai Jin [2018] No. 23) (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知(財金[2018]23號)) (“**Circular 23**”) in March 2018, the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (Fa Gai Wai Zi [2018] No. 706) (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知(發改外資[2018]706號)) (“**Circular 706**”) jointly issued by the NDRC and the MOF in May 2018, the Guiding Opinion on Strengthening the Asset and Liability Constraints of State-Owned Enterprises (中共中央辦公廳、國務院辦公廳關於加強國有企業資產負債約束的指導意見) jointly issued by the General Office of the Central Committee of the Communist Party of China and the State Council in September 2018 (the “**Joint Opinion**”) and the Circular on Filing Requirements with respect to Application for Foreign Debt Issuance by Local State-owned Enterprises (Fa Gai Ban Wai Zi [2019] No. 666) (國家發展改革委辦公廳關於對地方國有企業發行外債申請備案登記有關要求的通知(發改辦外資[2019]666號)) issued by the General Office of NDRC in June 2019 (“**Circular 666**”) (Circular 43, Circular 50, Circular 87, Circular 23, Circular 706, the Joint Opinion and Circular 666, together, the “**Debt Control Circulars**”).

According to Circular 2881, in addition to the relevant requirements on the assets composition under Circular 19, the financing vehicles of a local government must rely on their internal operating cash flow to finance more than 70.0 per cent. of the cash requirements for repaying their corporate bonds issued in the PRC. If revenue from the construction of public interest projects represents more than 30.0 per cent. of their total revenue, the financing vehicles should provide the authorities that review the application of corporate bonds issuance with information relating to the balance of the local government’s debts and other detailed information to demonstrate the local government’s comprehensive financial capacity. In addition, it reinforces the requirements under Circular 19 which prohibit local governments from providing guarantees or credits to secure the debts of its financing vehicles through financial funds and state-owned assets of administrative institutions, or any direct or indirect means. As at the date of this Offering Circular, the Group has not received any notice from any governmental authority that it is not in compliance with Circular 2881.

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

On 6 July 2019, the General Office of the NDRC issued Circular 666, which aims to strengthen the management of local government debt and prevent the risks of medium and long-term foreign debts and hidden debt of local government. Circular 666 expressly restricts the use of proceeds of foreign debt issued by local state-owned enterprises which undertake local government financing functions to repaying medium and long-term foreign debts due within one year.

The Group believes that the PRC government will continue to implement the Debt Control Circulars to control local government debts. Accordingly, the Group should rely on the cash flow generated from its operations and external borrowings for financing its operating activities and to satisfy its cash needs for servicing its outstanding indebtedness. Pursuant to the terms of the Bonds and as required by the Debt Control Circulars, neither the Neijiang SASAC, the Neijiang Municipal Government nor any other PRC governmental entity has any obligation to repay any amount under the Bonds and will not provide a guarantee of any kind for the Bonds. The Bonds are solely to be repaid by the Company, and the obligations of the Company under the Bonds or the Trust Deed shall solely be fulfilled by the Company as an independent legal person. The liability of the Neijiang SASAC and the Neijiang Municipal Government is limited to its equity contribution in the Company. If the Company does not fulfil its obligations under the Bonds and the Trust Deed, the Bondholders will only have recourse against the Company, and not the Neijiang SASAC, the Neijiang Municipal Government or any other PRC governmental entity. Please see “– Risks Relating to the PRC – The PRC government has no payment or other obligations under the Bonds” for details. The PRC government may continue to release new policies or amend existing regulations to control the increase in local governmental debts in the PRC. There is no assurance that the Group’s financing and business model and also its indebtedness will not be materially affected by future changes in the regulatory regime concerning the local state-owned enterprises in response to such regulations.

The Group’s operating income and results of operations may fluctuate significantly from period to period.

The Group’s operating income and results of operations have fluctuated in the past and may continue to fluctuate from period to period as a result of a number of factors, such as general economic conditions, local market conditions and demands, government policies and incentives relating to the business areas where the Group operates. Such factors may be beyond the Group’s control. In addition, the Group’s operating income and results of operations are also affected by the Group’s ability to complete infrastructure construction projects on time, as well as its accounting policies for operating income recognition. For instance, the Group’s infrastructure construction projects may face unexpected delays in construction or cost overruns, which may in turn adversely affect the profitability of those projects. As a result, the Group’s operating income and results of operations may fluctuate significantly from period to period. The Group’s operating income and results of operations for any period may not be directly comparable with other periods, and therefore may not be indicative of its future performance.

The Group’s results of operations may be susceptible to material fluctuations of interest rates.

The Group has significant indebtedness outstanding. A material fluctuation in interest rates may have an adverse impact on the Group’s interest expenses and payables under its bank loans and in turn negatively affect its financing costs and results of operations. As at 31 December 2022, the Group’s total indebtedness (comprising short-term loans, non-current liabilities due within one year, long-term loans, bonds payables and long-term payables) was approximately RMB6,842.5 million, representing 54.0 per cent. of the Group’s total assets. Any material fluctuation in the benchmark lending rate may have a material impact on the Group’s interest expenses and payables under its bank loans and in turn affect its results of operations. The PRC government from time to time adjusted interest rates as implementation of the PRC government’s economic and monetary policies. Since the outbreak of the global financial crisis in 2008, the PRC government has repeatedly lowered benchmark lending rates to encourage borrowing and stimulate the recovery of the country’s economy. Beginning in 2008, PBOC decreased the benchmark one-year lending rate five times, from 7.47 per cent. to 5.31 per cent. in December 2008, which remained unchanged until 4 September 2010. Since then, the one-year lending rate was gradually increased to 6.56 per cent. on 7 July 2011 and onwards. In recent years, a perceivable slowdown in the growth of China’s economy again caused the PRC government to adopt more liberal monetary policies with an aim to stimulate its economic

development. Since 2012, PBOC reduced the benchmark one-year lending rate a number of times to 4.35 per cent. as at 24 October 2015 and onwards. In August 2019, the PBOC adopted measures to increase the influence of the loan prime rate (the “LPR”) as part of its broader market-based reforms of the PRC’s interest rate market. The LPR serves as the benchmark for market interest rates in the PRC. As at the date of this Offering Circular, all of the Company’s floating rate bank loans bear interest based on the LPR. Although the Group’s business and financial condition may benefit from the low prevailing interest rates in the market, there is no assurance that this low-interest environment will continue. Any increase in the LPR in the future will increase the Group’s financing costs and adversely affect the Group’s profitability, financial condition and results of operations.

The Group operates in businesses through a number of subsidiaries, and this business structure exposes the Group to challenges not faced by companies with a single or small number of businesses.

The Group comprises a number of subsidiaries operating in multiple industries, including infrastructure construction, commodities trading, steel processing and distribution, engineering construction, engineering design, parking services and motor vehicles inspection. As such, the Group is exposed to risks associated with multiple businesses.

For example, the Group is exposed to business, market and regulatory risks relating to different industries and markets, and may from time to time expand its businesses to new industries and markets in which it has limited operating experience. It 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 requires an effective management system. As the Group continues to grow its businesses, the Group’s operations may become more complex, which would increase the difficulty of implementing its management system. If the Group cannot efficiently manage its subsidiaries, its business, financial conditions and results of operations may be materially and adversely affected.

The Company provides direct funding, guarantees and other support to certain of its subsidiaries. If the Company’s subsidiary defaults on any borrowings lent or guaranteed by the Company, the Company will not receive the repayment as planned or the relevant lender may exercise its right under the guarantee to demand repayment from the Company. The occurrence of either of these events may result in a funding shortage at the Company level and may materially and adversely affect the Company’s ability to provide financial support to its other subsidiaries. If the Company’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 and adverse impact on the Group’s business, financial condition and results of operations.

The Group’s infrastructure construction business requires significant capital input, and there is no assurance that the Group will continue to have access to sufficient funding to support its business operations.

The Group’s infrastructure construction business is capital-intensive in nature. The Group is required to invest significantly into its infrastructure construction projects before it can generate cash from the projects, and the construction of these projects may take significant time.

The Group’s ability to access and raise sufficient capital through different sources depends on a number of factors. As at 31 March 2023, the Group had total credit facilities of approximately RMB6.7 billion, of which approximately RMB2.0 billion had not been utilised. There is no assurance that the Group will continue to have access to sufficient funding in a timely manner or to obtain external financing on commercially acceptable terms, or at all. As the Group’s business continues to grow, its capital requirement may continue to increase. In the case where the Group fails to obtain sufficient and timely funding, the Group may not be able to fund the capital expenditure necessary to support its business operations or to implement its business plans and strategies, which may in turn have a material and adverse impact on its business, financial conditions, results of operations and prospects.

The Group may face delays and cost overruns in its infrastructure construction projects, which may adversely affect its results of operations.

The infrastructure construction projects that the Group undertakes typically require substantial capital expenditures during the construction phase and can take a substantial period of time to complete. The time taken and the costs involved in completing these projects can be adversely affected by many factors, including shortages of materials, equipment and labour costs, adverse weather conditions, natural disasters, pandemics, terrorism, labour disputes, disputes with subcontractors, accidents, changes in governmental priorities and other unforeseen circumstances, many of which are beyond the Group's control. Any of these could give rise to delays in the completion of or cost overrun for the Group's infrastructure construction projects, and may result in liabilities, reduced efficiency and lower financial returns, which may in turn materially and adversely affect the Group's business, financial conditions and results of operations.

Fluctuations in the price of construction materials could adversely affect the Group's business and financial performance.

Costs of construction materials comprise a significant percentage of the Group's costs for its infrastructure construction and engineering construction businesses. The costs of construction materials, such as steel, have fluctuated in recent years and may fluctuate significantly from time to time in the future. The price of construction materials may be affected by factors beyond the Group's control, including market demands and supply, inflation and economic cycles, price control measures imposed by the government or private companies and international geopolitical issues. Any increase in the cost of construction materials may result in an increase in the total costs of the Group and, to the extent that the Group cannot pass on the cost increase to its customers and/or subcontractors, may in turn adversely affect the profitability of the Group's infrastructure construction projects and engineering construction projects. There is no assurance that the Group will be able to fully pass on the price increase of construction materials to its customers and/or subcontractors, and any increase in the costs of construction materials may materially and adversely affect the Group's business, financial conditions, results of operations and prospects.

The Group depends on its infrastructure construction business for a large portion of its operating income and may not be able to maintain sustainable growth.

The Group is dependent on its infrastructure construction business. For the years ended 31 December 2020, 2021 and 2022, operating income generated from the Group's infrastructure construction business amounted to RMB452.6 million, RMB430.8 million and RMB378.2 million, respectively, representing 81.7 per cent., 48.5 per cent. and 19.8 per cent., respectively, of the Group's total operating income for the same period. The Group's infrastructure construction projects face a number of coherent risks relating to their construction, financing and operating. Please see “– *The Group's infrastructure construction business requires significant capital input, and there is no assurance that the Group will continue to have access to sufficient funding to support its business operations*”, “– *The Group may face delays and cost overruns in its infrastructure construction projects, which may adversely affect its results of operations*” and “– *Fluctuations in the price of construction materials could adversely affect the Group's business and financial performance*” for more details. There is no assurance that the Group's infrastructure construction business will maintain sustainable growth in the long run. If the operating income generated from the Group's infrastructure construction business significantly decreases, the Group's business, financial conditions, results of operations and prospects will be materially and adversely affected.

The Group faces risks associated with contracting with public bodies.

As a state-owned enterprise controlled by the Neijiang SASAC, the Group collaborates with various governmental authorities and their controlled entities in Neijiang City. Although the Group believes that it currently maintains well-established working relationships with those governmental authorities and entities relevant to its business, there is no assurance that these working relationships will sustain in the future. Local governments and their controlled entities may have economic or business interests or considerations that are inconsistent with the Group's, take actions contrary to the Group's requests, strategies or objectives, be unable or unwilling to fulfil their obligations, encounter financial difficulties, or have disputes with the Group

as to contractual or other matters. Those governmental authorities and entities may not honour their contractual obligations in a timely manner, if at all, or may, without prior notice or consent from the Group, change existing policies and project plans in Neijiang City for a number of reasons, such as government budgeting and government policies.

In addition, the Group has contracted, and will contract in the future, with local governmental entities in Neijiang City for certain infrastructure construction projects and engineering construction projects. Such projects are capital-intensive and involve risks such as delays in construction and cost overruns. The local government's ability to fulfil its payment obligations for such projects largely depends on its fiscal revenue, policies and regulations promulgated by higher level governments or authorities as well as many other factors which are generally beyond the Group's control.

Failure by the local government to fulfil its obligations under these projects or any adverse change to the policies or business plans may require the Group to adjust its development plans which could adversely affect its operating results. There is no assurance that the Group will be able to successfully resolve any material disagreement with the local government or any of its controlled entities in a timely manner, or at all. Disputes with public bodies may last for considerably longer periods of time than those with private sector counterparties, and payments from public bodies with which the Group has such disputes may be delayed as a result. Any of these eventualities may materially and adversely affect the business relationships between the Group and the local governments and governmental entities, which may in turn materially and adversely affect the Group's business, financial conditions, results of operations and prospects.

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

The Group engages third-party contractors and subcontractors from time to time for its business. There can be no assurance that the services rendered by any of these third-party contractors or subcontractors will always be satisfactory or meet the Group's quality and safety standards. If the performance of any third-party contractor or subcontractor is not satisfactory, the Group may need to replace such contractor or subcontractor, or take other actions to remedy the situation, which could adversely affect the cost and construction progress of its infrastructure construction projects or engineering construction projects. Further, the completion of the Group's infrastructure construction projects may be delayed, and the Group may incur additional costs in some cases due to a contractor's failure to perform its duties. In addition, there may be a shortage of contractors or subcontractors that meet the Group's quality requirements. Contractors or subcontractors may undertake projects for other companies and developers, engage in risky or unsound practices or encounter financial or other difficulties, which may affect their ability to complete their work for the Group on time or within budget. Any of these factors could have a material adverse effect on the Group's business, financial conditions, results of operations and prospects.

Any failure by the Group to maintain relationships with its major suppliers or customers would have an adverse effect on the Group's business.

The Group depends largely on a limited number of key suppliers and customers for the commodities trading business. For example, for the year ended 31 December 2022, the supply from the top five suppliers of the Group's commercial trading business accounted for 60.4 per cent. of the total supply and the top five customers accounted for 65.0 per cent. of the total sales. There can be no assurance that the Group will be able to maintain or improve its relationships with its major suppliers or customers, or that it will be able to continue to purchase products from these suppliers for these customers at current pricing and levels or at all. In addition, any decline in its major suppliers' or customers' businesses could lead to a decline in supply from these suppliers or a decline in demand from these customers. If any of the Group's major suppliers or major customers were to substantially reduce the size or value of the supply or the size or value of the demand, as the case may be, it provides or requests with the Group or terminate its business relationship with the Group entirely, the Group may not be able to obtain supply from other suppliers to replace any such lost supply on comparable terms or at all or obtain demand from other customers to replace any such lost demand on comparable terms or at all. If any of these relationships were to be so terminated and the Group were

unable to obtain replacement, the business, financial condition, results of operations and prospects of the Group may be materially and adversely affected.

The commodities trading industry is very competitive and the Group may have difficulty in effectively competing with other trading companies.

The commodities trading industry is characterised by strong competition. The Group faces intense competition with trading companies with greater diversification across different commodity groups and global geographical presence and scale. These competitors are generally in a better position in terms of operating scale, profitability, resources, distribution networks, import and export permit for commodities traded by the Group and completeness of the industrial chain, while the Group mainly focuses on a narrower commodity group and geographic area. Furthermore, these competitors may, in the future, use their resources to expand into all of the markets in which the Group operates and therefore compete further against the Group. These competitors may also expand and diversify their commodity sourcing, processing or marketing operations, or engage in pricing or other financial or operational practices that could increase competitive pressure on the Group across each of the commodities it has trading business on. Increased competition may result in losses of market share for the Group and could materially adversely affect its business, financial condition, results of operations and prospects.

The Group's commercial trading businesses are exposed to declines in the current and expected volumes of products' supply or demand, product prices and deterioration in economic and financial conditions.

The current and expected volumes of products' supply and demand which the Group has traded vary over time based on changes in resource availability, government policies and regulations, costs of production, global and regional economic conditions, demand in end markets in which the products are used, technological developments (including product substitutions), fluctuations in global production capacity, global and regional weather conditions and natural disasters. Furthermore, changes in current and expected supply and demand conditions impact the current and expected future prices (and thus the price curve) of each product. Declines in the price of products or an increase of volume of products in the market could materially adversely impact the Group's business, results of operations and earnings in its commercial trading business. In addition, a decline in economic and financial conditions globally or in a specific country, region or sector may have a material adverse effect on the Group's business, results of operations or earnings. For example, the insolvency of key suppliers, particularly those with whom the Group has long-term supply or off-take contracts, could result in supply chain difficulties and/or unmatched product price exposures and/or a reduction in products available for the Group; and although most products' fixed pricing periods are relatively short, a significant reduction or increase in products prices could result in customers or suppliers, as the case may be, being unwilling or unable to honour their contractual commitments to purchase or sell products on pre-agreed pricing terms.

The Group is exposed to the risks relating to low profit margin of its commodities trading business.

The Group has experienced low profit margin in conducting its commodities trading business. For the years ended 31 December 2020, 2021 and 2022, the gross profit margin of the Group's commodities trading business was 1.2 per cent., 1.8 per cent. and 1.8 per cent., respectively. The sustainability of the Group's profit margin depends on a number of factors, including the types of products traded, selling prices and purchase costs. The selling price and purchase cost for each transaction vary according to a combination of factors including, but not limited to, the Group's bargaining power with its supplier and customer, the pricing basis, demand and supply in the market and the market price trend. Some of these factors are beyond control of the customer, the supplier and the Group. Therefore, the selling price and purchase cost may differ for the same product traded within the same period. There is no assurance that the profit margin will not fluctuate from period to period. If the commodities trading business continues to generate low profit margin in the future, the Group's financial condition and profitability may be materially and adversely affected.

Some of the Group's members do not possess building ownership certificates to certain investment properties.

Some of the Group's members do not possess valid building ownership certificates to certain investment properties. Such members are in the process of applying for, or will apply for, the relevant certificate, permits or approvals for certain properties. There can be no assurance that such certificates, permits and approvals will be obtained in a timely manner, or at all, and any delay may result in a disruption to the Group's business operations or the market price of such investment properties and may adversely affect the Group's financial performance.

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

As at 31 December 2020, 2021 and 2022, the Group's investment properties amounted to RMB4,439.3 million, RMB3,690.6 million and RMB3,942.1 million, respectively, representing 48.8 per cent., 36.2 per cent. and 31.1 per cent., respectively, of the Group's total assets as at the same date. The Group's investment properties are stated at their fair value on its consolidated balance sheets as non-current assets as at the end of each reporting period on the basis of valuations by an independent property valuer. The property valuation involves the exercise of professional judgment and requires the adoption of certain bases and assumptions by the independent property valuer. The fair value of the Group's investment properties could have been higher or lower if the valuer used a different set of bases or assumptions or if the valuation was conducted by other qualified independent professional valuers using a different set of bases and assumptions. In addition, any upward revaluation adjustments reflect unrealised capital gains on the Group's investment properties as at the relevant reporting dates and are not profit generated from the sales or rentals of its investment properties. Such unrealised capital gains do not generate any cash inflow to the Group until such investment properties are disposed of at similarly revalued amounts. The amount of revaluation adjustments has been, and may continue to be, significantly affected by the prevailing property markets and may fluctuate significantly. There can be no assurance that the Group will record fair value gains, or that the Group will not record fair value losses, in the future. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations, which are beyond the Group's control. There can be no assurance that changes in market conditions will continue to create fair value gains on the Group's investment properties at the historical levels, or at all, or that the fair value of its investment properties will not decrease in the future. If the fair value of the Group's investment properties declines, its profitability could be materially and adversely affected.

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

The Group relies on its quality control systems to ensure the safety and quality of its projects. Therefore it needs to maintain an effective quality control system. The effectiveness of the Group's quality control system depends significantly on a number of factors, including a timely update of the quality control system to suit the ever-changing business needs, the availability of related training programmes as well as its ability to ensure that the Group's and the contractors' employees adhere to its quality control policies and guidelines. There is no assurance that the quality of the Group's projects will always meet the required standard. 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 have any merit, could cause the Group to incur significant costs, harm its business reputation and result in significant disruption to its operations.

Furthermore, if any of such claims are ultimately successful, the Group could be required to pay substantial monetary damages or penalties. Although the Group believes that its quality control systems have functioned properly, there is 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's business operations are subject to extensive regulation at various levels of government, and any failure to comply with applicable laws, rules and regulations, including obtaining any necessary qualifications, permits or approvals for its operations, may adversely affect the Group.

Certain business activities of the Group, such as infrastructure construction, are extensively regulated in the PRC. The operation of these business activities requires a number of approvals, qualifications, licences and permits from different governmental authorities, which may take significant time and resources to obtain. Governmental authorities in China have broad discretion in implementing and enforcing applicable laws and regulations and in granting such approvals, qualifications, licences and permits necessary for the Group to conduct its business. Failure to obtain the necessary approvals, qualifications, licences or permits in a timely manner could result in delay or suspension of the Group's business operations, and may subject the Group to regulatory or administrative penalties.

Governmental authorities may also amend existing regulations or promulgate new regulations from time to time. The Group may encounter difficulties in obtaining or renewing its approvals, qualifications licences or permits necessary to conduct its business and may be unable to comply with new laws, regulations or policies. In addition, to ensure the restrictions and conditions imposed by each approval, qualification, licence and permit are fulfilled, governmental authorities can conduct regular or special inspections, investigations and inquiries. If any significant non-compliance is found by the governmental authorities, the Group's approvals, qualifications, licences and permits may be suspended or revoked, and fines or other forms of penalties may be imposed, which could have a material adverse effect on the Group's business, financial conditions, results of operations and prospects.

Labour shortages, labour disputes or increases in labour costs of any third-party contractors engaged for the Group's infrastructure construction projects as well as implementation of PRC employment regulations could materially and adversely affect the Group's business, prospects and results of operations.

Certain of the Group's businesses are labour-intensive. Increasing awareness of labour protection as well as increasing minimum wages is likely to increase the labour costs of PRC enterprises in general, including the Group or the contractors participating in the Group's infrastructure construction projects and engineering construction projects.

The PRC 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. It imposes more stringent requirements on employers in relation to entry into fixed-term employment contracts and restrictions on dismissal of employees. Pursuant to the PRC Labour Contract Law, the employer is required to make compensation payment to a fixed-term contract employee when the term of their employment contract expires, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or better than those stipulated in the current employment contract. In general, the amount of compensation payment is equal to the monthly wage of the employee 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 PRC Labour Contract Law.

In addition, unless otherwise prohibited by the PRC Labour Contract Law or objected to by the employees themselves, the employer is also required to enter into non-fixed-term employment contracts with employees who have previously entered into fixed-term employment contracts for two consecutive terms. Further, 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 PRC 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.

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

As such, labour shortages, labour disputes or increases in labour costs of the Group or third-party contractors 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 infrastructure construction projects which could materially and adversely affect the Group's business, prospects 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:

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

The Group maintains limited insurance policies, but in the construction projects, the contractors normally maintain insurance coverage for the projects, which the Group believes to be consistent with the relevant law and industry and business practice in the PRC. However, some of the above-mentioned operational risks may not be covered and even if covered by the insurance policies maintained by the contractors of the Group, claims under these insurance policies may not be honoured fully or on time, or the insurance coverage may not be sufficient to cover the costs incurred in the Group's operations related to the above-mentioned operational risks. There are also certain types of losses (such as from wars, acts of terrorism or acts of God, business interruption, property risks and third-party (public) liability) that generally are not insured because they are either uninsurable or not economically insurable. To the extent that the Group suffers loss or damage that is not covered by insurance or that exceeds the limit of the insurance coverage, the Group's results of operations and cash flow may be materially and adversely affected.

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

The Group is required to comply with extensive environmental, safety and health regulations in the PRC. Failure to comply with such regulations may result in fines or suspension or revocation of the Group's licences or permits to conduct its business. Given the volume and complexity of these regulations, compliance may be difficult or involve significant financial and other resources to establish efficient compliance and monitoring systems. There is no assurance that the Group will be able to comply with all applicable requirements or obtain these approvals and permits on a timely basis, if at all. As at the date of this Offering Circular, the Group has not experienced any significant non-compliance with applicable environmental, safety and health regulations or requirements. 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. Any failure to comply with the current or future environmental, safety and health regulations may materially and adversely affect the Group's business, financial conditions and results of operations.

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

The Group may from time to time expand its businesses to new industries and markets in which it has limited operating experience. For example, the Group commenced its commodities trading business in 2020. Such expansion may require the Group to devote substantial resources to become familiar with, and monitor changes in, different operating environments so that it can succeed in its new business. The Group's core businesses include infrastructure construction, commodities trading, steel processing and distribution and engineering construction. The Group plans to continue to expand businesses while maintaining sustainable growth of its existing core businesses, and create synergies among its business segments. The Group's ability to successfully develop its new businesses and implement this strategy depends on 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. The success of negotiations with respect to any particular project cannot be assured. There can be no assurance that the Group will be able to successfully expand its businesses, implement its growth strategy, manage or integrate newly-acquired operations with the Group's existing operations. Failure to develop new businesses or implement the Group's growth strategy could have a material adverse impact on its business, financial conditions and results of operations.

The Group's success depends on the continuing service of its management team and qualified employees and any failure to attract and retain competent personnel may adversely affect the Group's business.

The success of the Group's business has been, and will continue to be, heavily dependent upon the continuing service of the directors of the Company and members of its senior management. If the Company loses the services of any of its key executives and cannot replace them in a timely manner, the Group's business may be materially and adversely affected. The articles of association of the Company stipulates that the board of directors of the Company to have six members and the senior management team to have five to seven members while there are currently only five directors and three senior management personnel. The vacancy of directors and senior management personnel will not affect the Company's decision making temporarily; however the shortage of directors and the senior management personnel may adversely affect the Group's operation in the long run should such vacancies persist.

In addition, the Group's success depends on its ability to attract and retain key personnel who possess in-depth knowledge and understanding of the industries in which the Group operates. These key personnel include members of the Group's senior management, experienced finance professionals, project development and management personnel, and other operation personnel. Competition for attracting and retaining these individuals is intensive. Such competition may require the Group to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could materially and adversely affect the Group's financial conditions and results of operations. As a result, the Group may be unable to attract or

retain these personnel to achieve its business objectives and the failure to do so could severely disrupt its business and prospects. For example, the Group may not be able to hire enough qualified personnel to support its new infrastructure construction projects or business expansion. As the Group expands its business or hires new employees, such new employees may take time to get accustomed to any new standard procedures and consequently may not comply with the standard procedures of such new business in an accurate and timely manner. The occurrence of any of the events discussed above could lead to unexpected loss to the Group and adversely affect its operating income and financial conditions.

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

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

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

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

The Group may be involved in disputes, legal and other proceedings arising out of its operations from time to time and may face significant liabilities as a result.

The Group may from time to time be involved in disputes with various parties involved in its business, including contractors, tenants, suppliers and customers. Such disputes may lead to legal or other proceedings and they may damage the Group's reputation, increase the Group's costs of operations and divert the Group's management's attention from daily business operations. In addition, where regulatory bodies or governmental

authorities disagree with the Group's conduct in respect of its operations, the Group may be subject to administrative proceedings and unfavourable decrees that could result in liabilities and delays to its projects. There can be no assurance that the Group will not be so involved in any major legal or other proceedings in the future which may subject the Group to significant liabilities and may materially and adversely affect the Group's business, financial conditions, results of operations and prospects.

The Group's business may be affected by acts of God, natural disasters and epidemics, including the COVID-19 pandemic.

The Group's business may be affected by natural disasters, epidemics and other acts of God which are beyond the Group's control. The occurrence of earthquakes, sandstorms, snowstorms, fire or drought, or the outbreak of epidemics such as Middle East Respiratory Syndrome (MERS), Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, human swine flu (also known as Influenza A (H1N1)), H7N9, Zika Virus Disease or the COVID-19 pandemic may have a material adverse impact on the economic and social conditions in the affected regions.

The COVID-19 pandemic has spread all over the world and was declared a pandemic on 11 March 2020 by the World Health Organization. The COVID-19 pandemic has resulted in a number of countries declaring a state of emergency and a number of countries, including the PRC, Japan, the United States, members of the European Union and the UK, imposing extensive business and travel restrictions with a view to containing the pandemic. In addition, the COVID-19 pandemic has led to significant volatility in the global markets across all and this volatility may persist for some time, which may in turn adversely affect the Group's business. Despite the easing of travel restrictions and containment measures related to the COVID-19 pandemic globally, including in the PRC since December 2022 and that the World Health Organization has declared end to the COVID-19 pandemic as a global health emergency in May 2023, there are uncertainties as to how the COVID-19 pandemic and related policies will evolve and there can be no assurance that the COVID-19 pandemic would not have a material adverse effect on the Group's business.

Moreover, the PRC has experienced natural disasters like earthquakes, floods and droughts in the past few years. For example, since early June 2020, weeks of torrential rain flooded provinces throughout southern China, causing landslides, bursting dikes, forcing the evacuation of local residents and resulting in billions of economic losses. In May 2008 and April 2010, the PRC experienced earthquakes in Sichuan Province and Qinghai Province, respectively, resulting in the death of tens of thousands of people. In August 2023, a disastrous flooding caused by torrential rains in northeast China has engulfed residential homes, destroyed infrastructure and submerged entire districts. Any future occurrence or continuance of any of these or similar events may adversely affect its economy and in turn the Group's business 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 exposure to risk, control financial and operation conditions, and keep accurate records. These consequences could result in operating outages, poor operating performance, financial losses, and potential intervention by regulatory authorities.

Although the Group's systems have not experienced major system failures and delays in the past, there can be no assurance that the Group's systems would not experience future system failures and delays, or that 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’s audited consolidated financial statements have been prepared in accordance with PRC GAAP, which is different from IFRS in certain respects.

The Group’s audited 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 “*Summary 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 Group’s independent auditors, Asia Pacific, has received adverse regulatory decisions issued by relevant PRC regulatory authorities.

The Group’s independent auditor, Asia Pacific, is a registered accounting firm in the PRC supervised by the PRC courts and other relevant PRC regulatory agencies, including the MOF and the CSRC. The branches of the MOF and the CSRC have taken administrative actions against Asia Pacific and its employees.

While Asia Pacific has confirmed that the administrative actions will not affect its work in connection with the offering of the Bonds including its issuance of comfort letters, nor will any partners or employees involved in the above participate in its work in connection with the offering of the Bonds, there can be no assurance that these investigations or potential future investigations, penalties, and potential future penalties against Asia Pacific and its employees would not subject Asia Pacific or any of its management, officers or employees to further sanctions imposed by other PRC authorities or further suspension of business operations by the CSRC or the MOF. Such sanctions, revocations and suspensions may restrict Asia Pacific from providing audit services or other services in connection with the Group’s financing transactions. In that case, the Group may have to discontinue its engagement with Asia Pacific, which may materially and adversely affect its business operations and harm its reputation. Any sanctions, revocations and suspensions may affect investor’s confidence in the Group’s financial statements audited or reviewed by Asia Pacific. Prospective investors should consider these factors prior to making any investment decision.

Public corporate disclosure about the Company may be limited.

As the Company is not listed on any stock exchange, there may be less information about it publicly available than is regularly made available by listed companies.

RISKS RELATING TO THE PRC

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

Although the economy of the PRC experienced rapid growth in the past 30 years, there has been a slowdown in the growth of the PRC’s GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. According to the National Statistics Bureau of the PRC, the annual growth rate of China’s GDP in 2020 was 2.2 per cent., which was primarily due to the outbreak of the COVID-19 pandemic. The annual growth rate of China’s GDP in 2021 was 8.4 per cent., representing a stable recovery at constant prices. Despite the stable recovery in 2021, the National Statistics Bureau of the PRC has warned of the triple pressure of demand contraction, supply shocks and weakening expectations, which may affect the PRC economy negatively. In 2022, the PRC recorded a GDP growth rate of 3.0 per cent. In March 2016, Moody’s and S&P changed China’s credit rating outlook to “negative” from “stable”, which highlighted the country’s surging debt burden and questioned the government’s ability to enact reforms. On 24 May 2017, Moody’s downgraded China’s long-term local currency and foreign currency issuer ratings to A1 from Aa3 and changed the outlook to stable from negative. On 21 September 2017, S&P’s rating services downgraded China’s credit rating by one notch from AA-

A+. These highlight the country's surging debt burden and questioned the government's ability to enact reforms.

The future performance of the PRC's economy is not only affected by the economic and monetary policies of the PRC government, but it is also exposed to material changes in global economic and political environments as well as the performance of certain major developed economies in the world. For example, the China-U.S. tensions have brought uncertainty to the economic conditions of the world, including but not limited to further decreases in global stock exchange indices, increased foreign exchange volatility (in particular a further weakening of the pound sterling and euro against other leading currencies) and a possible economic recession involving more countries and areas. Besides, the political, social and macroeconomic impact of Brexit remains uncertain, which could potentially lead to further decreases in global stock exchange indices and create increasing volatility in the global market. Further, the ongoing conflict between Russia and Ukraine has led to significant volatility in the global markets. The extent and duration of such conflict, resulting sanctions and future market disruptions are impossible to predict, but could be significant and may have a severe adverse effect on the region, including a significant negative impact on the economy and the markets for certain securities and commodities, such as oil and natural gas, and on global economies.

As such, there continues to be uncertainty for the overall prospects for the global and the PRC economies this year and beyond. Any material change in the financial markets, the PRC economy or regional economies as a result of these events or developments may materially and adversely affect the Group's business, financial condition and results of operations.

PRC economic, political and social conditions as well as government policies could adversely affect the Group's business.

The economy of the PRC differs from the economies of most developed countries in many respects, including, with respect to government involvement, level of development, economic growth rate, control of foreign exchange and allocation of resources.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented a series of measures emphasising market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a large portion of productive assets in the PRC remain owned by the PRC government. The PRC government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that the PRC government will continue to pursue the economic reforms or that any such reforms will not have an adverse effect on the Group's business.

The Group's operations and financial results could also be affected by changes in political, economic and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof). For example, the PRC government may decide to change its current policies with respect to the Group's core business industry, and, as such, this could have an adverse impact on the Group's business and results of operations. In the past, the PRC government has implemented administrative measures to restrain economic growth rates that were considered unsustainably high and to calm inflation fears. Such actions may result in an economic slowdown which could have negative macroeconomic effects in the PRC and PRC-related markets. The Group's operating results and financial condition may also be materially and adversely affected by other changes in taxation and changes in state policies affecting the industries in which the Group operates. In addition, the growth of the Group's business operations depends heavily on economic growth. If the PRC's economic growth slows down or if the economy of the PRC experiences a recession, the Group's business prospects may be materially and adversely affected. The Group's operations and financial results, as well as its ability to satisfy its obligations under the Bonds, could also be materially and adversely affected by changes to or introduction of measures to control changes in the rate or method of taxation and the imposition of additional restrictions on currency conversion.

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 regulations 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.

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

As a substantial part of the Group's business is conducted in the PRC and a substantial part of the Group's assets are located in the PRC, its business operations are regulated primarily by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, past court judgments in the PRC have limited precedential value and may be cited only for reference. Furthermore, PRC written statutes often require detailed interpretations by courts and enforcement bodies for their application and enforcement. Since 1979, the PRC government has been committed to developing and refining its legal system and has achieved significant progress in the development of its laws and regulations governing business and commercial matters, such as in foreign investment, company organisation and management, commercial transactions, tax and trade. However, China has not developed a fully integrated legal system and the recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC. In particular, as these laws and regulations are still evolving, in view of how the PRC's financial industry is still developing, and because of the limited number and non-binding nature of published cases, there exist uncertainties about their interpretation and enforcement, and such uncertainties may have a negative impact on the Group's business.

In addition, the PRC legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Group may not be aware of the Group's violation of these policies and rules until some time after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management's attention.

Furthermore, the administration of PRC laws and regulations may be subject to a certain degree of discretion by the executive authorities. This has resulted in the outcome of dispute resolutions not being as consistent or predictable compared to other more developed jurisdictions. In addition, it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgments by a court of another jurisdiction. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to the Group in its operations and to Bondholders.

As the PRC legal system develops, the promulgation of new laws, changes to existing laws, the pre-emption of local regulations by national laws and the uncertainty as to how such laws are interpreted and enforced may have an adverse effect on the Group's business and financial condition.

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

Most of the Group’s assets and the Group’s members are located in the PRC. In addition, substantially all of the assets of the Company’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 Company 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 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 Company or the Company’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 Company or the Company’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, United Kingdom, or some 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 Group’s subsidiaries and associated companies may be subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances.

As a holding company, the Company depends on the receipt of dividends and the interest and principal payments on intercompany loans or advances from its subsidiaries and associated companies to satisfy its obligations, including its obligations under the Bonds. The ability of the Group’s subsidiaries and associated companies to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the

articles of association of these companies, applicable laws, regulations and restrictions contained in the debt instruments of such companies.

There can be no assurance that subsidiaries and associated companies of the Company will have distributable earnings or will be permitted to distribute their distributable earnings to the Company it anticipates, or at all. In addition, dividends payable to it by these companies are limited by the percentage of its equity ownership in these companies. Some portfolio companies may conclude that it is in the best interest of their shareholders to retain earnings, if any, for use in the operation and expansion of their businesses. The shareholders or the board of directors of a portfolio company (as the case may be) have the power to determine whether to pay dividends based on conditions then existing, including the company's earnings, financial condition and capital requirements, as well as economic and other conditions the shareholders or the board of directors may deem relevant. In particular, the Company does not maintain complete control over its associated companies in which it might hold a minority interest. Further, if any of these companies raise capital by issuing equity securities to third parties, dividends declared and paid with respect to such shares would not be available to the Company to make payments on the Bonds. These factors could reduce the payments that the Company receives from its subsidiaries and associated companies, which would restrict its ability to meet its payment obligations under the Bonds.

The PRC government has no payment or other obligations under the Bonds.

The PRC government is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds, the Trust Deed or the Agency Agreement in lieu of the Company. This position has been reinforced by Circular 23 promulgated on 28 March 2018 and took effect on the same day, and the Circular 706 promulgated on 11 May 2018 and took effect on the same day and the Circular 666 issued by the NDRC on 6 June 2019 which emphasised that local state-owned enterprises shall bear the responsibility for the repayment of foreign debt as independent legal persons, and local governments and their departments shall not pay the foreign debt of local state-owned enterprises directly or by committing to the payment of the foreign debt with financial funds, nor shall they provide guarantees for the issuance of foreign debt by local state-owned enterprises.

The PRC government, as the ultimate equity holder of the Company, only has limited liability in the form of its equity contribution in the Company. As such, the PRC government does not have any payment or other obligations under the Bonds, the Trust Deed or the Agency Agreement. The Bonds are solely to be repaid by the Company as an obligor under the relevant transaction documents and as an independent legal person.

Therefore, investors should base their investment decision only on the financial condition of the Company and the Group and base any perceived credit risk associated with an investment in the Bonds only on the Group's own financial information reflected in its financial statements.

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

Facts, forecasts and other statistics in this Offering Circular relating to the PRC, its economy or the relevant industry in which the Group operates have been directly or indirectly derived from official government publications and certain other public industry sources and although the Group believes such facts and statistics are accurate and reliable, it cannot guarantee the quality or the reliability of such source materials. They have not been prepared or independently verified by the Company, the Managers, the Trustee, the Agents or any of their respective affiliates, employees, directors, agents, advisors or representatives or any person who controls any of them, and, therefore, the Company, the Managers, the Trustee, the Agents or any of their respective affiliates, employees, directors, agents, advisors or representatives or any person who controls any of them makes no representation as to the completeness, accuracy or fairness of such facts or other statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be incomplete, inaccurate or unfair or may not be comparable to statistics produced for other economies or the same or similar industries in other countries and should not be unduly relied upon. Furthermore, there is no assurance that they are stated or compiled on

the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or other statistics.

RISKS RELATING TO THE BONDS AND THE STANDBY LETTER OF CREDIT

Any failure to complete the relevant filings under the Order 56 within the relevant prescribed time frames following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the Bondholders.

On 14 September 2015, the NDRC issued the Circular on Promoting the Administrative Reform of the Filing and Registration System for the Issuance of Foreign Debts by Enterprises (Fa Gai Wai Zi [2015] No. 2044) (國家發展改革委員會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 “Circular 2044”), which came into effect on the same day. On 5 January 2023, the NDRC published the Order 56, which came into effect on 10 February 2023 and repealed the Circular 2044 on the same date. The Order 56 applies to medium and long-term foreign debts with a maturity of more than one year that are borrowed from overseas by enterprises within the territory of the PRC and by overseas enterprises or branches controlled by aforementioned PRC enterprises, denominated in local or foreign currency, and of which principal is repaid with payment of interest as agreed.

Pursuant to the Order 56, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities or medium to long term loans issued or incurred outside the PRC with the NDRC prior to the issue of the securities or drawings under the loans and obtain a Certificate of Examination and Registration of Foreign Debts Borrowed (企業借用外債審核登記證明). Such enterprises shall also comply with provisions regarding risk management and interim and ex-post supervision of the Order 56, including, among others, making the post-issuance filing to NDRC within 10 business days after the completion of the issuance of the Bonds. The Issuer has obtained the NDRC Certificate pursuant to the Order 56 in connection with the Bonds. According to the Order 56, for any enterprise failing to comply with filing and reporting requirements under the Order 56, the NDRC will order such enterprise to take rectification actions within a prescribed time limit; and if the circumstances are severe or the enterprise fails to take rectification action within the prescribed time limit, give a warning to the relevant enterprise and its principal liable person. Furthermore, conducts in violation of the Order 56 committed by enterprises will be publicised on, among others, the Credit China (信用中國) website and the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統). As the Order 56 is a new regulation, it will be subject to interpretation and application by the relevant PRC authorities, and it remains unclear what impact any non-compliance will have on the Bonds. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions. The Issuer has undertaken to file or cause to be filed with the NDRC the particulars of the issue of the Bonds within the relevant prescribed timeframes after the Issue Date and to comply with the continuing obligations within the time period prescribed by the NDRC and any implementation rules as issued by the NDRC from time to time or pursuant to relevant laws and regulations.

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

In accordance with the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) (the “Foreign Debt Registration Measures”) issued by SAFE on 28 April 2013, which came into effect on 13 May 2013 and revised on 4 May 2015, an issuer of foreign debts shall complete the foreign debt registration in respect of its issue of foreign debts with the local branch of SAFE in accordance with applicable laws and regulations. According to the Operation Guidelines for Administration of Foreign Debt Registration (外債登記管理操作指引) promulgated together with the Foreign Debt Registration Measures, the Issuer is required to register its foreign debt issue within 15 business days after the execution of the financing documents and to complete such registration in accordance with the Foreign Debt Registration Measures. In the unlikely event that having exercised its best endeavours, the Issuer is unable to complete such registration within the abovementioned time period, investors will have the right to require the Issuer to redeem their

holding of Bonds. However, notwithstanding such right, the Issuer may have difficulty in remitting funds offshore to service payments in respect of the Bonds and investors may encounter difficulties in enforcing judgments obtained in the Hong Kong courts with respect to the Bonds and the Trust Deed in the PRC. In such circumstances, the value and secondary market price of the Bonds may also be materially and adversely affected. The Issuer has already consulted with local SAFE in connection with the registration procedures and documentary requirements. The Issuer does not foresee any obstacle in completing the registration within the abovementioned period.

In addition, on 29 April 2016, PBOC issued the Circular of the PBOC on Implementing Overall Macro Prudential Management System for Nationwide Cross-border Financing (中國人民銀行關於在全國範圍內實施全口徑跨境融資宏觀審慎管理的通知) (銀發[2016]132 號), which came into effect on 3 May 2016. This circular has since been replaced by the Cross Border Financing Circular. The non-financial enterprises (other than the real estate enterprises and the financing platform of the local government) may carry out cross-border financings in Renminbi or foreign currencies at their own discretion provided that the outstanding cross-border financings of a non-financial enterprise shall be calculated using a risk-weight approach and shall not exceed the specified upper limit. Such enterprise shall file the execution of the cross-border financing contracts for the record with the capital project information system of SAFE after the date of the execution but no later than three business days before the withdrawal date. However, neither the PBOC nor SAFE has promulgated implementation rules of the Cross Border Financing Circular as at the date of this Offering Circular. The filling process and the interpretation and enforcement of the Cross Border Financing Circular thus involves substantial uncertainties due to its recent promulgation and publication. As such, the Issuer is not in a position to, and will not file the issuance of the Bonds on the date hereof or on the Issue Date. Furthermore, in the event that the Issuer is identified as a financing platform of the local government, the Issue would not be capable of carrying out cross-border financings (including the Bonds) in accordance with Cross Border Financing Circular.

The Issuer has however undertaken pursuant to the Terms and Conditions of the Bonds that it will file the Bonds with SAFE pursuant to the Cross Border Financing Circular and implementing measures as may be promulgated from time to time, as soon as practicable and in any case as soon as requested or required by the relevant regulatory authorities and to otherwise comply with the terms of the Cross Border Financing Circular and implementing measures (if any). The consequences of any failure to file the Bonds pursuant to the Cross Border Financing Circular or to otherwise comply with any other requirements thereunder are unclear.

The Bonds are unsecured obligations.

As the Bonds are unsecured obligations of the Issuer, the repayment of the Bonds may be compromised if:

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

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

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

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

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

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

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) 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;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds; understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- (iv) 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.

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

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

The Bonds will be structurally subordinated to the existing and future indebtedness and other liabilities of the Issuer's existing and future subsidiaries, other than the Issuer, and effectively subordinated to the Issuer's secured debt to the extent of the value of the collateral securing such indebtedness.

The Bonds will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Issuer's existing and future subsidiaries, other than the Issuer, whether or not secured. The Bonds will not be guaranteed by any of the Issuer's subsidiaries, and the Issuer may not have direct access to the assets of such subsidiaries unless these assets are transferred by dividend or otherwise to the Issuer. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Issuer is subject to various restrictions under applicable laws. Each of the Issuer's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Bonds or make any funds available therefore, whether by dividends, loans or other payments. The Issuer's right to receive assets of any of the Issuer's subsidiaries, respectively, upon that subsidiary's liquidation or reorganisation will be effectively

subordinated to the claim of that subsidiary's creditors (except to the extent that the Issuer are creditors of that subsidiary). Consequently, the Bonds will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Issuer's subsidiaries, other than the Issuer, and any subsidiaries that the Issuer may in the future acquire or establish.

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

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

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

Changes in interest rates may have an adverse effect on the price 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.

An active trading market for the Bonds may not develop.

The Bonds will be a new issue of securities for which there is currently no trading market. Although an application will be made to MOX for the listing of, the Bonds on the MOX, no assurance can be given that such application will be approved, or even if the Bonds become so listed, an active trading market for the Bonds will develop or be sustained. No assurance can be given as to the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds or that a liquid market will develop. The liquidity of the Bonds will be adversely affected if the Bonds are held or allocated to limited investors. Bondholders should note that they may need to hold their Bonds until maturity as there may not be an active secondary market for the Bonds. The Managers are not obligated to make a market in the Bonds, and if any Manager does so, it may discontinue such market making activity at any time at its sole discretion. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders 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.

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

The Bonds are denominated and payable in Renminbi. An investor who measures investment returns by

reference to a currency other than Renminbi would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which the Issuer or the Group has no control. Depreciation of Renminbi 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.

Renminbi is not freely convertible. There are significant restrictions on remittance of Renminbi into and outside the PRC which may adversely affect the liquidity of the Bonds.

Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction in control by it in recent years over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

Remittance of Renminbi by foreign investors into the PRC for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

In respect of Renminbi foreign direct investments (“**FDI**”), the PBOC promulgated the Administrative Measures on Renminbi Settlement of Foreign Direct Investment (the “**PBOC FDI Measures**”) on 13 October 2011 as part of the PBOC’s detailed Renminbi FDI accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. On 14 June 2012, the PBOC issued a circular setting out the operational guidelines for FDI. Under the PBOC FDI Measures, special approval for FDI and shareholder loans from the PBOC, which was previously required, is no longer necessary. In some cases, however, post-event filing with the PBOC is still necessary. On 5 June 2015, the PBOC further issued the amendment rules for the PBOC FDI Measures as well as its implementing rules, under which the registered capital verification requirement and the precondition of full contribution of the registered capital in respect of the borrowing of foreign debt denominated in Renminbi are cancelled.

On 3 December 2013, the MOFCOM promulgated the Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment (the “**MOFCOM Circular**”), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, the appropriate office of MOFCOM and/or its local counterparts will grant written approval for each FDI and specify “Renminbi Foreign Direct Investment” and the amount of capital contribution in the approval. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular removes the approval requirement for foreign investors who intend to change the currency of its existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits the FDI funds from being used for any investment in securities and financial derivatives (except for investment in the PRC listed companies as strategic investors) or for entrustment loans in the PRC. Effective 30 July 2017, pursuant to the Decision on Revision of the Provisional Measures on Administration of Filing for Establishment and Change of Foreign Investment Enterprises, the establishment and change of foreign invested enterprises, other than those subject to special administration measures, only needs to be filed with the local arm of MOFCOM. As such, the aforesaid written approval requirement regarding “Renminbi Foreign Direct Investment” set forth in the MOFCOM Circular has been replaced with a simplified record filing requirement.

The PBOC FDI Measures, the MOFCOM Circular and other PRC laws, regulations and policies in relation to the general administration of Renminbi will be subject to interpretation and application by the relevant authorities in the PRC.

There is no assurance that the PRC government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that any schemes for Renminbi cross-border utilisation will not be

discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that any regulatory restrictions inhibit the ability of the Issuer to repatriate funds outside the PRC to meet its obligations under the Bonds denominated in Renminbi, the Issuer will need to source Renminbi offshore to finance such obligations under the Bonds denominated in Renminbi, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Bonds and the ability of the Issuer to source Renminbi outside the PRC to service the Bonds.

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside of the PRC is limited. Since February 2004, in accordance with arrangements between the PRC central government and the Hong Kong government, licensed banks in Hong Kong may offer limited Renminbi denominated banking services to Hong Kong residents and specified business customers. The PBOC has also established a Renminbi clearing and settlement system for participating banks in Hong Kong. On July 2010, further amendments were made to the Settlement Agreement on the Clearing of RMB Business (the “**Settlement Agreement**”) between the PBOC and Bank of China (Hong Kong) Limited (the “**RMB Clearing Bank**”) to further expand the scope of Renminbi business for participating banks in Hong Kong. Pursuant to the revised arrangements, all corporations are allowed to open Renminbi accounts in Hong Kong; there is no longer any limit on the ability of corporations to convert Renminbi; and there will no longer be any restriction on the transfer of Renminbi funds between different accounts in Hong Kong. In addition, the PBOC has now established Renminbi clearing and settlement systems with financial institutions in other major global financial centres (each also a “**RMB Clearing Bank**”), including London, Frankfurt and Singapore to further internationalise the Renminbi.

There are restrictions imposed by the PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises.

Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. The Renminbi Clearing Banks only have access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the settlement arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Bonds. To the extent the Issuer is required to source Renminbi in the offshore market to service the Bonds, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

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

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

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

The market price of the Bonds may be adversely affected by declines in the international financial markets

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

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

As the Issuer is incorporated under the laws of the PRC, any insolvency proceeding relating to the Issuer, even if brought in other jurisdictions, would likely involve PRC insolvency laws, 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 Bonds may be redeemed by the Issuer prior to maturity at their principal amount.

The Issuer may redeem the Bonds at its option, in whole but not in part, at their principal amount, together with interest accrued up to (but not including) the date fixed for redemption if, subject to certain conditions, as a result of a change in tax law, the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions of the Bonds), subject to the conditions as further described in Condition 6(b) (*Redemption for Taxation Reasons*) of the Terms and Conditions of the Bonds.

If the Issuer redeems the Bonds prior to their maturity date, investors may not receive the same economic benefits they would have received had they held the Bonds to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, the Issuer's ability to redeem the Bonds may reduce the market price of the Bonds.

The Issuer may issue additional securities in the future.

The Issuer may, from time to time, and without the consent of the Bondholders, create and issue further securities (see "*Terms and Conditions of the Bonds – Further Issues*") or otherwise raise additional capital through such means and in such manner as it may consider necessary including the issuance of other securities. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

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

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

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

In certain circumstances (including without limitation the giving of notice to the Issuer pursuant to Condition 9 (*Events of Default*) of the Terms and Conditions of the Bonds and the taking of actions and/or steps and/or instituting of proceedings pursuant to Condition 13 (*Enforcement*) of the Terms and Conditions of the Bonds, the Trustee may (at its absolute discretion) request Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any actions and/or steps and/or institutes any proceedings on behalf of Bondholders. The Trustee will not be obliged to take any such actions and/or steps and/or institute any such proceedings if not first indemnified and/or secured and/or pre-funded to its satisfaction.

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

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

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

The Terms and Conditions of the Bonds also provide that the Trustee may (but shall not be obliged to) agree, without the consent of Bondholders, to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, or any failure to comply with any of the Terms and Conditions of the Bonds or any of the provisions of the Trust Deed and/or the Agency Agreement and/or the Standby Letter of Credit and/or the Bonds which in its opinion is not materially prejudicial to the interest of the Bondholders, or may agree, without any such consent as aforesaid, (ii) any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with any mandatory provision of applicable law, or (iii) any amendment or supplement to, or a replacement of, the Standby Letter of Credit in connection with a future issue of securities pursuant to Condition 15 (Further Issues) of the Terms and Conditions of the Bonds to reflect the new aggregate principal amount of the Bonds following such issue.

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

The Bonds will be represented by the Global Certificate except in certain limited circumstances described in the Global Certificate. The Global Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear and Clearstream. Individual Certificates evidencing holdings of Bonds will only be available in certain limited circumstances. Euroclear and Clearstream 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 Euroclear and Clearstream.

The Issuer will discharge its payment obligations under the Bonds by making payments to or to the order of the common depositary for Euroclear and Clearstream for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of Euroclear and Clearstream to receive payments under the Bonds. The Issuer does not have 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 Euroclear and Clearstream to appoint appropriate proxies.

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

In relation to any Bond which has a principal amount consisting of a minimum specified denomination plus a higher integral multiple of another smaller amount, it is possible that the Bonds may be traded in amounts

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

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

Under the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “EIT Law”) which took effect on 1 January 2008 and was amended on 24 February 2017 and 29 December 2018 and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by enterprise holders would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, under the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) (the “IIT Law”), any individual who has no domicile and does not live within the territory of the PRC or who has no domicile but has lived within the territory of China for less than one year shall pay individual income tax for any income obtained within the PRC. There is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. Pursuant to the EIT Law, the IIT Law and the implementation regulations in relation to both the EIT Law and IIT Law, PRC income tax at a rate of 10 per cent. or 20 per cent. is normally applicable to PRC-source income derived by non-resident enterprises or individuals respectively, subject to adjustment by applicable treaty. As the Issuer is a PRC resident enterprise for tax purposes, interest paid to non-resident Bondholders may be regarded as PRC-sourced, and therefore be subject to PRC income tax at a rate of 10 per cent. for non-resident enterprise Bondholders and at a rate of 20 per cent. for non-resident individual Bondholders (or a lower treaty rate, if any).

On 23 March 2016, the MOF and the SAT issued the Circular of Full Implementation of Replacing Business Tax with 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”), as partially revised on 11 July 2017 and 1 April 2019, which provided that business tax will completely replace value-added tax from 1 May 2016. VAT is applicable where entities or individuals provide services within the PRC. The Issuer will be obligated to withhold VAT of six per cent. and certain surcharges as described below on payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals. Pursuant to the Interim Regulation of the PRC on City Maintenance and Construction Tax (中華人民共和國城市維護建設稅暫行條例) (which has been repealed by the Urban Maintenance and Construction Tax Law of the PRC (中華人民共和國城市維護建設稅法) promulgated on 11 August 2020 and effective from and on 1 September 2021), the Interim Provisions on the Collection of Educational Surcharges (徵收教育費附加的暫行規定) and the Notice of the Ministry of Finance on the Relevant Matters regarding Unifying the Policies on Local Education Surcharges (財政部關於統一地方教育附加政策有關問題的通知), a city maintenance and construction tax of seven per cent., an educational surcharge of three per cent. and a local educational surcharge of two per cent. will be applicable when entities and individuals are obliged to pay VAT (for an aggregate of 12 per cent. surcharge on any VAT payable).

VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, 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 tax on interest or gains on the transfer of the Bonds, the value of the relevant Bondholder's investment in the Bonds may be materially and adversely affected.

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

The Terms and Conditions of the Bonds, the Standby Letter of Credit and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. On 14 July 2006, Hong Kong and the PRC entered into the Choice of Court Arrangement. Under the Choice of Court Arrangement, judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of the Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Choice of Court Arrangement. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Bonds will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holder's ability to initiate a claim outside of Hong Kong will be limited.

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

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

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

The Terms and Conditions of the Bonds provide for a demand to be made under the Standby Letter of Credit in the event the Issuer fails to pre-fund principal and/or interest payment due on the Bonds and/or failed to provide the Required Confirmations (as defined in the Terms and Conditions of the Bonds) or upon the occurrence of an Event of Default under the Bonds. Such demand will be made in respect of the full amount of the outstanding principal due and interest accrued on the Bonds (together with all fees, costs, expenses, indemnity payments and other amounts of the Trustee then outstanding), and thereafter the Bonds will be mandatorily redeemed in accordance with Condition 6(d) (*Mandatory Redemption upon Pre-funding Failure*). Bondholders will not be able to hold their Bonds to maturity should such mandatory redemption occur.

Uncertainty with respect to the validity or enforceability of the Standby Letter of Credit under PRC legal system may cause significant uncertainties.

Payments of principal and interest in respect of the Bonds will have the benefit of the Standby Letter of Credit issued by the LC Bank. If it is deemed to be a cross-border guarantee by SAFE, according to the

Foreign Exchange Administration of Cross-border Guarantee (Hui Fa [2014] No. 29) (跨境擔保外匯管理規定(匯發[2014]29號)) (“**Circular 29**”) promulgated by SAFE on 12 May 2014, the LC Bank shall include the information of the Standby Letter of Credit in its report of outbound guarantee to the competent office of SAFE and failure to make such filing with SAFE will not affect the validity of such Standby Letter of Credit. However, there is only a limited volume of published decisions on the interpretation and/or enforcement of Circular 29. There is no assurance that Circular 29 will not be amended in the future to provide for the requirement that the Standby Letter of Credit will require approval from, or registration with, the relevant PRC governmental authorities. There is no assurance that such approval or registration will be obtained or completed. Furthermore, any amendment to Circular 29 may be made with retroactive effect. Therefore, any amendment to Circular 29 which requires the Standby Letter of Credit to be approved by or registered with the relevant PRC governmental authorities may adversely affect the validity or enforceability of the Standby Letter of Credit in the PRC.

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

The LC Bank is not a separate and independent legal person but has capacity to carry on its activities within its scope of the authorisation given by the Bank, and if the assets of the LC Bank are not sufficient to meet the obligations of the LC Bank under the Standby Letter of Credit, the Bank would have an obligation to satisfy the balance of the obligations under the Standby Letter of Credit. Therefore, the ability of the LC Bank to make payments under the Standby Letter of Credit could be materially and adversely affected by a number of factors, including, but not limited to, the following:

- *Impaired loans and advances:* the Bank’s results of operations have been and will continue to be negatively affected by its impaired loans. If the Bank is unable to effectively control and reduce the level of impaired loans and advances in its current loan portfolio and in new loans the Bank extends in the future, or the Bank’s allowance for impairment losses on loans and advances is insufficient to cover actual loan losses, the Bank’s financial condition could be materially and adversely affected.
- *Collateral and guarantees:* A substantial portion of the Bank’s loans is secured by collateral and pledges. In addition, a substantial portion of its PRC loans and advances is backed by guarantees. If the Bank is unable to realise the collateral, pledges or guarantees securing its loans to cover the outstanding principal and interest balance of such loans due to various factors, the Bank’s financial condition could be materially and adversely affected.

In addition, as neither the Bank nor the LC Bank has not waived sovereign immunity for the purpose of the Standby Letter of Credit, it is possible that such immunity is asserted at the time of enforcement of the Standby Letter of Credit.

The Bonds will be mandatorily redeemed upon a single drawing under the Standby Letter of Credit.

Under the Standby Letter of Credit, only one drawing is permitted. Therefore, in the event of a drawing under the Standby Letter of Credit, the Bonds will be mandatorily redeemed at their principal amount, together with interest accrued up to but excluding the date of redemption. Bondholders will not be able to hold their Bonds to maturity and receive the expected stream of income from holding the Bonds should such mandatory redemption occur. An investor of the Bonds may not be able to reinvest the redemption proceeds in comparable securities at an effective interest rate at the same level as that of the Bonds.

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

Payments of principal and interest in respect of the Bonds and the fees and expenses and other amounts in

connection with the Bonds and the Trust Deed will have the benefit of the Standby Letter of Credit up to a maximum limit of CNY396,044,000, representing only (i) the aggregate principal amount of the Bonds plus interest payable for one Interest Period payable in accordance with the Terms and Conditions of the Bonds and (ii) CNY7,114,000 being the maximum amount payable under the Standby Letter of Credit for any fees, costs, expenses, indemnity payments and all other amounts which may be incurred by the Trustee or payable by the Issuer under or in connection with the Bonds, the Terms and Conditions of the Bonds, the Trust Deed, the Agency Agreement, the Standby Letter of Credit and/or any other transaction document relating to the Bonds. There can be no assurance that such maximum limit is sufficient to fully satisfy the aforementioned payments.

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

The Standby Letter of Credit will expire after 5:30 p.m. (Hong Kong time) on 13 January 2027. In the event that the Trustee does not enforce the Standby Letter of Credit by this expiration time, the Bondholders and the Trustee will not be able to benefit from the credit protection provided by the LC Bank. Furthermore, in the event that any payment from the Issuer to the Trustee is avoided by virtue of any laws relating to bankruptcy, insolvency, liquidation or similar laws of general application for the time being in force and a written notice claiming such avoided payment under the Standby Letter of Credit was not given to the LC Bank on or before the expiry time of the Standby Letter of Credit, the Bondholders and the Trustee will not be able to recover such avoided payment from the LC Bank under the Standby Letter of Credit.

TERMS AND CONDITIONS OF THE BONDS

The following are the terms and conditions of the Bonds substantially in the form in which they (other than the text in italics) will be endorsed on the definitive Certificates and referred to in the global certificate.

The CNY380,000,000 4.70 per cent. credit enhanced bonds due 2026 (the “**Bonds**”, which expression, unless the context requires otherwise, includes any further securities issued pursuant to Condition 15 and to be consolidated and forming a single series therewith) of Neijiang Road and Bridge Group Co., Ltd (内江路橋集團有限公司) (the “**Issuer**”) are constituted by a trust deed (as amended and/or supplemented from time to time, the “**Trust Deed**”) dated on or about 13 December 2023 (the “**Issue Date**”) made between the Issuer and China CITIC Bank International Limited (in such capacity, the “**Trustee**”, which expression shall include any successor trustee and all persons for the time being acting as trustee or trustees under the Trust Deed) as trustee for itself and the Bondholders (as defined below). The statements in these terms and conditions (these “**Conditions**”) include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. The Bonds have the benefit of an irrevocable standby letter of credit (the “**Standby Letter of Credit**”) dated on or about 13 December 2023 issued by China Bohai Bank Co., Ltd., Chengdu Branch (the “**LC Bank**”) in favour of the Trustee on behalf of itself and the Bondholders (as defined below).

The issue of the Bonds was authorised by resolutions of the board of directors of the Issuer dated 23 May 2023 and resolutions of the board of shareholders of the Issuer dated 30 May 2023.

Copies of the Trust Deed and the agency agreement dated on or about 13 December 2023 (as amended or supplemented from time to time, the “**Agency Agreement**”) made between the Issuer, the Trustee, China CITIC Bank International Limited as principal paying agent (in such capacity, the “**Principal Paying Agent**”, which expression shall include any successor principal paying agent appointed from time to time in connection with the Bonds), as registrar (in such capacity, the “**Registrar**” which expression shall include any successor registrar appointed from time to time in connection with the Bonds), as transfer agent (in such capacity, the “**Transfer Agent**”, which expression shall include any additional or successor transfer agent appointed from time to time in connection with the Bonds) and as the bank holding the Pre-funding Account (as defined below) and the LC Proceeds Account (as defined below) (in such capacities, the “**Pre-funding Account Bank**” and the “**LC Proceeds Account Bank**”, respectively, each of which expressions shall include any successor) and any other Agents appointed thereunder, and the Standby Letter of Credit are available for inspection during normal business hours (being between 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays)) by any Bondholder (as defined below) at the specified office of the Principal Paying Agent (being as at the date of issue of the Bonds at 80/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong) following prior written request and satisfactory proof of holding and identity. References herein to “**Paying Agents**” includes the Principal Paying Agent, and “**Agents**” means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time under the Agency Agreement with respect to the Bonds. The Bondholders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Standby Letter of Credit and are deemed to have notice of those provisions of the Agency Agreement applicable to them.

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

1 FORM, SPECIFIED DENOMINATION AND TITLE

The Bonds are issued in the specified denomination of CNY1,000,000 and integral multiples of CNY10,000 in excess thereof (each, a “**Specified Denomination**”). The Bonds are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 3(b), 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 as described in Condition 3. The Holder of any Bond shall (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate (other than the endorsed form of transfer) representing it or the destruction, theft or loss of such Certificate and no person shall be liable for so treating the Holder.

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

*Upon issue, the Bonds will be represented by a global certificate (the “**Global Certificate**”) registered in the name of a nominee of, and deposited with, a common depository for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”), and will be exchangeable for definitive Certificates only in the circumstances set out therein. These Conditions are modified by certain provisions contained in the Global Certificate while any of the Bonds are represented by the Global Certificate.*

2 STATUS, STANDBY LETTER OF CREDIT AND PRE-FUNDING

(a) Status

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

(b) Standby Letter of Credit

The Bonds will have the benefit of the Standby Letter of Credit issued in favour of the Trustee, on behalf of itself and the Bondholders, by the LC Bank. The Standby Letter of Credit shall be drawable by the Trustee as beneficiary under the Standby Letter of Credit for itself and on behalf of the Bondholders upon the presentation of a demand by authenticated SWIFT (or any such method of communication as otherwise permitted under the Standby Letter of Credit) sent to the LC Bank by the Trustee or on behalf of the Trustee in accordance with the Standby Letter of Credit (a “**Demand**”) stating that (i) the Issuer has failed to comply with Condition 2(c) in relation to pre-funding the amount that is required to be pre-funded under these Conditions and/or failed to provide the Required Confirmations (as defined in Condition 2(c) below) in accordance with Condition 2(c); or (ii) an Event of Default (as defined in Condition 9) has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 9.

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

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

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

The LC Bank’s aggregate liability under the Standby Letter of Credit shall be expressed and payable in CNY and shall not exceed CNY396,044,000 (the “**Maximum Limit**”), an amount representing only (i) the aggregate principal amount of the Bonds plus interest payable for one Interest Period (as defined below) in accordance with these Conditions and (ii) CNY7,114,000 being the maximum amount payable under the Standby Letter of Credit for any fees, costs, expenses, indemnity payments and all other amounts which may be incurred by the Trustee or payable by the Issuer under or in connection with the Bonds, these Conditions, the Trust Deed, the Agency Agreement, the Standby Letter of Credit and/or any other transaction document relating to the Bonds. The Standby Letter of Credit takes effect at the place of the issuing bank from the Issue Date, which shall not be prior to the issuance date of the Standby Letter of Credit

and shall remain valid and in full force until 5:30 p.m. (Hong Kong time) on 13 January 2027 and shall expire at the place of the issuing bank.

The form of the Standby Letter of Credit is scheduled to the Offering Circular. See “Appendix A – Form of Irrevocable Standby Letter of Credit”.

(c) Pre-Funding

In order to provide for the payment of any amount in respect of the Bonds (the “**Relevant Amount**”) as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than 10:00 a.m. (Hong Kong time) on the Business Day falling ten Business Days (the “**Pre-funding Date**”) prior to the due date for such payment:

- (i) unconditionally pay or procure to be paid the Relevant Amount in immediately available and cleared funds into the Pre-funding Account; and
- (ii) deliver to the Trustee and the Principal Paying Agent by facsimile or by way of scanned copy in email (x) a Payment and Solvency Certificate signed by any Authorised Signatory, and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the relevant Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment (together, the “**Required Confirmations**”).

The Pre-funding Account Bank shall notify the Trustee and the Principal Paying Agent as soon as reasonably practicable upon any failure by the Issuer to pay the Relevant Amount into the Pre-funding Account in accordance with these Conditions. If the Relevant Amount has not been paid into the Pre-funding Account in full and the Pre-funding Account Bank has notified the Trustee of such failure (and the Trustee may rely conclusively on any such notification), or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date (a “**Pre-funding Failure**”), the Trustee shall:

- (A) as soon as reasonably practicable send the notice substantially in the form set out in the Trust Deed (the “**Pre-funding Failure Notice**”) to the Bondholders by the second Business Day immediately following the Pre-funding Date of (a) the Pre-funding Failure and (b) the redemption of the Bonds in accordance with Condition 6(d) to occur as a result of the Pre-funding Failure; and
- (B) by no later than 5:30 p.m. (Hong Kong time) on the second Business Day following the Pre-funding Date issue a Demand to the LC Bank for the aggregate principal amount in respect of all of the Bonds then outstanding, together with any interest accrued to but excluding the Mandatory Redemption Date (as defined in Condition 6(d)) and any fees, costs, expenses, indemnity payments and all other amounts incurred by the Trustee or payable by the Issuer under or in connection with the Bonds, these Conditions, the Trust Deed the Agency Agreement, the Standby Letter of Credit and/or any other transaction document relating to the Bonds, provided that, in accordance with the terms of the Standby Letter of Credit, the Trustee need not physically present an original of the Demand under the Standby Letter of Credit to the LC Bank and shall be entitled to submit the Demand by authenticated SWIFT to the LC Bank or in the event that the SWIFT system is not available for any reason, by way of such other means as permitted under the Standby Letter of Credit.

Following receipt by the LC Bank of such Demand by 5:30 p.m. (Hong Kong time) on a Business Day, the LC Bank shall by 10:00 a.m. (Hong Kong time) on the fourth Business Day after the Business Day on which the LC Bank receives such Demand (or if such Demand is received by the LC Bank after 5:30 p.m. (Hong Kong time) on a Business Day, then on the fifth Business Day after the Business Day on which the LC Bank receives such demand), pay to or to the order

of the Trustee the amount in CNY specified in the Demand in immediately available and cleared funds in accordance with the instructions specified in the Demand to the LC Proceeds Account.

The Trustee shall be entitled to rely conclusively on any Required Confirmations or any other confirmations or notifications from the Issuer, the Pre-funding Account Bank, the LC Proceeds Account Bank, the LC Bank and/or any Agent received by it and shall not be liable to any Bondholder or any other person for so relying upon such confirmations or notifications.

(d) Definition

In these Conditions:

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

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

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

“**Payment and Solvency Certificate**” means a certificate in substantially the form set forth in the Agency Agreement stating the Relevant Amount in respect of the relevant due date in respect of the Bonds and confirming that (a) a payment for the Relevant Amount has been made by the Issuer to the Pre-funding Account in accordance with Condition 2(c) and (b) the Issuer is solvent; and

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

3 TRANSFERS OF BONDS AND ISSUE OF CERTIFICATES

(a) Register

The Issuer will cause the register (the “**Register**”) to be kept at the specified office of the Registrar and in accordance with the terms of the Agency Agreement, on which shall be entered the names and addresses of the Holders and the particulars of the Bonds held by them and of all transfers of the Bonds. Each Holder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

(b) Transfer

Subject to the Agency Agreement and Conditions 3(e) and 3(f) herein, a Bond may be transferred by depositing the Certificate issued in respect of that Bond, with the form of transfer on the back of the Certificate duly completed and signed, at the specified office of the Registrar or the Transfer Agent and with any other evidence as the Registrar or the Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed such form of transfer.

In the case of a transfer of part only of a holding of Bonds represented by one Certificate (which shall be in the Specified Denomination), a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred (which shall be in the Specified Denomination) shall be issued to the transferor. In the case of a transfer of the Bonds to a person who is already a Holder, 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. A Bond may not be transferred unless the principal amount of such Bond to be transferred and (where not all of the Bonds held by a Holder are being transferred) the principal amount of the balance of such Bond not being transferred are equal to or more than the minimum Specified Denomination.

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

(c) Delivery of New Certificates

Each new Certificate to be issued upon transfer of Bonds pursuant to Condition 3(b) shall be made available for delivery within seven business days of receipt by the Registrar or the Transfer Agent of a duly completed form of transfer and surrender of the existing Certificate(s) and provision of any other evidence required by the Transfer Agent or the Registrar pursuant to Condition 3(b). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate and evidence shall have been made or, at the option of the Holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the Holder entitled to the new Certificate to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 3(c), “**business day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

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

(d) Formalities Free of Charge

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

(e) Closed Periods

No Holder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (but excluding) the due date for any payment of principal (or premium) in respect of that Bond; or (ii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)); or (iii) during the period of seven days prior to (and including) any date on which Bonds may be called for redemption by the Issuer pursuant to Condition 6(b); or (iv) after any such Bond has been put for redemption pursuant to Condition 6(c).

(f) Regulations

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee or by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made available for inspection 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) from Monday to Friday (other than public holidays)) by the Registrar to any Holder who requests one in writing and provides proof of holding and identity to the satisfaction of the Registrar.

4 COVENANTS

(a) Undertakings relating to Foreign Debt Registration and applicable PRC laws

The Issuer undertakes that it will (i) within 15 Registration Business Days after the Issue Date, register or cause to be registered with SAFE the Bonds pursuant to the Administrative Measures

for Foreign Debt Registration (Hui Fa [2013] No. 19) (外債登記管理辦法(匯發[2013]19號)) effective as of 13 May 2013 and revised on 4 May 2015 and its operating guidelines (the “**Foreign Debt Registration**”), (ii) use its best endeavours to complete the Foreign Debt Registration and obtain a registration record from SAFE on or before the Registration Deadline, (iii) if applicable, as soon as possible upon being required or requested to do so by any relevant governmental authority, file or cause to be filed with SAFE the Bonds pursuant to the Circular of the People’s Bank of China on Matters concerning the Macro Prudential Management of Full-Covered Cross-border Financing (Yin Fa [2017] No. 9) (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知(銀發[2017]9號)) promulgated by the People’s Bank of China (the “**Cross Border Financing Circular**”) and (iv) comply with all applicable PRC laws and regulations in relation to the Bonds.

(b) Notification to NDRC

The Issuer undertakes that it will (i) within 10 Registration Business Days after the Issue Date file or cause to be filed with the NDRC the requisite information and documents in accordance with the Administrative Measures for Examination and Registration of Medium and Long-term Foreign Debts of Enterprises (Order No. 56 of the National Development and Reform Commission) (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) issued by the NDRC on 5 January 2023 which came into effect on 10 February 2023 and any implementation rules as issued by the NDRC from time to time (the “**NDRC Post-Issue Filing**”), (ii) within 10 Registration Business Days after the expiry date of the Certificate of Examination and Registration of Foreign Debts Borrowed (企業借用外債審核登記證明) issued by the NDRC report to the NDRC on status of the foreign debt, and (iii) comply with all applicable PRC laws, rules and regulations in connection with the Bonds (including, but not limited to, making other appropriate post-issuance disclosures, registrations and filings from time to time as required by applicable regulations issued by the NDRC).

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

The Issuer shall provide the Trustee, before the relevant Registration Deadline and within ten Registration Business Days after the later of: (x) the submission of the relevant NDRC Post-Issue Filing and (y) the receipt of the registration certificate from SAFE (or any other document evidencing the completion of the Foreign Debt Registration issued by SAFE) with (i) a certificate in English substantially in the form scheduled to the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed) of the Issuer confirming (A) the completion of the relevant NDRC Post-Issue Filing and the Foreign Debt Registration; and (B) no Change of Control, Event of Default or Potential Event of Default (as defined in the Trust Deed) has occurred; and (ii) copies of the relevant documents evidencing the relevant NDRC Post-Issue Filing (if any) and the completion of the Foreign Debt Registration, each certified in English as being a true and complete copy of the original by an Authorised Signatory of the Issuer (the items specified in (i) and (ii) together, the “**Registration Documents**”). In addition, the Issuer shall within ten Registration Business Days after the documents comprising the Registration Documents are delivered to the Trustee, give notice to the Bondholders (substantially in the form set out in the Trust Deed and in accordance with Condition 16) confirming the completion of the relevant NDRC Post-Issue Filing and the Foreign Debt Registration.

The Trustee may rely conclusively on the Registration Documents and shall have no obligation or duty to monitor or ensure or to assist with the NDRC Post-Issue Filing or the Foreign Debt Registration on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any certificates, confirmations or other documents in relation to or in connection with the NDRC Post-Issue Filing or the Foreign Debt Registration and/or the Registration Documents, and shall not be liable to Bondholders or any other person for not doing so.

(d) Financial Information

So long as any Bond remains outstanding (as defined in the Trust Deed) the Issuer will furnish the Trustee with:

- (i) a Compliance Certificate (on which the Trustee may rely conclusively as to such compliance) at the same time when providing the Trustee with the Audited Financial Reports and also within 14 days of any written request therefor by the Trustee; and
- (ii) (A) one copy of the relevant Audited Financial Reports (audited by a nationally or internationally recognised firm of independent accountants) within 150 calendar days of the end of each Relevant Period, and if such statements shall be in the Chinese language, together with an English translation of the same translated by (x) a nationally or internationally recognised firm of independent accountants, or (y) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants, together in each case with a certificate in English (substantially in the form scheduled to the Trust Deed) signed by an Authorised Signatory certifying that such translation is complete and accurate (and the Trustee may rely conclusively without liability to any Bondholder, the Issuer or any other person on any such translation as being a complete and accurate translation of the original); and (B) one copy of the Unaudited Financial Reports prepared on a basis consistent with the Audited Financial Reports within 90 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 (x) a nationally or internationally recognised firm of independent accountants, or (y) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants, together in each case with a certificate in English (substantially in the form scheduled to the Trust Deed) signed by an Authorised Signatory certifying that such translation is complete and accurate (and the Trustee may rely conclusively without liability to any Bondholder, the Issuer, the LC Bank or any other person on any such translation as being a complete and accurate translation of the original).

The Trustee shall not be required to review the Audited Financial Reports, the Unaudited Financial Reports or any other financial report furnished or delivered to it as contemplated in this Condition 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 or to investigate or verify the accuracy of any translation of any Audited Financial Reports, Unaudited Financial Reports or any other financial report furnished or delivered to it as contemplated in this Condition 4(d), and the Trustee shall not be liable to any Bondholder or any other person for not doing so.

The Trustee shall be entitled to assume that any translation provided to it is complete and accurate in all respects and the Trustee is entitled to rely conclusively and without investigation or verification on such translation and shall not be liable to the Bondholders, the Issuer, the LC Bank or any other person for doing so. The Trustee shall be entitled to rely conclusively upon each Compliance Certificate given as contemplated in these Conditions and the Trust Deed and shall not be liable to the Issuer, the LC Bank, any Bondholder or any other person for so relying.

(e) Definitions

In these Conditions:

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

“**Compliance Certificate**” means a certificate in English of the Issuer substantially in the form scheduled to the Trust Deed signed by any Authorised Signatory certifying that, having made all

reasonable enquiries, to the best of the knowledge, information and belief of the Issuer as at a date (the “**Certification Date**”) not more than five days before the date of such certificate that:

- (i) no Event of Default (as defined in Condition 9) or Potential Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and
- (ii) the Issuer has complied with all its covenants and obligations under the Trust Deed and the Bonds since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if any non-compliance had occurred, giving details of it;

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

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

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

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

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

“**Registration Deadline**” means the day falling 120 Registration Business Days after the Issue Date;

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

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

“**Unaudited Financial Reports**” means, for a Relevant Period, the semi-annual unaudited and reviewed or unreviewed consolidated balance sheets, consolidated income statements and consolidated cash flow statement of the Issuer, together with any statements, reports (including any directors’ and auditors’ reports) and notes attached to or intended to be read with any of them (if any), prepared in accordance with PRC GAAP.

5 INTEREST

The Bonds bear interest on their outstanding principal amount from and including 13 December 2023 (the “**Issue Date**”) at the rate of 4.70 per cent. per annum, payable semi-annually in arrear on 13 June and 13 December in each year (each an “**Interest Payment Date**”), commencing on 13 June 2024. If any Interest Payment Date would otherwise fall on a day which is not a business day (as defined below), it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day.

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

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

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

Interest in respect of any Bond shall be calculated per CNY10,000 in principal amount of the Bonds (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period shall, be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

In this Condition, the expression “**business day**” means a day (other than a Saturday, Sunday or public holiday) upon which commercial banks are generally open for business and settlement of Renminbi payments in Hong Kong and Beijing.

6 REDEMPTION AND PURCHASE

(a) Final Redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 13 December 2026 (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 in accordance with Condition 16 (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount together with any unpaid interest accrued up to (but not including) the date fixed for redemption, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after 6 December 2023, and (ii) such obligation cannot be avoided by the Issuer 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 would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due.

Prior to the giving of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee (A) a certificate in English signed by an Authorised Signatory of the Issuer stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer 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 has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendments. The Trustee shall be entitled (but shall not be obliged) to accept and rely conclusively upon such certificate and opinion (without further investigation or enquiry and without liability to any Bondholder or any other person) 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 they shall be conclusive and binding on the Bondholders and the Trustee shall be protected and shall have no liability to any Bondholder or any other person for so accepting and relying on such certificate or opinion. All Bonds in respect of which any notice of redemption is given under this Condition 6(b) shall be redeemed on the date and in such manner as specified in such notice in accordance with this Condition 6(b).

Neither the Trustee nor any of the Agents shall be responsible for monitoring or taking any steps to ascertain whether any of the circumstances mentioned in this Condition 6(b) has occurred or 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 none of them shall be liable to the Bondholders, the Issuer, the LC Bank 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 (the “**Relevant Event Put Right**”), at such Holder’s option, to require the Issuer to redeem all, but not some only, of such Holder’s Bonds on the Put Settlement Date (as defined below in this Condition 6(c)) at 100 per cent. of their principal amount, together in each case with accrued interest up to (but excluding) the Put Settlement Date. To exercise such right, the Holder of the relevant Bond must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a “**Put Exercise Notice**”), together with the Certificate representing the Bonds to be redeemed, by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16.

The “**Put Settlement Date**” shall be the fourteenth Business Day or, if such day is not a Payment Business Day (as defined in Condition 7(f)), the next following Payment Business Day after the expiry of such period of 30 days as referred to above.

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

Not later than 14 days (in the case of a Change of Control) or five days (in the case of a No Registration Event) following the day on which the Issuer becomes aware of the occurrence of a Relevant Event, the Issuer shall procure that notice regarding such Relevant Event shall be delivered to the Trustee and the Principal Paying Agent in writing and to the Holders (in accordance with Condition 16) stating:

- (i) the Put Settlement Date;
- (ii) the date of the Relevant Event and, briefly, the events causing, as applicable, the Change of Control or No Registration Event;
- (iii) the date by which the Put Exercise Notice must be given;
- (iv) the redemption amount and the method by which such amount will be paid;
- (v) the names and addresses of all Paying Agents;
- (vi) the procedures that Holders must follow and the requirements that Holders must satisfy in order to exercise the Relevant Event Put Right; and
- (vii) that a Put Exercise Notice, once validly given, may not be withdrawn.

Neither the Trustee nor the Agents shall be required to monitor or to take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur and each of them shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Issuer and none of them shall have any obligation or duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with a Relevant Event and none of them shall be liable to Bondholders, the Issuer, the LC Bank or any other person for any loss arising from their not doing any of the foregoing. Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption or Put Exercise Notice and none of them shall be liable to the Bondholders or the Issuer, the LC Bank or any other person for not doing so.

For the purpose of these Conditions:

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

- (i) (x) the State-owned Assets Supervision and Administration Commission of Neijiang Municipal People’s Government (内江市人民政府國有資產監督管理委員會), (y) the Sichuan Provincial Finance Department (四川省財政廳) and/or (z) any PRC Government Person, collectively cease to, directly or indirectly, hold or own 100 per cent. of the issued share capital of the Issuer; or
- (ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of the Issuer’s assets to any other person(s), unless such person(s) (in the case of any asset sale or transfer) or the surviving entity (in the case of any consolidation or merger) is/are directly or indirectly wholly owned by any PRC Government Person(s);

“**Control**” means (i) the ownership, acquisition or control of at least 100 per cent. of the voting rights of the issued share capital of a person or (ii) the right to appoint and/or remove all or the majority of the members of a person’s board of directors or other governing body, in each case whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; the term “**Controlled**” has meanings correlative to the foregoing;

a “**No Registration Event**” occurs when the Registration Condition has 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);

“**Subsidiary**” means, with respect to any person, (a) any corporation, association or other business entity of which more than 50 per cent. of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such person; or (b) any corporation, association 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;

“**PRC Government Person**” means, central government of the PRC or its provincial, municipal or local counterparts, or any person who is directly or indirectly Controlled by central government of the PRC or its provincial, municipal or local counterparts;

“**Registration Condition**” means the receipt by the Trustee of the Registration Documents relating to the NDRC Post-Issue Filing and the Foreign Debt Registration as set forth in Condition 4©;

a “**Relevant Event**” will be deemed to occur if:

- (1) there is a No Registration Event; or
- (2) there is a Change of Control; and

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

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

(d) Mandatory Redemption upon Pre-funding Failure

If any Bondholder shall have exercised its right to require the Issuer to redeem its Bonds in accordance with Condition 6(c) and the Trustee makes a Demand in accordance with Condition 2(c) as a result of a Pre-funding Failure relating to the amount payable pursuant to such redemption, the Bonds shall be redeemed in whole, but not in part, at their principal amount in

accordance with this Condition 6(d) on the Put Settlement Date, together with interest accrued to, but excluding, the Put Settlement Date.

If a Pre-funding Failure occurs in respect of a scheduled payment of principal or interest payable under Condition 5 or Condition 6(a), the Bonds shall be redeemed in whole, but not in part, on the Interest Payment Date immediately falling after the date the Trustee makes a Demand in accordance with Condition 2(c) (the “**Mandatory Redemption Date**”) at their principal amount, together with interest accrued to, but excluding, the Mandatory Redemption Date.

(e) Purchase

The Issuer or any of its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price.

The Bonds so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the Holder to vote at any meetings of the Holders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purpose of calculating quorums at meetings of the Holders or for the purposes of Condition 9, Condition 12(a) and Condition 13.

(f) Notice of redemption

All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date, in such place and in such manner as 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 or have a duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection thereto, and shall not be liable to Bondholders, the Issuer, the LC Bank or any other person for not doing so.

(g) Cancellation

All Certificates representing Bonds purchased by or on behalf of the Issuer and its 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 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 the Principal Paying Agent or any other Paying Agent if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 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 Renminbi by wire transfer to the registered account of the Bondholder. For the purposes of this Condition 7(a), a Bondholder’s “registered account” means the Renminbi account maintained by or on behalf of such Bondholder with a bank that processes payments in Renminbi, 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 an Alternative Clearing System (as defined in the form of the Global Certificate), each payment in respect of the Global Certificate will be made to the person shown as the Holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where “Clearing System Business Day” means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

- (b) **Payments subject to Fiscal Laws:** All payments are subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.
- (c) **Payment Initiation:** Payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment Business Day) , or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on the first Payment Business Day on which the Principal Paying Agent is open for business and on or following which the relevant Certificate is surrendered.
- (d) **Appointment of Agents:** The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, the Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent and (iv) such other agents as may be required by any stock exchange on which the Bonds may be listed.

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer in writing to the Bondholders in accordance with Condition 16.
- (e) **Delay in Payment:** Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day, or if the Bondholder is late in surrendering or cannot surrender its Certificate.
- (f) **Non-Payment Business Days:** If any date for payment in respect of any Bond is not a Payment Business Day, the Holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 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 and settlement of Renminbi payments in Hong Kong, Beijing and the place in which the specified office of the Principal Paying Agent is located and (if presentation of the relevant Certificate is required) the relevant place of presentation.

8 TAXATION

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

Where such withholding or deduction is made by the Issuer for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or the PRC up to and including the aggregate rate applicable on 6 December 2023 (the “**Applicable Rate**”), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

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

- (i) **Other connection:** to a Holder (or to a third party on behalf of a Holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the PRC other than the mere holding of the Bond;
- (i) **Surrender more than 30 days after the Relevant Date:** in respect of which the Certificate representing it is presented (where presentation is required) for payment more than 30 days after the Relevant Date except to the extent that the Holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days; or
- (ii) **Tax Declaration:** to a Holder (or to a third party on behalf of a Holder) who would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such declaration or claim, such Holder fails to do so within any applicable period prescribed by such relevant tax authority;

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

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

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, 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, any Bondholder or any third party to pay such tax, duty, 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, charge, withholding or other payment imposed by or in any jurisdiction.

9 EVENTS OF DEFAULT

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

An “**Event of Default**” occurs if:

(a) *With respect to the Issuer*

- (i) **Non-Payment:** the Issuer (i) fails to pay any amount of principal or premium (if any) in respect of the Bonds on the due date for payment thereof or (ii) fails to pay any amount of interest in respect of the Bonds on the due date for payment thereof and with respect to interest only, such failure continues for a period of seven days; or
- (ii) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations under or in respect of the Bonds or the Trust Deed (other than any failure to perform that gives rise to a right of redemption by the Bondholders 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 and not remedied within 30 days after written notice of such default shall have been given to the Issuer by the Trustee; *provided that* any non-compliance with Condition 2(c) does not constitute an Event of Default under this Condition 9(a)(ii) unless and until an Event of Default has occurred under Condition 9(a)(i); or
- (iii) **Cross-Default:** (i) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness of the Issuer or any of its Subsidiaries is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(a)(iii) have occurred equals or exceeds in the aggregate CNY150,000,000 or its equivalent in any other currency (on the basis of the middle spot rate for the relevant currency against Renminbi as quoted by any leading bank on the day on which this Condition 9(a)(iii) operates); or
- (iv) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any material part of the property, assets or revenues of the Issuer or any Principal Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (v) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any Principal 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 such action is not discharged within 30 days after the date thereof; or
- (vi) **Insolvency:** the Issuer or any of the Principal Subsidiaries is (or is deemed by law or a court of competent jurisdiction to be) insolvent or bankrupt, or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Issuer or any Principal Subsidiaries; or

- (vii) **Winding-up:** (i) 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 any Principal Subsidiaries (except for the voluntary solvent winding up of any such Principal Subsidiary), or (ii) the Issuer or any Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for each case (i) and (ii) above, the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer and/or another of its Subsidiaries, or (iii) in the case of a disposal of a Principal Subsidiary, on an arm's length basis where the assets of the Principal Subsidiary resulting from such disposal or the consideration received for such disposal are transferred to or otherwise vested in the Issuer and/or another of its Subsidiaries; or
- (viii) **Nationalisation:** 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 or any Principal Subsidiaries; or
- (ix) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds and the Trust Deed admissible in evidence in the courts of Hong Kong or the PRC is not taken, fulfilled or done; or
- (x) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds and/or the Trust Deed; or
- (xi) **Standby Letter of Credit:** the Standby Letter of Credit is not (or is claimed by the LC Bank not to be) enforceable, valid or in full force and effect or the Standby Letter of Credit is modified, amended or terminated (other than prescribed under Condition 12(b)) without approval by an Extraordinary Resolution of the Bondholders; or
- (xii) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 9(a)(iv) to 9(a)(viii) (both inclusive).

In this Condition 9(a), “**Principal Subsidiary**” means any Subsidiary of the Issuer:

- (A) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statement are at least five per cent. of the consolidated revenue as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of revenue of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (B) whose net profit or (in the case of a Subsidiary which itself has Subsidiaries) consolidated net profit, as shown by its latest audited income statement are at least five per cent. of the consolidated net profit as shown by the latest published audited consolidated income statement of the Issuer and its Subsidiaries including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (C) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) total consolidated assets, as shown by its latest audited balance sheet are at least five per cent. of the amount which equals the amount included in the consolidated total assets of the Issuer and its Subsidiaries as shown by the latest published audited consolidated balance

sheet of the Issuer and its Subsidiaries as being represented by the investment of the Issuer in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and after adjustment for minority interests; or

- (D) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that (xx) the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall forthwith become a Principal Subsidiary and (yy) on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Issuer prepared as of a date later than such transfer are issued, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of paragraphs (A), (B) or (C) above of this definition;

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

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

A certificate in English (substantially in the form scheduled to the Trust Deed) signed by any Authorised Signatory addressed to the Trustee, stating that in his/her opinion (making such adjustments (if any) as he/she shall deem appropriate) a Subsidiary is or is not or was or was not at any particular time or during any particular period a Principal Subsidiary shall be conclusive and binding on the Issuer, the Trustee and the Bondholders, and the Trustee shall be entitled to rely conclusively upon such certificate without further investigation or query and without liability to the Issuer, the Bondholders or any other person.

(b) With respect to the LC Bank

- (i) **Cross-Acceleration:** failure by the LC Bank or any of its Subsidiaries to make any payment when due of principal or interest in excess of US\$30,000,000 (or its equivalent in any other currency or currencies) (whether upon maturity, acceleration or otherwise) on or in connection with Public External Indebtedness (other than that represented by the Bonds) or guarantees given by the LC Bank or any of its Subsidiaries in respect of Public External Indebtedness of others, and such failure by the LC Bank or any of its Subsidiaries to make payment or to validly reschedule the payment (with the consent of the persons to which such Public External Indebtedness is owed) of such Public External Indebtedness continues

for 30 calendar days or more after the expiry of any applicable grace period following the date on which such payment became due; or

- (ii) **Insolvency:** the LC Bank or any of its Material Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or any substantial part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or any substantial part of its debts (or of any part which it will or might otherwise be unable to pay when due), 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 substantial part of the debts of the LC Bank or any Material Subsidiary; or
- (iii) **Security Enforced:** a secured party takes possession, or a receiver, manager or other similar officer is appointed, of all or a material part of the undertaking, assets and revenues of the LC Bank or any of its Material Subsidiaries; or
- (iv) **Winding-up:** an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the LC Bank, or the LC Bank or any Material Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations; or
- (v) **Illegality:** it is or will become unlawful for the LC Bank to perform or comply with any one or more of its obligations under the Standby Letter of Credit, and the LC Bank fails to obtain the necessary waiver or approval or complete such other necessary remedial action such that the LC Bank may lawfully perform such obligations; or
- (vi) **Analogous Events:** any event occurs which under the laws of the relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 9(b)(ii) to 9(b)(vi) (both inclusive).

In this Condition 9(b):

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

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

- (i) whose gross revenue (consolidated in the case of a Subsidiary which itself has subsidiaries), whose gross assets (consolidated in the case of a LC Bank’s Subsidiary which itself has consolidated LC Bank’s Subsidiaries, and including the investment of the LC Bank and its consolidated LC Bank’s Subsidiaries in each LC Bank’s Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the LC Bank and of associated companies and after adjustment for minority interests), or whose net profit (consolidated in the case of a LC Bank’s Subsidiary which itself has consolidated LC Bank’s Subsidiaries, and including, for the avoidance of doubt, the LC Bank and its consolidated LC Bank’s Subsidiaries’ share of profits of LC Bank’s Subsidiaries not consolidated and of associated entities and after adjustments for minority interests) represent not less than five per cent. of the consolidated gross revenue, the consolidated gross assets, or, as the case may be, the consolidated net profit of the LC Bank and the LC Bank’s Subsidiaries taken as a whole, all as calculated respectively by reference to the latest audited or reviewed financial statements (consolidated or, as the case may be, unconsolidated) of the LC Bank’s Subsidiary and the then latest audited or reviewed consolidated financial statements of the LC Bank, provided that:

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

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

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

- (i) whose affairs and policies the first person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove the majority of the members of the governing body of the second person or otherwise; or
- (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first person;

The Trustee and the Agents shall not be obliged to take any steps to ascertain whether an Event of Default or Potential Event of Default has occurred or to monitor the occurrence of any Event of Default or Potential Event of Default, and shall not be liable to the Bondholders or any other person for not doing so. In particular, the Trustee will not receive any ongoing information or certifications from the LC Bank and will not be in a position to determine at any stage whether or not an Event of Default or Potential Event of Default in relation to the LC Bank has occurred. In this regard, the Trustee is entitled to conclusively rely without further enquiry on Compliance Certificates from the Issuer as to whether or not any such Event of Default or Potential Event of Default has occurred.

10 PRESCRIPTION

Claims against the Issuer for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal or premium (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 the Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose resignation 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, pre-funding 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 BONDHOLDERS, MODIFICATION, WAIVER, AUTHORISATION, DETERMINATION AND ENTITLEMENT OF TRUSTEE

(a) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement or the Standby Letter of Credit. Such a meeting may be convened by the Trustee or the Issuer and shall be convened by the Trustee upon request in writing from Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented unless the business of such meeting includes the modification or abrogation of certain of the provisions of these Conditions and certain of the provisions of the Trust Deed, including consideration of proposals, *inter alia*, (i) to modify the maturity date of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or release the Standby Letter of Credit (other than an amendment or supplement to, or a replacement of, the Standby Letter of Credit in connection with a further issue of securities pursuant to Condition 15 or modification pursuant to Condition 12(b)), in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders, whether or not they were present at the meeting at which such resolution was passed.

The Trust Deed provides that a resolution (A) in writing signed by or on behalf of the Bondholders of not less than 75 per cent. in aggregate principal amount of the Bonds for the time being outstanding or (B) passed by Electronic Consent shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders. A resolution passed in writing and/or by an Electronic Consent will be binding on all Bondholders whether or not they participated in such written resolutions and/or by an Electronic Consent.

(b) Modification, Waiver, Authorisation and Determination

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, or any failure to comply with any of these Conditions or any of the provisions of the Trust Deed and/or the Agency Agreement and/or the Standby Letter of Credit and/or the Bonds which in its opinion is not materially prejudicial to the interest of the Bondholders, or may agree, without any such consent as aforesaid, (ii) any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with any mandatory provision of applicable law, or (iii) any amendment or supplement to, or a replacement of, the Standby Letter of Credit in connection with a future issue of securities pursuant to Condition 15 to reflect the new aggregate principal amount of the Bonds following such issue. Any such modification, waiver or authorisation shall be binding on the Bondholders and, unless the Trustee agrees otherwise, such modification, waiver or authorisation shall be notified to the Bondholders by the Issuer as soon as practicable thereafter in accordance with Condition 16. The Trustee may request and conclusively rely upon any certificate signed by an Authorised Signatory and/or an opinion of counsel concerning the compliance with the above conditions in respect of any modification, waiver or authorisation.

(c) Entitlement of the Trustee

In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 12), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Bondholders (whatever their number) resulting from them being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof and the Trustee shall not be entitled to require on behalf of the Trustee, nor shall any Bondholder be entitled to claim, from the Issuer 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 absolute discretion and without further notice, take such actions and/or steps and/or institute such proceedings against the Issuer and/or the LC Bank as it may think fit to enforce the terms of the Trust Deed, the Agency Agreement, and/or the Bonds and, where appropriate, to draw down on and enforce the Standby Letter of Credit, but it need not take any such actions and/or steps and/or institute any proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in aggregate principal amount of the Bonds then outstanding, and (b) other than in the case of the making of a drawing under the Standby Letter of Credit, it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

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

14 INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to be indemnified, secured and/or pre-funded to its satisfaction and to be relieved from responsibility in certain circumstances 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 Standby Letter of Credit and/or these Conditions and in respect of the Bonds and payment or taking other actions unless first indemnified and/or secured and/or pre-funded to its satisfaction and entitling the Trustee to be paid or reimbursed for any fees, costs, expenses, indemnity payments and other amounts and for liabilities incurred by it, in priority to the claims of the Bondholders.

The Trustee and the Agents are entitled (i) to enter into business transactions with the Issuer, the LC Bank and/or any entity related (directly or indirectly) to the Issuer and/or the LC Bank and to act as trustee for the holders of any other securities issued by, or relating to, the Issuer, the LC Bank and/or any entity related to the Issuer or the LC Bank, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee and the Agents may rely conclusively without liability to the Holders, the Issuer, the LC Bank or any other person on any report, information, confirmation or certificate from or any opinion or advice of any accountants, auditors, lawyers, valuers, auctioneers, surveyors, brokers, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee and the Agents may accept and shall be entitled to rely conclusively on any such report, information, confirmation, certificate, opinion or advice, in which case such report, information, confirmation, certificate, opinion or advice shall be binding on the Issuer, the LC Bank and the Holders. Neither the Trustee nor the Agents shall be responsible or liable to the Issuer, the LC Bank, the Bondholders or any other person for any loss occasioned by relying or acting on or refraining from relying or acting on 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 Standby Letter of Credit or these Conditions to exercise any discretion or power, take or refrain from taking any action, make any decision or give any direction or certificate, the Trustee is entitled, prior to exercising any such discretion or power, taking or refraining from taking any such action, making any such decision or giving any such direction or certification, to seek directions or clarification of such directions from the Bondholders by way of Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Bondholders or any other person as a result of any delay in it exercising such discretion or clarification or power, taking or refraining from taking such action, making such decision or giving such direction as a result of seeking such direction or clarification of such direction from the Bondholders or in the event that no direction or clarification of such direction 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 and any other person appointed by the Issuer 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 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 LC Bank or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed or passed as further provided in the Trust Deed (by way of written resolution or Electronic Consent).

Neither the Trustee nor any of the Agents shall have any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement, the Standby Letter of Credit or these Conditions or to take any steps to ascertain whether an Event of Default or a Potential Event of Default or a Relevant Event has occurred or to monitor or investigate the occurrence of any Event of Default, Potential Event of Default or Relevant Event, and shall not be responsible or liable to the Issuer, the Bondholders, the LC Bank or any other person for not doing so.

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

Notwithstanding anything to the contrary in these Conditions, the Standby Letter of Credit or any other documents in relation to the Bonds, the Trustee shall not be liable for, among other things, any loss

incurred or suffered by the Bondholders, the Issuer or any other person (a) in the event that the SWIFT system is unavailable at the time the Demand is to be presented and the Demand is instead presented via email transmission as contemplated in the Standby Letter of Credit, the LC Bank does not make payment of the amount drawn under such Demand on the due date for payment provided for in the Standby Letter of Credit for any reason, or (b) in respect of any other failure, delay, event or circumstance affecting the completion and delivery of a Demand under the Standby Letter of Credit.

15 FURTHER ISSUES

The Issuer may from time to time without the consent of the Bondholders and in accordance with the Trust Deed, create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date, the first payment of interest on them and the timing for complying with the Registration Condition, for making the NDRC Post-Issue Filing, the Foreign Debt Registration, filing of the Bonds pursuant to the Cross Border Financing Circular, and any reports or notices in respect thereof) and so that the same shall be consolidated and form a single series with the outstanding Bonds, *provided that* a further or supplemental or replacement standby letter of credit is issued by the LC Bank (or an amendment is made to the Standby Letter of Credit) on terms that are substantially similar to the Standby Letter of Credit (including that the stated amount of such further or supplemental standby letter of credit is at least equal to the principal of and an amount equal to one interest payment due on such further securities and any fees, costs, expenses, indemnity payments and all other amounts in connection with such issue as agreed by the Trustee) and such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed. References to the Standby Letter of Credit shall thereafter include such further or supplemental or replacement or amended standby letter of credit.

References in these Conditions to the Bonds include (unless the context requires otherwise) any further securities issued pursuant to this Condition 15. Any further securities forming a single series with the outstanding Bonds will be constituted by a deed supplemental to the Trust Deed.

16 NOTICES

All notices to the Holders will be valid if (i) mailed to them by uninsured mail (at the cost of the Issuer) 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; or (ii) if sent to them by electronic communication, when the relevant receipt of such communication being read is given, or where no read receipt is requested by the sender, at the time of sending, provided that no delivery failure notification is received by the sender within 24 hours of sending such communication. 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 notice shall be deemed to have been given, on the date of such publication or, if published more than once, on the first date on which publication is made.

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

17 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act and is without prejudice to the rights of the Bondholders as set out in Condition 13.

18 GOVERNING LAW AND JURISDICTION

(a) Governing Law

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

(b) Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Trust Deed, the Agency Agreement and the Standby Letter of Credit and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Trust Deed, the Agency Agreement and the Standby Letter of Credit (“**Proceedings**”) may be brought in such courts. The Issuer has in the Trust Deed and the LC Bank has in the Standby Letter of Credit, 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 Issuer has irrevocably appointed in the Trust Deed The Law Debenture Corporation (H.K.) Limited at Suite 1301, Ruttonjee House, Ruttonjee Centre, 11 Duddell Street, Central, Hong Kong as its authorised agent in Hong Kong to receive service of process in any Proceedings in Hong Kong based on any of the Bonds. Such service shall be deemed completed on delivery to such process agent. If for any reason the Issuer ceases to have such an agent in Hong Kong, it will promptly appoint a substitute process agent and will notify the Trustee of such appointment within 30 days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) Waiver of Immunity

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

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

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

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

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

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

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 a 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 is made in respect of the total aggregate amount of the Bonds represented by such Global Certificate together with such other sums and additional amounts (if any) as may be payable under the Terms and Conditions of the Bonds.

NOTICES

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

MEETINGS

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate (unless the Global Certificate evidences 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 CNY10,000 in principal amount of Bonds for 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.

AUTHENTICATION

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

BONDHOLDER'S REDEMPTION

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

ISSUER'S REDEMPTION

The options of the Issuer provided for in Conditions 6(b) (*Redemption for Taxation Reasons*) 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 the relevant Condition.

TRANSFERS

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

CANCELLATION

Cancellation of any Bond represented by the Global Certificate by the Issuer following its redemption or purchase by the Issuer and its Subsidiaries will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

TRUSTEE'S POWERS

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

USE OF PROCEEDS

The gross proceeds from the offering and the sale of the Bonds pursuant to this Offering Circular is CNY380.0 million. The Issuer will use the net proceeds from the offering of the Bonds, after deducting commissions and other estimated expenses payable in connection with the offering of the Bonds, for projects construction and working capital replenishment.

CAPITALISATION AND INDEBTEDNESS OF THE GROUP

The following table sets forth the capitalisation and indebtedness of the Issuer as at 31 December 2022 on an (i) actual basis and (ii) on an adjusted basis to give effect to the Bonds to be issued before deducting the commissions and other estimated expenses payable by the Issuer in connection with the offering of the Bonds. The table below should be read in conjunction with the Audited Consolidated Financial Statements included elsewhere in this Offering Circular.

| | As at 31 December 2022 | |
|--|-------------------------------|--------------------|
| | Actual | As adjusted |
| | (RMB) | (RMB) |
| | <i>(in thousands)</i> | |
| Current indebtedness: | | |
| Short-term loans..... | 1,994,201.5 | 1,994,201.5 |
| Non-current liabilities due within one year | 1,623,032.0 | 1,623,032.0 |
| Total current indebtedness | 3,617,233.5 | 3,617,233.5 |
| Non-current indebtedness: | | |
| Long term loans | 1,683,889.1 | 1,683,889.1 |
| Bonds payable..... | 477,463.4 | 477,463.4 |
| Long-term payables | 1,063,872.0 | 1,063,872.0 |
| Bonds to be issued ⁽¹⁾ | — | 380,000.0 |
| Total non-current indebtedness | 3,225,224.5 | 3,605,224.5 |
| Total indebtedness⁽²⁾ | 6,842,458.0 | 7,222,458.0 |
| Total owners' equity | 4,876,100.1 | 4,876,100.1 |
| Total capitalisation⁽³⁾ | 8,101,324.6 | 8,481,324.6 |

Notes:

- (1) Represents the aggregate principal amount of the Bonds to be issued, before deducting the commissions and other estimated expenses payable in connection with this offering.
- (2) Represents the sum of total current indebtedness and total non-current indebtedness.
- (3) Total capitalisation represents the sum of total non-current indebtedness and total owners' equity.

The Group may, from time to time, enter into bank loans and other financing arrangements and issue debt securities in the capital market in the ordinary course of business to finance its operations and existing debt. On 27 April 2023, the Issuer issued private placement notes in an aggregated principal amount of RMB640.0 million with a tenor of five years and a fixed annual interest rate of 7.5 per cent. On 27 September 2023, the Issuer issued private placement notes in an aggregated principal amount of RMB360.0 million with a tenor of five years and a fixed annual interest rate of 6.5 per cent. Except as otherwise disclosed above, there has been no material adverse change in the capitalisation and indebtedness of the Group since 31 December 2022.

DESCRIPTION OF THE LC BANK

The Bonds will have the benefit of the Standby Letter of Credit which will be issued by China Bohai Bank Co., Ltd., Chengdu Branch as the LC Bank. The information included below regarding the Bank and the LC Bank is for information purposes only and is based on, or derived or extracted from, among other sources, publicly available information. The Issuer has taken reasonable care in the compilation and reproduction of the information. However, none of the Issuer, the Group, the Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank and the Agents and their respective directors, officers, employees, representatives, advisers, agents, affiliates and each person who controls any of them has independently verified such information. No representation or warranty, express or implied, is made or given by the Issuer, the Group, the Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents or any of their respective directors, officers, employees, representatives, advisers, agents, affiliates and each person who controls any of them as to the accuracy, completeness or sufficiency of such information. Accordingly, such information should not be unduly relied upon.

Under PRC laws, the LC Bank is not a separate and independent legal person but has capacity to carry on its activities within its scope of authorisation given by the Bank, and if the assets of the LC Bank are not sufficient to meet the obligations of the LC Bank under the Standby Letter of Credit, the Bank would have an obligation to satisfy the remaining balance of the obligations under the Standby Letter of Credit.

OVERVIEW

The Bank was established on 30 December 2005 as a joint stock commercial bank and is headquartered in Tianjin City. On 16 July 2020, China Bohai Bank was listed on the main board of the HKSE with the stock code 9668. China Bohai Bank holds a financial institution license numbered B0017H112000001 from the CBIRC.

Adhering to China Bohai Bank's strategic mission of "becoming a modern wealth and treasury manager offering the best experience", China Bohai Bank is devoted to offer customers a caring comprehensive financial services solution, creating sustainable and stable value for shareholders and establishing an optimum development platform for employees.

China Bohai Bank has received numerous honours and awards in recognition of its outstanding business performance and sound management, including:

- In 2021, China Bohai Bank ranked 111th among the "Top 1000 World Banks" by the British magazine, *The Banker*, moving up 22 places compared with our ranking in the previous year.
- China Bohai Bank ranked 322nd among the "2021 Fortune China 500 List (2021年《財富》中國500強排行榜)". This is the first time China Bohai Bank has been included in the list.
- In the 21st Century Annual Finance Summit of Asia of 2021 (2021年21世紀亞洲金融年會) hosted by the 21st Century Business Herald, China Bohai Bank won the awards of "Annual Pension Business Bank (年度養老業務銀行)" and "Annual Low-carbon Bank (年度低碳銀行)".
- In the "2021 Financial Institutions of Excellent Competitiveness (2021年卓越競爭力金融機構)" selection hosted by the China Business Journal, China Bohai Bank won the "Outstanding Bank with Competitive Customer Experience (卓越競爭力客戶體驗銀行)" award.
- At the 2021 China's Financial Innovation Forum and China Financial Innovation Award Presentation (2021中國金融創新論壇暨中國金融創新獎成果發佈會) hosted by the Chinese Banker, China Bohai Bank won the "Top 10 Transaction Banking Innovation Award (十佳交易銀行創新獎)" and "Top 10 Retail Banking Innovation Award (十佳零售銀行創新獎)".

- At the “2021 Thinking Finance Investor Annual Party and the 13th JINQIAO PRIZE Award Ceremony (2021 年思維財經投資者年會暨第 13 屆金橋獎頒獎盛典)”, China Bohai Bank won the “2021 Outstanding Innovative Commercial Bank of the Year (2021 年度優秀創新能力商業銀行)” award.
- In the “First ‘Brand Thrives, Wins the Future’: 2021 Tianjin Good Brands Solicitation and Selection Activity”, China Bohai Bank was awarded “2021 Tianjin Good Brand TOP Influence Brand”.
- China Bohai Bank won the “Emerging Private Banking Award” at the “11th Fund and Wealth Management Jiefu award” ceremony of Finance Vision China.
- In “the 5th New Gravity Summit”, China Bohai Bank was awarded the “2021 Digital Risk Control Innovation Model Award of Financial Institutions”.
- In “the Customer Insight 2021 (6th) Banking Industry Customer Experience Summit Forum”, China Bohai Bank was awarded the “Digital Intelligence and Efficiency Improvement Model in Banking”, “Excellent Case in Banking: Service Experience Model”.
- In “2021 ‘Golden Headset’ China’s Best Customer Centre Selection and Award”, China Bohai Bank won the “Excellent Customer Service Award”.
- In “Bank Annual Selection of the 10th ‘GoldenWis’ Award of JRJ Navigation China (第十屆金融界領航中國 “金智獎” 銀行業年度評選), China Bohai Bank received the “Outstanding Inclusive Finance Award” (傑出普惠金融獎).
- China Bohai Bank won the “Market Innovation-driven Award (市場創新驅動獎)” and the “Social Responsibility Award (社會責任踐行獎)” at the Export-Import Bank of China 2021 Domestic Renminbi Financial Bond Underwriting and Market Making Group (中國進出口銀行 2021 年度境內人民幣金融債券承銷做市團機構) Awards.
- China Bohai Bank won the “Golden Honor Award” – “Bank of the Year for Outstanding Investment Return (年度卓越投資回報銀行)” and “Bank with Outstanding Operational Management Capability (卓越運營管理能力銀行)” at the China Asset Management and Wealth Management Industry Annual Summit 2021.
- In the 12th “Golden Pixiu Award (金貔貅獎)” selection among banking industry hosted by Each Finance and Financial Money magazine, China Bohai Bank won the “Gold Innovator Financial Institution of the Year (年度金牌創新力金融機構)”.
- In the 2nd Yangtze River Delta Fintech Innovation and Application Global Competition, China Bohai Bank received the “2021 China Fintech Financial Institution Best Application Award (2021 中國金融科技金融機構最佳應用獎)”.

PRINCIPAL BUSINESS ACTIVITIES

China Bohai Bank’s principal businesses include corporate banking, retail banking and financial market business.

Corporate Banking

Corporate banking business is one of China Bohai Bank’s most important sources of operating income. China Bohai Bank offers corporate customers a broad array of products and services to support their business needs,

primarily including corporate loans and advances, corporate deposits, transaction banking services, investment banking services and other fee and commission-based products and services.

Corporate loans and advances

China Bohai Bank provides corporate customers primarily with working capital loans, which address their daily financing needs, and fixed asset loans, which provide financial support to infrastructure, construction and other fixed asset investment projects.

Corporate deposits

China Bohai Bank provides corporate customers with time deposit and demand deposit products, denominated in both RMB and foreign currencies including US Dollar, Japanese Yen, Hong Kong Dollar, Pound Sterling and Euro. China Bohai Bank's corporate deposit customers include government agencies, public institutions, state-owned enterprises and private enterprises.

Transaction banking services

China Bohai Bank provides corporate banking customers with a broad range of transaction banking services, including cash management, supply chain finance, and trade finance and settlement services.

Investment banking services

Besides traditional loans and deposits businesses, China Bohai Bank provides corporate customers with comprehensive investment banking services, including debt securities underwriting, financial advisory services, structured financing and asset securitization services. For the debt securities underwriting services, China Bohai Bank investment banking team actively participates in the underwriting of debt securities to leverage its strong capacity in managing capital market transactions, and to broaden its customer base. Capitalising on China Bohai Bank's expertise in debt securities and analytical capabilities on China's economy, China Bohai Bank aims to accurately seize market opportunities for security issuance, and to establish and maintain long-term relationships with its investors, all of which enabled China Bohai Bank to achieve a strong track record in recent years and enhance market recognition.

Other Fee and Commission-Based Corporate Banking Products and Services

China Bohai Bank provides corporate customers with other fee and commission-based products and services, primarily corporate wealth management services, custodian and asset management operation outsourcing services, entrusted loan services, and guarantee services.

Retail Banking

China Bohai Bank provides retail banking customers with a wide range of products and services, including personal loans, personal deposits, card services, and other fee and commission-based retail products and services.

Personal Loans

China Bohai Bank provides retail banking customers with various personal loan products, including residential and commercial housing loans, personal consumption loans, personal business loans, and credit cards. For residential and commercial housing loans, China Bohai Bank provides retail banking customers with residential and commercial housing loans to facilitate their purchases of new and second-hand residential and commercial properties. For personal business loans, China Bohai Bank provides personal business loans to owners of individual businesses and owners of micro and small enterprises, to serve their business operation needs. Considering that the capital needs of these business owners are often relatively urgent, frequent, and in smaller amounts, China Bohai Bank offers tailor-made products to satisfy their requirements. For personal consumption loans, China Bohai Bank provides personal consumption loans to retail banking customers to help meet their personal and household consumption needs, such as home

renovation, education, traveling, medical treatment, and purchases of cars and other durable consumer goods. In line with the rapid development and future trends of internet finance, one of China Bohai Bank's key development strategies is to enhance technology innovation capacity and channel digitalisation progress within the personal consumption loan segment.

Personal Deposits

China Bohai Bank offers traditional personal deposit products, including basic demand and time deposits denominated in RMB and foreign currencies, as well as signature deposit products, such as “Bohai Time Deposits (渤海定存)”, where customers may enjoy differentiated interest rates based on the amounts deposited and convenient access to online services.

Card Services

China Bohai Bank issues debit cards and credit cards to retail banking customers. For debit cards, retail banking customers can access basic banking services such as deposits and withdrawals, consumption, bill payment, as well as transfers and remittances. China Bohai Bank is a member of China UnionPay, which allows retail customers to access China UnionPay's network across China and around the globe. For credit cards, China Bohai Bank offers credit cards based on the credit ratings of the applicants. Holders of each type of credit cards can enjoy the corresponding credit lines. In line with China Bohai Bank's instalment-oriented marketing strategy, China Bohai Bank offers diversified instalment products and convenient instalment repayment services so as to increase instalment fee income through various promotional efforts.

Other Fee and Commission-Based Retail Banking Products and Services

China Bohai Bank provides a wide variety of fee and commission-based retail banking products and services, primarily personal wealth management services, agency services, and settlement services. For personal wealth management services, China Bohai Bank provide retail banking customers with personal wealth management products and services under the brand name of “Bohai Infinite Wealth Management (浩瀚理财)”, offering differentiated non-principal protected products under the product lines of “Bo Sheng (渤海盛)”, “Bo Xiang (渤海祥)” and “Bo Tai (渤海泰)”, each designed to meet liquidity needs, risk appetites and investment return expectations of various target customer groups. China Bohai Bank sells personal wealth management products through a variety of channels, including counters, mobile banking apps, and personal online banking website.

Financial Market Business

China Bohai Bank's financial market business primarily consists of interbank market transactions, investment management, wealth management, and bill discounting and rediscounting.

Interbank Market Transactions

China Bohai Bank's interbank market transactions business primarily consists of: (i) interbank deposits; (ii) interbank placements; and (iii) purchase under resale agreements and sale under repurchase agreements, which mainly involves bonds and bills.

Investment Management

China Bohai Bank's investment management business mainly consists of debt securities investment and SPV investment. Debt securities in which invest include debt securities issued by PRC government, policy banks, commercial banks and other financial institutions, and enterprises. SPV investment primarily consists of China Bohai Bank's investments in trust plans, asset management plans, wealth management products, and investment funds.

Wealth Management

China Bohai Bank issues both principal-protected and non-principal protected wealth management products to corporate customers (including interbank customers) and retail customers. China Bohai Bank set varying maturity terms and expected rates of return for different tranches of wealth management products in order to capture a broader range of customers with different wealth management needs and risk tolerance levels and have steadily expanded its online distribution channels.

Bill Discounting and Rediscounting

China Bohai Bank engages in interbank discounts of commercial bills with other qualified financial institutions or rediscounts of commercial bills with the PBOC, to generate working capital and income from interest spreads. China Bohai Bank offers interbank discount services such as bills purchase, bills sale, bills purchased under resale agreements and sold under repurchase agreements. China Bohai Bank rediscounts bills in accordance with the regulations of the PBOC.

GENERAL AND FINANCIAL INFORMATION

The registered address of China Bohai Bank is No. 218 Haihe East Road, Hedong District, Tianjin, the PRC. China Bohai Bank's website address is <http://www.cbhb.com.cn/>. Information contained on China Bohai Bank's website is subject to change from time to time and does not form part of this Offering Circular.

Copies of the China Bohai Bank's published audited consolidated financial statements and unaudited consolidated financial statements, as well as its other public filings, can be downloaded free of charge from the website of the Bank at <http://www.cbhb.com.cn/> and the website of the HKSE at <https://www.hkex.com.hk>. The financial statements of the Bank are not included in and do not form part of this Offering Circular. The information contained on the websites of the Bank and the HKSE is subject to change from time to time. No representation is made by the Issuer, the Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them and none of the Issuer, the Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them takes any responsibility for any information contained on the websites of the Bank and the HKSE.

DESCRIPTION OF THE GROUP

OVERVIEW

Founded in December 2013, the Company is one of the largest state-owned enterprises for infrastructure construction in Neijiang City in terms of asset size. The Group's primary functions are to undertake investments, financing, construction, and operation of local infrastructure, mainly roads and bridges, as well as state-owned assets management.

Neijiang City is located in the southeast of the Sichuan Basin and at the centre of the Chengdu-Chongqing development axis. It covers an area of approximately 5,385 square kilometres and governs two districts, three counties, one national-level economic and technological development zone, and one national high-tech industrial development zone. With a total population of 3,988 thousand, it is a national sanitary city and a provincial civilised city. Neijiang City is a national comprehensive transportation hub, a key gateway to the new land-sea passage (陸海新通道) in the west, and an important transportation hub in the Chengdu-Chongqing region. Major routes such as the Chengdu-Chongqing Railway, Chengdu-Chongqing Highway, and Chengdu-Chongqing High-Speed Railway pass through Neijiang City. In the national comprehensive three-dimensional transportation network layout of "six axes, seven corridors, eight channels" (六軸七廊八通道), two axes, two corridors and one channel intersect in Neijiang City. In 2022, its GDP reached RMB165.7 billion, representing an increase of 1.5 per cent. over the previous year.

Leveraging on unique geographic advantages and through ten years of development, the Group has formed a diversified business portfolio through which it primarily engages in infrastructure construction, commodities trading, steel processing and distribution and engineering construction businesses. The summary of each segment is as follows:

- *Infrastructure Construction.* The Group, as a key player in the construction of roads, bridges, and other infrastructure in Neijiang city, covers a wide range of services in its infrastructure construction business. These services include investment in roads and bridges, development, construction, and management of highway bridges and related projects, engineering construction, road and bridge maintenance, engineering design, engineering testing and inspection, project supervision, technical consulting for highway engineering, as well as the sale of construction materials. For the years ended 31 December 2020, 2021 and 2022, operating income generated from the Group's infrastructure construction business was approximately RMB452.6 million, RMB430.8 million and RMB378.2 million, respectively, representing 81.7 per cent., 48.5 per cent. and 19.8 per cent., respectively, of the Group's total operating income for the same periods.
- *Commodities Trading.* The Group commenced its commodities trading business through its wholly-owned subsidiary Neijiang Supply Chain Group Co., Ltd. (內江供應鏈集團有限公司) in 2020, and did not record any operating income from the commodities trading business in 2020. The Group's commodities trading business has gradually become a pillar segment which further diversified the Group's businesses. The Group primarily trades steel, base liquor and agricultural products. The Group has experienced rapid growth in its commodities trading business. For the years ended 31 December 2021 and 2022, operating income generated from the Group's commodities trading business was RMB244.0 million and RMB737.5 million, respectively, representing 27.5 per cent., and 38.5 per cent. of the Group's total operating income for the same periods.
- *Steel Processing and Distribution.* In 2020, the Group began to engage in steel processing and distribution through its subsidiary Sichuan Lvjian Hangxiao Steel Structure Co., Ltd. (四川綠建杭蕭鋼構有限公司) ("Lvjian Hangxiao"), which specialises in the processing, distribution and installation of steel frames and structures as well as the sale of structural steel products including box columns, I-beams and cross beams. The steel structure product series sold by the Group mainly fall into two categories, namely steel pipe bundle structural housing system (鋼管束組合結構住宅

體系) and steel frame concrete simplified structural housing system (鋼框架混凝土筒體結構住宅體系). For the years ended 31 December 2020, 2021 and 2022, operating income generated from the Group's steel processing and distribution business was RMB35.5 million, RMB127.7 million and RMB487.7 million, respectively, representing 6.4 per cent., 14.4 per cent. and 25.5 per cent., respectively, of the Group's total operating income for the same periods.

- *Engineering Construction.* The Group conducts its engineering construction business primarily through its subsidiary, namely, Lvjian Hangxiao. Lvjian Hangxiao holds a qualification for steel structural components manufacturing, installation and sales. For the years ended 31 December 2020, 2021 and 2022, operating income generated from the Group's engineering construction business was RMB6.9 million, RMB15.2 million and RMB101.3 million, respectively, representing 1.2 per cent., 1.7 per cent., and 5.3 per cent. of the Group's total operating income for the same periods.

In addition, the Group engages in other businesses, such as engineering design, parking services and motor vehicle inspection.

For the years ended 31 December 2020, 2021 and 2022, the total operating income from the Group's business operation was RMB554.2 million, RMB887.7 million and RMB1,913.8 million, respectively. As at 31 December 2020, 2021 and 2022, the total assets of the Group were RMB8,907.5 million, RMB10,199.7 million and RMB12,665.0 million, respectively.

RECENT DEVELOPMENTS

Gratuitously Transfer of Neijiang Hongda Road and Bridge Construction Engineering Co., Ltd.

Pursuant to the Approval of the Survival and Separation of Neijiang Road and Bridge Group Co., Ltd as well as Matters Relating to the Cultivation of Hongda Company issued by Neijiang SASAC in September 2023, Neijiang SASAC, the controlling shareholder of the Company, decided to gratuitously transfer certain assets of the Group with an aim to cultivate and differentiate the functions of the Group and Hongda Company. As a result, Hongda Company, previously a wholly-owned subsidiary of the Company, along with all subsidiaries held by Hongda Company, was gratuitously transferred out of the Group and the Company no longer hold interest in it. After such transfer, Hongda Company's sole shareholder became the Neijiang SASAC.

As at 31 December 2022, Hongda Company's total assets were RMB378.6 million, accounting for approximately 3.0 per cent. of the total assets of the Group as at the same date. For the years ended 31 December 2022, Hongda Company's total operating income and total profit was RMB101.9 million and RMB14.0 million, respectively, representing 5.3 per cent. and 16.3 per cent. of the Group's total operating income and total profit, respectively, for the same period. After such transfer, the Company would continue to prioritise infrastructure construction in Neijiang City while Hongda Company will focus on the smart city infrastructure construction and landscape renovation. As such, the Group believes that such assets transfer would not be materially and adversely affect the Group's business. Nonetheless, there can be no assurance that Neijiang SASAC, the Company's controlling shareholder, would not exert other significant influence on the Group, which may have an adverse impact on the Group's business, financial condition and results of operation. See also "*Risk Factors – Risks Relating to the Group's Business – The Neijiang SASAC and the Neijiang Municipal Government may exert significant influence on the Group, and could cause the Group to make decisions or modify the scope of its operations, or impose new obligations on the Group, which may not be in the Group's best interests or may not maximise the Group's profits*".

Issuance of Onshore Debt Securities

On 27 April 2023, the Company issued private placement notes in an aggregated principal amount of RMB640.0 million with a tenor of five years and a fixed annual interest rate of 7.5 per cent. On 27 September 2023, the Company issued private placement notes in an aggregated principal amount of RMB360.0 million

with a tenor of five years and a fixed annual interest rate of 6.5 per cent. As at the date of this Offering Circular, the entire principal amount of the April Notes and the September Notes remains outstanding.

COMPETITIVE STRENGTHS

The Company believes that the following strengths are important to its success and future development.

Well-positioned to Leverage the Excellent Location of Neijiang City for Business Growth

Neijiang City is located in the southeast of Sichuan Province, on the Tuo River (沱江), and at the junction of the Sichuan-Chongqing region. It borders Yongchuan (永川) to the east, Ziyang (資陽) and Chengdu (成都) to the west, Zigong (自貢), Yibin (宜賓) and Luzhou (瀘州) to the south, as well as Suining (遂寧) and Nanchong (南充) to the north. Neijiang City is located in the central area influenced by the dual-core impact of Chengdu and Chongqing. It is well-known as the “fortress of Bashu” (now known as Sichuan and Chongqing) (巴蜀要塞) and the “heart of Chengdu and Chongqing” (川渝之心). As the central city in the Chengdu-Chongqing Economic Zone (成渝經濟區), Neijiang City is one of the million-plus population cities developed by Sichuan Province, as well as one of the 12 secondary comprehensive transportation hubs identified in the Plan for the Construction of Comprehensive Transportation Hubs in Western Sichuan Province (四川省西部綜合交通樞紐建設規劃). Neijiang City is one of the key national transportation hubs, an important intersection of the “Belt and Road” initiative, and the second-largest transportation hub in Sichuan Province. In 2022, Neijiang City’s GDP reached RMB165.7 billion, representing a 1.5 per cent. year-on-year increase, and the general budget revenue was RMB7.6 billion, representing a 4.8 per cent. year-on-year increase.

Leveraging Neijiang City’s advantageous geographical location and stable fiscal income, the Group has established a presence in multiple industries, thereby enhancing its ability to withstand cyclical economic fluctuations. For the year ended 31 December 2022, the Group generated an operating income of RMB1,913.8 million and a net profit of RMB64.8 million. In addition, as at 31 December 2022, the Group had a total assets of RMB12,665.0 million.

By contributing to the growth and development of Neijiang City, the Group believes that it will further strengthen its role as a major state-owned entity in Neijiang City and expand its business operations.

Strong Support from Local Governments

The Group is controlled by the Neijiang SASAC, which is a government organ of the Neijiang Municipal Government. As one of the largest state-owned enterprises in Neijiang City in terms of assets scales as well as a primary state-owned entity focusing on infrastructure construction in Neijiang City, the Group has received strong support from its controlling shareholder. The government support received by the Group includes favourable policies, business opportunities, capital injection and government subsidies. For the years ended 31 December 2020, 2021 and 2022, the government subsidies received by the Group amounted to RMB210.0 million, RMB321.6 million and RMB347.1 million, respectively.

With continuous strong support from local governments, the Company believes that the Group will be able to sustain its operations and investments in infrastructure construction projects, and further expand its business operations to reinforce its leading position in Neijiang City.

Diversified Financing Channels

Over the years, the Group has established a solid cooperative relationship with numerous banks and financial institutions in the PRC, providing a solid foundation for the Group to access capital, such as Industrial and Commercial Bank of China, Evergrowing Bank, Bank of China, China Everbright Bank, Industrial Bank Co., Ltd. and China Guangfa Bank. As at 31 March 2023, the Group had total credit facilities of approximately RMB6.7 billion, of which approximately RMB2.0 billion had not been utilised. As such, the Company has

an excellent credit utilisation ratio. The Company does not have any outstanding non-performing credit information records, overdue unpaid bank loans, or unpaid debt financing instruments.

Meanwhile, the Company has received an onshore credit rating of “AA” from China Lianhe Credit Rating Co., Ltd (聯合資信評估股份有限公司). The Group also leverages its excellent financial performance and credibility to access direct financing from capital markets through issuing debt securities within the PRC. The Group believes that it will continue to have access to sufficient capital to support its business operations and expansion in the future.

Strong and Experienced Management Team

The Group’s directors and senior management personnel are highly experienced, with a proven track record of performance. For details on the qualification, experience and credentials of the Company’s directors and senior management, please see “*Directors, Supervisors and Senior Management*”. With extensive management experience and in-depth industrial knowledge and insight, the Group’s directors and senior management have played a critical role in its success. Their strategic vision and leadership have positioned the Group for continued growth. The Group believes that its management team, which has a proven track record in delivering excellent operational and financial results, is equipped with the critical knowledge and skills required to take advantage of market opportunities, which are expected to further enhance the Group’s overall performance.

BUSINESS STRATEGIES

The Company intends to focus on the following business strategies.

Continue to Develop Various Business Models for Urban Infrastructure Construction

Infrastructure construction is the main business segment and primary source of operating income for the Group. The Group expects that it will continue to be a pillar industry for the Group. The Company intends to rely on the infrastructure construction projects it undertakes to obtain corresponding policy supports, undertake the construction of necessary supporting facilities and reinvest in other infrastructure construction projects to promote related business segments. The Company intends to leverage its profound experience in infrastructure construction to actively improve the quality and standards of project construction. It aims to gradually establish a leading position in this field.

Continue to Develop the Group as A Traffic Construction Investment Company and Diversify Its Business Portfolio and Expand into Industries that may Provide Synergies with the Group’s Core Business

As an important infrastructure investment and construction entity for roads, bridges and other supporting facilities in Neijiang City, the Company expects to embrace abundant opportunities for vigorous development in response to the implementation of strategic policies of the Chengdu-Chongqing Economic Zone. The Company expects to continue focusing on infrastructure construction, transportation investment, engineering survey, design and construction, as well as other businesses that can provide synergies with the Group’s core operations. The Group believes that this will further strengthen its competitiveness and increase both its operating income and cash flows, leading to a sustainable growth.

RELATIONSHIP WITH THE NEIJIANG SASAC, THE NEIJIANG MUNICIPAL GOVERNMENT AND THE SICHUAN PROVINCIAL FINANCE DEPARTMENT

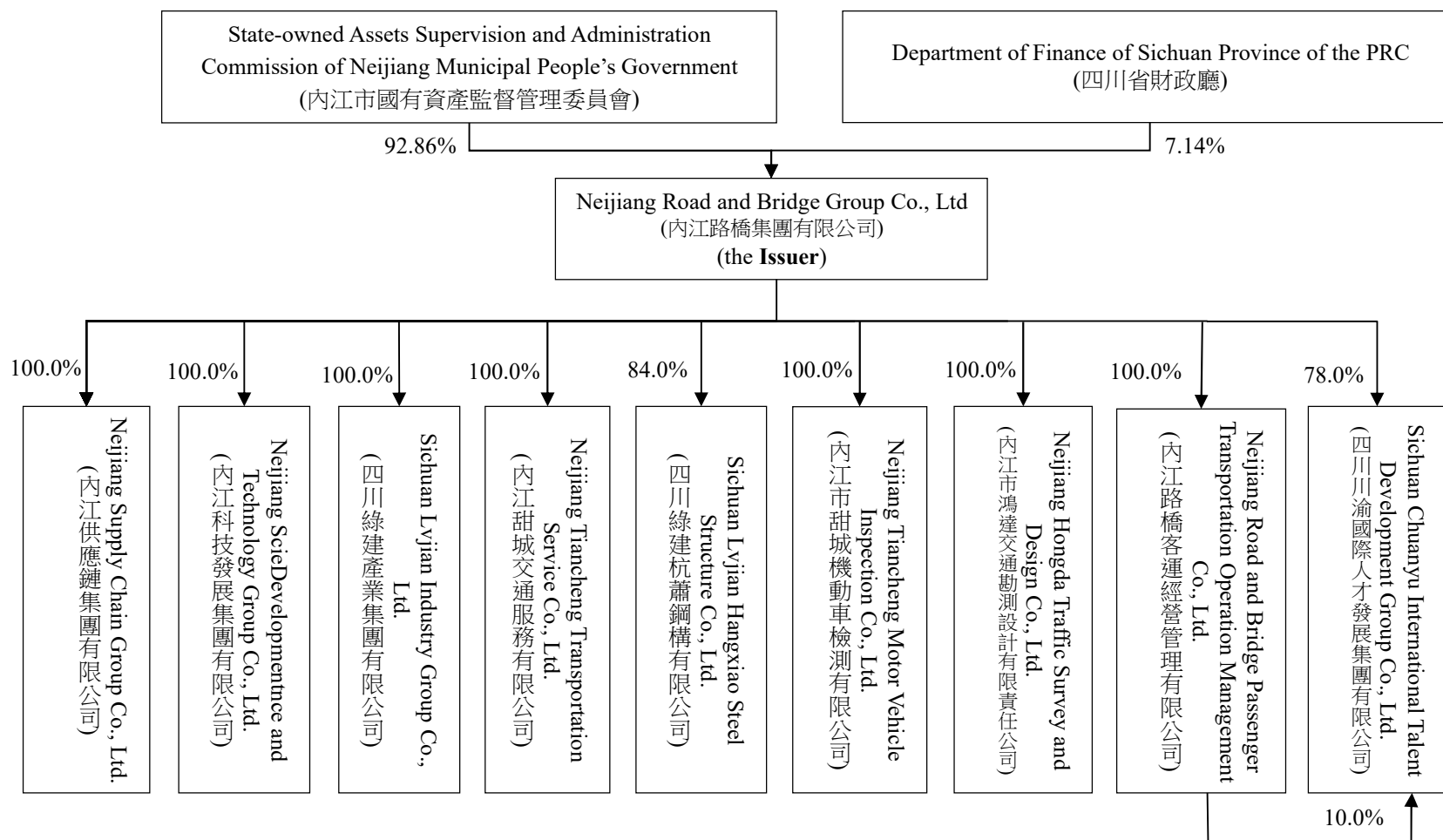
The Company is controlled by the Neijiang SASAC, which is a governmental organ of the Neijiang Municipal Government. As a leading state-owned company based in Neijiang City, the Group has extensive connections with other entities directly or indirectly controlled by the Neijiang SASAC and the Neijiang Municipal Government. The Group has been commissioned by the Neijiang SASAC, the Neijiang Municipal Government and other local government entities and agencies to participate in a number of municipal projects.

Notwithstanding the Group's extensive relationships with the Neijiang Municipal Government, the Sichuan Provincial Finance Department and other entities controlled by them, the various social and community functions performed by the Group and the financial support received by the Group, the Company is not part of any government. It is operationally and financially separated from the Neijiang SASAC, the Neijiang Municipal Government and the Sichuan Provincial Finance Department. Its functions and departments are separated from those of the government and do not share any premises with the Neijiang SASAC, the Neijiang Municipal Government and the Sichuan Provincial Finance Department. The directors and the senior management of the Company are not government officers. The Company has its own budget and financial reporting system, and its assets and liabilities are separated from those of the Neijiang SASAC, the Neijiang Municipal Government and the Sichuan Provincial Finance Department. The Neijiang SASAC, as the controlling shareholder of the Company, and the Neijiang Municipal Government, as the controller of the Company, are only responsible for the liability of the Company up to the limit of their equity contributions to the Company. Neither the Neijiang SASAC, the Neijiang Municipal Government and the Sichuan Provincial Finance Department nor any other PRC governmental entity has any payment or other obligations under the Bonds or the Trust Deed, and they will not provide guarantee of any kind for the Bonds. The Bondholders do not have any recourse against the Neijiang SASAC, the Neijiang Municipal Government and the Sichuan Provincial Finance Department or any other PRC governmental entities in respect of any obligation arising out of or in connection with the Bonds or the Trust Deed. The Bonds are solely to be repaid by the Company, and the obligations of the Company under the Bonds shall solely be fulfilled by the Company as an independent legal person. Investments in the Bonds are on the credit risk of the Company, rather than that of the Neijiang SASAC, the Neijiang Municipal Government and the Sichuan Provincial Finance Department or any other PRC governmental entity. In the event that the Company does not fulfil its obligations under the Bonds, investors will only be able to claim as an unsecured creditor against the Company and its assets, and not any other person, including the Neijiang SASAC, the Neijiang Municipal Government and the Sichuan Provincial Finance Department nor any other PRC governmental entity.

This position has been reinforced by Circular 23, Circular 706 and Circular 666. However, none of these Circulars prohibits the PRC government from providing support (in various forms including capital injection and subsidies, but excluding injecting any kinds of public assets and land reserves as the Group's assets) to the Group in its ordinary course of business in compliance with PRC laws and regulations. The detailed description of the relationships between the Company and the Neijiang SASAC, the Neijiang Municipal Government and the Sichuan Provincial Finance Department in this Offering Circular does not imply in any way any explicit or implicit credit support of the Neijiang SASAC or the Neijiang Municipal Government or the Sichuan Provincial Finance Department in respect of the Bonds, the repayment of which remains the sole responsibility of the Company. See also risk factors entitled "*A reduction or discontinuance of government support could materially and adversely affect the Group's business, financial condition and results of operations*", "*The Neijiang SASAC and the Neijiang Municipal Government may exert significant influence on the Group, and could cause the Group to make decisions or modify the scope of its operations, or impose new obligations on the Group, which may not be in the Group's best interests or may not maximise the Group's profits*" and "*The PRC government has no payment or other obligations under the Bonds*".

GROUP STRUCTURE

The following chart presents a simplified structure of the Company and the shareholding of the Company as at the date of this Offering Circular.



HISTORY AND DEVELOPMENT

The Company was established as Neijiang Road and Bridge Co., Ltd. (内江路橋有限公司) by the Neijiang SASAC in December 2013 with an initial registered capital of RMB40.0 million. The Company changed its name to Neijiang Road and Bridge Group Co., Ltd. in 2015. As at the date of this Offering Circular, the Company's current registered capital is RMB1,120.0 million.

The following table sets forth selected milestone events in the course of development of the Company and the Group:

| <u>Year</u> | <u>Milestone Events</u> |
|-------------|---|
| 2013..... | In December, the Company was established as Neijiang Road and Bridge Co., Ltd. by the Neijiang SASAC with a registered capital of RMB40.0 million. |
| 2015..... | In February, the Company was renamed from Neijiang Road and Bridge Co., Ltd. to Neijiang Road and Bridge Group Co., Ltd. In July, the Company's registered capital increased to RMB200.0 million. |
| 2019..... | In February, the Company's registered capital increased to RMB800.0 million. In December, as mandated by the Sichuan Provincial Government, RMB80.0 million of the corresponding share capital held by the Neijiang SASAC in the Company was transferred to Sichuan Provincial Finance Department (the "2019 Share Transfer"). |
| 2020..... | In June, the Company's registered capital increased to RMB1,120.0 million. |
| 2021..... | In February, the Company completed administrative registration of the 2019 Share Transfer. After the completion of the share transfer, Neijiang SASAC holds 92.86 per cent. equity interest in the Company, and the Sichuan Provincial Department of Finance holds 7.14 per cent. equity interest in the Company. |

DESCRIPTION OF THE GROUP'S BUSINESS

Overview

The Company is one of the largest state-owned enterprises for infrastructure construction in Neijiang City in terms of asset size. The Group's primary functions are to undertake investments, financing, construction, and operation of local infrastructure, mainly roads and bridges, as well as state-owned assets management. Leveraging on unique geographic advantages and through ten years of development, the Group has formed a diversified business portfolio covering infrastructure construction, commodities trading, steel processing and distribution and engineering construction and other businesses.

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

| | For the year ended 31 December | | | | | |
|---|--------------------------------|-------------------|--------------------------|-------------------|--------------------------|-------------------|
| | 2020 | | 2021 | | 2022 | |
| | <u>Operating income</u> | <u>% of total</u> | <u>Operating income</u> | <u>% of total</u> | <u>Operating income</u> | <u>% of total</u> |
| | <i>(RMB in millions)</i> | | <i>(RMB in millions)</i> | | <i>(RMB in millions)</i> | |
| Infrastructure construction . | 452.6 | 81.7 | 430.8 | 48.5 | 378.2 | 19.8 |
| Commodities trading..... | _(1) | _(1) | 244.0 | 27.5 | 737.5 | 38.5 |
| Steel processing and distribution | 35.5 | 6.4 | 127.7 | 14.4 | 487.7 | 25.5 |

| | For the year ended 31 December | | | | | |
|---------------------------------------|--------------------------------|--------------|--------------------------|--------------|--------------------------|--------------|
| | 2020 | | 2021 | | 2022 | |
| | Operating income | % of total | Operating income | % of total | Operating income | % of total |
| | <i>(RMB in millions)</i> | | <i>(RMB in millions)</i> | | <i>(RMB in millions)</i> | |
| Engineering construction ... | 6.9 | 1.2 | 15.2 | 1.7 | 101.3 | 5.3 |
| Other businesses ⁽²⁾ | 59.2 | 10.7 | 70.0 | 7.9 | 209.0 | 10.9 |
| Total | 554.2 | 100.0 | 887.7 | 100.0 | 1,913.8 | 100.0 |

Notes:

- (1) The Group commenced its commodities trading business through its wholly-owned subsidiary Neijiang Supply Chain Group Co., Ltd. in 2020. Thus, it did not record any operating income from the commodities trading business.
- (2) Other businesses primarily include engineering design, parking services, motor vehicle inspection and miscellaneous businesses.

Infrastructure Construction

Overview

The Group, as a key player in the construction of roads, bridges, and other infrastructure in Neijiang city, covers a wide range of services in its infrastructure construction business. These services include investment in roads and bridges, development, construction, and management of highway bridges and related projects, engineering construction, road and bridge maintenance, engineering design, engineering testing and inspection, project supervision, technical consulting for highway engineering, as well as the sale of construction materials. The Group's infrastructure construction business is concentrated in Neijiang City.

The Group primarily undertakes the infrastructure construction business through the Company. For the three years ended 31 December 2022, the Group completed two infrastructure construction projects with a total investment amount of approximately RMB51.6 million. As at 31 December 2022, the Group had seven infrastructure construction projects under development with a total estimated investment amount of RMB5,705 million and two infrastructure construction projects under planning with a total estimated investment amount of RMB877 million. For the years ended 31 December 2020, 2021 and 2022, operating income generated from the Group's infrastructure construction business was approximately RMB452.6 million, RMB430.8 million and RMB378.2 million, respectively, representing 81.7 per cent., 48.5 per cent. and 19.8 per cent., respectively, of the Group's total operating income for the same periods.

Business Model

The Group primarily undertakes infrastructure construction projects under the agent construction model. Under the agent construction model, details of the infrastructure construction projects to be developed by the Group (such as the scope of work and the calculation of payment amount) are generally set out in a construction agency agreement entered into between the Company and its client. The Group's clients include the Traffic and Transportation Bureau of Neijiang City (內江市交通運輸局), Neijiang Housing and Urban-Rural Construction Bureau (內江市住房和城鄉建設局), Neijiang New City Construction Development Centre (內江新城建設推進中心) and Neijiang Culture Broadcasting Television and Tourism Bureau (內江市文化廣播電視和旅遊局). According to the construction agency agreement, the Group is responsible for the construction of the projects and for financing such projects through the use of its own funds. For payment of the agency construction fee, the client will engage an independent agency to review the accounts prepared by the Group every year in relation to the infrastructure construction projects and pay the Group in fee with reference to the progress of such infrastructure construction projects and the accounts as confirmed by such independent agency. Alternatively, the Group will receive payments for its infrastructure construction projects upon the completion and acceptance of such infrastructure construction projects. The payments received by the Group will be recognised as revenue, which represents the sum of the construction cost incurred by the Group for the relevant infrastructure construction project and an agency management fee of 15 per cent. of the confirmed cost of construction of such project.

Project Description

Completed Projects

For the three years ended 31 December 2022, the Group completed two infrastructure construction projects with a total investment amount of approximately RMB51.6 million. The particulars of the these completed projects are set forth below:

| Project | Year of commencement | Year of completion | Total investment (RMB in millions) |
|---|----------------------|--------------------|---------------------------------------|
| Dongxing District Fuxing Road (Formerly known as Industrial Avenue Project) (東興區復興路 (原工業大道工程)) | 2016 | 2020 | 35.8 |
| Gingko Road Project (銀杏路工程)..... | 2016 | 2020 | 15.8 |
| Total | | | 51.6 |

Projects under Development

As at 31 December 2022, the Group had seven infrastructure construction projects under development with a total estimated investment amount of approximately RMB5,705 million, of which approximately RMB2,769 million had been incurred. The particulars of the Group's infrastructure construction projects under development as at 31 December 2022 are set forth below:

| Project | Year of commencement | Year of completion | Total estimated investment ⁽¹⁾ (RMB in millions) |
|---|----------------------|--------------------|--|
| Huangjing Dam Bridge Project (黃荊壩大橋工程) | 2016 | 2023 | 984 |
| Gaoxin District Road Construction and Greening Project (高新區道路及綠化工程) | 2015 | 2023 | 304 |
| Taibai Road Linyin Avenue Project (太白路林蔭大道工程) | 2017 | 2023 | 183 |
| Xilin Bridge Extension Project (西林大橋拓寬改造工程) | 2016 | 2023 | 331 |
| Neijiang City Cross-border Expressway Beimu East Interchange Project (內江城市過境高速公路樺木東互通連接線) | 2018 | 2023 | 250 |
| Neijiang City Cross-border Expressway Gaoqiao Interchange Project (內江城市過境高速公路高橋互通連接線) | 2019 | 2023 | 749 |
| Han'an Lake Ecological and Cultural Tourism Industry Park (漢安湖生態文旅產業園) | 2020 | 2024 | 2,904 |
| Total | | | 5,705 |

Note:

(1) Represents the estimated total cost to be incurred for the project. The actual cost incurred upon completion may differ from the estimation.

Projects under Planning

As at 31 December 2022, the Group had two infrastructure construction projects under planning with a total estimated investment amount of approximately RMB877 million. The particulars of these projects are set forth below:

| Project | Expected year of commencement | Expected year of completion | Total estimated investment⁽¹⁾ |
|--|--------------------------------------|------------------------------------|---|
| | | | <i>(RMB in millions)</i> |
| Neijiang Dual Circle Innovation Demonstration Industry Park (內江雙迴圈創業創新示範產業園) | 2023 | 2025 | 621 |
| Chengyu District Two Cities Economic Zone – Neijiang Modern Agricultural Innovation Demonstration Park (成渝地區雙城經濟圈-內江現代農業科創示範園) | 2023 | 2024 | 256 |
| Total | | | 877 |

Note:

(1) Represents the estimated total cost to be incurred for the project. The actual cost incurred upon completion may differ from the estimation.

Commodities Trading

Overview

The Group commenced its commodities trading business through its wholly-owned subsidiary Neijiang Supply Chain Group Co., Ltd. in 2020, and did not record any operating income in 2020. The Group's commodities trading business has gradually become a pillar segment which further diversified the Group's businesses. The Group primarily trades steel, base liquor and agricultural products.

The Group has experienced rapid growth in its commodities trading business. For the years ended 31 December 2021 and 2022, operating income generated from the Group's commodities trading business was RMB244.0 million and RMB737.5 million, respectively, representing 27.5 per cent., and 38.5 per cent. of the Group's total operating income for the same periods.

Business Model

The Group's trading of steel products mainly includes rebars, wire rods and coils, and the Group's main customers are construction companies. The Group established a cooperative partnership with Sichuan Liquor Group Co., Ltd. (四川省酒業集團有限責任公司) to commence trading in base liquor for baijiu (Chinese liquor). The Group also invested in Neijiang City Chonglong Baijiu Co., Ltd. (內江市重龍白酒有限責任公司) as well as a local liquor industry revitalisation project operated by Sichuan Liquor Group Co., Ltd. to further expand its procurement and sales channel of base liquor. The Group began trading in agricultural products in 2022 with a specific focus on fruits and corn.

The Group primarily conducts its commodities trading business through a "sales-oriented procurement" business model. Under such model, the Group will first ascertain the needs of downstream customers, then conduct price inquiry with the suppliers and finally provides feedback and negotiates price with downstream customers based on the acquired information. The Group determines the price of its products through a "cost plus" business model upon which the price of the products sold to customers is based on the relevant cost of its procurement from suppliers plus a margin, while also taking into account the market price of relevant products in the customers' regions. Once the

parties reach a consensus as to the price and the terms of trade, the Group will carry out the business contracts execution and delivery process. At the sales stage, the Group enters into a sales contract with its customer and the parties deliver and accept the goods in accordance with the time and venue stipulated in the sales contract. If the customer fails to make payments within the agreed period as stipulated in the sales contract, the Group may charge a penalty to the customer. At the procurement stage, the Group enters into procurement contract with the supplier, and the parties perform their respective delivery, inspection and acceptance obligations in accordance with the time and venue stipulated in the procurement contract.

Major Suppliers and Customers

The Group's customers are primarily enterprises and the Group does not have excessive reliance on any single customer. The table below sets forth certain sales information of the Group's top five customers for the year ended 31 December 2022.

| Customer | Sales amount | Percentage ⁽¹⁾ | Product type |
|---|--------------|---------------------------|------------------|
| <i>(RMB in millions)</i> | | | |
| Neijiang City Tianrun Trade Co., Ltd. (內江市天潤商貿有限公司)..... | 149.1 | 20.2 | Spine date seeds |
| Chuanyun (Hainan) International Trading Co., Ltd. (川運(海南)國際貿易有限公司)..... | 134.3 | 18.2 | Spine date seeds |
| China Railway 17th Bureau Group Co., Ltd. (中鐵十七局集團有限公司)..... | 96.5 | 13.1 | Steel |
| Luzhou Lingang International Trading Co., Ltd. (瀘州臨港國際貿易有限公司)..... | 66.1 | 9.0 | Liquor |
| China MCC5 Group Corp. Ltd. (中國五冶集團有限公司)..... | 32.9 | 4.5 | Steel |
| Total | 479.0 | 65.0 | |

Note:

(1) Represents the percentage of the sales amount from the Group's customers in terms of the total sales amount of all customers for the year ended 31 December 2022.

The table below sets forth certain sales information of the Group's top five customers for the year ended 31 December 2021.

| Customer | Sales amount | Percentage ⁽¹⁾ | Product type |
|---|--------------|---------------------------|------------------------|
| <i>(RMB in millions)</i> | | | |
| Sichuan Province Yibin City Xufu Wine Industry Co., Ltd. (四川省宜賓市敘府酒業股份有限公司)..... | 42.7 | 17.5 | Liquor |
| Hunan Construction Engineering Group Co., Ltd. (湖南建工集團有限公司)..... | 28.1 | 11.5 | Steel |
| Zhongsheng Shengbo Group Co., Ltd. (中晟升博集團有限公司)..... | 25.5 | 10.5 | Construction materials |
| China Railway 17th Bureau Group Fourth Engineering Co., Ltd. (中鐵十七局集團第四工程有限公司)..... | 25.4 | 10.4 | Steel |

| Customer | Sales amount | Percentage⁽¹⁾ | Product type |
|---|--------------------------|---------------------------------|---------------------|
| | <i>(RMB in millions)</i> | | |
| Neijiang Shengtai Trading Co., Ltd. (內江盛泰商貿有限公司)..... | 23.6 | 9.7 | Steel |
| Total | 145.3 | 59.5 | |

Note:

- (1) Represents the percentage of the sales amount from the Group's customers in terms of the total sales amount of all customers for the year ended 31 December 2021.

The Group purchases from state-owned enterprises and large private companies to ensure adequate supply of its commodities. The table below sets forth certain procurement information of the Group's top five suppliers for the year ended 31 December 2022.

| Supplier | Procurement amount | Percentage⁽¹⁾ | Product type |
|--|---------------------------|---------------------------------|---------------------|
| | <i>(RMB in millions)</i> | | |
| Kangrun Guangtong (Hainan) International Trading Co., Ltd. (康潤廣通(海南)國際貿易有限公司)..... | 196.8 | 27.2 | Spine date seeds |
| Chengdu Juweida Trading Co., Ltd. (成都聚威達貿易有限公司)..... | 82.0 | 11.3 | Steel |
| Sichuan Province Yibin City Xufu Wine Industry Co., Ltd. (四川省宜賓市敘府酒業股份有限公司)..... | 65.8 | 9.1 | Liquor |
| Sichuan Yaoqiao Supply Chain Management Co., Ltd. (四川垚橋供應鏈管理有限公司)..... | 62.3 | 8.6 | Coal |
| Sichuan Wanyu Botong Supply Chain Technology Co., Ltd. (四川萬宇博通供應鏈科技有限公司)..... | 32.9 | 4.5 | Spine date seeds |
| Total | 437.3 | 60.4 | |

Note:

- (1) Represents the percentage of the procurement amount from the Group's suppliers in terms of the total procurement amount of all suppliers for the year ended 31 December 2022.

The table below sets forth certain procurement information of the Group's top five suppliers for the year ended 31 December 2021.

| Supplier | Procurement amount | Percentage⁽¹⁾ | Product type |
|--|---------------------------|---------------------------------|---------------------|
| | <i>(RMB in millions)</i> | | |
| Sichuan Yaoqiao Supply Chain Management Co., Ltd. (四川垚橋供應鏈管理有限公司)..... | 33.2 | 13.9 | Coal |
| Jinan Sanding Materials Co., Ltd. (濟南三鼎物資有限公司)..... | 30.2 | 12.6 | Steel |

| <u>Supplier</u> | <u>Procurement amount</u> | <u>Percentage⁽¹⁾</u> | <u>Product type</u> |
|---|---------------------------|---------------------------------|---------------------|
| | <i>(RMB in millions)</i> | | |
| Neijiang Chonglong Liquor Co., Ltd. (內江市重龍白酒有限責任公司)..... | 26.5 | 11.1 | Liquor |
| Tibet Yunbian Tibetan Secret Wine Co., Ltd. (西藏雲邊藏秘酒業有限責任公司)..... | 21.7 | 9.1 | Liquor |
| Sichuan Tepu Traffic Facilities Co., Ltd. (四川特普交通設施有限公司)..... | 19.8 | 8.3 | Steel |
| Total | 131.3 | 54.8 | |

Note:

- (1) Represents the percentage of the procurement amount from the Group's suppliers in terms of the total procurement amount of all suppliers for the year ended 31 December 2021.

Steel Processing and Distribution

Overview

In 2020, the Group began to engage in steel processing and distribution through its subsidiary, namely, Lvjian Hangxiao, which specialises in the processing, distribution and installation of steel frames and structures as well as the sale of structural steel products including box columns, I-beams and cross beams. The steel structure product series sold by the Group mainly fall into two categories, namely (i) steel pipe bundle structural housing system (鋼管束組合結構住宅體系), which is composed of shear wall in steel pipe bundle concrete structure, H-beams, prefabricated steel bar truss bearing plates and lightweight internal partition walls, and (ii) steel frame concrete simplified structural housing system (鋼框架混凝土筒體結構住宅體系), which is composed of high-frequency welded H-beams, prefabricated steel bar truss bearing plate, high-frequency welded rectangular beams and lightweight internal and exterior walls.

For the years ended 31 December 2020, 2021 and 2022, operating income generated from the Group's steel processing and distribution business was RMB35.5 million, RMB127.7 million and RMB487.7 million, respectively, representing 6.9 per cent., 14.4 per cent. and 25.5 per cent., respectively, of the Group's total operating income for the same periods.

Business Model

The Group primarily conducts its steel processing and distribution business through a "sales-oriented procurement" model under which the Group will first identify the needs of its potential customers before making purchase orders of raw steel from its selected suppliers. At the distribution end, the Group will negotiate with its potential customers to determine the terms of the sales contract including but not limited to the sales quantity, unit price, total price, delivery method, payment and settlement information. At the procurement end, the Group generally enters into procurement contracts with its selected suppliers.

Main Suppliers

The following table sets forth certain procurement information with respect to the Group's top five suppliers of its steel processing and distribution business for the year ended 31 December 2022:

| Supplier name | Purchase amount | Proportion of purchase amount over total purchase amount for the year |
|--|--------------------------|--|
| | <i>(RMB in millions)</i> | <i>(%)</i> |
| Sichuan Century Hengchuang Trading Co., Ltd. (四川世紀恒創貿易有限公司)..... | 21.7 | 4.5 |
| Nanyang Hanye Special Steel Co., Ltd. (南陽漢冶特鋼有限公司)..... | 22.2 | 4.6 |
| Baigou Jinlian Co., Ltd. (百構金聯股份有限公司) | 13.4 | 2.8 |
| Jinan Sanding Materials Co., Ltd. (濟南三鼎物資有限公司)..... | 14.2 | 2.9 |
| Weiyuan Gexin Commercial Trading Co., Ltd. (威遠歌信商貿有限公司)..... | 48.6 | 10.0 |
| Total | 120.4 | 24.7 |

Main Customers

The following table sets forth certain sales information with respect to the Group's top five customers of its steel processing and distribution business for the year ended 31 December 2022:

| Customers | Sales amount | Proportion of sales amount over total sales amount for the year |
|---|--------------------------|--|
| | <i>(RMB in millions)</i> | <i>(%)</i> |
| Hangxiao Steel (Zhejiang) Structure Co., Ltd. (杭蕭鋼構(浙江)有限公司)..... | 116.0 | 23.8 |
| Chia Construction Third Engineering Bureau First Construction Engineering Co., Ltd. (中建三局第一建設工程有限責任公司)..... | 81.7 | 16.8 |
| Shandong Provincial Roads and Bridges Construction Group Co., Ltd. (山東省公路橋樑建設集團有限公司)..... | 44.7 | 9.2 |
| Hebei Gangshan Hangxiao Steel Structure Engineering Co., Ltd. (河北鋼山杭蕭鋼結構工程股份有限公司)..... | 12.8 | 2.6 |
| Neijiang Road and Bridge New Materials Co., Ltd. (內江路橋新型材料有限公司)..... | 6.8 | 1.4 |
| Total | 262.0 | 53.7 |

Engineering Construction

Overview

The Group conducts its engineering construction business primarily through its subsidiary, namely, Lvjian Hangxiao. Lvjian Hangxiao holds a qualification for steel structural components manufacturing, installation and sales.

For the years ended 31 December 2020, 2021 and 2022, operating income generated from the Group's engineering construction business was RMB6.9 million, RMB15.2 million and RMB101.3 million, respectively, representing 1.2 per cent., 1.7 per cent., and 5.3 per cent. of the Group's total operating income for the same periods.

Business Model

The Group obtains engineering construction projects through bidding and tender process. These engineering construction projects are generally conducted under the general contracting model. As the general construction contractor, the Group is responsible for the construction and engineering and management of the project construction progress and delivering projects within an agreed timetable in accordance with prescribed specifications. The Group generally receives stage payment from its customers upon completion of certain milestones of the projects.

Other Businesses

The Group also engages in other businesses including engineering design, parking services and motor vehicle inspection. For the years ended 31 December 2020, 2021 and 2022, operating income generated from the Group's other businesses was RMB59.2 million, RMB70.0 million and RMB209.0 million, respectively, representing 10.7 per cent., 7.9 per cent. and 10.9 per cent. of the Group's total operating income for the same periods.

Engineering Design

The Group conducts its engineering design business primarily through its subsidiary Neijiang Hongda Traffic Survey and Design Co., Ltd. (內江市鴻達交通勘測設計有限責任公司) (“**Hongda Survey and Design**”). Hongda Survey and Design engages in the survey and design of highway bridges and holds a highway industry engineering design qualification (Class B) (公路行業工程設計乙級資質), an engineering survey professional qualification (Class B) (工程勘察專業類乙級資質) and an engineering consulting enterprise qualification (Class C) (工程諮詢單位丙級資質). For the years ended 31 December 2020, 2021 and 2022, operating income generated from the Group's engineering design business was RMB17.9 million, RMB21.4 million and RMB18.4 million, respectively, representing 3.2 per cent., 2.4 per cent., and 1.0 per cent. of the Group's total operating income for the same periods.

Parking Services

The Group conducts its parking services business primarily through its subsidiaries Neijiang Tiancheng Transportation Service Co., Ltd. (內江甜城交通服務有限公司) and Neijiang Road and Bridge Passenger Transportation Operation Management Co., Ltd. (內江路橋客運經營管理有限公司). The Group has the operating rights of certain parking lots and parking spaces in Neijiang. The operating income of the Group's parking services is mainly derived from parking fees charged. For the years ended 31 December 2020, 2021 and 2022, operating income generated from the Group's parking services business was RMB15.5 million, RMB16.7 million and RMB17.0 million, respectively, representing 2.8 per cent., 1.9 per cent. and 0.9 per cent. of the Group's total operating income for the same periods.

Motor Vehicle Inspection

The Group conducts its motor vehicle inspection business primarily through its subsidiary Neijiang Tiancheng Motor Vehicle Inspection Co., Ltd. (內江市甜城機動車檢測有限公司) (“**Tiancheng Motor Vehicle**”). Tiancheng Motor Vehicle holds a certificate of accreditation for inspection and testing organisations (檢驗檢測機構資質認定證書) issued by the Quality and Technical Supervision Bureau of Sichuan Province (四川省質量技術監督局). For the years ended 31 December 2020, 2021 and 2022, operating income generated from the Group's motor vehicle inspection business was RMB3.7 million, RMB3.3 million and RMB4.0 million, respectively, representing 0.7 per cent., 0.4 per cent. and 0.2 per cent. of the Group's total operating income for the same periods.

ENVIRONMENT MATTERS

The operations of the Group are subject to various national and local 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. As at the date of this Offering Circular, the Group believes that it is in compliance in all material respects with applicable national and local environmental laws and regulations in the PRC, and has obtained or is in the process of obtaining all material permits, approvals and certifications required under the PRC law in relation to its operations. As at the date of this Offering Circular, the Group is not aware of any material environmental proceedings or investigations to which it is or might become a party.

INSURANCE

The Group maintains insurance policies, which the Group believes to be consistent with the relevant law and industry and business practice in the PRC. The Group also purchases pension insurance, unemployment insurance and medical insurance for its employees according to the relevant PRC laws and regulations. The Group maintains insurance coverage in the types which it believes are commensurate with its risk of loss and industry practice. Consistent with what the Group believes to be customary practice in the PRC, it does not carry any business interruption insurance, key-man insurance or insurance covering potential environmental damage claims. Such insurance is not mandatory under the laws and regulations of the PRC, and such insurance is either unavailable in the PRC or requires substantial cost.

EMPLOYEES

As at 31 December 2022, the Group had approximately 675 full-time employees. In accordance with the applicable regulations of local governments in regions where the Group has business operations, the Group makes contributions to the pension contribution plan, medical insurance, unemployment insurance, maternity insurance and personal injury insurance. The amount of contributions is based on the specified percentages of employees' aggregate salaries as required by relevant PRC authorities. The Group also makes contributions to an employee housing fund according to applicable PRC regulations. The Group enters into an employment contract with each of its employees in accordance with applicable PRC laws. Such contracts include provisions on wages, vacation, employee benefits, training programmes, health and safety, confidentiality obligations and grounds for termination.

LEGAL PROCEEDINGS

From time to time, the Company, together with its subsidiaries, may be involved in legal proceedings or other disputes in the ordinary course of its business. See also *“Risk Factors –Risks Relating to the Group’s Business – The Group may be involved in disputes, legal and other proceedings arising out of its operations from time to time and may face significant liabilities as a result”*.

As at the date of this Offering Circular, the Group is not aware of any legal proceedings, claims, disputes, penalties or liabilities currently pending or threatened against the Group that may have a material adverse change on its business, financial condition or results of operations.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

The board of directors (the “**Board**”) of the Company consists of five directors, including one chairman and four directors. The Board is primarily responsible for, among others, (i) executing resolutions passed by the shareholders’ meeting; (ii) formulating directions and plans for the operations and investments of the Company; (iii) approving subsidiaries’ articles of associations, operation plans and investment plans; (iv) formulating the annual financial budget and final accounts of the Company and its subsidiaries; (v) formulating the profit distribution and deficit-reduction plans of the Company and its subsidiaries; (vi) formulating plans relating to the increase or reduction of registered capital as well as the bonds issuance of the Company and its subsidiaries; (vii) formulating plans relating to the mergers, dissolutions or restructuring of the Company and its subsidiaries; (viii) making decisions on matters relating to the establishment of internal management units and general management system of the Company and its subsidiaries; (ix) making decisions on hiring and dismissal of the senior management of the Company; and (x) assuming other duties as specified in the articles of associations of the Company. The directors of the Company are appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

The following table sets forth certain information concerning the Company’s directors as at the date of this Offering Circular:

| <u>Name</u> | <u>Age</u> | <u>Position</u> |
|-----------------------------|------------|---|
| Mr. TANG Haoran (唐浩然) | 42 | Chairman of the Board |
| Mr. WANG Zhong (王忠) | 53 | Director and general manager |
| Mr. YANG Zaijun (楊再軍) | 50 | Employee representative director and deputy general manager |
| Mr. ZHUO Bin (卓斌) | 55 | Director and deputy general manager |
| Mr. WU Wenbin (吳文斌) | 55 | Director |

Mr. TANG Haoran (唐浩然), aged 42, has been the chairman of the Board since March 2023. Mr. Tang is currently the secretary of the Party Committee of the Company. Mr. Tang previously served as assistant to the town chief of Lexian Town, Shizhong District, Neijiang City (內江市市中區樂賢鎮), deputy director of the Personnel and Social Work Committee Office of the People’s Congress of Neijiang City (內江市人大人事代聯工委辦公室), deputy director of the Office of the Party Committee of Shizhong District, Neijiang City (內江市市中區委辦公室), deputy director of the Office of the Reconstruction Engineering Office of Huancheng Road (環城路改造工程辦公室), deputy secretary of the Party Committee of Yong’an Town of Shizhong District, Neijiang City (內江市市中區永安鎮), secretary of the Party Committee of Sihexiang Town, Shizhong District (內江市市中區四合鄉), deputy secretary of the Party Committee of the Communist Youth League of Neijiang City, deputy director of the Neijiang Rural Work Committee (內江市農村工作委員會), deputy director of the Poverty Alleviation and Immigration Bureau of Neijiang City, member of the Standing Committee of the Longchang City Party Committee, head of the United Front Work Department of Longchang City (隆昌市), member of the Standing Committee of the Weiyuan County Party Committee, deputy county mayor of the Weiyuan County (威遠縣), and secretary of the Party Committee of the Weiyuan Economic Development Zone.

Mr. WANG Zhong (王忠), aged 53, has been a director and the general manager of the Company since December 2021. Prior to joining the Company, Mr. Wang served as the dean of Neijiang Urban Planning and Design Institute (內江市城市規劃設計院), a deputy general manager and a director of Neijiang Construction Co., Ltd. (內江建工有限責任公司), and a deputy general manager and a director of Neijiang Construction Group Co., Ltd. (內江建工集團有限責任公司). Mr. Wang is currently a deputy secretary of the Party Committee of the Company.

Mr. YANG Zaijun (楊再軍), aged 50, has been an employee representative director and a deputy general manager of the Company since December 2021. Prior to joining the Company, Mr. Yang served as a deputy station manager at Neijiang Municipal Water Supply General Company (內江市自來水總公司), a deputy director of the office of Neijiang Municipal Sewage Treatment Plant (內江市污水處理廠), and the head of the Supply Department and director of the office of Neijiang Municipal Water Affairs Co., Ltd. (內江市水務有限責任公司). Mr. Yang also serves as a director of Neijiang Small Business Guarantee Co., Ltd. (內江市創業小額融資擔保有限公司).

Mr. ZHUO Bin (卓斌), aged 55, has been a director and a deputy general manager of the Company since December 2021. Prior to joining the Company, Mr. Zhuo served as the vice principal of Qiuxi Town Junior Middle School (球溪鎮初級中學) in Zizhong County (資中縣), the chairman of the labour union in the Education Office of Qiuxi Town, Zizhong County, the director of the office of Qiuxi Town Central School (球溪鎮中心學校) in Zizhong County, the responsible person of the Reception Office of the Zizhong County Office Affairs Management Bureau (資中縣機關事務管理局), the head of the Research Office in the Organisation Department of Zizhong County Party Committee, a deputy director of the Office for the Promotion of Food Processing Industry in Neijiang City (內江市食品加工產業推進辦公室), a deputy director of the Office of Economy and Information Technology in Neijiang City (內江市經濟和資訊化委辦公室), the director of the Development and Reform Office in Neijiang City (內江市發展改革委辦公室), the head of the Industrial Development Section of the Development and Reform Office in Neijiang City, and the head of the Industrial and High-tech Industry Section of the Development and Reform Office in Neijiang City. Mr. Zhuo also serves as the chairman of the board of directors and the general manager of Neijiang Luqiao Passenger Transportation Operation and Management Co., Ltd. (內江路橋客運經營管理有限公司).

Mr. WU Wenbin (吳文斌), aged 55, has been a director of the Company since March 2022. Prior to joining the Company, Mr. Wu served as a lecturer at Neijiang Finance and Trade School (內江財貿), the manager of the Planning and Finance Department (計劃財務部) of the Neijiang Branch (內江辦事處) of Sichuan Trust and Investment Company (四川省信託投資公司) and a member of the Asset Clearance Team (資產清理小組) at the Neijiang Branch of Sichuan Trust and Investment Company. Mr. Wu held various management positions at Neijiang State-owned Assets Operation and Management Co., Ltd. (內江市國有資產經營管理有限責任公司) including financial director, deputy general manager, the chairman of the board of directors and secretary of the Party Committee.

SUPERVISORS

The board of supervisors of the Company (the “**Supervisory Board**”) consists of five supervisors. The Supervisory Board is primarily responsible for (i) supervising the Company’s implementation of relevant laws, administrative regulations, and rules and regulations; (ii) selecting independent agencies to conduct inspection of the financial matters of the Company, review of the Company’s financial and accounting information and other materials related to its business and management activities, and verification of the authenticity and legality of the Company’s financial reports; (iii) inspecting the Company’s operating performance, profit distribution, value preservation and appreciation of state-owned assets, and asset operation; (iv) inspecting commercial conduct of the responsible person of the Company, evaluating his managerial performance, and making recommendations for remuneration, punishments and appointments; and (v) commencing legal proceedings against directors and senior management of the Company in accordance with the Company Law of the People’s Republic of China. The supervisors of the Company are appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

The following table sets forth certain information concerning the Company’s Supervisory Board as at the date of this Offering Circular:

| Name | Age | Position |
|-------------------------------|------------|-----------------------------------|
| Mr. WANG Quanming (王全明) | 61 | Chairman of the Supervisory Board |
| Ms. LI Yimao (李易懋)..... | 39 | Supervisor |

| Name | Age | Position |
|---------------------------|-----|------------------------------------|
| Mr. SHEN Jian (沈建)..... | 53 | Supervisor |
| Ms. DUAN Xu (段旭)..... | 38 | Employee representative supervisor |
| Mr. ZHOU Yubin (鄒玉彬)..... | 35 | Employee representative supervisor |

Mr. WANG Quanming (王全明), aged 61, has been a supervisor of the chairman of the Supervisory Board since May 2020. Mr. Wang has served in various positions at the Neijiang Municipal People's Congress Standing Committee (內江市人大常委會) including deputy head of the research division, deputy head of the Secretariat, deputy head of the Finance and Economics Work Committee, and has served as deputy director of the Neijiang SASAC. Mr. Wang is currently a deputy director of the Neijiang SASAC, a supervisor of Sichuan Neijiang Transport Investment and Development Co., Ltd. (四川內江交通投資開發有限責任公司), a supervisor of Hongda Survey and Design, and a supervisor of Sichuan Tuofeng Culture Communication Co., Ltd. (四川省沱風文化傳播有限責任公司).

Ms. LI Yimao (李易懋), aged 39, has been a supervisor of the Company since May 2020. Ms. Li previously served as the director of the Party and Government Office of the People's Government of Lexian Town, a deputy secretary of the Party Working Committee of Lexian Town and the secretary of the Discipline and Inspection Commission of Neijiang City. Ms. Li is currently a deputy director of the Supervisory Committee Working Centre of the Neijiang SASAC, a supervisor of the Neijiang Investment Holding Group Co. Ltd. (內江投資控股集團有限公司), and a supervisor of Sichuan Neijiang Transport Investment and Development Co., Ltd.

Mr. SHEN Jian (沈建), aged 53, has been a supervisor of the Company since May 2020. Mr. Shen worked as a sergeant major in charge of the Fibre Optic Station (光纖站) of the 21st Nuclear Test Base, Malan, Xinjiang (新疆馬蘭 21 核試驗基地), under the Commission for Science, Technology and Industry for National Defense of the People's Liberation Army (中國人民解放軍國防科工委). Mr. Shen worked at the Neijiang Brigade of the Sichuan Provincial Armed Police Force (武警四川省總隊內江市支隊). Mr. Shen is currently a deputy head of the Comprehensive Reform Division (綜合改革科) of the Neijiang SASAC, the head of the Supervisory Committee Affairs Division (監事會工作科) of the Neijiang SASAC, and a supervisor of the Neijiang Investment Holding Group Co., Ltd. (內江投資控股集團有限公司).

Ms. DUAN Xu (段旭), aged 38, has been an employee representative supervisor of the Company since January 2021. Prior to joining the Company, Ms. Duan worked as a sales manager for Sichuan area at Shenzhen Ocean King Lighting Engineering Co., Ltd. (深圳市海洋王照明工程有限公司) and a staff member in the Operation and Management Department (經管部) at Sichuan Neijiang Traffic Investment Development Co., Ltd. (四川內江交通投資開發有限責任公司). Ms. Duan has held various positions at the Company including cashier, labour union accountant, and organisational committee member and deputy manager of the Investment Operations Department. Ms. Duan is currently a manager of the Investment Operations Department of the Company and a director of Hongda Survey and Design.

Mr. ZHOU Yubin (鄒玉彬), aged 35, has been a supervisor of the Company since May 2020. Mr. Zhou previously served as a site supervisor for Sichuan Mingyang Construction Engineering Supervision Co. Ltd. (四川名揚建設工程監理有限公司). Mr. Zhou is currently the head of the Construction Department of the Company.

SENIOR MANAGEMENT

The following table sets forth certain information concerning the Company's senior management as at the date of this Offering Circular:

| Name | Age | Position/Title |
|--------------------------|-----|------------------------------|
| Mr. WANG Zhong (王忠)..... | 53 | Director and general manager |

| | | |
|----------------------------|----|---|
| Mr. YANG Zaijun (楊再軍)..... | 50 | Employee representative director and deputy general manager |
| Mr. ZHUO Bin (卓斌)..... | 55 | Director and deputy general manager |

Mr. WANG Zhong (王忠), aged 53, has been a director and the general manager of the Company general manager of the Company since December 2021. For Mr. Wang’s biography, see “– *Directors*” above.

Ms. YANG Zaijun (楊再軍), aged 50, has been an employee representative director and a deputy general manager of the Company since December 2021. For Mr. Zhang’s biography, see “– *Directors*” above.

Mr. ZHUO Bin (卓斌), aged 55, has been a director and a deputy general manager of the Company since December 2021. For Mr. Zhou’s biography, see “– *Directors*” above.

PRC REGULATIONS

This section summarises the principal PRC laws and regulations which are relevant to the issue of the Bonds by the Issuer and/or the Group's businesses 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 Issuer, the Bonds or the Group's businesses and operations.

NDRC REGISTRATION

Pursuant to the Measures for the Administration of Overseas Investment of Enterprises (No. 11 of NDRC) issued by the NDRC on 26 December 2017 and effective as of 1 March 2018, projects subject to approval are sensitive projects to be carried out by investors either directly or through overseas enterprises controlled thereby and the approval authority is the NDRC. Projects subject to filing are non-sensitive projects directly carried out by investors, namely the non-sensitive projects involving the direct investment of assets and equities or the provision of financing or guarantees. For a project requiring filing, the authority in charge of filing is (i) the NDRC, if the investor is a centrally administered enterprise (a centrally administered financial enterprise or an enterprise directly subordinate to the administration by the State Council or its subordinate organ); (ii) the NDRC, if the investor is a local enterprise and the amount of investment by PRC parties is U.S.\$0.3 billion or above; and (iii) the provincial development and reform authority at the place where the investor is registered, if the investor is a local enterprise and the amount of investment by PRC parties is less than U.S.\$0.3 billion. The sensitive projects referred to in it include: (i) projects involving sensitive countries and regions; and (ii) projects involving sensitive industries. The sensitive countries and regions include: (i) countries and regions that have not yet established diplomatic relations with PRC; (ii) countries and regions where wars and civil strife occur; (iii) countries and regions where investment made by enterprises shall be restricted according to the international treaties and protocols concluded or acceded by PRC; and (iv) other sensitive countries and regions. The sensitive industries include: (i) research, production, maintenance and repair of military equipment; (ii) development and utilisation of cross-border water resources; (iii) news media; (iv) industries for which outbound investments by enterprises shall be restricted according to PRC laws, regulations and related regulatory policies. The category of sensitive industries shall be released by NDRC.

The Order 56, which was issued on 5 January 2023 and came into effect on 10 February 2023. The Order 56 impose the following additional regulatory requirements:

- The enterprise for issuance of foreign debts, its controlling shareholders or de facto controlling persons (i) shall not have committed any crime relating to corruption, bribery, embezzlement or misappropriation of assets or other criminal offences that may impede the order of the socialist market economy, and (ii) shall not be under formal investigation for criminal offences or material breach of laws or regulations, in each case, within the past 3 years.
- Enterprises are required to undergo review and registration procedure to obtain the Certificate of Review and Registration of Enterprise Borrowing of Foreign Debts. Whilst a failure to register will not invalidate the foreign debt, the Order 56 provide that NDRC may take disciplinary measures against non-compliant enterprises and their main responsible persons, such as regulatory interview or public warning.
- Use of proceeds from foreign debt shall not threaten or be detrimental to information and data security, increase local government's hidden debts, or be used for speculative purposes. The Order 56 remove the restriction that the proceeds of foreign debt shall not be applied to make up the losses, and, in relation to on-lending of proceeds, such arrangement is prohibited unless it has been disclosed in the application documents and approved by the NDRC.
- Enterprises are required to, among others, report on the status of the foreign debt within ten working days after the expiry of the relevant registration certificates, report on use of proceeds, principal and interest repayment status and arrangement and key business indicators within five working days prior to the end of January and July each year, and promptly report on any material event that may affect the due performance of their debt obligations.
- Enterprises and their main responsible persons may be subject to a public warning, if there is any concealment, false record, misleading statement or material omission in the application documents and information disclosed by such enterprises, or if they fail comply with certain reporting obligations.

SAFE ADMINISTRATION

According to the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) and its operating guidelines (外債登記管理操作指引), effective as at 13 May 2013 and amended on 4 May 2015 and 26 April 2016, respectively, issuers of foreign debts are required to register with the SAFE. Issuers other than banks and financial departments of the government shall go through registration or record-filing procedures with the local branch of the SAFE within 15 business days of entering into a foreign debt agreement. If the receipt and payment of funds related to the foreign debt of such issuer is not handled through a domestic bank, the issuer shall, in the event of any change in the amount of money withdrawn, principal and interest payable or outstanding debt, go through relevant record-filing procedures with the local branch of the SAFE.

On 12 January 2017, the PBOC issued the Cross Border Financing Circular, which is not applicable to government financing platforms or real estate enterprises. According to the Cross Border Financing Circular, nonfinancial institutions and financial institutions with legal person status incorporated in the PRC are permitted to incur foreign debts, provided that their cross-border financings risk-weighted balances (跨境融資風險加權餘額) do not exceed their individually calculated cross-border financing risk-weighted balance ceiling (跨境融資風險加權餘額上限) and enterprises conducting cross-border financing shall complete the filing with the capital project information system of SAFE after the execution of cross-border financing contracts and three PRC business days prior to drawing for SAFE's records. Enterprises shall also promptly update information on cross-border financing and rights and interests each year (including overseas creditors, borrowing term, amount, interest rate and its net assets, etc.). In the case of any change in the audited net assets, overseas creditors, borrowing term, amount, or interest rate involved in the financing contracts, the enterprise shall promptly file the change for SAFE's records.

PBOC REGISTRATION

Under the Cross Border Financing Circular, an enterprise shall report the information on the conclusion of cross-border financing contracts to the capital account information system of the SAFE for recordation after the date of conclusion but no later than three working days before the withdrawal date. In addition, the enterprise is also required to update the information with respect to the cross-border financing every year. If the audited net assets, or the creditor, loan terms, amount or interest rate of the cross-border financing agreement changes, the enterprise is required to complete the change of the filing in due course.

THE PRC LEGAL SYSTEM

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

The National People's Congress of the PRC (the "NPC") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil, criminal and other matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC. The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul such administrative rules, regulations, directives and orders.

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

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes or in order to enforce the law. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level. The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. The Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional rules and regulations is vested in the regional legislative and administrative bodies which promulgated such laws.

THE PRC JUDICIAL SYSTEM

Under the PRC Constitution and the Law of Organisation of the People's Courts, the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts.

The local courts are comprised of the basic courts, the intermediate courts and the higher courts. The basic courts are organised into civil, criminal, economic, administrative and other divisions. The intermediate courts are organised into divisions similar to those of the basic courts, and are further organised into other special divisions, such as the intellectual property division. The higher-level courts supervise the basic and intermediate courts. The people's procuratorate also have the right to exercise legal supervision over the civil proceedings of courts at the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC; it supervises the administration of justice by all other courts.

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

The Civil Procedure Law of the PRC (中華人民共和國民事訴訟法), which was adopted on 9 April 1991 and amended on 28 October 2007, 31 August 2012, 27 June 2017 and 24 December 2021, respectively, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of the contract, the place of execution or implementation of the contract or the place of the object of the contract or any other places materially connected with the dispute. However, such contractual selection may not override the stipulations of the mandated jurisdiction of the different levels of court and the exclusive jurisdiction of a given court in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the court to request for enforcement of the judgment, order or award. The time limit imposed on the right to apply for such enforcement is two years. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by any party to the action, mandatorily enforce the judgment.

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

recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

PRC CURRENCY CONTROLS

Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to control imposed under PRC law.

Current Account Items

Under the PRC foreign exchange control regulations, current account item payments include payments for imports and exports of goods and services, payments of income and current transfers into and outside the PRC.

Prior to July 2009, all current account items were required to be settled in foreign currencies. Since July 2009, the PRC has commenced a pilot scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. In June 2010, July 2011 and February 2012 respectively, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Program of Renminbi Settlement of Cross-Border Trades (關於擴大跨境貿易人民幣結算試點有關問題的通知), the Circular on Expanding the Regions of Cross-border Trade Renminbi Settlement (關於擴大跨境貿易人民幣結算地區的通知) and the Notice on Matters Relevant to the Administration of Enterprises Engaged in Renminbi Settlement of Export Trade in Goods (關於出口貨物貿易人民幣結算企業管理有關問題的通知) (together, the “**Circulars**”) with regard to the expansion of designated cities and offshore jurisdictions implementing the pilot Renminbi settlement scheme for cross-border trades. Pursuant to these Circulars, (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts were expanded to cover all provinces and cities in the PRC, (iii) the restriction on designated offshore districts has been lifted and (iv) any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports of goods, provided that the relevant provincial government has submitted to PBOC and five other PRC authorities (the “**Six Authorities**”) a list of key enterprises subject to supervision and the Six Authorities have verified and signed off such list (the “**Supervision List**”).

On 5 July 2013, the PBOC promulgated the Circular on Policies related to Simplifying and Improving Cross—border Renminbi Business Procedures (關於簡化跨境人民幣業務流程和完善有關政策的通知) (the “**2013 PBOC Circular**”), which, in particular, simplifies the procedures for cross-border Renminbi trade settlement under current account items. For example, PRC banks may conduct settlement for PRC enterprises (excluding those on the Supervision List) upon the PRC enterprises presenting the payment instruction. PRC banks may also allow PRC enterprises to make/receive payments under current account items prior to the relevant PRC bank’s verification of underlying transactions (noting that verification of underlying transactions is usually a precondition for cross-border remittance).

The Circulars and the 2013 PBOC Circular are subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying these circulars and impose conditions for settlement of current account items.

REGULATION ON FISCAL DEBTS OF LOCAL GOVERNMENTS

In accordance with Guidance on Further Strengthening Adjustment of Credit Structure to Promote Fast and Smooth Development of National Economy (中國人民銀行、中國銀行業監督管理委員會關於進一步加強信貸結構調整促進國民經濟平穩較快發展的指導意見) issued jointly by the PBOC and the CBRC in March 2009, local governments are encouraged to establish financing platforms to issue financing instruments such as enterprise bonds and medium term notes. In order to strengthen the management of financing platforms and effectively prevent fiscal financial risks, the Notice on Strengthening Management of Financing Platform of Local Government (國務院關於加強地方政府融資平台公司管理有關問題的通知) (“**Circular 19**”) and the Notice on Further Regulating Issuance of Bonds by Financing Platform of Local Government(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 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 platforms. In accordance with Circular 2881, the level of indebtedness of local governments will have an impact on the ability of the financing platform to issue enterprise bonds. On 21 September 2014, the Opinion on Enhancing the Administration of Fiscal Debts of Local Governments (國務院關於加強地方政府性債務管理的意見) (“**Circular 43**”) was promulgated by the State Council. Circular 43 aims at regulating the financing system of local government. In accordance with Circular 43, financing platforms shall no longer serve the fiscal financing functions nor incur new government debts. Public interest projects may be funded by the government through issuing government bonds, since the new Budget Law of the PRC, which took effect on 1 January 2015 and amended on 29 December 2018, empowers local governments to issue government bonds, and public interest projects with income generated, such as city infrastructure construction, may be operated independently by social investors or jointly by the government and social investors through the establishment of special purpose companies. Social investors or such special purpose companies shall invest in accordance with market-oriented principles and may be funded by, among other market-oriented approaches, bank loans, enterprise bonds, project revenue bonds and asset-backed securitisation. Social investors or the special purpose companies shall bear the obligation to pay off such debts and the government shall not be liable for any of the social investors' or special purpose companies' debts. Circular 43 also sets forth the general principles of dealing with existing debts of financing platforms. Based on the auditing results of such debts run by the local governments, the existing debts that should be repaid by the local governments shall be identified, reported to State Council for approval, and then included in the budget plan of local governments. On 11 May 2015, Opinion on the Proper Solution of the Follow-up Financing Issues for Projects under Construction of Financing Platform of Local Governments issued jointly by the MOF, the PBOC and the CBRC (財政部人民銀行銀監會關於妥善解決地方政府融資平台公司在建項目後續融資問題意見的通知) (“**Circular 40**”) was promulgated by the General Office of the State Council of the PRC. In accordance with Circular 40, local governments at all levels and banking financial institutions shall properly deal with follow-up financing issues for projects under construction of financing platform companies. Projects under construction refer to projects that have started construction upon the completion of examination, approval or filing procedures in accordance with relevant regulations 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. In respect of loans to the projects under construction of financing platform companies, if the loan contracts which are legally binding 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 any 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 capital such as fiscal capital and social capital and ensure the continuation and completion of projects under construction. For the projects under construction of financing platform companies for which the loan amount in the contracts that have been signed fails to meet the construction needs, if it is suitable for them to adopt a government and social capital cooperation mode, they shall prioritise such mode to make up the needs. And if they are in compliance with the relevant state provisions without any other funding sources for construction, but temporarily the government and social capital cooperation mode is not suitable, the 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 amounts of government bonds issuance and where the treasury balances exceed the

treasury payment for one and a half months, the local financial departments are allowed to, within the limit of the amount of government bonds issuance, make more 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.

Neither Circular 43 nor Circular 40 is applicable to the Bonds and neither the Neijiang SASAC nor any other government authority has any obligation to repay any amount under the Bonds. In the event the Issuer does not fulfil their respective payment obligations under the Bonds, investors will only be able to claim against the Issuer, and not the Neijiang SASAC or any other government authority.

On 28 March 2018, MOF promulgated the Circular of the State Council on Regulating the Investment and Financing of Financial Enterprises to Local Governments and State-Owned Enterprises (關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知) (“**MOF Circular 23**”), which came into effect on the same day. Under MOF Circular 23, when providing intermediary services for local government financing platform companies and other local state-owned enterprises regarding issuance of bonds at home and abroad, state-owned financial enterprises shall prudently evaluate the financial capability of fund-raisers and their source of funds for repayment. Where the source of revenue of bond-issuing enterprises involves fiscal funds, due diligence investigation shall be carried out, and the compliance and authenticity of fiscal funds shall be diligently verified. In bond prospectus and other documents, local financial revenues and expenditures, government debt data, or any other information implicitly or explicitly indicating support of government credit shall not be disclosed, and misleading publicity connecting with government credit shall be prohibited. It shall be specified in relevant transaction documents that the local government shall only assume limited liability to the extent of its amount of contribution and the relevant debts shall be repaid by local state-owned enterprises as independent legal persons.

On 11 May 2018, the NDRC and MOF jointly issued Notice on Improving Market Restraint Mechanism and Strictly Preventing Foreign Debt Risk and Local Debt Risk (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) (“**Joint Circular**”). Under Joint Circular, enterprises that take on foreign debts shall have materialised operations, conduct financing activities in compliance with laws after fully demonstrating the necessity of taking on such foreign debts. It is forbidden for enterprises to require or accept local governments and their subordinate departments to provide guarantees or assume debt repayment obligations for their market-oriented financing behaviours in a variety of ways, so as to ensure that “whoever borrows, who borrows from them, who borrows them, makes prudent decisions, and takes risks at his own expense”. Further, the assets owned by such enterprises shall be of good quality, the ownership shall be clear. It is forbidden that public schools, public hospitals, public cultural facilities, parks, public squares, government office buildings, municipal roads, non-toll bridges, non-operating water conservancy facilities, non-toll pipeline network facilities, reserved land use rights and other assets relating to public interests be accounted into enterprises’ assets. It is restated that in bond prospectus and other documents, local financial revenues and expenditures, government debt data, or any other information implicitly or explicitly indicating support of government credit shall not be disclosed, and misleading publicity connecting with government credit shall be prohibited, and it shall be specified in relevant transaction documents that the local government shall only assume limited liability to the extent of its amount of contribution and the relevant debts shall be repaid by local state-owned enterprises as independent legal persons.

REGULATIONS ON EMPLOYMENT RELATIONSHIPS

Labour Laws

Pursuant to the Labour Law of the PRC (中華人民共和國勞動法) which was promulgated on 5 July 1994 and amended on 27 August 2009 and 29 December 2018, respectively, and the Labour Contract Law of the PRC (中華人民共和國勞動合同法) which was promulgated on 29 June 2007 and became effective on 1 January 2008 and which was further amended on 28 December 2012 and became effective on 1 July 2013, if an employment relationship is established between an entity and its employees, written labour contracts shall be signed. The relevant laws stipulate the maximum number of working hours per day and per week, respectively. Furthermore, the relevant laws also set forth the minimum wages. The entities shall establish and develop systems for occupational safety and sanitation, implement the rules and standards of the State on occupational safety and sanitation, educate employees on occupational safety and sanitation, prevent accidents at work and reduce occupational hazards.

Social Security Laws

Under applicable PRC laws, rules and regulations, including the Social Security Law of the PRC (中華人民共和國社會保險法) which became effective on 1 July 2011 and was amended on 29 December 2018, the Interim Measures Concerning the Maternity Insurance of Enterprises Employees (企業職工生育保險試行辦法) which became effective on 1 January 1995, the Interim Regulations on the Collection and Payment of Social Security Funds (社會保險費徵繳暫行條例) which was promulgated and became effective on 22 January 1999 and was amended on 24 March 2019, the Regulation on Work-Related Injury Insurance (工傷保險條例), which was promulgated on 27 April 2003 and which was further amended on 20 December 2010, and the Regulations on the Administration of Housing Accumulation Funds (住房公積金管理條例) which was promulgated on 3 April 1999 and further amended on 24 March 2002 and 24 March 2019, respectively, employers are required to make contribution to the basic pension insurance fund, unemployment insurance, basic medical insurance fund, work-related injury insurance fund, maternity leave insurance fund and housing accumulation funds for their employees. If the employer fails to make social security registration and refuses to rectify within the prescribed time limits, in addition to a standard penalty of anywhere between CNY500 to CNY3,000 imposed directly on the responsible persons which are directly in charge and involved, the employer will also be subject to a penalty which is calculated based on one to three times of the outstanding social security contributions.

Bidding and Tendering Management

Bidding and tendering of various construction projects have been provided in the Bidding and Tendering Law of the PRC (中華人民共和國招標投標法) promulgated by the Standing Committee of the National People's Congress (the "SCNPC") on 30 August 1999 and amended on 27 December 2017 which became effective on 28 December 2017, Regulation on the Implementation of the Bidding and Tendering Law of the PRC (中華人民共和國招標投標法實施條例) promulgated by State Council on 20 December 2011 which became effective on 1 February 2012, amended on 1 March 2017 and 2 March 2019 which became effective on the same date, Measures for the Construction Bidding and Tendering of Construction of Engineering Projects (工程建設項目施工招標投標辦法) jointly promulgated by the NDRC, the former Ministry of Construction (the "MOC") (which has been replaced by the Ministry of Housing and Urban-Rural Development of the PRC, the "MOHURD"), the former Ministry of Railways (the "MOR"), Ministry of Transport (the "MOT"), Ministry of Information Industry of the PRC, Ministry of Water Resources of the PRC, and Civil Aviation Administration of China in 8 March 2003 which became effective on 1 May 2003, amended on 11 March 2013 and became effective on 1 May 2013, Administrative Measures for the Bidding and Tendering of Design of Construction Projects (建築工程設計招標投標管理辦法) issued by MOHURD on 24 January 2017 and became effective on 1 May 2017, Provisions Engineering Projects Which Must Be Subject to Bidding (必須招標的工程項目規定) issued by the NDRC on 27 March 2018 and became effective on 1 June 2018, Administrative Measures for the Bidding and Tendering of Housing Construction and Municipal Infrastructure Work (房屋建築和市政基礎設施工程施工招標投標管理辦法) issued by MOC on 1 June 2001 and amended on 28 September 2018 and 13 March 2019 and became effective on the same date.

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

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

In accordance with the Bidding and Tendering Law of the PRC and Measures for the Construction Bidding and Tendering of Construction Projects, if any project that shall undergo bidding as required by law fails to go through the bidding process, or the items subject to bidding are broken up into pieces or the bidding requirement is otherwise evaded, the relevant administrative supervision department shall order rectification within a specified period, and

may impose a fine of 0.5 per cent. up to 1 per cent. of the contract amount of the project. For projects using the state-owned funds in whole or in part, the project approval authority may suspend the implementation of the project or suspend the fund appropriation, and impose punishment on the person direct in charge of the entity or other person directly liable. Further, in accordance with the provisions of the Interpretations No. 1 of the Supreme People's Court on Issues of Law Application during the Trial of Construction Contracts for Building Projects (最高人民法院關於審理建設工程施工合同糾紛案件適用法律問題的解釋(一)) issued by the Supreme People's Court on 29 December 2020 and became effective on 1 January 2021, if any project that is required to undergo a bidding process fails to go through the bidding process or the bid award is invalid, the construction contract for building projects shall become invalid.

Quality Management

Laws and regulations on project quality mainly include Construction Law of the PRC, Regulation on Quality Management of Construction Projects (建設工程質量管理條例) issued by the State Council on 30 January 2000 amended on 23 April 2019, Administrative Measures for Quality Management of Construction Project Survey (建設工程勘察質量管理辦法) amended by MOC on 22 November 2007 and 1 April 2021 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辦法) issued jointly by MOHURD and MOF on 20 June 2017 and became effective on 1 July 2017, Administrative Measures for Completion Acceptance Record of Building Construction and Municipal Infrastructure Projects (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) issued by MOHURD on 19 October 2009 and became effective on the same date, Measures for Quality Warranty of Building Construction Projects (房屋建築工程質量保修辦法) issued by MOC on 30 June 2000 and became effective on the same date, Measures for Completion Acceptance of Port Works (港口工程建設管理規定) promulgated by MOT on 15 January 2018 which became effective on 31 March 2018 and amended on 28 November 2019 and Measures for Completion (Delivery) Acceptance of Highway Works (公路工程竣(交)工驗收辦法) promulgated by Ministry of Communications, which has been dismantled now, on 15 March 2004 and became effective on 1 October 2004, and its Implement which is promulgated on 27 January 2010 and became effective on 1 May 2010.

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

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 and amended on 2 July 2016 and 29 December 2018, Administrative Regulations on Environmental Protection of Construction Projects (建設項目環境保護管理條例) issued by State Council on 29 November 1998 and amended on 16 July 2017 and became effective on 1 October 2017.

In accordance with the provisions of the Administrative Regulations on Environmental Protection of Construction Projects, upon completion of construction of a construction project for which an environment impact report or environment impact statement is formulated, the builder shall conduct acceptance inspection of the complementary environmental protection facilities pursuant to the standards and procedures stipulated by the environmental protection administrative authorities of the State Council, and formulate the acceptance inspection report.

Environmental Protection

The Environmental Protection Law of the PRC (中華人民共和國環境保護法), promulgated on 26 December 1989 by the Standing Committee of the National People's Congress, which became effective on 26 December 1989, as amended on 24 April 2014, establishes the legal framework for environmental protection in the PRC.

The environmental protection department of the State Council supervises environmental protection work in the PRC, and establishes national standards for the discharge of pollutants. Each of the local environmental protection bureaus is responsible for the environmental protection work within their respective jurisdictions.

Air Pollution

The Air Pollution Prevention Law of the PRC (中華人民共和國大氣污染防治法), amended on 26 October 2018 and became effective on the same date, establishes the legal framework for air pollution prevention in the PRC. The environmental protection department of the State Council formulates national air quality standards. Each of the local environmental protection bureaus is authorised to regulate air pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation.

Water Pollution

The Water Pollution Prevention Law of the PRC (中華人民共和國水污染防治法), promulgated on 11 May 1984 by the Standing Committee of the National People's Congress, which became effective on 1 November 1984, and amended on 15 May 1996, 28 February 2008 and 27 June 2017, which became effective on 1 January 2018, establishes the legal framework for water pollution prevention in the PRC. The environmental protection department of the State Council formulates national waste discharge standards. Enterprises that discharge waste into water shall pay a treatment fee. Each of the local environmental protection bureaus is authorised to regulate water pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation, including suspending operations.

Noise Pollution

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

Construction Projects

The Environmental Impact Appraisal Law of the PRC (中華人民共和國環境影響評價法), promulgated by the Standing Committee of the National People's Congress on 28 October 2002, amended on 2 July 2016 and 29 December 2018, which became effective on the same date, the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例), promulgated by the State Council on 29 November 1998 and amended on 16 July 2017, which became effective on 1 October 2017, require enterprises planning construction projects to engage qualified professionals to provide assessment reports on the environmental impact of such projects. The assessment report shall be filed with and approved by the relevant environmental protection bureau, prior to the commencement of any construction work. The construction project shall not commence operation, unless inspected and approved by the relevant environmental protection bureau.

Qualifications of Real Estate Developers

A PRC property developer must hold a valid qualification certificate to develop property. In addition, at various stages of project development, a PRC property developer must also obtain or renew various licences, certificates, permits and approvals from the relevant PRC administrative authorities, including land use right certificates, planning permits, construction permits, pre-sale permits and certificates or confirmation of completion.

According to the Provisions on Administration of Qualifications of Real Estate Developers (房地產開發企業資質管理規定) issued on 29 March 2000 and amended on 4 May 2015 and 22 December 2018 by the MOHURD, a newly established property developer must first apply for a provisional qualification certificate with a one-year

validity, which can be renewed annually for not more than two consecutive years. If, however, the newly established property developer fails to commence a property development project within the one-year period following the issue of the provisional qualification certificate, it will not be allowed to extend the term of its provisional qualification certificate. Developers with longer operating histories must submit their qualification certificates to relevant construction administration authorities for review annually. Government regulations require developers to fulfil all statutory requirements before they may obtain or renew their qualification certificates.

Land Acquisition Laws

The Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有土地使用權規定) issued by the former Ministry of Land and Resources of the PRC (the “MLR”) (which has been merged with certain departments and formed the Ministry of Natural Resources of the PRC) (“Circular 11”) provide that, from 1 July 2002, land use rights for the purposes of commerce, tourism, entertainment and commodity residential property development in China shall be granted by the government only through public tender, auction or listing-for-sale.

In September 2007, the MLR further promulgated the Regulations on the Grant of State-owned Construction Land Use Rights through Public Tender, Auction and Invitation for Bidding (招標拍賣掛牌出讓國有建設用地使用權規定) to amend Circular 11, requiring that land for industrial use, except land for mining, must also be granted by public tender, auction and invitation for bidding. Only after the grantee has paid the land premium in full under the land grant contract can the grantee apply for the land registration and obtain the land use right certificates.

In November 2009, the MOF, the MLR, the PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (關於進一步加強土地出讓收支管理的通知). This notice raises the minimum down payment for land premium to 50 per cent. and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions.

The MLR promulgated the Notice on Problems Regarding Strengthening Supply and Monitoring of Real Estate Land Supply (關於加強房地產用地供應和監管有關問題的通知) on 8 March 2010. According to the notice, the land provision for affordable housing, redevelopment of slum districts and small/medium residential units for occupier owner should be no less than 70 per cent. of total land supply, and the land supply for large residential units will be strictly controlled and land supply for villa projects will be banned. The notice also requires that the lowest land grant price should not be less than 70 per cent. of the basic land price of the place where the granted land is located and the real estate developer’s bid deposit should not be less than 20 per cent. of the lowest grant price. The land grant agreement must be executed within ten working days after the land transaction is confirmed. The minimum down payment of the land premium should be 50 per cent. and must be paid within one month after the execution of the land grant agreement. The balance should be paid in accordance with the agreement, but no later than one year. If the land grant agreement is not executed in accordance with the requirement above, the land shall not be handed over and the deposit will not be returned. If no grant premium is paid after the execution of the agreement, the land must be withdrawn.

On 21 September 2010, the MLR and the MOHURD issued the Notice on Further Strengthening the Administration and Control of the Lands for Real Estates and the Construction of Real Estates (國土資源部、住房和城鄉建設部關於進一步加強房地產用地和建設管理調控的通知) to tighten the examination of qualifications of land bidders. It specifies that when the bidders take part in the bidding or auction of the transferred land, the competent authority of land and resources shall, in addition to requiring proof of identity documents and payment of the bid security, require an undertaking letter stating that the bid security is not from any bank loan, shareholders’ borrowing, on-lending or raised funds and the credit certificate issued by commercial financial institutions. If the bidders are found to have conducted any of the following illegal or irregular activities, the competent authority of land and resources shall forbid the bidders and their controlling shareholders from participating in land bidding activities: (i) committing crimes such as forgery of instruments with an aim to illegally sell the land; (ii) conducting illegal activities such as illegal transfers of land use right; (iii) where the land is idling for a period of more than one year due to the enterprises’ reasons; or (iv) where the development and construction enterprise develops and takes advantage of the land in contravention of the conditions as agreed in the transfer contract. The relevant authorities of land and resources at all levels are required to strictly implement the regulations.

On 8 April 2013, the MLR issued the Notice on Issuance of Technical Code on Valuation for Land Grant Premium of State-owned Construction Land Use Rights (Trial) (《關於發佈〈國有建設用地使用權出讓地價評估技術規範(試行)〉的通知》). The notice provides that, the competent local land authority must conduct valuation process to determine the basic price of state-owned lands for grant, which shall be determined based on a valuation report on the land in consistent with the technical code issued. The ultimate land premium reached between the land authority and the grantee shall not be less than the basic price of the land determined previously. The Notice on Issuance of Technical Code on Valuation for Land Grant Premium of State-owned Construction Land Use Rights (Trial) was replaced by Notice on Issuance of Technical Code on Valuation for Land Grant Premium of State-owned Construction Land Use Rights (《國土資源部辦公廳關於印發〈國有建設用地使用權出讓地價評估技術規範〉的通知》) which was issued by MLR on 9 March 2018.

On 25 March 2015, the MLR and the MOHURD issued the Notice on Optimizing the Housing and Land Supply Structure in 2015 and Promoting Stable and Sound Development of Real Estate Market (國土資源部、住房城鄉建設部關於優化2015年住房及用地供應結構促進房地產市場平穩健康發展的通知), pursuant to which if the real estate enterprises have conducted serious illegal or irregular activities in the land development and transaction, the competent authorities of land and resources have the power to restrict or forbid the real estate enterprises from participating in new land bidding activities.

Land Use Rights

If a developer fails to develop the project according to the terms of the land grant contract, the relevant government authorities may issue a warning to, or impose a penalty on, the developer or confiscate the land use rights. Any violation of the land grant contract may also restrict a developer's ability to participate, or prevent it from participating in, future land bidding. Specifically, pursuant to the Measure on Disposal of Idle Land (閒置土地處置辦法) which was promulgated by MLR on 28 April 1999, as amended on 1 June 2012 and became effective on 1 July 2012, if a developer fails to commence development for more than one year from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may serve a warning notice on such developer and impose an idle land fee of up to 20 per cent. of the land premium, unless the delay in the development is caused by government actions or force majeure. If a developer fails to commence the development for more than two years from the commencement date stipulated in the land grant contract, the land use rights are subject to forfeiture to the PRC government unless the delay in development is caused by government actions or force majeure. On 12 September 2014, the Ministry of Land and Resources issued the Guidelines on Improving Economical and Intensive Use of Land (關於推進土地節約集約利用的指導意見), which implements the rules regarding idle land and specifies the controlling requirements of the land use standards in the relevant legal documents including land use approvals and land grant contracts.

On 29 September 2010, the PBOC and the CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (關於完善差別化住房信貸政策有關問題的通知), which required commercial banks to cease to grant loans for new development projects and renewal of loans to property developers that have records of violation of laws and regulations as a result of, among other things, rendering the land idle, changing the use and nature of land, delaying the construction commencement and completion and refusing to sell the properties. On 26 January 2011, the General Office of the State Council promulgated the Notice on Further Improving the Real Estate Market Regulation and Work-related Issues (關於進一步做好房地產市場調控工作有關問題的通知), which stipulates that the PRC government will confiscate land use rights and impose a fine if a developer fails to obtain the construction permit and commence development for more than two years from the commencement date stipulated in the land grant contract.

Leases of Properties

On 1 December 2010, the MOHURD issued the Administrative Measures for Commodity Housing Tenancy (商品房屋租賃管理辦法), according to which parties to a housing tenancy shall go through the housing tenancy registration formalities with the competent governmental construction (real estate) departments of the county, city, or directly-controlled municipality where the housing is located within 30 days of signing the housing tenancy contract. The relevant construction (real estate) departments are authorised to impose a fine of up to RMB1,000 on individuals, and a fine between RMB1,000 and RMB10,000 on other legal entities which are not natural persons and which fail to comply with the regulations within the specified time limit.

On 17 May 2016, the General Office of the State Council issued the Opinions on Accelerating the Cultivation and Development of Leasing Market (國務院辦公廳關於加快培育和發展住房租賃市場的若干意見), which encourages real estate developers to carry out house leasing businesses. The opinions support real estate developers to utilise built residential properties or newly built residential properties to carry out leasing businesses. The opinions also encourage real estate developers to put up the residential properties for rent and to cooperate with residential property leasing enterprises to develop rental properties.

On 18 July 2017, the MOHURD, the NDRC and other government departments jointly released the Circular on Accelerating the Development of the Housing Leasing Market in Large and Medium-sized Cities with a Large Inflow Population (關於在人口淨流入的大中城市加快發展住房租賃市場的通知). According to this circular, the government will take multiple measures to speed up the development of the rental market and increase supply of rental housing, including but not limited to, encouraging the local governments to increase land supply for the development of property for rental and increasing the proportion of rental housing to the commercial residential building projects.

On December 13, 2019, the MOHURD, the NDRC and other government departments jointly issued the “Opinions on Regulating the Leasing Market Order” (關於整頓規範住房租賃市場秩序的意見).

TAXATION

The following is a general description of certain tax considerations relating to the Bonds is based upon laws and relevant interpretations thereof in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Bonds or any persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds.

Persons considering the purchase of the Bonds should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

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: 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;
- 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;
- 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
- 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 corporation, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of the Bonds will be subject to profits tax.

Stamp duty

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

PRC

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

Income tax

Pursuant to the EIT Law and its implementation regulations and IT Law and its implementation regulations, an income tax is imposed on payment of interest by way of withholding in respect of debt securities, issued by PRC enterprises to non-PRC Bondholders, including non-PRC resident enterprises and non-PRC resident individuals. The current rates of such income tax are 10 per cent. for non-PRC resident enterprises and 20 per cent. for non-PRC resident individuals, unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax.

Such income tax shall be withheld by the Issuer that is acting as the obligatory withholder and such PRC enterprise shall withhold the tax amount from each payment due. To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non-PRC resident enterprise Bondholders. The tax so charged on interests paid on the Bonds to non-PRC Bondholders who, or which are residents of Hong Kong (including enterprise holders and individual holders) as defined in the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) which was promulgated on 21 August 2006 (the "Arrangement") will be 7 per cent. of the gross amount of the interest pursuant to the Arrangement and relevant interpretation of the Arrangement formulated by SAT. To enjoy this preferential tax rate of 7 per cent., the Issuer could apply, on behalf of the Bondholders, to the STA of the PRC for the application of the tax rate of 7 per cent. in accordance with the Arrangement on the interest payable in respect of the Bonds.

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by enterprise holders would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, under the IIT Law, any individual who has no domicile and does not live within the territory of the PRC or who has no domicile but has lived within the territory of China for less than 183 days in aggregate within a tax year shall pay individual income tax for any income obtained within the PRC. There is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income.

VAT

On 23 March 2016, the MOF and the STA issued the Circular 36, as partially revised on 11 July 2017 and 1 April 2019, which provided that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Bonds is likely to be treated as the holders of the Bonds providing loans to the Issuer, which thus shall be regarded as financial services subject to VAT. Further, given that the Issuer is located in the PRC, the holders of the Bonds would be regarded as providing the financial services within China and consequently, the holders of the Bonds shall be subject to VAT at the rate of 6 per cent. when receiving the interest payments under the Bonds. In addition, the holders of the Bonds shall be subject to certain surcharges at approximately 12 per cent. of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72 per cent. Given that the Issuer pays interest income to Bondholders who are located outside of the PRC, the Issuer, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Bondholders who are located outside of the PRC.

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

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.

Pursuant to the EIT Law, IIT Law and the VAT reform detailed above, the Issuer shall withhold EIT or IIT (should such tax apply) from the payments of interest in respect of the Bonds for any non-PRC resident enterprise or non-PRC resident individual Bondholder and the Issuer shall withhold VAT (should such tax apply) and surcharge from the payments of interest in respect of the Bonds for any Bondholders located outside of the PRC. However, in the event that the Issuer is required to make such a deduction or withholding (whether by way of EIT, IIT, VAT or otherwise), the Issuer has agreed to pay such additional amounts as will result in receipt by the Bondholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. For more information, see "*Terms and Conditions of the Bonds – Condition 8 (Taxation)*".

Stamp Duty

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

SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

The consolidated financial statements of the Issuer have been prepared in accordance with PRC GAAP.

PRC GAAP is substantially in line with IFRS, except for certain modifications which reflect China's unique circumstances and environment. The following is a general summary of certain differences between PRC GAAP and IFRS on recognition and presentation as applicable to the Issuer. The differences identified below are limited to those significant differences that are appropriate to the Issuer's consolidated financial statements. Since the summary is not meant to be exhaustive, there is no assurance that the summary below is complete. The Issuer 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 Issuer, other potentially significant accounting and disclosure differences may have been required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant projects ongoing that could affect future comparisons such as this one. Finally, no attempt has been made to identify future differences between PRC GAAP and IFRS that may affect the financial information as a result of transactions or events that may occur in the future. Accordingly, no assurance is provided that the following summary of differences between PRC GAAP and IFRS is complete. In making an investment decision, you must rely upon your own examination of the Issuer, the terms of the offering and other disclosure contained herein. You should consult your 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.

LAND USE RIGHTS

Under PRC GAAP, the cost of acquiring a land use right is generally recognised as investment property, intangible assets (if held for own use) or inventories, depending on the use of the land.

Under IFRS, the cost of acquiring a land use right (or other leasehold interest in land) is generally recognised as an operating lease prepayment, and cannot be revalued. The only exception is where the land interest is eligible to be classified as investment property. There is diversity in practice as to whether the cost of land use rights (or other leasehold interests held under operating leases) is classified as inventory when the land interest is held for re-sale in the ordinary course of business.

NON-CONTROLLING INTEREST/MINORITY INTEREST

Under PRC GAAP, the acquirer should always recognise the minority interest at the minority shareholders' proportionate interest in the acquiree's identifiable net assets.

Under IFRS, the acquirer can choose, on an acquisition by acquisition basis, whether to measure components of non-controlling interest in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

GOVERNMENT GRANT

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

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

REVERSAL OF AN IMPAIRMENT LOSS

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

Under IFRS, an impairment loss recognised in prior periods for an asset other than goodwill could be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognised.

RELATED PARTY DISCLOSURE

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

Under IFRS, government-related entities may still be treated as related parties if such government-related entities can exercise significant influence over the reporting entity.

FIXED ASSETS AND INTANGIBLE ASSETS

Under PRC GAAP, only the cost model is allowed.

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

STATEMENT OF CASH FLOWS

Under PRC GAAP, the direct method together with a supporting note reconciling operating results to cash flows arising from operations is the only permitted method.

Under IFRS, enterprises can choose whether to present cash flows from operating activities using the direct method or indirect method. Typically, entities reporting under IFRS use the indirect method.

CLASSIFICATION OF EXPENSES IN THE INCOME STATEMENT/STATEMENT OF COMPREHENSIVE INCOME

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

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

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with the Managers dated 6 December 2023 (the “**Subscription Agreement**”) pursuant to which and subject to certain conditions contained in the Subscription Agreement, the Issuer has agreed to sell to the subscribers, and the Managers have agreed to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds.

In the Subscription Agreement, each Manager agrees with the Issuer, subject to and in accordance with the terms of the Subscription Agreement, to use commercially reasonable efforts to procure subscribers to subscribe and pay for the Bonds, at the Issue Price (defined in the Subscription Agreement). The Issuer acknowledges and agrees in the Subscription Agreement that the engagement of each of the Managers under the Subscription Agreement is not an agreement by it or any of its affiliates to underwrite, subscribe or purchase any securities or otherwise provide any financing. The Managers shall not be under any obligation to purchase the Bonds if subscribers are not procured for any or all of the Bonds. For the avoidance of doubt, the Issuer acknowledges in the Subscription Agreement that the Managers are not underwriting the Bonds and, in no circumstances shall the Managers be required to purchase the Bonds as principal.

| Managers | Principal amount of the Bonds to be subscribed |
|--|---|
| Yuan Tong Global Securities Limited | CNY371,000,000 |
| Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch | CNY3,000,000 |
| China Zheshang Bank Co., Ltd. (Hong Kong Branch) | CNY3,000,000 |
| BOCOM International Securities Limited | CNY1,000,000 |
| Founder Securities (Hong Kong) Limited..... | - |
| Excellent Tide Securities Limited..... | CNY1,000,000 |
| Gee Hi International Securities (Hong Kong) Limited..... | CNY1,000,000 |
| Total..... | CNY380,000,000 |

The Subscription Agreement provides that the Managers and their respective subsidiaries, affiliates or any person who controls any of them or any of their respective directors, officers, employees or agents will be indemnified against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the 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 their customers and enter into transactions, including credit derivative, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer or 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).

In connection with the issue of the Bonds, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager may, to the extent permitted by applicable laws and directives, over-allot the Bonds or effect transactions with a view to supporting the price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager shall act as principal and not as agent of the Issuer and any loss resulting from over-allotment and stabilisation will be borne, and any profit arising from them shall be beneficially retained, by the Managers in the manner agreed by them. However, there is no assurance that the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager will undertake stabilisation action.

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

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

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

CMI(s) 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 CMI(s)). CMI(s) should enquire with their investor clients regarding any orders which appear unusual or irregular. CMI(s) should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information should be provided to the OC(s) when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMI(s) should not place “X-orders” into the order book.

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

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

The 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 CMI(s).

When placing an order for the Bonds, Private Banks should disclose, at the same time, if such order is placed other than on a “principal” basis (whereby it is deploying its own balance sheet for onward selling to investors). Private Banks 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 Code. Private Banks should be aware that placing an order on a “principal” basis may require the Managers to apply the “proprietary orders” requirements of the Code to such order and will require the Managers to apply the “rebates” requirements of the Code (if applicable) to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including Private Banks) are requested to provide the following underlying investor information, preferably in Excel Workbook format, in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including Private Banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to the OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to the OCs. By submitting an order and providing such information to the OCs, each CMI (including Private Banks) further warrants that each of them and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by the OCs and/or any other third parties as may be required by the Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the Code, for the purpose of complying with the Code, during the book-building 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 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 the offering be made by a licensed broker or dealer and the Managers or any affiliate of the Managers is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by that the Managers or such affiliate on behalf of the Issuer in such jurisdiction.

UNITED STATES

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

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

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

UNITED KINGDOM

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

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section

21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

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

HONG KONG

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

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

SINGAPORE

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

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

JAPAN

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

THE PRC

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

MACAU

The Bonds have not been and will not be promoted, distributed, sold or delivered in Macau, or any document relating to the Bonds be distributed or circulated in Macau, except under the terms of and in compliance with the Macau Financial System Act (the “**MFSA**”) and Guidelines Circular no. 033/B/2010-DSB/AMCM, Circular no. 009/B/2019-DSB/AMCM and Circular no. 008/B/2021-DSB/AMCM (together, the “**AMCM Guidelines**”) and any other laws in Macau that may apply to the offer and sale of the Bonds in Macau. The Bonds have not been and will not be registered or otherwise authorised for public offer under the MFSA and the AMCM Guidelines, thus may not be offered or sold in Macau, unless such offer is made by Macau licensed entities according to the MFSA and the AMCM Guidelines and upon their communication to the Macau Monetary Authority (the “**AMCM**”) and the MOX (when applicable), in observation of the guidelines and recommendations issued by the Macau local regulatory authority (including the AMCM and the MOX) from time to time.

GENERAL INFORMATION

- **Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg under Common Code 273017135 and ISIN XS2730171357. The Legal Entity Identifier of the Issuer is 836800PBS1R7DJ7BWD83.
- **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement and the listing of the Bonds. The issue of the Bonds was authorised by resolutions of the board of directors of the Issuer on 23 May 2023 and the resolutions of the board of shareholders of the Issuer dated 30 May 2023.
- **No Material Adverse Change:** Except as otherwise disclosed in this Offering Circular, there has been no material adverse change, or any development or event involving a prospective change, in the condition (financial or other), prospects, results of operations or general affairs of the Issuer or the Group, which is material and adverse in the context of the issue and offering of the Bonds since 31 December 2022.
- **Litigation:** Except as otherwise disclosed in this Offering Circular, none of the Issuer or any other member of the Group is involved in any pending litigation or arbitration proceedings which could have a material and adverse effect on their businesses, results of operations and financial condition nor is the Issuer aware that any such proceedings are threatened. The Issuer may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of its business.
- **Available Documents:** So long as any of the Bonds remain outstanding, copies of the Trust Deed, the Agency Agreement and the Standby Letter of Credit are available for inspection during normal business hours (being between 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays)) by any Bondholder at the specified office of the Principal Paying Agent (being as at the date of issue of the Bonds at 80/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong) following prior written request and satisfactory proof of holding and identity.
- **Financial Statements:** The Audited Consolidated Financial Statements, which are included elsewhere in this Offering Circular, have been audited by Asia Pacific.
- **The Bank's Financial Statements:** Copies of the Bank's published audited consolidated financial statements and unaudited consolidated financial statements, as well as its other public filings, can be downloaded free of charge from the website of the Bank at <http://www.cbhb.com.cn/> and the website of the HKSE at <https://www.hkex.com.hk>. The financial statements of the Bank are not included in and do not form part of this Offering Circular. The information contained on the websites of the Bank and the HKSE is subject to change from time to time. No representation is made by the Issuer, the Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them and none of the Issuer, the Managers, the Trustee, the Pre-funding Account Bank, the LC Proceeds Account Bank or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them takes any responsibility for any information contained on the websites of the Bank and the HKSE.
- **Listing of Bonds:** Application will be made to the MOX for the listing of by way of debt issues to MOX Professional Investors only and it is expected that dealing in, and listing of, the Bonds on the MOX will commence on or about 14 December 2023. Admission to the listing of the Bonds on the MOX shall not be taken as an indication of the merits of the Company or the Bonds.

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INDEPENDENT AUDITOR'S REPORT

Asia Pacific CPAs SZ (2023) No. 01111071

Neijiang Road and Bridge Group Co., Ltd:

I. Opinion

We have audited the financial statements of Neijiang Road and Bridge Group Co., Ltd (hereinafter referred to as the "Company"), which comprise the consolidated and parent balance sheets as at December 31, 2022 and 2021 and 2020, the consolidated and parent statements of income, the consolidated and parent statements of cash flows and the consolidated and parent statements of changes in equity for the year then ended, and a summary of significant accounting policies and related notes to the financial statements.

In our opinion the financial statements present fairly, in all material respects, the consolidated and parent financial position of the Company's as at December 31, 2022 and 2021 and 2020, its financial performance and its cash flows for the year then ended in accordance with the requirements of the Accounting Standards for Business Enterprises (the "ASBE") by the Ministry of Finance of the People's Republic of China.

II. Basis for Opinion

We conducted our audit in accordance with the requirements of China Standards on Auditing for Certified Public Accountants (the "CSAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities of Certified Public Accountants for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public 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. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management of the Company (hereinafter referred to as "Management") is responsible for the preparation and fair presentation of the financial statements in accordance with the ASBE, and for the design, implementation and maintenance of such internal control as management determines is

necessary to enable that the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

IV. Responsibilities of Certified Public Accountants for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 the CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. 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.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose to comment on the effectiveness of internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's 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 audit report.

However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express our audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit and we remain solely responsible for the audit opinion.

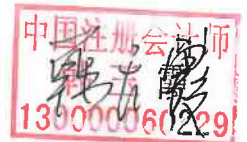
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Certified Public Accountants Registered
in the People's Republic of China:



Certified Public Accountants Registered
in the People's Republic of China:



October 26, 2023

Consolidated Balance Sheet

as at December 31, 2022

Prepared by: Neijiang Road and Bridge Group Co., Ltd

(All amounts in RMB Yuan unless otherwise stated)

| Item | Note | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|--|-------|--------------------------|--------------------------|-------------------------|
| Current assets | | | | |
| Cash at bank and on hand | VI.1 | 569,388,192.57 | 638,429,308.60 | 383,712,008.22 |
| Financial assets measured at fair value through profit or loss | | | | |
| Derivative financial assets | | | | |
| Bills receivable | VI.2 | | 9,206,044.00 | 4,000,000.00 |
| Accounts receivable | VI.3 | 1,759,417,622.12 | 1,127,506,146.02 | 1,031,581,069.19 |
| Prepayments | VI.4 | 252,124,137.70 | 119,596,442.42 | 113,344,340.19 |
| Other receivables | VI.5 | 2,131,970,007.53 | 1,665,135,618.54 | 907,421,342.39 |
| Inventories | VI.6 | 2,218,887,823.69 | 1,377,851,539.06 | 796,854,768.57 |
| Contract assets | VI.7 | 2,124,500.00 | | |
| Assets classified as held for sale | | | | |
| Non-current assets due within one year | | | | |
| Other current assets | VI.8 | 4,574,806.42 | 12,575,325.10 | 10,351,895.25 |
| Total current assets | | 6,938,487,090.03 | 4,950,300,423.74 | 3,247,265,423.81 |
| Non-current assets | | | | |
| Available-for-sale financial assets | | | | |
| Debt investment | | | | |
| Long-term receivables | | | | |
| Long-term equity investments | VI.9 | 215,874,279.99 | 76,517,101.18 | 47,555,692.15 |
| Other equity instruments investments | VI.10 | 959,111,278.02 | 908,852,749.50 | 843,702,749.50 |
| Other non-current financial assets | VI.11 | 197,823,296.84 | 192,250,000.00 | 126,500,000.00 |
| Investment properties | VI.12 | 3,942,064,891.40 | 3,690,602,500.00 | 4,349,300,624.30 |
| Fixed assets | VI.13 | 90,282,203.57 | 209,693,269.16 | 11,991,525.17 |
| Construction in progress | VI.14 | 142,245,089.97 | 34,145,081.82 | 132,314,632.42 |
| Bearer biological assets | | | | |
| Oil and gas assets | | | | |
| Right-of-use asset | | | | |
| Intangible assets | VI.15 | 67,581,528.57 | 60,979,586.69 | 64,835,186.11 |
| Development expenditure | VI.16 | 1,157,135.55 | | |
| Goodwill | VI.17 | 10,861,457.97 | | |
| Long-term deferred expenses | VI.18 | 98,023,470.04 | 76,249,513.22 | 83,947,659.74 |
| Deferred tax assets | VI.19 | 1,491,605.13 | 115,524.58 | 64,868.41 |
| Other non-current assets | | | | |
| Total non-current assets | | 5,726,516,237.05 | 5,249,405,326.15 | 5,660,212,937.80 |
| Total assets | | 12,665,003,327.08 | 10,199,705,749.89 | 8,907,478,361.61 |

Representative:

The person in charge of accounting affairs:

The head of the accounting department:

Consolidated Balance Sheet(continued)
as at December 31, 2022

Prepared by: Neijiang Road and Bridge Group Co., Ltd

(All amounts in RMB Yuan unless otherwise stated)

| Item | Note | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|---|-------|--------------------------|--------------------------|-------------------------|
| Current liabilities | | | | |
| Short-term loans | VI.20 | 1,994,201,514.60 | 1,044,472,660.82 | 911,225,090.97 |
| Financial liabilities measured at fair value through profit or loss | | | | |
| Derivative financial liabilities | | | | |
| Bills payable | VI.21 | 139,149,593.15 | | |
| Accounts payable | VI.22 | 101,572,587.20 | 73,342,357.51 | 61,832,028.28 |
| Advance payment received | | | | |
| Contractual liability | VI.23 | 47,733,105.60 | 2,429,576.84 | 3,394,577.22 |
| Employee benefits payable | VI.24 | 18,190,882.39 | 12,313,602.71 | 8,522,594.61 |
| Taxes payable | VI.25 | 166,499,208.74 | 121,440,541.02 | 83,097,622.15 |
| Other payable | VI.26 | 312,942,874.48 | 196,305,581.05 | 50,095,106.53 |
| Liabilities held for sale | | | | |
| Non-current liabilities due within one year | VI.27 | 1,623,031,999.35 | 806,985,770.94 | 632,125,749.43 |
| Other current liabilities | VI.28 | 1,454,286.19 | - | |
| Total current liabilities | | 4,404,776,051.70 | 2,257,290,090.89 | 1,750,292,769.19 |
| Non-current liabilities | | | | |
| Long-term loans | VI.29 | 1,683,889,117.64 | 1,819,525,586.11 | 1,360,165,300.63 |
| Bonds payable | VI.30 | 477,463,375.47 | 476,191,738.87 | |
| Including: Preference Shares | | | | |
| Perpetual bond | | | | |
| Leasehold liability | | | | |
| Long-term payables | VI.31 | 1,063,872,020.65 | 729,500,000.00 | 1,073,500,000.00 |
| Estimated liabilities | | | | |
| Deferred income | | | | |
| Deferred tax liabilities | VI.19 | 158,902,711.28 | 143,058,643.72 | 259,115,422.88 |
| Other non-current liabilities | | | | |
| Total non-current liabilities | | 3,384,127,225.04 | 3,168,275,968.70 | 2,692,780,723.51 |
| Total liabilities | | 7,788,903,276.74 | 5,425,566,059.59 | 4,443,073,492.70 |
| Shareholders' equity | | | | |
| Paid-in capital | VI.32 | 1,139,000,000.00 | 1,139,000,000.00 | 960,000,000.00 |
| Other equity instruments | | | | |
| Including: Preferred stock | | | | |
| Perpetual bond | | | | |
| Capital reserve | VI.33 | 2,877,584,972.78 | 2,877,413,962.14 | 2,391,706,462.14 |
| Less: Treasury shares | | | | |
| Other comprehensive income | VI.34 | 142,131,557.66 | 140,456,168.62 | 494,362,029.06 |
| Specific reserve | VI.35 | 162,159.50 | 92,092.98 | 48,572.74 |
| Surplus reserve | VI.36 | 87,784,735.38 | 79,061,671.31 | 70,808,378.00 |
| Retained earnings | VI.37 | 565,244,177.43 | 531,590,581.36 | 529,075,556.33 |
| Total equity attributable to shareholders of the Company | | 4,811,907,602.75 | 4,767,614,476.41 | 4,446,000,998.27 |
| Non-controlling interests | | 64,192,447.59 | 6,525,213.89 | 18,403,870.64 |
| Total owners' equity | | 4,876,100,050.34 | 4,774,139,690.30 | 4,464,404,868.91 |
| Total liabilities and shareholders' equity | | 12,665,003,327.08 | 10,199,705,749.89 | 8,907,478,361.61 |

Representative :

The person in charge of accounting affairs:

The head of the accounting:

Company Balance sheet
as at December 31, 2022

Prepared by: Neijing Road and Bridge Group Co., Ltd

(All amounts in RMB Yuan unless otherwise stated)

| Item | Note | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|--|------|--------------------------|-------------------------|-------------------------|
| Current assets | | | | |
| Cash at bank and on hand | | 268,699,662.00 | 368,941,160.31 | 318,181,932.37 |
| Financial assets measured at fair value through profit or loss | | | | |
| Derivative financial assets | | | | |
| Bills receivable | | | | |
| Accounts receivable | XV.1 | 1,307,432,483.52 | 913,293,979.91 | 999,120,075.31 |
| Prepayments | | 297,864,630.57 | 64,000,000.00 | 94,000,000.00 |
| Other receivables | XV.2 | 1,852,034,215.64 | 1,685,883,504.50 | 950,589,055.70 |
| Inventories | | 2,125,311,043.53 | 1,326,215,366.89 | 794,135,848.02 |
| Contract assets | | | | |
| Assets classified as held for sale | | | | |
| Non-current assets due within one year | | | | |
| Other current assets | | | | |
| Total current assets | | 5,851,342,035.26 | 4,358,334,011.61 | 3,156,026,911.40 |
| Non-current assets | | | | |
| Available-for-sale financial assets | | | | |
| Debt investment | | | | |
| Long-term receivables | | | | |
| Long-term equity investments | XV.3 | 790,105,082.33 | 499,450,846.00 | 144,500,846.00 |
| Other equity instruments investments | | 936,013,681.56 | 888,502,749.50 | 843,702,749.50 |
| Other non-current financial assets | | 197,823,296.84 | 192,250,000.00 | 126,500,000.00 |
| Investment properties | | 3,699,328,600.00 | 3,659,638,600.00 | 4,318,743,219.40 |
| Fixed assets | | 1,585,337.46 | 1,731,068.46 | 2,030,838.67 |
| Construction in progress | | | | |
| Bearer biological assets | | | | |
| Oil and gas assets | | | | |
| Right-of-use asset | | | | |
| Intangible assets | | | | |
| Development expenditure | | | | |
| Goodwill | | | | |
| Long-term deferred expenses | | 74,412,651.30 | 70,154,669.72 | 79,360,288.39 |
| Deferred tax assets | | 933,520.50 | | |
| Other non-current assets | | | | |
| Total non-current assets | | 5,700,202,169.99 | 5,311,727,933.68 | 5,514,837,941.96 |
| Total assets | | 11,551,544,205.25 | 9,670,061,945.29 | 8,670,864,853.36 |

Representative:

The person in charge of accounting affairs:

The head of the accounting department:

Company Balance sheet(continued)
as at December 31, 2022

Prepared by: Neijiang Road and Bridge Group Co., Ltd

(All amounts in RMB Yuan unless otherwise stated)

| Item | Note | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|---|------|--------------------------|-------------------------|-------------------------|
| Current liabilities | | | | |
| Short-term loans | | 1,296,000,000.00 | 738,248,154.44 | 876,225,090.97 |
| Financial liabilities measured at fair value through profit or loss | | | | |
| Derivative financial liabilities | | | | |
| Bills payable | | 100,000,000.00 | | 50,900,000.00 |
| Accounts payable | | | | |
| Advance payment received | | | | |
| Contractual liability | | | | |
| Employee benefits payable | | 300,683.79 | 308,681.48 | 1,497,733.93 |
| Taxes payable | | 152,883,547.31 | 116,582,590.60 | 80,549,512.70 |
| Other payable | | 998,062,035.57 | 375,451,509.21 | 57,110,386.52 |
| Liabilities held for sale | | | | |
| Non-current liabilities due within one year | | 1,494,615,957.41 | 786,238,335.67 | 632,125,749.43 |
| Other current liabilities | | | | |
| Total current liabilities | | 4,041,862,224.08 | 2,016,829,271.40 | 1,698,408,473.55 |
| Non-current liabilities | | | | |
| Long-term loans | | 1,001,619,117.64 | 1,499,905,586.11 | 1,170,545,300.63 |
| Bonds payable | | 477,463,375.47 | 476,191,738.87 | |
| Including: Preference Shares | | | | |
| Perpetual bond | | | | |
| Leasehold liability | | | | |
| Long-term payables | | 1,003,489,207.09 | 729,500,000.00 | 1,073,500,000.00 |
| Estimated liabilities | | | | |
| Deferred income | | | | |
| Deferred tax liabilities | | 150,516,161.53 | 141,474,941.58 | 257,633,344.52 |
| Other non-current liabilities | | | | |
| Total non-current liabilities | | 2,633,087,861.73 | 2,847,072,266.56 | 2,501,678,645.15 |
| Total liabilities | | 6,674,950,085.81 | 4,863,901,537.96 | 4,200,087,118.70 |
| Shareholders' equity | | | | |
| Paid-in capital | | 1,139,000,000.00 | 1,139,000,000.00 | 960,000,000.00 |
| Other equity instruments | | | | |
| Including: Preferred stock | | | | |
| Perpetual bond | | | | |
| Capital reserve | | 2,853,592,646.00 | 2,853,592,646.00 | 2,367,885,146.00 |
| Less: Treasury shares | | | | |
| Other comprehensive income | | 137,438,504.98 | 136,009,933.55 | 489,915,793.99 |
| Specific reserve | | | | |
| Surplus reserve | | 87,784,735.38 | 79,061,671.31 | 70,808,378.00 |
| Retained earnings | | 658,778,233.08 | 598,496,156.47 | 582,168,416.67 |
| Total shareholders' equity | | 4,876,594,119.44 | 4,806,160,407.33 | 4,470,777,734.66 |
| Total liabilities and shareholders' equity | | 11,551,544,205.25 | 9,670,061,945.29 | 8,670,864,853.36 |

Representative:

The person in charge of accounting affairs:

The head of the accounting department:

Consolidated Statement of Income
for the year ended December 31, 2022

Prepared by: Neijiang Road and Bridge Group Co., Ltd

(All amounts in RMB Yuan unless otherwise stated)

| Item | Note | 2022 | 2021 | 2020 |
|---|-------|------------------|------------------|----------------|
| I. Total operating income | | 1,913,753,624.89 | 887,683,061.66 | 554,228,105.46 |
| Including: Operating income | VI.38 | 1,913,753,624.89 | 887,683,061.66 | 554,228,105.46 |
| II. Total operating cost | | 2,241,951,062.13 | 1,153,092,074.06 | 713,769,572.35 |
| Including: Operating cost | VI.38 | 1,764,277,236.64 | 811,343,967.02 | 502,684,468.12 |
| Taxes and surcharge | VI.39 | 11,980,088.58 | 8,178,964.54 | 6,841,256.04 |
| Selling expenses | VI.40 | 9,082,249.83 | 2,402,820.37 | 381,539.89 |
| General and administrative expenses | VI.41 | 107,941,335.53 | 65,655,133.54 | 46,439,465.98 |
| Research and development expenses | VI.42 | 1,207,240.63 | | |
| Finance expenses | VI.43 | 347,462,910.92 | 265,511,188.59 | 157,422,842.32 |
| Including: Interest expenses | | 302,058,947.47 | 230,026,410.78 | 137,134,403.82 |
| Interest income | | 15,087,204.15 | 6,597,901.25 | 2,191,962.74 |
| Add: Other income | VI.44 | 347,009,049.20 | 321,340,762.40 | 208,528,045.41 |
| Investment income ("-" for losses) | VI.45 | 7,158,990.93 | 1,440,217.23 | 1,517,111.00 |
| Including: Income from investment in associated and joint ventures("-" for losses) | | -152,821.19 | 261,409.03 | 627,444.80 |
| Gain from fair value changes("-" for losses) | VI.46 | 63,390,031.18 | 5,618,795.10 | 26,089,019.40 |
| Credit impairment losses("-" for losses) | VI.47 | -5,504,322.24 | -203,260.68 | 2,232,801.52 |
| Assets impairment losses("-" for losses) | | | | |
| Gain from disposal of assets("-" for losses) | VI.48 | -2,022.00 | | 81,698.82 |
| III. Operating profit("-" for losses) | | 83,854,289.83 | 62,787,501.65 | 78,897,209.16 |
| Add: Non-operating income | VI.49 | 3,512,036.31 | 552,338.68 | 1,793,798.79 |
| Less: Non-operating expenses | VI.50 | 1,440,752.11 | 2,977,342.75 | 2,177,489.04 |
| IV. Total profit ("-" for losses) | | 85,925,574.03 | 60,362,497.58 | 78,513,519.01 |
| Less: Income tax expenses | VI.51 | 21,147,497.00 | 3,520,935.99 | 7,574,914.48 |
| V. Net profit("-" for losses) | | 64,778,077.03 | 56,841,561.59 | 70,938,604.53 |
| (I)Net profit classified by continued of operation | | | | |
| 1. Net profit from continuing operations | | 64,778,077.03 | 56,841,561.59 | 70,938,604.53 |
| 2. Net profit from discontinued operations | | | | |
| (II)Net profit classified by ownership ("-" for net loss) | | | | |
| 1. Net profit from attributable to owners of the company | | 71,087,031.80 | 68,720,218.34 | 74,099,683.63 |
| 2. Non-controlling losses | | -6,308,954.77 | -11,878,656.75 | -3,161,079.10 |
| VI. Other comprehensive income, net of tax | | 1,722,401.92 | -353,905,860.44 | 4,446,235.07 |
| (1) Other comprehensive income(net of tax)attributable to shareholders of the Company | | 1,675,389.04 | -353,905,860.44 | 4,446,235.07 |
| 1.Items that will not be reclassified to profit or loss | | | | |
| (1) Changes of remeasurement in defined benefit plan | | | | |
| (2) Other comprehensive income that cannot be reclassified to profit or loss under the equity method | | | | |
| (3) Others | | | | |
| 2.Items that may be reclassified to profit or loss | | 1,675,389.04 | -353,905,860.44 | 4,446,235.07 |
| (1) Share of other comprehensive income of the equity method investments | | | | |
| (2) Gains or losses arising from changes in fair value of value of available-for-sale financial assets | | | | |
| (3) Gains or losses arising from reclassification of held-to-maturity investments to available -for-sale financial assets | | | | |
| (4) Net fair value gains (losses) on hedging instruments entered into for cash flow hedges | | | | |
| (5) Translation differences arising from transaction of foreign currency financial statements | | | | |
| (6) Others | | 1,675,389.04 | -353,905,860.44 | 4,446,235.07 |
| (II) Other comprehensive income(net of tax)attributable to non-controlling interests | | 47,012.88 | | |
| VII. Total comprehensive income for the year | | 66,500,478.95 | -297,064,298.85 | 75,384,839.60 |
| (I) Attributable to shareholders of the company | | 72,762,420.84 | -285,185,642.10 | 78,545,918.70 |
| (II) Attributable to non-controlling interests | | -6,261,941.89 | -11,878,656.75 | -3,161,079.10 |
| VIII. Earning per share | | | | |
| (I) Basic earning per share | | | | |
| (II) Diluted earning pershare | | | | |

Representative:

The person in charge of accounting affairs:

The head of the accounting:

Company Statement of Income
for the year ended December 31, 2022

Prepared by: Neijiang Road and Bridge Group Co., Ltd

(All amounts in RMB Yuan unless otherwise stated)

| Item | Note | 2022 | 2021 | 2020 |
|--|------|----------------|-----------------|----------------|
| I. Operating income | XV.4 | 409,214,890.82 | 438,628,153.07 | 466,053,209.96 |
| Less: Operating cost | XV.4 | 358,485,134.51 | 402,715,503.97 | 430,552,883.66 |
| Taxes and surcharge | | 7,442,745.03 | 5,720,897.20 | 6,146,937.66 |
| Selling and distribution expenses | | | | |
| General and administrative expenses | | 17,009,329.06 | 15,317,202.65 | 13,793,435.18 |
| Research and development expenses | | | | |
| Finance expenses | | 314,503,890.35 | 253,528,115.69 | 156,776,938.63 |
| Including: Interest expenses | | 271,861,605.58 | 217,596,064.68 | 136,403,303.85 |
| Interest income | | 12,758,776.89 | 6,050,068.11 | 2,064,250.72 |
| Add: Other income | | 344,057,851.77 | 319,592,730.64 | 208,500,000.00 |
| Investment income ("-" for losses) | XV.5 | 7,186,048.45 | 1,178,808.20 | 899,666.20 |
| Including: Income from investment in associated and joint ventures("-" for losses) | | -125,763.67 | | |
| Gain from fair value changes("-" for losses) | | 36,570,414.73 | 5,212,300.00 | 26,080,019.40 |
| Credit impairment losses("-" for losses) | | -3,734,082.00 | | 2,283,402.78 |
| Assets impairment losses("-" for losses) | | | | |
| Gain from disposal of assets("-" for losses) | | | | |
| II. Operating profit("-" for losses) | | 95,854,024.82 | 87,330,272.40 | 96,545,103.21 |
| Add: Non-operating income | | 16,200.00 | 7,333.33 | 1,047,237.02 |
| Less: Non-operating expenses | | 1,008,075.17 | 2,994,455.41 | 1,695,861.13 |
| III. Total profit ("-" for losses) | | 94,862,149.65 | 84,343,150.32 | 95,896,479.10 |
| Less: Income tax expenses | | 7,631,508.97 | 1,810,217.21 | 7,093,105.55 |
| IV. Net profit("-" for losses) | | 87,230,640.68 | 82,532,933.11 | 88,803,373.55 |
| (I) Net profit classified by continued of operation ("-" for net loss) | | 87,230,640.68 | 82,532,933.11 | 88,803,373.55 |
| (II) Net profit classified by discontinued operations ("-" for net loss) | | | | |
| V. Other comprehensive income, net of tax | | 1,428,571.43 | -353,905,860.44 | - |
| (I) Items that will not be reclassified to profit or loss | | | | |
| (1) Changes of remeasurement in defined benefit plan | | | | |
| (2) Other comprehensive income that cannot be reclassified to profit or loss under the equity method | | | | |
| (3) Others | | | | |
| (II) Items that may be reclassified to profit or loss | | 1,428,571.43 | -353,905,860.44 | |
| (1) Share of other comprehensive income of the equity method investments | | | | |
| (2) Gains or losses arising from changes in fair value of value of available-for-sale financial assets | | | | |
| (3) Gains or losses arising from reclassification of hold-to-maturity investments to available-for-sale financial assets | | | | |
| (4) Net fair value gains (losses) on hedging instruments entered into for cash flow hedges | | | | |
| (5) Translation differences arising from transaction of foreign currency financial statements | | | | |
| (6) Others | | 1,428,571.43 | -353,905,860.44 | |
| VI. Total comprehensive income for the year | | 88,659,212.11 | -271,372,927.33 | 88,803,373.55 |

Representative:

The person in charge of accounting affairs:

The head of the accounting department:

Consolidated Statement of Cash Flows
for the year ended December 31, 2022

Prepared by: Neijiang Road and Bridge Group Co., Ltd

(All amounts in RMB Yuan unless otherwise stated)

| Item | Note | 2022 | 2021 | 2020 |
|--|-------|--------------------------|-------------------------|--------------------------|
| I. Cash flows from operating activities | | | | |
| Proceeds from sale of goods and rendering of services | | 1,172,516,296.31 | 768,061,526.29 | 311,597,848.12 |
| Refund of taxes and surcharges | | 7,279,642.97 | | |
| Proceeds from other operating activities | | 1,207,244,105.57 | 345,650,983.95 | 245,647,890.05 |
| Sub-total of cash inflows from operating activities | | 2,387,040,044.85 | 1,113,712,510.24 | 557,245,738.17 |
| Payment for goods and services | | 2,437,786,407.58 | 868,212,208.78 | 1,267,756,623.67 |
| Payment to and for employment | | 102,824,416.56 | 63,857,011.84 | 37,270,845.90 |
| Payment of various taxes | | 24,822,942.26 | 11,919,317.04 | -4,989,577.49 |
| Payment for other operating activities | | 1,111,107,207.85 | 781,477,424.80 | 40,995,825.79 |
| Sub-total of cash outflows in operating activities | | 3,676,540,974.25 | 1,725,465,962.46 | 1,351,012,872.85 |
| Net cash flows from operating activities | VI.52 | -1,289,500,929.40 | -611,753,452.22 | -793,767,134.68 |
| II. Cash flows from investing activities | | | | |
| Proceeds from disposal of investments | | | | |
| Investment returns received | | 5,905,871.20 | 1,178,808.20 | 889,666.20 |
| Net proceeds from disposal of fixed assets, intangible assets and other long-term assets | | 181,790.63 | 21,568.53 | 111,401.00 |
| Net proceeds from disposal of subsidiaries and other business units | | | | |
| Proceeds from other investing activities | | 35,263,277.05 | | |
| Sub-total cash inflows from investing activities | | 41,350,938.88 | 1,200,376.73 | 1,001,067.20 |
| Payment for acquisition of fixed assets, intangible assets and other long-term assets | | 112,789,069.87 | 103,880,472.90 | 139,437,288.20 |
| Payment for acquisition of investments | | 190,023,932.06 | 162,600,000.00 | 961,499,999.50 |
| Payment for acquisition of subsidiaries and other business units | | 31,361,421.65 | | |
| Payment for other investing activities | | | | |
| Sub-total of cash outflows in investing activities | | 334,174,423.58 | 266,480,472.90 | 1,100,937,287.70 |
| Net cash flows from investing activities | | -292,823,484.70 | -265,280,096.17 | -1,099,936,220.50 |
| III. Cash flows from financing activities | | | | |
| Proceeds from investors | | 12,589,638.57 | 179,000,000.00 | 320,000,000.00 |
| Including: Cash received from minority shareholders of subsidiaries | | 12,589,638.57 | | |
| Proceeds from borrowing | | 3,186,903,442.00 | 3,217,668,000.00 | 1,549,308,827.20 |
| Proceeds from other financing activities | | 1,140,924,972.66 | 45,361,873.97 | 949,500,000.00 |
| Sub-total of cash inflows from financing activities | | 4,340,418,053.23 | 3,442,029,873.97 | 2,818,808,827.20 |
| Repayments of borrowings | | 1,844,696,836.77 | 1,981,358,903.50 | 622,941,673.91 |
| Payments of dividends, profits distributions or interest | | 389,186,795.38 | 283,558,247.73 | 160,208,881.10 |
| Including: Payments for dividends or profit to non-controlling interests of subsidiaries | | | | |
| Payments for other financing activities | | 611,146,939.48 | 1,039,558.44 | 126,476,833.33 |
| Sub-total of cash outflows | | 2,845,030,571.63 | 2,265,956,709.67 | 909,627,388.34 |
| Net cash flows from financing activities | | 1,495,387,481.60 | 1,176,073,164.30 | 1,909,181,438.86 |
| IV. Effect of foreign exchange rate changes on cash and cash equivalents | | | | |
| | | -499,074.01 | | |
| V. Net increase in cash and cash equivalents | | | | |
| | | -86,437,858.49 | 299,039,615.91 | 15,478,083.68 |
| Add: Cash and cash equivalents at the beginning of the year | | 521,859,750.16 | 222,820,134.25 | 207,342,050.57 |
| VI. Cash and cash equivalents at the end of the year | | | | |
| | | 435,421,891.67 | 521,859,750.16 | 222,820,134.25 |

Representative:

The person in charge of accounting affairs:

The head of the accounting:

Company Statement of Cash Flows
for the year ended December 31, 2022

Prepared by: Neijiang Road and Bridge Group Co., Ltd

(All amounts in RMB Yuan unless otherwise stated)

| Item | Note | 2022 | 2021 | 2020 |
|--|------|-------------------------|-------------------------|-------------------------|
| I. Cash flows from operating activities | | | | |
| Proceeds from sale of goods and rendering of services | | 16,325,903.65 | 557,573,607.22 | 243,723,621.43 |
| Refund of taxes and surcharges | | | | |
| Proceeds from other operating activities | | 1,389,714,242.99 | 643,991,254.77 | 210,611,487.74 |
| Sub-total of cash inflows from operating activities | | 1,406,040,146.64 | 1,201,564,861.99 | 454,335,109.17 |
| Payment for goods and services | | 1,225,065,839.07 | 509,987,522.84 | 1,198,150,369.75 |
| Payment to and for employment | | 8,970,427.30 | 7,180,509.22 | 7,669,132.39 |
| Payment of various taxes | | 3,392,366.58 | 4,617,395.26 | 2,204,209.15 |
| Payment for other operating activities | | 658,526,633.84 | 843,375,555.96 | 16,198,647.66 |
| Sub-total of cash outflows in operating activities | | 1,895,955,266.79 | 1,365,160,983.28 | 1,224,222,358.95 |
| Net cash flows from operating activities | | -489,915,120.15 | -163,596,121.29 | -769,887,249.78 |
| II. Cash flows from investing activities | | | | |
| Proceeds from disposal of investments | | | | |
| Investment returns received | | 5,415,871.20 | 1,178,808.20 | 889,666.20 |
| Net proceeds from disposal of fixed assets, intangible assets and other long-term assets | | | | |
| Net proceeds from disposal of subsidiaries and other business units | | | | |
| Proceeds from other investing activities | | 12,262,376.61 | | |
| Sub-total cash inflows from investing activities | | 17,678,247.81 | 1,178,808.20 | 889,666.20 |
| Payment for acquisition of fixed assets, intangible assets and other long-term assets | | 5,862,907.01 | 46,463,168.35 | 1,706,043.00 |
| Payment for acquisition of investments | | 250,803,932.06 | 465,500,000.00 | 982,499,999.50 |
| Payment for acquisition of subsidiaries and other business units | | | | |
| Payment for other investing activities | | | | |
| Sub-total of cash outflows in investing activities | | 256,666,839.07 | 511,963,168.35 | 984,206,042.50 |
| Net cash flows from investing activities | | -238,988,591.26 | -510,784,360.15 | -983,316,376.30 |
| III. Cash flows from financing activities | | | | |
| Proceeds from investors | | | 179,000,000.00 | 320,000,000.00 |
| Proceeds from borrowing | | 1,938,000,000.00 | 2,711,968,000.00 | 1,334,688,827.20 |
| Proceeds from other financing activities | | 1,028,418,414.22 | 45,361,873.97 | 949,500,000.00 |
| Sub-total of cash inflows from financing activities | | 2,966,418,414.22 | 2,936,329,873.97 | 2,604,188,827.20 |
| Repayments of borrowings | | 1,402,193,023.23 | 1,896,358,903.50 | 587,941,673.91 |
| Payments of dividends, profits distributions or interest | | 358,088,256.70 | 269,469,387.12 | 159,477,781.13 |
| Payments for other financing activities | | 582,474,921.19 | | 126,476,833.33 |
| Sub-total of cash outflows | | 2,342,756,201.12 | 2,165,828,290.62 | 873,896,288.37 |
| Net cash flows from financing activities | | 623,662,213.10 | 770,501,583.35 | 1,730,292,538.83 |
| IV. Effect of foreign exchange rate changes on cash and cash equivalents | | | | |
| V. Net increase in cash and cash equivalents | | -105,241,498.31 | 96,121,101.91 | -22,911,087.25 |
| Add: Cash and cash equivalents at the beginning of the year | | 263,941,160.31 | 167,820,058.40 | 190,731,145.65 |
| VI. Cash and cash equivalents at the end of the year | | 158,699,662.00 | 263,941,160.31 | 167,820,058.40 |

Representative:

The person in charge of accounting affairs:

The head of the accounting department:

Consolidated Statements of Changes In Equity
for the year ended December 31, 2022

Prepared by: Neijiang Road and Bridge Group Co., Ltd

(All amounts in RMB Yuan unless otherwise stated)

| Item | 2022 | | | | | | | | | | | | |
|--|---|--------------------------|--------|---|------------------|-----------------------|----------------------------|------------------|-----------------|-----------------|-------------------|--------------------------|------------------|
| | Attributable to shareholders of the company | | | | | | | | | | | Non-controlling interest | Sub-total |
| | Paid-in capital | Other equity instruments | | | Capital reserve | Less: Treasury shares | Other comprehensive income | Specific reserve | Surplus reserve | General reserve | Retained earnings | | |
| | Preference Shares | Perpetual bond | Others | | | | | | | | | | |
| I. Balance at the beginning of the year | 1,139,000,000.00 | - | - | - | 2,877,413,962.14 | - | 140,456,168.62 | 92,092.98 | 79,061,671.31 | - | 531,590,581.36 | 6,525,213.89 | 4,774,139,690.30 |
| Add: changes in accounting policies | | | | | | | | | | | | | |
| Correction of prior period errors | | | | | | | | | | | | | |
| Business combination involving enterprises under common control | | | | | | | | | | | | | |
| Others | | | | | | | | | | | | | |
| II. Balance at the beginning of the year | 1,139,000,000.00 | - | - | - | 2,877,413,962.14 | - | 140,456,168.62 | 92,092.98 | 79,061,671.31 | - | 531,590,581.36 | 6,525,213.89 | 4,774,139,690.30 |
| III. Changes in equity during the year ("-" for decrease) | | | | | 171,010.64 | | 1,675,389.04 | 70,066.52 | 8,723,064.07 | | 33,663,596.07 | 57,667,233.70 | 101,960,360.04 |
| (I) Total comprehensive income | | | | | | | 1,675,389.04 | | | | 71,067,031.80 | -6,261,941.89 | 66,580,478.95 |
| (II) Contribution by owners | | | | | | | | | | | | 63,929,175.59 | 63,929,175.59 |
| 1. Contribution by ordinary shareholders | | | | | | | | | | | | | |
| 2. Other equity holders' contribution | | | | | | | | | | | | | |
| 3. Increase in shareholders' equity resulted from share-based payments | | | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | | 63,929,175.59 | 63,929,175.59 |
| (III) Appropriation of profits | | | | | | | | | 8,723,064.07 | | -26,948,564.07 | | -18,225,500.00 |
| 1. Appropriation for surplus reserves | | | | | | | | | 8,723,064.07 | | -8,723,064.07 | | |
| 2. Accrual of general risk reserve | | | | | | | | | | | | | |
| 3. Distributions to shareholders | | | | | | | | | | | | -18,225,500.00 | -18,225,500.00 |
| 4. Others | | | | | | | | | | | | | |
| (IV) Transfer within equity | | | | | | | | | | | | | |
| 1. Share capital increased by capital reserves transfer | | | | | | | | | | | | | |
| 2. Share capital increased by surplus reserve transfer | | | | | | | | | | | | | |
| 3. Transfer of surplus reserve to offset losses | | | | | | | | | | | | | |
| 4. Retained earning transferred from movements of defined benefit plan | | | | | | | | | | | | | |
| 5. Other comprehensive income transferred to retained earning | | | | | | | | | | | | | |
| 6. Others | | | | | | | | | | | | | |
| (V) Specific reserve | | | | | | | | 70,066.52 | | | | | 70,066.52 |
| 1. Appropriation during the year | | | | | | | | 83,174.52 | | | | | 83,174.52 |
| 2. Utilisation during the year | | | | | | | | 13,108.00 | | | | | 13,108.00 |
| (VI) Others | | | | | 171,010.64 | | | | | | -10,484,871.66 | | -10,313,861.02 |
| IV. Balance at the end of the year | 1,139,000,000.00 | - | - | - | 2,877,584,972.78 | - | 142,131,557.66 | 162,159.50 | 87,784,735.38 | - | 565,244,177.43 | 64,192,447.59 | 4,876,100,050.34 |

Representative:

The person in charge of accounting affairs:

The head of the accounting:

Consolidated Statements of Changes In Equity
for the year ended December 31, 2022

Prepared by: Neijiang Road and Bridge Group Co., Ltd

(All amounts in RMB Yuan unless otherwise stated)

| Item | 2021 | | | | | | | | | | | Non-controlling interest | Sub-total |
|--|---|--------------------------|--------|---|------------------|-----------------------|----------------------------|------------------|-----------------|-----------------|-------------------|--------------------------|------------------|
| | Attributable to shareholders of the company | | | | | | | | | | | | |
| | Paid-in capital | Other equity instruments | | | Capital reserve | Less: Treasury shares | Other comprehensive income | Specific reserve | Surplus reserve | General reserve | Retained earnings | | |
| | Preference Shares | Perpetual bond | Others | | | | | | | | | | |
| I. Balance at the beginning of the year | 960,000,000.00 | - | - | - | 2,391,706,462.14 | - | 494,362,029.06 | -48,572.74 | 70,808,378.00 | - | 529,075,556.33 | 18,403,870.64 | 4,464,404,868.91 |
| Add: changes in accounting policies | | | | | | | | | | | | | |
| Correction of prior period errors | | | | | | | | | | | | | |
| Business combination involving enterprises under common control | | | | | | | | | | | | | |
| Others | | | | | | | | | | | | | |
| II. Balance at the beginning of the year | 960,000,000.00 | - | - | - | 2,391,706,462.14 | - | 494,362,029.06 | -48,572.74 | 70,808,378.00 | - | 529,075,556.33 | 18,403,870.64 | 4,464,404,868.91 |
| III. Changes in equity during the year ("-" for decrease) | 179,000,000.00 | - | - | - | -485,707,500.00 | - | -353,905,860.44 | 43,520.24 | 8,253,293.31 | - | 2,515,025.03 | -11,878,656.75 | 309,734,821.139 |
| (I) Total comprehensive income | | | | | | | -353,905,860.44 | | | | 68,720,218.34 | -11,878,656.75 | -297,064,296.85 |
| (II) Contribution by owners | 179,000,000.00 | - | - | - | 485,707,500.00 | - | - | - | - | - | - | - | 664,707,500.00 |
| 1. Contribution by ordinary shareholders | 179,000,000.00 | - | - | - | 485,707,500.00 | - | - | - | - | - | - | - | 664,707,500.00 |
| 2. Other equity holders' contribution | | | | | | | | | | | | | |
| 3. Increase in shareholders' equity resulted from share-based payments | | | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | | | |
| (III) Appropriation of profits | | | | | | | | | 8,253,293.31 | - | -66,205,193.31 | - | -57,951,900.00 |
| 1. Appropriation for surplus reserves | | | | | | | | | 8,253,293.31 | - | -66,205,193.31 | - | -57,951,900.00 |
| 2. Accrual of general risk reserve | | | | | | | | | | | | | |
| 3. Distributions to shareholders | | | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | | | |
| (IV) Transfer within equity | | | | | | | | | | | | | |
| 1. Share capital increased by capital reserves transfer | | | | | | | | | | | | | |
| 2. Share capital increased by surplus reserve transfer | | | | | | | | | | | | | |
| 3. Transfer of surplus reserve to offset losses | | | | | | | | | | | | | |
| 4. Retained earning transfered from movements of defined benefit plan | | | | | | | | | | | | | |
| 5. Other comprehensive income transferred to retained earning | | | | | | | | | | | | | |
| 6. Others | | | | | | | | | | | | | |
| (V) Specific reserve | | | | | | | | | | | | | |
| 1. Appropriation during the year | | | | | | | | | | | | | |
| 2. Utilisation during the year | | | | | | | | | | | | | |
| (VI) Others | | | | | | | | | | | | | |
| IV. Balance at the end of the year | 1,139,000,000.00 | - | - | - | 2,877,413,962.14 | - | 140,456,168.62 | 92,092.96 | 79,061,671.31 | - | 531,590,581.36 | 6,525,213.89 | 4,774,139,690.31 |

Representative:

The person in charge of accounting affairs:

The head of the accounting:

Consolidated Statements of Changes In Equity
for the year ended December 31, 2022

Prepared by: Neijiang Road and Bridge Group Co., Ltd

(All amounts in RMB Yuan unless otherwise stated)

| Item | 2020 | | | | | | | | | | | Non-controlling Interest | Sub total |
|--|---|--------------------------|----------------|--------|------------------|-----------------------|----------------------------|------------------|-----------------|-----------------|-------------------|--------------------------|------------------|
| | Attributable to shareholders of the company | | | | | | | | | | | | |
| | Paid-in capital | Other equity instruments | | | Capital reserve | Less: Treasury shares | Other comprehensive income | Specific reserve | Surplus reserve | General reserve | Retained earnings | | |
| | | Preference Shares | Perpetual bond | Others | | | | | | | | | |
| I. Balance at the beginning of the year | 640,000,000.00 | | | | 2,391,732,089.14 | | 489,915,793.99 | | 61,928,040.64 | | 481,278,510.06 | 21,564,949.74 | 4,086,419,383.57 |
| Add: changes in accounting policies | | | | | | | | | | | | | |
| Correction of prior period errors | | | | | | | | | | | | | |
| Business combination involving enterprises under common control | | | | | | | | | | | | | |
| Others | | | | | | | | | | | | | |
| II. Balance at the beginning of the year | 640,000,000.00 | | | | 2,391,732,089.14 | | 489,915,793.99 | | 61,928,040.64 | | 481,278,510.06 | 21,564,949.74 | 4,086,419,383.57 |
| III. Changes in equity during the year ("-" for decrease) | 320,000,000.00 | | | | -25,627.00 | | 4,446,235.07 | -48,572.74 | 8,880,337.36 | | 47,797,016.27 | -3,161,079.10 | 377,985,485.34 |
| (I) Total comprehensive income | | | | | | | 4,446,235.07 | | | | 74,099,683.63 | -3,161,079.10 | 75,384,839.60 |
| (II) Contribution by owners | 320,000,000.00 | | | | -25,627.00 | | | | | | | | 319,974,373.00 |
| 1. Contribution by ordinary shareholders | 320,000,000.00 | | | | -25,627.00 | | | | | | | | 319,974,373.00 |
| 2. Other equity holder's contribution | | | | | | | | | | | | | |
| 3. Increase in shareholders' equity resulted from share-based payments | | | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | | | |
| (III) Appropriation of profits | | | | | | | | | 8,880,337.36 | | -26,302,637.36 | | -17,422,300.00 |
| 1. Appropriation for surplus reserves | | | | | | | | | 8,880,337.36 | | -8,880,337.36 | | |
| 2. Accrual of general risk reserve | | | | | | | | | | | | | |
| 3. Distributions to shareholders | | | | | | | | | | | | -17,422,300.00 | -17,422,300.00 |
| 4. Others | | | | | | | | | | | | | |
| (IV) Transfer within equity | | | | | | | | | | | | | |
| 1. Share capital increased by capital reserves transfer | | | | | | | | | | | | | |
| 2. Share capital increased by surplus reserve transfer | | | | | | | | | | | | | |
| 3. Transfer of surplus reserve to offset losses | | | | | | | | | | | | | |
| 4. Retained earning transferred from movements of defined benefit plan | | | | | | | | | | | | | |
| 5. Other comprehensive income transferred to retained earning | | | | | | | | | | | | | |
| 6. Others | | | | | | | | | | | | | |
| (V) Specific reserve | | | | | | | | -48,572.74 | | | | | -48,572.74 |
| 1. Appropriation during the year | | | | | | | | -48,572.74 | | | | | -48,572.74 |
| 2. Utilization during the year | | | | | | | | | | | | | |
| (VI) Others | | | | | | | | | | | | | |
| IV. Balance at the end of the year | 960,000,000.00 | | | | 2,391,706,462.14 | | 494,362,029.06 | -48,572.74 | 70,808,378.00 | | 529,075,556.33 | 18,403,870.64 | 4,464,404,868.91 |

Representative:

The person in charge of accounting affairs:

The head of the accounting:

Statements of Changes In Equity

for the year ended December 31, 2022

Prepared by: Neijiang Road and Bridge Group Co., Ltd

(All amounts in RMB Yuan unless otherwise stated)

| Item | 2022 | | | | | | | | | | |
|--|------------------|--------------------------|----------------|--------|------------------|-----------------------|----------------------------|------------------|-----------------|-------------------|------------------|
| | Paid-in capital | Other equity instruments | | | Capital reserve | Less: Treasury shares | Other comprehensive income | Specific reserve | Surplus reserve | Retained earnings | Sub-total |
| | | Preference Shares | Perpetual bond | Others | | | | | | | |
| I. Balance at the beginning of the year | 1,139,000,000.00 | - | - | - | 2,853,592,646.00 | - | 136,009,933.55 | - | 79,061,671.31 | 598,496,156.47 | 4,806,160,407.33 |
| Add: changes in accounting policies | | | | | | | | | | | - |
| Correction of prior period errors | | | | | | | | | | | - |
| Others | | | | | | | | | | | - |
| II. Balance at the beginning of the year | 1,139,000,000.00 | - | - | - | 2,853,592,646.00 | - | 136,009,933.55 | - | 79,061,671.31 | 598,496,156.47 | 4,806,160,407.33 |
| III. Changes in equity during the year ("-" for decrease) | - | - | - | - | - | - | 1,428,571.43 | - | 8,723,064.07 | 60,282,076.61 | 70,433,712.11 |
| (I) Total comprehensive income | | | | | | | 1,428,571.43 | | | 87,230,640.68 | 88,659,212.11 |
| (II) Contribution by owners | | | | | | | | | | | - |
| 1. Contribution by ordinary shareholders | | | | | | | | | | | - |
| 2. Other equity holders' contribution | | | | | | | | | | | - |
| 3. Increase in shareholders' equity resulted from share-based payments | | | | | | | | | | | - |
| 4. Others | | | | | | | | | | | - |
| (III) Appropriation of profits | | | | | | | | | 8,723,064.07 | -26,948,564.07 | -18,225,500.00 |
| 1. Appropriation for surplus reserves | | | | | | | | | 8,723,064.07 | -8,723,064.07 | - |
| 2. Accrual of general risk reserve | | | | | | | | | | | - |
| 3. Distributions to shareholders | | | | | | | | | | -18,225,500.00 | -18,225,500.00 |
| 4. Others | | | | | | | | | | | - |
| (IV) Transfer within equity | | | | | | | | | | | - |
| 1. Share capital increased by capital reserves transfer | | | | | | | | | | | - |
| 2. Share capital increased by surplus reserve transfer | | | | | | | | | | | - |
| 3. Transfer of surplus reserve to offset losses | | | | | | | | | | | - |
| 4. Retained earning transferred from movements of defined benefit plan | | | | | | | | | | | - |
| 5. Others | | | | | | | | | | | - |
| (V) Specific reserve | | | | | | | | | | | - |
| 1. Appropriation during the year | | | | | | | | | | | - |
| 2. Utilisation during the year | | | | | | | | | | | - |
| (VI) Others | | | | | | | | | | | - |
| IV. Balance at the end of the year | 1,139,000,000.00 | - | - | - | 2,853,592,646.00 | - | 137,438,504.98 | - | 87,784,735.38 | 658,778,233.08 | 4,876,594,119.44 |

Representative:

The person in charge of accounting affairs:

The head of the accounting:

Statements of Changes In Equity

for the year ended December 31, 2022

Prepared by: Neijiang Road and Bridge Group Co., Ltd

(All amounts in RMB Yuan unless otherwise stated)

| Item | 2021 | | | | | | | | | | |
|--|------------------|--------------------------|----------------|--------|------------------|-----------------------|----------------------------|------------------|-----------------|-------------------|------------------|
| | Paid-in capital | Other equity instruments | | | Capital reserve | Less: Treasury shares | Other comprehensive income | Specific reserve | Surplus reserve | Retained earnings | Sub-total |
| | | Preference Shares | Perpetual bond | Others | | | | | | | |
| I. Balance at the beginning of the year | 960,000,000.00 | - | - | - | 2,367,885,146.00 | - | 489,915,793.99 | - | 70,808,378.00 | 582,168,416.67 | 4,470,777,734.66 |
| Add: changes in accounting policies | | | | | | | | | | | - |
| Correction of prior period errors | | | | | | | | | | | - |
| Others | | | | | | | | | | | - |
| II. Balance at the beginning of the year | 960,000,000.00 | - | - | - | 2,367,885,146.00 | - | 489,915,793.99 | - | 70,808,378.00 | 582,168,416.67 | 4,470,777,734.66 |
| III. Changes in equity during the year ("-" for decrease) | 179,000,000.00 | - | - | - | 485,707,500.00 | - | -353,905,860.44 | - | 8,253,293.31 | 16,327,739.80 | 335,382,672.67 |
| (I) Total comprehensive income | | | | | | | -353,905,860.44 | | | 82,532,933.11 | -271,372,927.33 |
| (II) Contribution by owners | 179,000,000.00 | - | - | - | 485,707,500.00 | - | - | - | - | - | 664,707,500.00 |
| 1. Contribution by ordinary shareholders | 179,000,000.00 | | | | 485,707,500.00 | | | | | | 664,707,500.00 |
| 2. Other equity holders' contribution | | | | | | | | | | | - |
| 3. Increase in shareholders' equity resulted from share-based payments | | | | | | | | | | | - |
| 4. Others | | | | | | | | | | | - |
| (III) Appropriation of profits | | | | | | | | | 8,253,293.31 | -66,205,193.31 | -57,951,900.00 |
| 1. Appropriation for surplus reserves | | | | | | | | | 8,253,293.31 | -8,253,293.31 | - |
| 2. Accrual of general risk reserve | | | | | | | | | | | - |
| 3. Distributions to shareholders | | | | | | | | | | -57,951,900.00 | -57,951,900.00 |
| 4. Others | | | | | | | | | | | - |
| (IV) Transfer within equity | | | | | | | | | | | - |
| 1. Share capital increased by capital reserves transfer | | | | | | | | | | | - |
| 2. Share capital increased by surplus reserve transfer | | | | | | | | | | | - |
| 3. Transfer of surplus reserve to offset losses | | | | | | | | | | | - |
| 4. Retained earning transferred from movements of defined benefit plan | | | | | | | | | | | - |
| 5. Others | | | | | | | | | | | - |
| (V) Specific reserve | | | | | | | | | | | - |
| 1. Appropriation during the year | | | | | | | | | | | - |
| 2. Utilisation during the year | | | | | | | | | | | - |
| (VI) Others | | | | | | | | | | | - |
| IV. Balance at the end of the year | 1,139,000,000.00 | - | - | - | 2,853,592,646.00 | - | 136,009,933.55 | - | 79,061,671.31 | 598,496,156.47 | 4,806,160,407.33 |

Representative:

The person in charge of accounting affairs:

The head of the accounting:

Statements of Changes In Equity

for the year ended December 31, 2022

Prepared by: Neijiang Road and Bridge Group Co., Ltd

(All amounts in RMB Yuan unless otherwise stated)

| Item | 2020 | | | | | | | | | | |
|--|-----------------|--------------------------|----------------|--------|------------------|-----------------------|----------------------------|------------------|-----------------|-------------------|------------------|
| | Paid-in capital | Other equity instruments | | | Capital reserve | Less: Treasury shares | Other comprehensive income | Specific reserve | Surplus reserve | Retained earnings | Sub-total |
| | | Preference Shares | Perpetual bond | Others | | | | | | | |
| I. Balance at the beginning of the year | 640,000,000.00 | | | | 2,367,885,146.00 | | 489,915,793.99 | | 61,928,040.64 | 519,667,680.48 | 4,079,396,661.11 |
| Add: changes in accounting policies | | | | | | | | | | | |
| Correction of prior period errors | | | | | | | | | | | |
| Others | | | | | | | | | | | |
| II. Balance at the beginning of the year | 640,000,000.00 | | | | 2,367,885,146.00 | | 489,915,793.99 | | 61,928,040.64 | 519,667,680.48 | 4,079,396,661.11 |
| III. Changes in equity during the year ("-" for decrease) | 320,000,000.00 | | | | | | | | 8,880,337.36 | 62,500,736.19 | 391,381,073.55 |
| (I) Total comprehensive income | | | | | | | | | | 88,803,373.55 | 88,803,373.55 |
| (II) Contribution by owners | 320,000,000.00 | | | | | | | | | | 320,000,000.00 |
| 1. Contribution by ordinary shareholders | 320,000,000.00 | | | | | | | | | | 320,000,000.00 |
| 2. Other equity holders' contribution | | | | | | | | | | | |
| 3. Increase in shareholders' equity resulted from share-based payments | | | | | | | | | | | |
| 4. Others | | | | | | | | | | | |
| (III) Appropriation of profits | | | | | | | | | 8,880,337.36 | -26,302,637.36 | -17,422,300.00 |
| 1. Appropriation for surplus reserves | | | | | | | | | 8,880,337.36 | -8,880,337.36 | |
| 2. Accrual of general risk reserve | | | | | | | | | | | |
| 3. Distributions to shareholders | | | | | | | | | | -17,422,300.00 | -17,422,300.00 |
| 4. Others | | | | | | | | | | | |
| (IV) Transfer within equity | | | | | | | | | | | |
| 1. Share capital increased by capital reserves transfer | | | | | | | | | | | |
| 2. Share capital increased by surplus reserve transfer | | | | | | | | | | | |
| 3. Transfer of surplus reserve to offset losses | | | | | | | | | | | |
| 4. Retained earning transferred from movements of defined benefit plan | | | | | | | | | | | |
| 5. Others | | | | | | | | | | | |
| (V) Specific reserve | | | | | | | | | | | |
| 1. Appropriation during the year | | | | | | | | | | | |
| 2. Utilisation during the year | | | | | | | | | | | |
| (VI) Others | | | | | | | | | | | |
| IV. Balance at the end of the year | 960,000,000.00 | | | | 2,367,885,146.00 | | 489,915,793.99 | | 70,808,378.00 | 582,168,416.67 | 4,470,777,734.66 |

Representative:

The person in charge of accounting affairs:

The head of the accounting

Neijiang Road and Bridge Group Co., Ltd

Notes to the Financial Statements

For the year ended December 31, 2022 and 2021 and 2020

(All amounts in RMB Yuan unless otherwise stated)

I. COMPANY STATUS

1. Company Profile

Company name: Neijiang Road and Bridge Group Co., Ltd

Registered address: No. 50 Dongcheng Road, Dongxing District, Neijiang City, Sichuan Province

Business term: From December 6th, 2013 to no fixed term

Registered capital: RMB 1120 million

Legal representative: Tang Haoran

2. The nature of the industry, the scope of business and the main products or services provided by the company

The company's business scope: Investment and land consolidation in the road and bridge industry, real estate investment and development management, development, construction and operation management of highway bridges and related projects, engineering construction, road bridge maintenance, engineering design, engineering testing and testing, engineering supervision, highway engineering technical consulting, building material management, and property management. (For the above business scope, those who need to obtain a qualification certificate shall operate with the qualification certificate) (For projects that require approval according to law, business activities can only be carried out with the approval of relevant departments).

These financial statements were approved for issuance by the general manager's office meeting of the Company through its resolution on October 26, 2023.

II. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

Please refer to the note "VIII's equity in other entities" for details.

III. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of financial statements

The financial statements have been prepared on the going concern basis, and based on actual transactions and events, in accordance with the requirements of Accounting Standards for Business Enterprises or referred to as China Accounting Standards (“CAS”) issued by the Ministry of Finance.

The Company adopts the accrual basis of accounting. Except for certain financial instruments, the financial statements are prepared under the historical cost convention. In case of asset impairment, impairment provision is accrued in accordance with relevant regulations.

2. Continuous operation

The Company has its continuous operation capability for at least 12 months from the end of the reporting period, and there's no significant matter affecting its continuous operation capability.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance with the accounting standards for business enterprises

These financial statements present truly and completely the consolidated financial position and financial position of the Company. And the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended.

2. Accounting period

The accounting period of the Company is from January 1 to December 31.

3. Operating cycle

The operating cycle of the Company is 12 months. The Company takes the period which acts as an indicator for classification of the liquidity of assets and liabilities.

4. Functional currency

Renminbi (“RMB”) is the currency of the economic environment in which the Company and its subsidiaries operate, Therefore, the Company and its subsidiaries choose RMB as their functional currency, and the Company adopts RMB to prepare its financial statements.

5. Accounting treatments for business combinations involving entities under common control and not under common control

(1) Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The combination date is the date on which one combining entity obtains control of other combining entities.

The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. In case of inconsistency between the accounting policies adopted by the acquiree and those of the Company, the acquirer makes necessary adjustments of the financial statements based on the Company's accounting policies, and confirm as per the carrying amount basing on this after the adjustment.

The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total par value of shares issued) is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings.

Any costs directly attributable to the combination are recognized in profit or loss when incurred.

The fees and commissions incurred from issuance of equity securities for the business combination are a direct deduction of the premium income of equity securities. If the premium income of equity securities is not sufficient for the deduction, the remaining balance is adjusted against retained earnings.

For the business combinations under common control completed by step-by-step's multiple transactions, if it is a package deal, the Company will account the transactions as those for obtaining control right. If it is not a package deal, it will be accounted for as per the following steps on the date that the control right is obtained:

Recognition method of initial investment cost for long-term equity investments acquired through a business combination under common control: The initial investment cost shall be recognized according to the acquirer's interest in the carrying amount of the acquiree's net assets on the financial statements of the ultimate controller at the combination date.

- a. The difference between the initial investment cost of long-term equity investments and the aggregate of the carrying amount of long-term equity investments before combination and the carrying amount of the additional consideration paid for acquiring further share at the combination date is treated as an adjustment to capital surplus. If the capital surplus is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings
- b. With respect to the equity investments held before the date of combination, its other comprehensive income recognized under equity method or under the recognition and measurement standard for financial instruments will not be accounted for until on the same basis as for the investee's disposal of related assets or liabilities directly. The other changes on the

owners' equity other than net profit or loss, other comprehensive income and profits for distribution in the net assets of the investee recognized using equity method will not be accounted, till they are transferred to profit or loss for the current period when such investment is disposed. In them, if the remaining equity after disposal is recognized using cost method or equity method, the other comprehensive income and other owners' equity shall be carried over proportionally. And if the remaining equity is changed to be accounted for under the recognition and measurement standard for financial instruments, the other comprehensive income and other owners' equity shall be carried over totally.

c. Accounting treatments for a business combination refer to Note IV 6.

(2) Business combinations involving enterprises not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination.

Where (1) the aggregate of the acquisition-date fair value of assets transferred (including the acquirer's previously held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition-date fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill. If (1) is less than (2), the difference is recognized in profit or loss for the current period. Other acquisition-related costs are expensed when incurred. The acquiree's identifiable asset, liabilities and contingent liabilities, if the recognition criteria are met, are recognized by the Group at their acquisition-date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

When the economic benefits brought by the other assets (not only be limited to the originally recognized assets of the acquiree) other than intangible assets acquired from the acquiree in the business combination may flow into the Company and their fair value can be measured reliably, they are recognized separately and measured as per their fair value. When the liabilities acquired from the acquiree other than contingent liabilities may cause economic benefits to flow out of the Company in performing relevant obligations and their fair value can be measured reliably, they are recognized separately and measured as per their fair value. When the fair value for contingent liabilities acquired

from the acquiree can be measured reliably, they are recognized separately as liabilities and measured as per their fair value.

In the initial recognition of the assets acquired in the combination, the intangible assets owned by the acquiree but not recognized in its financial statements shall be fully identified and reasonably judged. An intangible asset is identifiable if it meets either the separability criterion or the contractual-legal criterion: (1) arises from contractual or other legal rights; (2) the intangible asset is capable of being separated or divided from the acquiree and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability.

The acquirer shall not recognize the deductible temporary differences acquired in the combination, if the deductible temporary differences might not satisfy the criteria for separate recognition. Within 12 months after the date of acquisition, if obtaining new or further information indicates that related situation has existed on the date of acquisition, and anticipated economic benefits brought from the deductible temporary difference on the date of acquisition for the acquirer can be realized, related deferred income tax assets are recognized and the goodwill is decreased accordingly. If the goodwill is not sufficient for the deduction, the difference is recognized in profit or loss for the current period. Except for the above situations, the deferred income tax assets related to business combination are recognized in profit or loss of the current period.

The overhead for the business combination, including the expenses for audit, legal services, valuation advisory, and other administrative expenses, are recorded in profit or loss as incurred. The transaction costs of equity or debt securities issued as the considerations of business combination are included in the initial recognition amount of the equity or debt securities.

With respect to the business combination not under common control achieved step by step through multiple transactions, if it is a package deal, the Company will treat the transactions as those for obtaining control right. If it is not a package deal, in individual financial statements, the sum of the carrying amount for the equity investment of the acquiree held before the date of acquisition and the newly increased investment cost on the date of acquisition is set as the initial investment cost changed to be recognized under cost method. As for equity investments of the acquiree held before the date of acquisition, its other comprehensive income recognized under equity method are accounted for on the same basis as that for the investee's direct disposal of related assets or liabilities in disposal of the investment. The owners' equity confirmed by the investee due to change of other owners' equity except

for net profit or loss, other comprehensive income and profit for distribution is in profit or loss for the current period during the period of disposal when such investment is being disposed. In which, if the remaining equity after disposal is recognized under cost method or equity method according to the principle for long-term equity investments, the other comprehensive income and other owners' equity shall be carried over proportionally. If the remaining equity after disposal is changed to be recognized under the recognition and measurement standard for financial instruments, the other comprehensive income and other owners' equity shall be carried over totally. The accounting treatment of the consolidated financial statements is shown in Note IV. (6).

For the equity investments held before the date of acquisition, if it is recognized under the recognition and measurement standard for financial instruments, the sum of the fair value for the equity investment plus newly increased investment cost is set as the initial investment cost changed to be accounted for with cost method, and the difference between the fair value of the originally held equity and the carrying amount and accumulated changes of fair value originally recorded into other comprehensive income are transferred as the investment income of the current period to be otherwise accounted for with cost method totally.

(3) Judging criteria for multiple transactions as a package deal

The following are considered to determine whether the Group should account for the multiple transactions as a bundled transaction:

- a. Arrangements are entered into at the same time or in contemplation of each other;
- b. Arrangements work together to achieve an overall commercial effect;
- c. The occurrence of one arrangement is dependent on the occurrence of at least one other arrangement;
- d. One arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

6. Consolidated financial statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Relevant activities are activities of the investee that significantly affect the investee's returns.

Relevant activities of the investee are judged according to specific situations; usually they include sales and purchase of commodities or labor, management of financial assets, purchase and disposal of assets, research and development activities and financing activities, etc.

Consideration of the following factors may assist in making that determination: (a) The purpose and design of the investee; (b) what the relevant activities and how decisions about those activities are made; (c) whether the rights of the investor give it the current ability to direct the relevant activities; (d) whether the investor is exposed, or has rights, to variable returns from its involvement with the investee; (e) whether the investor has the ability to use its power over the investee to affect the amount of the investor's returns. Once the changes of relevant facts and situations cause related factors involving the control, they will be assessed again.

An investor, in assessing whether it has power, considers only substantive rights relating to an investee (held by the investor and others). For a right to be substantive, the holder must have the practical ability to exercise that right.

The Company sets the financial statements of its own and its subsidiaries as the basis, see the whole enterprise group as an accounting entity according to other information, and has reflected overall financial situation, operating result and cash flow of the enterprise group according to recognition, measurement and presentation requirements of relevant enterprise accounting standards for the unified accounting policies and accounting duration. Consolidated procedures including: (a) combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries; (b) offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary; (c) eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements.

The portion of a subsidiary's equity that is not attributable to the parent is treated as "Non-controlling interests" and presented separately in the consolidated balance sheet within shareholders' equity.

Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable

to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' share of the opening owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

Unrealized profits or losses from internal transactions generated from sales of assets to the subsidiary are used to offset the "Net profit attributable to owners of the parent company" in full amount. Unrealized profits or losses from internal transactions generated from the subsidiary's sales of assets to the parent company are offset in the "Net profit belonging to the owners of the parent company" and the "Non-controlling interests" as per the distribution proportion of the parent company for the subsidiary. Unrealized profits or losses from internal transactions generated from sales of assets between subsidiaries are offset in the "Net profit attributable to owners of the parent company" and the "Non-controlling interests" as per the distribution proportion of the parent company to the subsidiaries as selling parties.

When the Company prepares the consolidated financial statements for the increased subsidiaries and businesses due to business combination under common control within the reporting period, it adjusts the closing balance in the consolidated balance sheet, includes the income, expenses and profit from the beginning of the current period to the end of the reporting period for the combination of the subsidiaries and their businesses in the consolidated income statement and cash flow in the consolidated cash flow statement, and adjust relevant items after comparing them in the statements, and the reporting entity after the combination is regarded as being existing all the time from the beginning of the control time of the final controller.

When the Company prepares the consolidated balance sheet for the subsidiaries and their businesses increased for the Company within the reporting period not due to business combination under common control or other ways, it does not adjust the opening balance in the consolidated balance sheet, but includes the income, expenses, profit and cash flow of the subsidiaries from the date of business combination to the end of the reporting period in the consolidated income statement and consolidated statement of cash flow.

With respect to the Company's disposal of its subsidiaries and their businesses and preparing the consolidated balance sheet within the reporting period, it does not adjust the opening balance in the

consolidated balance sheet, but includes the income, expenses and profit of the subsidiaries and their businesses from the beginning of the period to the date of disposal in the consolidated income statement and cash flow in the consolidated statement of cash flow.

When the parent company purchases a subsidiary's equity owned by the minority stockholders of the subsidiary, in the consolidated financial statements, the difference between the long-term equity investment newly acquired from purchasing minority of equity and the net assets continuously calculated from the date of acquisition or combination held in the subsidiary calculated by the proportion of newly increased shares is adjusted as capital reserve (capital premium or capital stock premium). The retained earnings will be adjusted accordingly if the capital reserve is not sufficient for the deduction.

With respect to the business combination under common control achieved step by step through multiple transactions, if it is not a package deal, on the date of acquiring the control right, the long-term equity investment held by acquirer before combination and the profit or loss, other comprehensive income and changes of other owners' equity that have been recognized on the date of acquisition or the final date of control of the acquirer and the acquiree in the same party, whichever is later, and the date of combination, are used to deduct the opening retained earnings or the profit or loss of the current period during the period of statement comparison.

With respect to the business combination not under common control achieved step by step through multiple transactions, if it is not a package deal, in the consolidated financial statements, the equity of the acquiree held before the date of acquisition is measured as per its fair value on the date of acquisition again, and the difference between its fair value and its carrying amount is recorded into the investment income of the current period, and the equity of the acquiree held before the date of acquisition involving the other comprehensive income accounted for with equity method is transferred as the income of the current period on the date of acquisition together with other comprehensive income, except for other comprehensive income arising from the remeasurement of the net income or asset changes of the income plan by the investee.

In case of partial disposal of long-term equity investments on a subsidiary without losing control, in consolidated financial statements, the Company adjusts the capital premium or share premium based on the difference between the disposal cost and the acquirer's interest in net assets of the subsidiary correspondingly from the disposal of long-term equity investments continuously calculated from the

date of acquisition or combination date, and adjusts the retained earnings if the capital reserve is not enough to deduct.

If the control of the investee is lost due to the disposal of part of the equity investment, etc., the Company remeasures the residual equities at their fair value on the date of losing control when preparing consolidated financial statements. By subtracting the the acquirer's interest of net assets of the original subsidiary based on the original shareholding ratio continuously calculated from the acquisition or combination date from the sum of the disposal consideration of equities and the fair value of residual equities, the balance is recognized in the investment income for the current period when the control is lost, while reducing the goodwill. Other comprehensive income related to equity investments of the original subsidiary shall be recognized in profit or loss for the current period when the control is lost.

Where the Company disposes equity investments on a subsidiary via multiple transaction steps until the control is lost, if the transactions of disposing equity investments on a subsidiary until the control is lost are a package deal, the Company should take all transactions as a transaction in disposal and loss of control for accounting treatment; however, the difference between each disposal cost before the loss of control and the corresponding attributable share of such subsidiary's net assets for investment disposal should be recognized in other comprehensive income on consolidated financial statements, and recognized in profit or loss of the period when the control is lost.

The consolidated statement of changes in equity is prepared based on the consolidated balance sheet and consolidated income statement.

7. Joint arrangement classification and accounting treatment for joint operation

A joint arrangement is an arrangement of which two or more parties have joint control. 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. When assessing whether the Company can exercise joint control over an investee, the Company first considers whether strategic decisions relating to the investee's related activities require the unanimous consent of all participant parties that sharing of control. All the parties, or a group of the parties, control the arrangement collectively when they must act together to direct the relevant activities.

There are two types of joint arrangements - joint operations and joint ventures. The classification of joint arrangements under is determined based on the rights and obligations of parties to the joint

arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group as a joint operator recognizes the following items in relation to its interest in a joint operation:

- A. Its solely-held assets, including its share of any assets held jointly;
- B. Its solely-assumed liabilities, including its share of any liabilities incurred jointly;
- C. Its revenue from the sale of its share of the output arising from the joint operation;
- D. Its share of the revenue from the sale of the output by the joint operation;
- E. Its solely-incurred expenses, including its share of any expenses incurred jointly.

8. Cash and cash equivalents

In preparing the statement of cash flows, cash comprises cash in hand and deposits that can be readily withdrawn on demand. Cash equivalents include short-term (usually maturing within three months after acquisition), highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value.

9. Foreign currency transactions and translation of foreign currency financial statements

(1) Foreign currency transactions

Foreign currency transactions are translated to the functional currency of the Company at the spot exchange rates on the dates of the transactions.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date are directly recognized in the profits and losses, except that translation differences caused by special foreign currency loans borrowed for purchasing or constructing qualified capitalization assets are recognized under the principle of capitalization. Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rate at the date the fair value is determined. The resulting exchange differences are recognized in profit or loss.

(2) Foreign currency translation

Asset and liability items in the balance sheet are translated to Renminbi at the spot exchange rate on the balance sheet date. Owners' equity items, except for the item of "undistributed profits", are

translated to Renminbi at spot exchange rates on the transaction dates. Income and expense items in the income statement are translated to Renminbi at the spot exchange rates on the transaction dates. Differences arising from translation of foreign currency financial statements are separately listed as “Foreign currency translation differences” under shareholders’ equity in the balance sheet.

The translation differences accumulated in other comprehensive income with respect to a foreign operation are transferred to profit or loss in the period when the foreign operation is disposed.

10. Financial Instruments

Financial instruments include financial assets, financial liabilities and equity instruments. A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or an equity instrument of another enterprise.

(1) Classification of financial assets

For the purpose of holding financial assets and assuming financial liabilities, the management of the Company classified them as: financial assets or financial liabilities are measured at fair value through profit or loss, including held-for-trading financial assets or financial liabilities (and financial assets or financial liabilities directly designated to be measured at fair value through profit or loss); held-to-maturity investments; accounts receivable; available-for-sale financial assets and other financial liabilities.

(2) Recognition and measurement of financial assets

a. Financial assets or financial liabilities measured at fair value through profit or loss

The amount should be initially recognized at fair value when they are acquired (deducting cash dividends that have been declared but not distributed or bond interests that have matured but not been drawn). Relevant transaction expenses shall be recognized in profit or loss for the current period.

The interests and cash dividends to be received during the holding period are recognized as investment income. Changes in fair value shall be recognized in profit or loss at the end of the period.

Difference between the fair value and initial cost shall be recognized as investment income upon disposal; meanwhile, adjustment is made to gains or losses on changes in fair values.

b. Held-to-maturity investments

Held-to-maturity investments are initially recognized at the aggregate of fair values (deducting bond interests that have matured but not been drawn) and transaction costs when acquired.

Interest income shall be recognized in investment income, according to amortization costs and effective interest rate during holding period. The effective interest rates are determined upon acquisition and remain unchanged during the expected remaining period, or a shorter period if applicable.

Difference between the proceeds and the carrying amount of the held-to-maturity investments is recognized as investment income upon disposal.

c. Accounts receivable

For creditor's rights receivable arising from external sales of goods or rendering of services by the Company and other creditor's rights of other enterprises (excluding liability instruments quoted in an active market) held by the Company, including accounts receivable and other receivables, the initial recognition amount shall be the contract price or agreement price receivable from purchasing party. Accounts receivable with financing nature are initially recognized at their present values.

The difference between the actual payment and the carrying amount of the accounts receivable shall be recognized in profit or loss as received or disposed by the Company.

d. Available-for-sale financial assets

Available-for-sale financial assets are initially recognized at the aggregate of fair values (deducting cash dividends that have been declared but not distributed and bond interests that have matured but not been drawn) and transaction costs as acquired.

The interests and cash dividends to be received during the holding period are recognized as investment income. Available-for-sale financial assets shall be measured at fair value at the end of the period and changes in fair value are recognized in other comprehensive income. Investments in equity instruments are presented as available-for-sale and measured at cost when the Company has no control, joint control or significant influence on the investee and they do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

Difference between the proceeds and the carrying amount of the financial assets is recognized in investment income as disposed. Meanwhile, the accumulated changes in fair value included in other comprehensive income, shall be transferred to profit or loss for the current period upon disposal portion.

e. Other financial liabilities

Other financial liabilities are initially recognized at the transaction price (including fair value and transaction costs), and subsequently measured at amortized costs.

(3) Recognition basis and measurement method of transfer of financial assets

A financial asset is derecognized if the Company transfers substantially all the risks and rewards of ownership of the financial asset to the transferee. A financial asset is not derecognized if the Company retains substantially all the risks and rewards of ownership of the financial asset to the transferee.

The principle of substance over form is adopted to determine whether the transfer of a financial asset satisfies the criteria as described above for derecognition of a financial asset. The Company classifies the transfer of a financial asset into the entire transfer and the partial transfer. If the entire transfer satisfies the derecognition criteria, the difference between the amounts of the following two items shall be recognized in profit or loss:

- a. The carrying amount of the transferred financial asset;
- b. The aggregate of the consideration received from the transfer and the accumulated amount of the changes in fair value originally and directly included in owners' equity (the situation where the financial asset transferred is an available-for-sale financial asset).

If the partial transfer of financial asset satisfies the criteria for derecognition, the entire carrying amount of the transferred financial asset shall be split into the derecognized and recognized part according to their respective fair value and the difference between the amounts of the following two items shall be recognized in profit or loss:

- a. The carrying amount of derecognized part;
- b. The aggregate of the consideration for the derecognized part and the portion of derecognition corresponding to the accumulated amount of the changes in fair value originally and directly recognized in owners' equity (the transferred financial assets are available for sale).

If the transfer of financial assets does not meet the derecognition criteria, the financial assets shall continue to be recognized, and the consideration received will be recognized as a financial liability.

(4) Derecognition criteria of financial liabilities

A financial liability shall be totally or partly derecognized if its present obligations are totally or partly dissolved. Where the Company enters into an agreement with a creditor so as to substitute the existing financial liabilities with any new financial liability, and the new financial liability is substantially

different from the contractual stipulations regarding the existing financial liability, it shall derecognize the existing financial liability, and shall at the same time recognize the new financial liability.

Where substantial revisions are made to all or some of the contractual stipulations of the existing financial liability, the Company shall derecognize the existing financial liability totally or partly, and at the same time recognize the financial liability with revised contractual stipulations as a new financial liability.

Upon total or partial derecognition of financial liabilities, the difference between the carrying amount of the financial liabilities derecognized and the consideration paid (including non-cash assets surrendered or new financial liabilities assumed) shall be recognized in profit or loss for the current period.

Where the Company repurchases part of its financial liabilities, it shall, on the repurchase date, allocate the entire carrying amount of whole financial liabilities according to the comparative fair value of the part that continues to be recognized and the derecognized part. The difference between the carrying amount allocated to the derecognized part and the considerations paid (including non-cash assets surrendered and the new financial liabilities assumed) shall be recognized in profit or loss for the current period.

(5) Determination method of fair value of financial assets and financial liabilities

For financial assets or financial liabilities measured at fair value, the Company uses the quoted prices in active markets as their fair value.

Except for the financial assets measured at fair values through profit or loss, the carrying amount of financial assets should be checked on the balance sheet date. If there is objective evidence that a financial asset is impaired, provision for impairment shall be made.

a. Provision for impairment of available-for-sale financial assets

If the fair value of available-for-sale financial assets has significantly declined at the end of the period, or it is expected that the trend of decrease in value is non-temporary after considering of various relevant factors, the impairment shall be recognized, and accumulated losses from decreases in fair value originally and directly included in owners' equity shall be all transferred out and recognized as impairment loss.

For any available-for-sale financial asset, if due to the impact of the following loss events, its anticipated cash flow in the future is decreased and can be measured reliably, recognizing impairment loss.

- ① The debtor is in serious financial difficulty;
- ② A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- ③ Considering economic or legal factors, the Company makes concessions to a debtor in financial difficulties;
- ④ It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- ⑤ The disappearance of an active market for that financial asset because of financial difficulties faced by the issuer;
- ⑥ Significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of an investment in an equity instrument may not be recovered by the investor;
- ⑦ A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

When an available-for-sale financial asset is impaired, the cumulative loss arising from a decline in fair value that has been recognized directly in owner's equity is reclassified to impairment loss. If, after an impairment loss has been recognized on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed through profit or loss. An impairment loss recognized for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

b. Provision for impairment of held-to-maturity investments:

Measurement of impairment loss on held-to-maturity investments is treated in accordance with the measurement method of impairment loss on accounts receivable.

11. Finance Assets Devalue

The financial assets that the Group needs to recognize impairment losses are financial assets measured at amortized cost, debt instruments measured at fair value with changes recognized in other comprehensive income, lease receivables, mainly including notes receivable, accounts receivable,

accounts receivable financing, other receivables, debt investments, other debt investments, long-term receivables, etc. In addition, for contract assets and some financial guarantee contracts, impairment provisions and credit impairment losses are also recognized in accordance with the accounting policies described in this section.

a. Recognition method for impairment provision

Based on expected credit losses, the Group sets aside impairment provisions and recognizes credit impairment losses for each of the above items according to their applicable expected credit loss measurement methods (general or simplified).

Credit loss refers to the difference between all contractual cash flows receivable under the contract and all expected cash flows received by the group discounted at the original effective interest rate, which is the present value of all cash shortages. Among them, for financial assets that have undergone credit impairment that have been purchased or generated, the Group will discount them at the actual interest rate adjusted for credit of the financial asset.

The general method for measuring expected credit losses refers to the assessment by the Group on each balance sheet date of whether the credit risk of financial assets (including contract assets and other applicable items, the same below) has significantly increased since initial recognition. If the credit risk has significantly increased since initial recognition, the Group measures the loss reserve at an amount equivalent to the expected credit loss for the entire duration; If credit risk has not significantly increased since initial recognition, the Group measures loss reserves at an amount equivalent to the expected credit loss in the next 12 months. When evaluating expected credit losses, the Group considers all reasonable and evidence-based information, including forward-looking information.

For financial instruments with lower credit risk on the balance sheet date, the Group assumes that their credit risk has not significantly increased since initial recognition and chooses to measure loss provisions based on expected credit losses over the next 12 months.

b. Criteria for determining whether credit risk has significantly increased since initial recognition

If the probability of default of a financial asset during the estimated lifespan determined on the balance sheet date is significantly higher than the probability of default during the estimated lifespan determined at initial recognition, it indicates a significant increase in the credit risk of the financial asset. Except for special circumstances, the Group uses the changes in default risk that occur within the

next 12 months as a reasonable estimate of the changes in default risk that occur throughout the entire lifespan to determine whether credit risk has significantly increased since initial recognition.

c. A Combination Method for Evaluating Expected Credit Risk Based on Combination

The Group evaluates the credit risk of financial assets with significantly different credit risks, such as accounts receivable from related parties; Receivables that have disputes with the other party or involve litigation or arbitration; There are obvious signs that the debtor is likely to be unable to fulfill repayment obligations, such as accounts receivable.

In addition to financial assets that are individually assessed for credit risk, the Group divides financial assets into different groups based on common risk characteristics and evaluates credit risk on a portfolio basis.

d. Accounting treatment methods for impairment of financial assets

At the end of the period, the Group calculates the expected credit loss of various financial assets. If the expected credit loss exceeds the carrying amount of its current impairment provision, the difference is recognized as impairment loss; If it is less than the carrying amount of the current impairment provision, the difference is recognized as impairment gains.

e. Method for determining credit losses of various financial assets

① Bills receivable

The Group measures loss reserves for bills receivable based on the expected credit loss amount equivalent to the entire duration. Based on the credit risk characteristics of notes receivable, they are divided into different combinations:

| Group of collective assessment Basis for collective assessment | |
|--|--|
| Bank acceptance bill | The acceptor is a bank with lower credit risk |
| Commercial acceptance bill | Same as the 'accounts receivable' combination division |

② Accounts receivable and contract assets

For accounts receivable and contract assets that do not contain significant financing components, the Group measures loss reserves based on the expected credit loss amount equivalent to the entire duration.

For accounts receivable, contract assets, and lease receivables that contain significant financing components, the Group chooses to always measure the loss provision at an amount equivalent to the expected credit loss during the term.

Except for accounts receivable that are individually assessed for credit risk, they are divided into different combinations based on their credit risk characteristics:

| Group of collective assessment Basis for collective assessment | |
|--|--|
| Aging combination | This combination uses the aging of accounts receivable as a credit risk characteristic |
| Other combinations | This portfolio includes a combination of accounts receivable from related parties, government institutions, and local state-owned enterprises, as well as a credit rating specific identification method combination |

③ Other receivables

The Group measures impairment losses based on whether the credit risk of other receivables has significantly increased since initial recognition, using an amount equivalent to the expected credit loss within the next 12 months or the entire duration. In addition to other receivables that are individually assessed for credit risk, they are divided into different combinations based on their credit risk characteristics:

| Group of collective assessment Basis for collective assessment | |
|--|--|
| Aging combination | This combination uses the aging of other receivables as a credit risk characteristic |
| Other combinations | This combination includes other receivables reserves, deposit deposits, related parties, government institutions, and local state-owned enterprises, as well as credit rating individual recognition method combinations |

12. Inventories

(1) Classification of inventories

Inventories include raw material, work in process, circulating materials, finished goods, stock commodities, consumptive biological assets, development costs, etc.

(2) Measurement method of acquired and dispatched inventories

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditure incurred in bringing the inventories to their present location and condition.

Inventories are calculated using first-in, first-out method and weighted average method when dispatched.

(3) Basis for determining the net realizable value and method for provision for obsolete inventories

After the comprehensive inventory count at the end of the period, any excess of the cost over the net realizable value of inventories is recognized as a provision for obsolete inventories.

The net realizable value of finished goods, stock commodities and materials for sale refers to the amount after deducting estimated sale expense and relevant taxes from the estimated sale price of inventories in the daily business activity. The net realizable value of the materials held for production refers to the amount after deducting the estimated cost of completion, estimated sale expense and relevant taxes from the estimated sale price of inventories in the daily business activity. The net realizable value of inventories held for the execution of sales contracts or labor contracts shall be calculated on the ground of the contract price. If an enterprise holds more inventories than the quantities subscribed in the sales contract, the net realizable value of the excessive part of the inventories shall be calculated on the ground of the general sales price.

The Company usually recognizes provision for decline in value of inventories by a single inventory item at the end of the period. For inventories with large quantity and low unit price, the provisions for inventories are made on a category basis. For inventories related to the product portfolios manufactured and sold in the same area, and of which the final usage or purpose is identical or similar thereto, and which is difficult to separate from other items for measurement purposes, the provisions for inventories shall be made on a portfolio basis.

If the factors caused the value of inventory previously written-down have disappeared, the provision for decline in value of inventories previously made is reversed to profit or loss for the current period.

(4) Inventory count system

The Company maintains a perpetual inventory system.

(5) Amortization method of low-value consumables and packaging materials

- a. Low-value consumables are charged to profit or loss when they are used.
- b. Packaging materials are amortized in full when they are use.

(6) Measurement method of development cost

The cost for development projects of the Company includes:

- a. Compensation for land requisition and demolition: sundry expenses incurred from purchasing or participating in auction of land for development of real estate projects, including land cost, resettlement fee, compensation for demolition and resettlement of original buildings, deed tax and auction service fee, etc.
- b. Pre-construction costs: expenses incurred from planning, design, feasibility study, hydrogeological investigation, surveying and mapping and leveling of site before development.

- c. Infrastructure expenses: expenses incurred from infrastructure such as water, power and gas supply, sewage drainage, flood drainage, communication, greening, sanitation facilities, lighting works and roads in the development process.
- d. Construction and installation expenses: the costs incurred from construction in accordance with the construction and installation drawings in the development process.
- e. Supporting facility expenses: expenses for public supporting facilities incurred from development projects, such as boiler room, water tower (tank), bicycle shed, security and fire prevention room, power distribution room, public restroom, kindergarten, school, recreational, sports and cultural facilities, clubhouse, neighborhood committee and garbage room.

Development overhead: expenses incurred from on-site organization and management and development of projects that cannot be decided to be borne by what project, and they shall be shared by all projects at a certain criteria at the end of the month, including: borrowing cost incurred before completion of development projects, and office expenses, telephone expenses, traffic and travel expenses, repair expenses, labor protection expenses, depreciation, amortization for low-value consumables and circulation room, manager benefits of project management department as well as other expenditures.

After completion of the development projects and they meet the delivery conditions through acceptance inspection of relevant authorities, calculate or estimate total salable area for developed products such as salable residential houses, commercial shops, office rooms and parking positions, and apportion the development cost among various developed products as per the proportion of various developed products in the total salable area, and calculate the actual cost of various developed products. Those not for final accounting will be recorded into the developed products as per their estimated cost, and adjust the developed products as per the difference between the actual cost and the estimated cost after final accounting.

13. Contract assets

The Group presents the right to receive payments from customers who have not yet paid the contract consideration, but have fulfilled their performance obligations in accordance with the contract and are not unconditional (i.e. only dependent on the passage of time), as contract assets in the balance sheet. Contract assets and contract liabilities under the same contract are presented at a net amount, while contract assets and contract liabilities under different contracts are not offset.

The determination method and accounting treatment method for expected credit losses of contract assets can be found in Note IV, 11, Financial Asset Impairment.

14. Holding for sale

(1) Initial recognition of non-current assets or disposal groups held for sale

The Group classifies a non-current asset or disposal group as held for sale when the carrying amount of the non-current asset or disposal group will be recovered through a sale transaction (including an exchange transaction of non-monetary assets with commercial substance) rather than through continuing use.

A non-current asset or disposal group is classified as held for sale when all the following criteria are met:

- a. According to the customary practices of selling such asset or disposal group in similar transactions, the non-current asset or disposal group is available for immediate sale in its present condition;
- b. The sale is highly probable to occur, that is, the Group has made a resolution on a sale plan and entered into a legally binding purchase agreement with other parties. The sale is expected to be completed within one year. Where the pertinent regulations require the relevant authority or supervision department of the Company approve before it can be sold, the approval has been obtained.

A legally binding purchase agreement refers to a purchase agreement with legal binding force signed by the Company and other parties, and such agreement contains such important provisions as the transaction price, time and adequately severe penalty for breach, which minimizes the possibility of major adjustment or cancellation of the agreement.

(2) Accounting treatments for non-current assets or disposal groups held for sale

Non-current assets or disposal groups held for sale are initially and subsequently measured at the lower of carrying amount and fair value less costs to sell. Any excess of the carrying amount over the fair value less costs to sell is recognized as an impairment loss in profit or loss. A provision for impairment of the asset held for sale is recognized accordingly.

- a. For fixed assets held for sale, the estimated net residual value of the fixed asset shall be adjusted so that the estimated net residual value of the fixed asset can reflect its fair value minus disposal expenses, but not exceed the original carrying amount of the fixed asset when the fixed asset is

qualified to hold for sale. The difference between the original carrying amount and the adjusted estimated net residual value shall be recognized as the impairment loss in profit or loss. The Company does not depreciate the fixed assets held for sale that are measured at the lower of carrying amount and fair value less disposal expenses.

- b. Equity investments held for sale in an associate or a joint venture shall stop using equity method from the date of its classification as held for sale.
- c. The Company that is committed to a sale plan involving loss of control of a subsidiary classifies all the investment in that subsidiary as held for sale in its separate financial statements, and classifies all the assets and liabilities of that subsidiary as held for sale in its consolidated financial statements, when the classification criteria for held for sale are met, regardless of whether the Company retains a non-controlling interest in its former subsidiary after the sale.

(3) Accounting treatments for an asset that ceases to be classified as held for sale

- a. The Company measures a non-current asset or a disposal group that ceases to be classified as held for sale at the lower of:
 - ① Its carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation, amortization or impairment that would have been recognized had the asset or disposal group not been classified as held for sale.
 - ② Its recoverable amount from the date of not selling any more.

When an equity investment in an associate or a joint venture previously classified as held for sale no longer meets the criteria to be so classified, it is accounted for using the equity method retrospectively as from the date of its classification as held for sale.

(4) Accounting treatments for other non-current assets

Intangible assets and other non-current assets that qualified for holding for sale shall be treated in accordance with the above principles. Other non-current assets referred to herein do not include deferred income tax assets, assets formed by employee benefits, financial assets regulated by Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, investment properties and biological assets measured at fair value and contract rights arising from insurance contracts.

15. Long-term equity investments

(1) Classification and determination criteria for long-term equity investments

a. Classification of long-term equity investments

Long-term equity investments include equity investments in subsidiaries and equity investments in joint ventures and associates.

b. Determination criteria for long-term equity investments

- ① Refer to Note IV-5 for determination criteria for subsidiaries.
- ② Determination criteria for the existence of joint control or significant influence over an investee:

Significant influence is the power to participate in the financial and operating policy decisions of an investee but does not have control or joint control over those policies.

The Company usually judges if it has significant influence on the investee through one or more of the following circumstances:

- i. The Investor assigns its representative to the board of directors or similar authorities of the investee. Under such circumstance, as the Company assigning its representative to the board of directors or similar authorities of the investee, and enjoying the substantial decision-making right in it, the investor can exercise its significant influence on the investee through assigning its representative to participate in formulation of the financial and operating policies of the investee.
- ii. The Investor participates in the formulation process of the financial and operating policies of the investee. Under such circumstance, it can put forward its proposals and suggestions for its own benefits in the process of making policies, thus exercise its significant influence on the investee.
- iii. The Investor makes big deals with the investee. Some deals, due to their importance to daily operation of the investee, can have influence on the investee's decision making in its production and operation to some degree.
- iv. The Investor assigns its managerial personnel to the investee. Under such circumstance, the managerial personnel have the power to dominate related activities of the investee, thus are able to exercise significant influence on the investee.
- v. The Investor provides key technical information for the investee. The production and operation of the investee depending on the technologies or technical information of the investor indicates that the investor has significant influence on the investee.

In judging if it has significant influence on the investee, not limited to whether there's one of more of the above circumstances, the Company needs to consider all the facts and situations in making its judgment comprehensively.

An associate is an enterprise over which the Company has significant influence.

③ The criteria for determining if the investee is an associate:

A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement.

Refer to Note IV-7 for the definition, classification, and determination criteria for joint arrangement.

(2) Determination of initial investment cost

a. Long-term equity investment formed from business combination

Business combination under common control: If the consideration for combination is made through payment in cash, transfer of non-cash assets or assumption of debts, the Company should, on the date of combination, regard the share of the carrying amount of the owners' equity of acquirees in consolidated financial statements of the final controlling party as initial investment cost of the long-term equity investment. The difference between the initial investment cost of the long-term equity investment and the carrying amount of the combined consideration paid is adjusted as capital reserve (capital premium or share premium); retained earnings is adjusted if the capital reserve (capital premium or capital stock premium) is insufficient for the deduction. If the consideration for combination is made by acquirer through issuance of equity securities, the capital reserve (capital premium or share premium) shall be adjusted with the difference between the initial investment cost of the long-term equity investment and the total face value of shares issued with the total face value of the shares issued as the share capital; retained earnings is adjusted if the capital reserve (capital premium or capital stock premium) is insufficient for the deduction.

Business combination not under common control: the Company takes the acquisition cost determined on the acquisition date as the initial investment cost of long-term equity investment. Acquisition cost is the assets paid by the acquirer on the acquisition date for acquiring the control right of the acquiree, the liabilities incurred or assumed and the fair value of the issued equity securities. The transaction expense for the equity securities or debt securities issued by the acquirer as the consideration for the combination is recorded into the initial confirmation amount for the equity securities or debt securities. The business combination of non-identical control realized through multiple transactions in a

step-by-step manner, the sum of the carrying amount for the equity investment of the acquiree held on the date of acquisition and the newly increased investment cost on the date of acquisition is set as the initial investment cost of such investment. The Company sets contingent consideration specified in the combination agreement as one part of the transfer consideration for business combination, and records it into the business combination cost as its fair value at the date of acquisition.

The intermediary expenses for audit, legal service, assessment, and consulting incurred from acquirer or acquirer for business combination and other related management expenses are recognized in profit or loss of the current period when they are incurred.

a. Long-term equity investment acquired by other ways

The long-term equity investment acquired by paying cash is set as initial investment cost as per the purchasing price that is actually paid. Initial investment cost includes the expenses, taxes and other necessary spending for acquiring the long-term equity investment.

The long-term equity investment acquired from issuance of equity securities is set as initial investment cost as per the fair value of the equity securities that are issued.

On the condition that exchange of non-monetary assets has commercial essence and fair value for the assets received or surrendered can be measured reliably, initial investment cost of long-term equity investment received from exchange of non-monetary assets is determined based on the fair value of its surrendered assets, unless there's conclusive evidence proving that the fair value for the received assets is more reliable. For the exchange of non-monetary assets not meeting the above condition, the carrying amount for the surrendered assets and related taxes payable are set as the initial investment cost of received long-term equity investment.

The initial investment cost of the long-term equity investment acquired through debt restructuring is determined based on its fair value.

(3) Subsequent measurement and recognition of profit or loss

Long-term equity investments in subsidiaries are accounted for using the cost method.

Long-term equity investments accounted for under the cost method are valued at the initial investment cost. Add or withdraw investment to adjust the cost of long-term equity investment. The cash dividends or profits declared and distributed by the investee are recognized as investment income for the current period.

The long-term equity investment in joint venture or associates is accounted for under equity method. If the initial investment cost is more than the Company's attributable share of the investee's fair value of identifiable net assets for the investment, the initial investment cost may not be adjusted; if the initial investment cost is less than the Company's attributable share of the investee's fair value identifiable net assets for the investment, the difference shall be recorded in profit or loss and the cost of long-term equity investment shall be adjusted.

After acquiring long-term equity investments, the Company's attributable or sharable share of the investee's net profit or loss and other comprehensive income realized in current year is respectively recognized in investment income and other comprehensive income, and the carrying amount of long-term equity investments is adjusted at the same time; investors calculate the attributable part based on profits or cash dividends declared and distributed by the investee and correspondingly decrease the carrying amount of long-term equity investments; as for other changes of the owners' equity in addition to net profit or loss, other comprehensive income and profit distribution of the investee, investors adjust the carrying amount of long-term equity investments and record in the owners' equity.

In recognizing the Company's net profit or loss in the investee, the Company recognizes it after adjusting the net profit of the investee based on the fair value for the identifiable net assets of the investee at acquiring the investment.

If the accounting policies and accounting periods adopted by the investee are inconsistent with the Company, the financial statements of the investee shall be adjusted in accordance with the accounting policies and accounting periods of the Company, and the investment income and other comprehensive income shall be confirmed accordingly.

The net loss of the investee recognized by the Company is written down to zero with the carrying amount for its long-term equity investment and other long-term equity constituting net investment on the investee substantially, except for the case that the Company assumes the obligation for additional loss.

When the investee realizes net profit later on, the Company recovers to recognize its income sharing amount after its income sharing amount makes up for the unconfirmed loss sharing amount.

When the Company is calculating and recognizing its attributable or sharable net profit or loss in the investee, the part of unrealizable internal transaction profit or loss incurred between it and the

associates or joint venture enterprise calculated as per the sharable proportion belonging to the Company shall be offset, and investment income shall be recognized on this basis.

If unrealizable internal transaction loss incurred between the Company and the investee belongs to asset impairment loss according to Accounting Standard for Business Enterprises No. 8 - Impairment of Assets and so on, the transaction loss is recognized in full amount.

If the Company is able to exercise its significant impact or common control instead of constituting a control over the investee due to its additional investment, the sum of the fair value for the originally held equity investment determined pursuant to Accounting Standard for Business Enterprises No. 22- Determination and Measurement of Financial Instruments plus newly increased investment cost is set as the initial investment cost otherwise accounted with equity method. As for accounting treatment of equity investment held and classified as available-for-sale financial asset, the difference between its fair value and its carrying amount as well as the accumulated changes in fair value originally recorded in other comprehensive income are transferred into current profit or loss adjusted as using equity method.

If the Company no longer has common control or significant impact over the investee due to disposal of partial equity investments and the residual equity after disposal is otherwise accounted with the Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, and the balance between the fair value and carrying amount on the date of losing common control or significant impact is recognized in profits or losses. With respect to other comprehensive income recognized from original equity investment calculated under equity method, the Company conducts accounting treatment on the same basis as the investee's direct disposal of relevant assets or liabilities after stopping use of equity method.

If the Company loses control over the investee due to disposal of partial equity investments, when preparing individual financial statement, accounting shall be conducted in equity method and adjustment shall be made by regarding such residual equity as being calculated under equity method from acquisition if the residual equity after disposal is provided with common control or significant impact over the investee; If the residual equity after disposal cannot exercise common control or significant impact over the investee, it shall be otherwise accounted with the Accounting Standard for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments.

During disposal of a long-term equity investment, the difference between the carrying amount of the investment and the actual consideration obtained is recognized in profit or loss. Where the equity method is adopted, accounting treatment shall be conducted for the part of other comprehensive income originally recorded as per corresponding proportion on the same basis as the investee direct disposal of relevant assets or liabilities during disposal of such long-term equity investment.

16. The investment property

- (1) Investment properties are properties held either to earn rental income or for capital appreciation or for both. Including the land use right held to transfer after appreciation and leased buildings (includes buildings for lease after completion of self-built or development activities and buildings for lease in the future during construction or development).
- (2) An investment property is measured initially at cost. Subsequent expenditure incurred for such investment property is included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Company and the subsequent expenditures can be measured reliably, other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.
- (3) The Company adopts cost mode to conduct subsequent measurement of investment properties, and adopts a depreciation or amortizations policy for the investment property which is consistent with that for buildings or land use right.
- (4) When the investment property is changed to owner-occupied, the investment property shall be converted into fixed assets or intangible assets from the date of change, and the book value before the conversion shall be regarded as the book value after the conversion. When the inventory or owner-occupied is converted into earn rental income or capital appreciation, the fixed assets or intangible assets are converted into investment property and converted into investment property adopt cost model, and the book value before the conversion is used as the book value after the conversion; When converted into an investment property adopt fair value mode, cost for subsequent is fair value at date of change of use.
- (5) An investment property is derecognized upon disposal or when the investment property is permanently withdraws from use and no future economic benefits are expected from the disposal. When an investment property is sold, transferred, retired, or damaged, the Company recognizes

the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

17. Fixed assets

(1) Recognition criteria of fixed assets

The Company's fixed assets refer to tangible assets held for the purpose of producing commodities, providing services, renting or business management with useful lives exceeding one accounting year. Fixed assets comprise buildings and structures, production equipment, electronic equipment, office equipment, vehicles, hotel equipment and other equipment. Fixed assets will only be recognized when the following criteria are both satisfied: the economic benefits relating to the fixed assets may flow into the Company, and the costs of the fixed assets can be measured reliably.

(2) Depreciation method

Provision for depreciation shall be started when a fixed asset reaches its working condition for intended use. Fixed asset is depreciated using the straight-line method over its estimated useful life, taking into account of residual value. The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates are as follows:

| Category of asset | Depreciation method | Estimated useful life (year) | Estimated residual value (%) | Annual depreciation rate (%) |
|---------------------------------|----------------------|------------------------------|------------------------------|------------------------------|
| Houses and Buildings | straight-line method | 20-40 | 0-5 | 2.38-4.75 |
| Machinery and equipment | straight-line method | 8-15 | 0-5 | 6.33-11.88 |
| Electronic and office equipment | straight-line method | 3-5 | 0-5 | 19.00-31.67 |
| Motor vehicles | straight-line method | 5-10 | 0-5 | 9.50-19.00 |
| Other | straight-line method | 5 | 0-5 | 19.00 |

(3) Identification basis, valuation method and depreciation method of finance leased assets

If any one of the five criteria is met, the lease will be classified as finance leased assets:

- a. Ownership of the underlying asset transfers from the lessor to the Company by the end of the lease term.
- b. The Company has the written option to purchase the underlying asset; the opinion is one of the Company is "reasonably certain" to exercise.
- c. The term of the lease represents the major part of the economic life remaining for the underlying asset.

- d. The net present value of all lease payments and any guaranteed residual value is equal to or substantially exceeds the underlying asset's fair value.

At the commencement of the lease term, the Company records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments, and recognizes a long-term payable at an amount equal to the minimum lease payments, the difference is accounted for as unrecognized finance charge.

The finance leased asset is depreciated over the underlying asset's useful life if ownership or written option criteria are met. Or the finance leased asset is depreciated over shorter of the useful life or the lease term of the asset if net present value, economic life criteria are met.

18. Construction in progress

The Company's construction in progress is accounted for under projects.

Construction in progress shall be transferred to fixed assets when the assets are ready for their intended use and initially recognized at all the costs incurred and before the asset reach intended usable state.

When the construction in progress as a fixed asset has reached intended usable state, but final accounting upon completion is not yet conducted, from the date of reaching intended usable state, according to the budget, construction cost or actual cost of the project, its estimated value is transferred to the fixed assets, for which depreciation is accrued according to the depreciation policy for fixed assets of the Company, and the original temporary estimated value will be adjusted as per actual cost after the final accounting upon completion is conducted, but the depreciation amount originally accrued will not be adjusted.

19. Borrowing costs

(1) Recognition criteria of borrowing costs

Borrowing costs include interest on borrowings, amortization of discounts or premiums, ancillary expenses, and exchange differences arising from foreign currency borrowings.

The borrowing costs that are directly attributable to the acquisition, construction or production of an asset meeting capitalization condition shall be capitalized as part of the cost of that asset. Other borrowing costs are expensed in profit or loss as incurred.

The asset meeting capitalization condition is an asset including fixed asset, investment property, inventory and other asset that necessarily takes a substantial period of time to reach its intended usable or available-for-sale state.

The capitalization of borrowing costs shall commence only when the following criteria are met:

- a. Expenditure for assets has been incurred, and expenditure for assets includes the expense incurred for acquisition, construction or production of the assets meeting capitalization conditions by paying cash, transferring non-monetary assets or bearing debts with interests;
- b. Borrowing costs have been incurred;
- c. The activities that are necessary to prepare the asset for its intended use or sale have commenced.

(2) Capitalization period

Capitalization period refers to a period from time of starting capitalization of borrowing cost to the time of stopping the capitalization, and the duration of suspending capitalization of borrowing cost is not included in it.

Capitalization of borrowing costs shall cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Capitalization of borrowing costs shall cease when an entity completes the construction of a qualifying asset in parts and each part is capable of being used.

When the construction of a qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, capitalization of borrowing costs shall cease when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

(3) Suspension of capitalization period

Capitalization of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed. Borrowing costs may incur during an extended period in which it suspends the activities necessary to prepare an asset for its intended use or sale. Such costs are costs of holding partially completed assets and qualify for capitalization. The borrowing costs incurred during the interruption period are recognized in profit or loss, and the borrowing costs continue to be capitalized until the acquisition or construction of the assets resumes.

(4) Calculation method of capitalized amount of borrowing costs

For special borrowing borrowed for acquisition or production of assets meeting capitalization conditions, the eligible capitalized amount is the net amount of the borrowing costs and auxiliary expenses actually incurred after deducting the amount of the interest income acquired for unused

borrowing fund deposited in the bank or the investment income acquired from its temporary investment.

With respect to the general borrowing occupied for acquisition or production of assets meeting capitalization conditions, the interest amount to be capitalized for general borrowing is calculated as per weighted average of the part of accumulated asset spending exceeding special borrowing multiplied by capitalization rate of occupied amount of general borrowing. Capitalization rate is calculated and determined by weighted average rate of general borrowing.

Where discount or premium exists for borrowing, the amount of discount or premium to be amortized for each accounting period shall be determined according to actual interest rate method, and then the amount of interest for each term shall be adjusted accordingly.

20. Biological assets

Consumable biological assets refer to biological assets held for sale or harvested in the future as agricultural products, including growing crops, vegetables, timber forests, and livestock on hand for sale. Consumable biological assets are initially measured at cost. The cost of self cultivation, cultivation, reproduction, or cultivation of consumable biological assets refers to the necessary expenses that can be directly attributed to the asset before the asset is sold or stored, including borrowing costs that meet capitalization conditions. The subsequent expenses incurred for the management, maintenance, and feeding of consumptive biological assets after they are put into storage are included in the current profit and loss.

Consumable biological assets are carried forward at book value using the weighted average method when harvested or sold.

On the balance sheet date, consumptive biological assets are measured at the lower of cost and net realizable value, and the depreciation provision for the recognition of consumptive biological assets is calculated using the same method as the recognition of inventory depreciation provision. If the influencing factors of impairment have disappeared, the amount written down should be restored and reversed within the original provision for impairment, and the reversed amount should be included in the current profit and loss.

If a consumable biological asset changes its use, as a productive biological asset, the cost after the change of use is determined based on the book value at the time of the change of use. If a consumable biological asset changes its purpose and is classified as a public welfare biological asset, the

impairment shall be considered in accordance with the provisions of Accounting Standards for Enterprises No. 8- Asset Impairment. When impairment occurs, an impairment provision shall be made first, and then determined based on the book value after the impairment provision is made.

21. Right-of-use asset

Please refer to Note IV, 34 "Leasing" for the determination method and accounting treatment method of the right to use assets.

22. Intangible assets

(1) Measurement method of intangible assets

a. An intangible asset is initially measured at cost

The cost of a purchased intangible asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. Where the payment of purchase price for intangible assets is delayed beyond the normal credit conditions, which is of financing intention, the cost of intangible assets shall be determined on the basis of the current value of the purchase price.

With respect to the intangible assets acquired from the debtor in debt restructuring to repay debts, they are initially recognized at fair value, and the difference between the carrying amount for the debt restructuring and the fair value for the intangible assets used for repaying debts is recognized in profit or loss.

An intangible asset may be acquired in exchange for a non-monetary asset. An entity shall measure the cost of the acquired asset at fair value unless (a) the exchange transaction lacks commercial substance or (b) the fair value of neither the asset received nor the asset given up is reliably measurable. In that case, the asset's cost is measured at the carrying amount and relevant payable taxes of the asset given up and no profit or loss is recognized.

For the intangible assets acquired from adsorption or combination of enterprises under common control, they are initially recognized at carrying amount of acquiree, and for the intangible assets acquired from adsorption or combination of enterprises not under common control, they are initially recognized at fair value.

With respect to the intangible assets developed internally, their cost includes: material cost, labor cost, registration fee, amortization of other patent rights and license rights used in the development process

and interest expenses meeting capitalization conditions consumed in developing such intangible assets, as well as other direct expenses incurred to enable such intangible assets to reach their intended usage. Intangible assets include land use rights, patents, non-patented technologies, and others.

b. Subsequent measurement

The Company shall analyze and judge the useful life of intangible assets.

The intangible assets with limited useful life shall be amortized using the straight-line method during the period of the intangible asset brings economic benefit to the Company is predictable. An intangible asset with an indefinite useful life is not amortized.

For the impairment of intangible assets, please refer to Note IV-23 "Impairment of long-term assets".

For an intangible asset with a finite useful life, the Company shall review the useful life and amortization method at the end of each year.

(2) Specific criteria for dividing research stages and development stages for internal projects

The expenditures of the Company's internal research and development projects include research expenditures and development expenditures.

The term "research" refers to the creative and planned investigation to acquire and understand new scientific or technological knowledge.

The term "development" refers to the application of research achievements and other knowledge to a certain plan or design, prior to the commercial production or use, so as to produce any new material, device or product, or substantially improved material, device and product.

(3) Specific criteria of capitalization for development expenditures

The development expenditures for its internal research and development projects may be recognized as intangible assets when they satisfy the following criteria simultaneously:

- ① It is technically feasible to complete this intangible asset, so that it can be used or sold;
- ② It has the intention to complete the intangible assets and use or sell;
- ③ The ways in which the intangible assets generate economic benefits, including the existence of a market for the products produced using the intangible assets or the existence of intangible assets, the intangible assets will be used internally and can prove their usefulness;
- ④ It has sufficient technical, financial and other resources to support the development of the intangible assets and have the ability to use or sell the intangible assets;

- 5) The expenses attributable to the development stage of this intangible asset can be reliably measured.

The development expenditures, if do not meet the above conditions simultaneously, are recognized in profit or loss when incurred. The research expenditures are in the profit or loss when incurred.

23. Impairment of long-term assets

The Company shall assess at the end of each reporting period whether there is any indication that an asset including long-term equity investments, investment properties measured using a cost model, fixed assets, and construction in progress, productive biological assets measured using a cost model, intangible assets with definite service life of oil and gas assets, etc. may be impaired. If any such indication exists, the Company shall estimate the recoverable amount of the asset. An impairment loss is recognized in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognized accordingly.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its present value of expected future cash flows. The recoverable amount is estimated for each individual asset. If it is not possible to estimate the recoverable amount of each individual asset, the Company determines the recoverable amount for the asset group to which the asset belongs.

After recognition of impairment loss, the depreciation or amortization shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An impairment test shall be performed for the intangible assets with indefinite service life, intangible assets yet to reach usable state and goodwill formed from business combination at the end of each year. For goodwill impairment test, the carrying amount of goodwill arising from a business combination is allocated reasonably to the relevant asset group since the acquisition date. If the carrying amount of goodwill is unable to be allocated to asset group, the carrying amount of goodwill will be allocated to relevant asset portfolio. When the carrying amount for goodwill is amortized to related asset group or portfolio, it shall be amortized as per the proportion of the fair value for the asset group or portfolios in the total amount of the asset group or portfolios. If the fair value is hard to be measured reliably, it shall be amortized as per the proportion of the carrying amount for the asset group or portfolios in the total amount of the asset group or portfolios.

In impairment testing, if impairment indication exists in asset group or portfolio of asset group containing allocated goodwill, impairment test is first conducted for asset group or portfolio of asset group that does not contain goodwill, and corresponding recoverable amount is estimated and any impairment loss is recognized. Then impairment test is conducted for asset group or portfolio of asset group containing goodwill by comparing its carrying amount (including the carrying amount of the unamortized goodwill) and its recoverable amount. If the recoverable amount is less than the carrying amount, impairment loss of goodwill is recognized.

24. Long-term deferred expenses

Long-term deferred expenses refer to the prepaid expenditures that have been made but should be recognized as expenses over more than one year in the current and subsequent periods, including the expenditure on improvement of operating leases. Long-term deferred expenses are amortized on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortization. For long-term deferred expense that cannot bring benefit in future period, the Company recognized its amortized cost in profit or loss for the current period.

25. Contractual liability

Contractual liabilities refer to the obligation of the Group to transfer goods to customers for consideration received or receivable from customers. If the customer has already paid the contract consideration or the group has obtained unconditional payment rights before the transfer of goods by the group to the customer, the group shall list the received or receivable accounts as contract liabilities at the earlier of the actual payment or due payment by the customer. Contract assets and contract liabilities under the same contract are presented at a net amount, while contract assets and contract liabilities under different contracts are not offset.

26. Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Company in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

(1) Short-term employee benefits

During the accounting period in which employees rendering services to the Company, the actual short-term employee benefits shall be accrued as liabilities and the corresponding costs are recognized in profit or loss.

(2) Post-employment benefits

Post-employment benefit plan includes defined contribution plans and defined benefit plans.

The Company shall recognize, in the accounting period in which an employee provides service, the contribution payable to a defined contribution plan as a liability, with a corresponding charge to the profit or loss for the current period or the cost of a relevant asset. The obligations are measured on a discounted basis, where they are not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. The discount rate used to discount post-employment benefit obligations shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds or government bonds which shall be consistent with the currency and estimated term of the post-employment benefit obligations.

The Company discount the wholly obligations at the rate used to discount post-employment benefit obligations determined by reference to market yields at the end of the reporting period on high quality corporate bonds or government bonds which shall be consistent with the currency and estimated term of the post-employment benefit obligations, including the obligations expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service.

If there is an asset in the defined benefit plan, the deficit or surplus formed by the present value of the defined benefit plan obligation minus the fair value of the defined benefit plan asset is recognized as a net benefit or net asset of the defined benefit plan. If there is a surplus in the defined benefit plan, the enterprise measures the net assets of the defined benefit plan by the lower of the surplus and the asset cap of the defined benefit plan. Among them, the asset cap refers to the present value of the economic benefits that an enterprise can obtain from a defined benefit plan or reduce the future deposit of funds for a defined benefit plan.

At the end of the reporting period, the service cost in the employee compensation cost of the defined benefit plan and interest from net liabilities or net assets of the defined benefit plan are included in profit or loss or asset cost; the changes of net liabilities or assets in remeasurement of defined benefit plan are include in other comprehensive income. And the other comprehensive income is not allowed

being reversed to the profit or loss during the subsequent accounting period, but it can be transferred within the equity scope.

As per the defined benefit plan, the past service cost is recognized as the expense of the current period on the date to modify the defined benefit plan and confirm related restructuring expense or the date to confirm dismissal welfare, whichever is earlier.

The gain or loss on a settlement of defined benefit plan is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement, and the settlement price.

(3) Termination benefits

The Company provides for termination benefits to the employees and shall recognize an employee benefits liability for termination benefits, with a corresponding charge to the profit or loss for the current period, at the earlier of the following dates:

- ① When the Company cannot unilaterally withdraw the offer of the termination benefits because of an employment termination plan or a redundancy proposal;
- ② When the Company recognizes the costs or expenses relating to a restructuring that involves the payment of the termination benefits.

If the termination benefits are expected to be fully paid within 12 months after the end of the annual reporting period, it shall be treated as short-term employee benefits. However, if the termination benefits are not expected to be fully paid within 12 months after the end of the annual reporting period, it shall be treated as other long-term employee benefits.

(4) Other long-term employee benefits

Other long-term employee benefits meeting the conditions in the defined contribution plan are accounted for as per the above 2. Other long-term employee benefits not meeting the conditions in the defined contribution plan apply to relevant stipulation of the defined benefit plan, and net liability or net asset for other long-term employee benefits will be recognized and measured. At the end of the reporting period, the net interest amount for the service cost, net liability or net asset in the other long-term employee benefits and the changes of net liabilities or assets in remeasurement of defined benefit plan will be recorded into the gain or loss of the current period or related asset cost.

27. Leasehold liability

The recognition method and accounting treatment method for lease liabilities can be found in Note IV, 34 "Leases".

28. Estimated liabilities

In case any litigation, debt guarantee, loss contract or restructuring is involved, if such matters possibly need to deliver assets or render service in the future and their amount can be measured reliably, they are recognized as estimated liabilities.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. The increased amount of the carrying amount for the estimated liabilities as a result of the discount reduction conducted over time is recognized as interest expense.

The Company reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

(1) Loss contracts

A loss contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Executory contracts become loss contracts, and the obligations arising from the loss contracts satisfy the above-mentioned criteria for the estimated liabilities, the excess of expected losses of the contracts over the recognized impairment losses (if any) shall be recognized as the estimated liabilities.

(2) Restructuring

With respect to the restructuring plan that is detailed, formal and has been made public to the outside, after it meets the determination conditions for the above estimated liabilities, amount of estimated liabilities is determined as per the direct expenditure related to the restructuring. For the restructuring obligation for selling part of business, only after the Company commits to sell part of the business (namely it has signed a sales agreement with binding force), the restructuring obligation is recognized.

(3) Warranty for quality and maintenance

The Company will provide estimated liabilities for after-sales quality maintenance commitments to customers for the sale, repair and modification of the products sold. The Company's recent maintenance experience data has been taken into account when estimating liabilities, but recent

maintenance experience may not reflect future maintenance. Any increase or decrease in this preparation may affect the profit or loss of the future year.

(4) Warranty for repurchase

The Company will provide equipment repurchase warranties to financing institutions for customers with financing needs, and will recognize the estimated liabilities based on possible repurchase warranty losses. The estimated liabilities have taken into account the actual proportion of the repurchase warranties in the history of the Company, the actual loss ratio after the repurchase warranties, and the ability to assess the payment ability of different customers. As historical data or valuation data may not reflect future repurchase losses, any increase or decrease in this preparation may affect future profit or loss.

29. Preferred stocks, perpetual bonds, and other financial instruments

(1) Warranty for repurchase

Financial instruments such as perpetual bonds and preferred stocks issued by the Group, which meet the following conditions, are considered equity instruments:

- ① This financial instrument does not include contractual obligations to deliver cash or other financial assets to other parties, or to exchange financial assets or liabilities with other parties under potentially adverse conditions;
- ② If the financial instrument needs to be settled or can be settled using the enterprise's own equity instruments in the future, and if the financial instrument is a non derivative instrument, it does not include the contractual obligation to deliver a variable amount of its own equity instruments for settlement; If it is a derivative instrument, the Group can only settle the financial instrument by exchanging a fixed amount of cash or other financial assets with a fixed number of its own equity instruments.

Except for financial instruments that can be classified as equity instruments according to the above conditions, other financial instruments issued by the Group should be classified as financial liabilities.

If the financial instruments issued by the Group are composite financial instruments, they are recognized as a liability based on the fair value of the liability component. The amount received after deducting the fair value of the liability component is recognized as "other equity instruments". The transaction costs incurred in issuing composite financial instruments are allocated between the liability component and the equity component in proportion to the total issuance price.

(2) Accounting treatment methods for perpetual bonds and preferred stocks

Financial instruments such as perpetual bonds and preferred stocks classified as financial liabilities, and their related interests, dividends (or dividends), gains or losses, as well as gains or losses arising from redemption or refinancing, are included in the current profit and loss, except for borrowing costs that meet capitalization conditions (see Note IV, 19 "Borrowing costs").

Financial instruments classified as equity instruments such as perpetual bonds and preferred stocks are treated as changes in equity by the Group when issued (including refinancing), repurchased, sold or cancelled, and related transaction costs are also deducted from equity. The distribution of equity instrument holders by the Group is treated as profit distribution.

The Group does not recognize changes in fair value of equity instruments.

30. Revenue

Income refers to the total inflow of economic benefits generated by the Group in its daily activities, which may lead to an increase in shareholder equity and are not related to the capital invested by shareholders. When the contract between the Group and the customer simultaneously meets the following conditions, revenue is recognized when the customer obtains control of the relevant goods (including labor services, the same below): all parties to the contract have approved the contract and promised to fulfill their respective obligations; The contract specifies the rights and obligations of all parties involved in the transfer of goods or provision of services; The contract has clear payment terms related to the transferred goods; The contract has commercial substance, which means that fulfilling the contract will change the risk, time distribution, or amount of the Group's future cash flow; The consideration that the group is entitled to receive due to the transfer of goods to customers is likely to be recovered. Among them, obtaining control over related goods refers to being able to dominate the use of the goods and obtain almost all economic benefits from them.

On the commencement date of the contract, the group identifies each individual performance obligation in the contract and allocates the transaction price to each individual performance obligation based on the relative proportion of the individual selling price of the goods promised by each individual performance obligation. When determining the transaction price, factors such as variable consideration, significant financing components present in the contract, non cash consideration, and consideration payable to customers were considered.

For each individual performance obligation in the contract, if one of the following conditions is met, the Group will recognize the transaction price allocated to the individual performance obligation as income based on the performance progress during the relevant performance period: the customer obtains and consumes the economic benefits brought by the Group's performance at the same time as the Group performs; Customers are able to control the goods under construction during the performance process of the group; The goods produced during the performance process of our group have irreplaceable uses, and our group has the right to collect payments for the cumulative performance portion completed to date throughout the entire contract period. The progress of performance is determined using the output method based on the nature of the transferred goods. When the progress of performance cannot be reasonably determined, if the costs incurred by the group are expected to be compensated, revenue is recognized based on the amount of costs incurred until the progress of performance can be reasonably determined.

If one of the above conditions is not met, the Group shall recognize revenue based on the transaction price allocated to the individual performance obligation at the time when the customer obtains control of the relevant goods. When determining whether a customer has obtained control over the product, the Group considers the following indications: the enterprise has the current right to receive payment for the product, that is, the customer has the current payment obligation for the product; The enterprise has transferred the legal ownership of the product to the customer, that is, the customer already has the legal ownership of the product; The enterprise has transferred the physical item of the product to the customer, that is, the customer has taken physical possession of the product; The enterprise has transferred the main risks and rewards of ownership of the goods to the customer, that is, the customer has obtained the main risks and rewards of ownership of the goods; The customer has accepted the product; Other signs indicating that the customer has obtained control of the product.

Our group's construction agency business applies to the relevant construction project commissioning party for cost and income recognition based on the cost and expense statistics documents issued by relevant departments or institutions. After the relevant construction project commissioning party issues cost and income approval documents, the current year's construction project income is recognized. The construction project income is calculated using a cost plus method.

31. contractual costs

The incremental costs incurred by the Group in obtaining contracts that are expected to be recoverable

are recognized as contract acquisition costs as an asset. However, if the amortization period of the asset does not exceed one year, it is recognized in the current profit and loss when incurred.

If the cost incurred in fulfilling a contract does not fall within the scope of other accounting standards for enterprises other than the "Accounting Standards for Business Enterprises No. 14- Revenue (2017 Revision)" and simultaneously meets the following conditions, it shall be recognized as an asset as contract performance cost: ① The cost is directly related to a current or expected contract, including direct labor, direct materials, manufacturing expenses (or similar expenses) Clarify the costs borne by the customer and other costs incurred solely due to the contract; ② This cost increases the resources that the group will use to fulfill its performance obligations in the future; ③ The cost is expected to be recovered.

Assets related to contract costs are amortized on the same basis as the recognition of commodity income related to the asset, and are included in the current profit and loss.

32. Government subsidies

Government subsidies are cash or non-monetary subsidies that government gives to the Company. They are classified to asset-related government subsidies and income-related government subsidies.

(1) The criteria and accounting for asset-related government subsidies

The government subsidy that the Company obtains and is used for acquisition, construction or forming long-term assets in other ways is set as the asset-related government subsidies.

The asset-related government subsidy is recognized as deferred income, and is recorded into the profits or losses within the useful life of the assets under reasonable and systematic methods. Government subsidies measured at nominal amount is directly recognized in profit or loss.

The balance of the relevant deferred income that has not been allocated shall be transferred to the profit or loss of the current period of disposal of the assets, if the assets are sold, transferred, scrapped or damaged before the end of their useful life.

(2) The criteria and accounting for income-related government subsidies

The other government subsidies other than those related to assets obtained by the Company are set as the income-related government subsidies. Income-related government subsidy is treated as per the following circumstances:

- a. That used for compensating the cost expense and loss of the Company in the future period is recognized as deferred income tax and recognized in profit or loss in the period of recognizing related cost expense or loss.
- b. That used for compensating the cost expense and loss that has been incurred is directly recognized in profit or loss.

For the government subsidy containing both asset-related part and income-related part, it is accounted separately after different parts are differentiated. If they are hard to be differentiated, they shall be categorized into income-related government subsidy as a whole.

Government subsidy related to daily activities is recorded in other income based on the essence of economic business. The government subsidy not related to daily activities is recorded into non-operating income and expense.

(3) Accounting treatments for an interest subsidy for policy-related preferential loans

- a. If the government directly appropriates the interest subsidy to the lending bank, the Company recognized the loan as the amount received, and interest expense is calculated using the loan principal and policy-related preferential interest rate.
- b. If the government directly appropriates the interest subsidy to the Company, the interest subsidy is offset against interest expense.

Government subsidies are recognized and measured as the amount received. Only when there's conclusive evidence proving that such subsidy is allocated as per the fixed quota and there's unambiguous evidence proving that it conforms to the conditions for the financial supporting policy and it is estimated that financial supporting fund can be received, can it be recognized and measured as per the amount receivable.

Where the recognized government subsidy needs to be returned, the Company will account it within current period of such return, viz., in case of offsetting carrying amount for related assets at the initial confirmation, the carrying amount for the assets shall be adjusted.

33. Deferred tax assets and deferred tax liabilities

With respect to the difference between the carrying amount of some assets and liability items and their taxation basis and the temporary difference generated from the difference between the carrying amount for the items not confirmed as assets and liabilities but their taxation basis can be determined pursuant

to the tax laws and the taxation basis, their deferred income tax assets and deferred income tax liabilities are recognized with the debt method based on balance sheet.

In general, all temporary differences are recognized for related deferred income tax. However, for the deductible temporary difference, the relevant deferred income tax assets are recognized to the extent that it is probable that the taxable income is used to offset the deductible temporary difference. In addition, related to the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction that is neither a business combination nor an accounting profit and taxable income (or deductible loss). Temporary differences, no deferred income tax assets or liabilities are recognized.

For deductible losses and tax credits that can be carried forward in subsequent years, the corresponding deferred income tax assets are recognized to the extent that it is probable that the future taxable income will be used to offset the deductible losses and tax credits.

The deferred income tax liabilities generated from the taxable temporary difference related to the investment of the subsidiary, associated enterprises or joint venture enterprises are recognized, unless the Company can control the time of reversing the temporary difference, and such temporary difference is most unlikely to be reversed in the foreseeable future. With respect to the deductible temporary difference related to the subsidiary, associated enterprise or joint venture enterprises, only when such temporary difference is most likely to be reversed in the foreseeable future, and the taxable income amount used for deducting the deductible temporary difference is most likely to be acquired in the future, can the deferred income assets can be recognized. On the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured as per the tax rate applicable to the period when such asset is expected to be recovered or such liability is expected to be liquidated.

Except that the income tax and deferred income tax of the current period related to the transactions and matters directly recorded into other comprehensive income or stockholders' equity are recorded into the other comprehensive income or stockholders' equity, and the deferred income incurred from business combination is used to adjust the carrying amount of the goodwill, the other income tax and deferred income tax expense or income are recorded into the gain or loss of the current period.

On the balance sheet date, the book value of the deferred income tax assets is reviewed. If it is probable that sufficient taxable income will not be available in the future to offset the benefits of the deferred income tax assets, the carrying amount of the deferred income tax assets is reduced. When it

is probable that sufficient taxable income will be obtained, the amount of the write-down will be reversed.

When there is a statutory right to settle on a net basis, and the intention is to settle the net amount or acquire the assets and pay off the liabilities simultaneously, the current income tax assets of the Company and the current income tax liabilities are presented at the net amount after the offset.

When there is a statutory right to settle the 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 collection authority on the same taxpayer or related to different taxpayers, However, in the future period in which each of the important deferred income tax assets and liabilities are reversed, the taxpayer involved intends to settle the current income tax assets and liabilities on a net basis or acquire assets and liquidate liabilities simultaneously, deferred income tax assets and deferred income tax liabilities are presented at the net amount after offset.

34. Lease

(1) Accounting treatment for operating lease

a. The rental expense paid for renting assets is amortized with straight-line method and recorded into the expense of the current period within the whole lease period without deducting the rent-free period. The initial direct costs associated with the lease transaction are recognized into expenses of the current period.

After the lessor of the assets bears the expense related to lease, it will deduct such part of expense from the total amount of rent, and then amortize the rental expense after the deduction for the lease term and record it into the expense of the current period.

b. The rental income received from leasing assets is amortized with straight-line method and recorded into the lease income within the whole lease period without deducting the rent-free period. The paid initial direct expense related to lease transaction is recorded into the expense of the current period. If the amount is large, it is capitalized, and recorded into the income of the current period in phases on the same basis as recognition of lease income within the whole lease term.

When the expenses related to the lease that should be borne by the lessee are assumed, the part of the expenses is deducted from the total rental income, and the deducted rental expenses are allocated during the lease term.

(continued)

| Item | December 31, 2021 | | | | Carrying value |
|---|-------------------|----------------|--------------------|----------------|------------------|
| | Book value | | Bad debt provision | | |
| | Amount | Proportion (%) | Amount | Proportion (%) | |
| Individually significant and assessed for bad debt provision individually | | | | | |
| Collectively assessed for bad debt provision based on credit risk characteristics | 1,127,868,117.13 | 100.00 | 361,971.11 | 0.03 | 1,127,506,146.02 |
| Including: Aging group | 113,333,988.52 | 10.05 | 361,971.11 | 0.32 | 112,972,017.41 |
| Special credit group | 1,014,534,128.61 | 89.95 | | | 1,014,534,128.61 |
| Individually insignificant but assessed for bad debt provision individually | | | | | |
| Total | 1,127,868,117.13 | — | 361,971.11 | 0.03 | 1,127,506,146.02 |

(continued)

| Item | December 31, 2020 | | | | Carrying value |
|---|-------------------|----------------|--------------------|----------------|------------------|
| | Book value | | Bad debt provision | | |
| | Amount | Proportion (%) | Amount | Proportion (%) | |
| Individually significant and assessed for bad debt provision individually | | | | | |
| Collectively assessed for bad debt provision based on credit risk characteristics | 1,031,740,415.62 | 100.00 | 159,346.43 | 0.02 | 1,031,581,069.19 |
| Including: Aging group | 4,327,526.08 | 0.42 | 159,346.43 | 3.68 | 4,168,179.65 |
| Special credit group | 1,027,412,889.54 | 99.58 | | | 1,027,412,889.54 |
| Individually insignificant but assessed for bad debt provision individually | | | | | |
| Total | 1,031,740,415.62 | — | 159,346.43 | 0.02 | 1,031,581,069.19 |

(3) The ageing analysis of accounts receivable is as follows:

| Aging | December 31, 2022 | | |
|---------------------------|-------------------|--------------------|----------------|
| | Amount | Bad debt provision | Proportion (%) |
| Within 1 year (inclusive) | 369,452,474.04 | | |
| 1-2 years | 24,427,506.03 | 1,219,833.85 | 5.00 |
| 2-3 years | 1,239,209.16 | 123,920.92 | 10.00 |
| 3-4 years | 256,179.80 | 51,235.96 | 20.00 |
| 4-5 years | 270,265.24 | 135,132.62 | 50.00 |
| Over 5 years | 602,088.00 | 602,088.00 | 100.00 |
| Total | 396,247,722.27 | 2,132,211.35 | — |

(continued)

(2) Accounting treatment for finance lease

- a. Finance lease-in assets: On the lease commencement date, the Company takes the lower of the fair value of the leased assets and the present value of the minimum lease payments as the carrying amount of the leased assets, and the minimum lease payments as the initial value of the long-term payables. The difference is treated as unrecognized financing charges.

The unrecognized financing expenses are amortized over the asset lease period using the effective interest rate method and included in finance expenses. The initial direct costs incurred by the Company are included in the value of the leased asset.

- b. Finance lease-out assets: On the lease commencement date, the Company recognizes the difference between the sums of the finance lease outlay payable and guaranteed residual value and their current value as unrealized financing income, and recognizes it as lease income within each period of receiving rent in the future. The initial direct costs incurred for the Company related to lease transaction are recorded into initial measurement for the finance lease outlay receivable, and decrease the income amount recognized within the lease term.

35. Related party

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties. The Related parties includes but not limited to:

- a. Parent Company;
- b. Subsidiaries;
- c. Other subsidiaries under one parent company;
- d. Investors who implement joint control;
- e. Investors who play significant influence;
- f. Joint Ventures, including their subsidiaries;
- g. Associates, including their subsidiaries;
- h. Individuals of major investors and their close family members;
- i. Key managerial personnel of the Company or its parent company and their close family members;

j. Other enterprises under control or common control of major investors, key managerial personnel of the Company and their close family members;

36. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

None

(2) Changes in significant accounting estimates

None

(3) Others

None

V. TAX TYPES

1. Main types of taxes and corresponding tax rates

The main taxes applicable to the Company during the year and their tax rates are listed below

| Tax | Tax basis | Tax rate |
|--|--|---------------------|
| Value-added tax (VAT) | Output VAT is calculated on product sales and taxable services income. The basis for VAT payable is to deduct input VAT from the output VAT for the period | 5%、3%、13%、6%、9%、10% |
| Consumption tax | Based on taxable income | 25% |
| Property tax | Based on rental income paid | 1.2%、12% |
| Urban maintenance and construction tax | Based on turnover tax paid | 7% |
| Education surcharges | Based on turnover tax paid | 3% |
| Local education surcharges | Based on turnover tax paid | 2% |

2. Tax preference and approvals

None

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB Yuan unless otherwise stated)

1. Cash at bank and on hand

| Item | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|----------------------|-------------------|-------------------|-------------------|
| Cash on hand | 205,092.91 | 142,766.86 | 89,237.32 |
| Bank deposits | 435,216,798.76 | 491,716,983.30 | 222,730,896.93 |
| Other monetary funds | 133,966,300.90 | 146,569,558.44 | 160,891,873.97 |
| Total | 569,388,192.57 | 638,429,308.60 | 383,712,008.22 |

The details of restricted monetary funds are as follows:

| Item | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|------------------|-------------------|-------------------|-------------------|
| security deposit | 53,966,300.90 | 563,000.00 | 80,000,000.00 |
| Fixed deposit | 80,000,000.00 | 116,006,558.44 | 80,891,873.97 |
| Total | 133,966,300.90 | 116,569,558.44 | 160,891,873.97 |

2. Bills receivable

| Item | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|----------------------------|-------------------|-------------------|-------------------|
| Bank acceptance bill | | 6,206,044.00 | 4,000,000.00 |
| Commercial Acceptance Bill | | 3,000,000.00 | |
| Subtotal | | 9,206,044.00 | 4,000,000.00 |
| Minus: Bad debt provision | | | |
| Total | | 9,206,044.00 | 4,000,000.00 |

3. Accounts receivable

(1) The ageing analysis of accounts receivable is as follows:

| Ageing | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|---------------------------|-------------------|-------------------|-------------------|
| Within 1 year (inclusive) | 824,581,917.48 | 671,529,067.08 | 463,000,148.58 |
| 1-2 years | 499,201,316.31 | 147,521,483.97 | 19,045,869.42 |
| 2-3 years | 148,668,279.48 | 17,022,691.52 | 302,986,300.62 |
| 3-4 years | 15,865,627.72 | 95,281,130.16 | 174,286,164.94 |
| 4-5 years | 94,989,130.16 | 168,081,060.61 | 64,086,903.55 |
| More than 5 years | 178,243,562.32 | 28,432,683.79 | 8,335,028.51 |
| Subtotal | 1,761,549,833.47 | 1,127,868,117.13 | 1,031,740,415.62 |
| Minus: Bad debt provision | 2,132,211.35 | 361,971.11 | 159,346.43 |
| Total | 1,759,417,622.12 | 1,127,506,146.02 | 1,031,581,069.19 |

(2) Categories of accounts receivable

| Item | December 31, 2022 | | | | Carrying value |
|---|-------------------|----------------|--------------------|----------------|------------------|
| | Book value | | Bad debt provision | | |
| | Amount | Proportion (%) | Amount | Proportion (%) | |
| Individually significant and assessed for bad debt provision individually | | | | | |
| Collectively assessed for bad debt provision based on credit risk characteristics | 1,761,549,833.47 | 100.00 | 2,132,211.35 | 0.12 | 1,759,417,622.12 |
| Including: Aging group | 396,247,722.27 | 22.49 | 2,132,211.35 | 0.54 | 394,115,510.92 |
| Special credit group | 1,365,302,111.20 | 77.51 | | | 1,365,302,111.20 |
| Individually insignificant but assessed for bad debt provision individually | | | | | |
| Total | 1,761,549,833.47 | — | 2,132,211.35 | 0.12 | 1,759,417,622.12 |

| Aging | December 31, 2021 | | |
|---------------------------|-------------------|--------------------|----------------|
| | Amount | Bad debt provision | Proportion (%) |
| Within 1 year (inclusive) | 111,257,400.16 | | |
| 1-2 years | 441,754.56 | 22,087.73 | 5.00 |
| 2-3 years | 1,438,833.80 | 143,883.38 | 10.00 |
| 3-4 years | | | |
| 4-5 years | | | |
| Over 5 years | 196,000.00 | 196,000.00 | 100.00 |
| Total | 113,333,988.52 | 361,971.11 | — |

(continued)

| Aging | December 31, 2020 | | |
|---------------------------|-------------------|--------------------|----------------|
| | Amount | Bad debt provision | Proportion (%) |
| Within 1 year (inclusive) | 2,182,704.88 | | |
| 1-2 years | 1,990,713.80 | 99,535.69 | 5.00 |
| 2-3 years | 98,107.40 | 9,810.74 | 10.00 |
| 3-4 years | | | 20.00 |
| 4-5 years | 12,000.00 | 6,000.00 | 50.00 |
| Over 5 years | 44,000.00 | 44,000.00 | 100.00 |
| Total | 4,327,526.08 | 159,346.43 | — |

(4) Five largest accounts receivable by debtor at the end of the year

| Name of entity | December 31, 2022 | Proportion (%) | Bad debt provision |
|--|-------------------|----------------|--------------------|
| Neijiang Culture, Radio, Television and Tourism Bureau | 700,350,017.90 | 39.76 | |
| Neijiang Urban Rural and Housing Construction Bureau | 191,594,220.98 | 10.88 | |
| Neijiang Transportation Bureau | 185,315,228.04 | 10.52 | |
| Neijiang City Urban Construction Service Center | 129,530,106.57 | 7.35 | |
| Management Committee of Neijiang High tech Industrial Park | 100,642,910.03 | 5.71 | |
| Total | 1,307,432,483.52 | 74.22 | |

4. Prepayments

(1) The aging analysis of prepayments is as follows:

| Aging | December 31, 2022 | | December 31, 2021 | | December 31, 2020 | |
|---------------------------|-------------------|----------------|-------------------|----------------|-------------------|----------------|
| | Amount | Proportion (%) | Amount | Proportion (%) | Amount | Proportion (%) |
| Within 1 year (inclusive) | 186,232,870.60 | 73.87 | 65,214,806.54 | 54.53 | 112,245,117.19 | 99.03 |
| 1-2 years | 11,208,318.22 | 4.45 | 54,187,312.88 | 45.31 | 969,000.00 | 0.85 |

Neijiang Road and Bridge Group Co., Ltd
Notes to consolidated financial statements

| Aging | December 31, 2022 | | December 31, 2021 | | December 31, 2020 | |
|--------------|-------------------|----------------|-------------------|----------------|-------------------|----------------|
| | Amount | Proportion (%) | Amount | Proportion (%) | Amount | Proportion (%) |
| 2-3 years | 54,548,975.88 | 21.64 | 112,950.00 | 0.09 | 28,070.00 | 0.02 |
| Over 3 years | 133,973.00 | 0.05 | 81,373.00 | 0.07 | 102,153.00 | 0.09 |
| Total | 252,124,137.70 | — | 119,596,442.42 | — | 113,344,340.19 | — |

(2) Five largest prepayments by debtor at the end of the year

| Debtor | December 31, 2022 | Proportion of the total (%) |
|---|-------------------|-----------------------------|
| Neijiang City Finance Bureau | 52,000,000.00 | 20.62 |
| Liuzhou Letu Agricultural Trade Co., Ltd. | 25,000,102.50 | 9.92 |
| Sichuan Yaoqiao Supply Chain Management Co., Ltd. | 19,674,375.96 | 7.80 |
| Neijiang Han'an Xingcheng Real Estate Development Co., Ltd. | 16,437,720.00 | 6.52 |
| Neijiang Energy Investment Co., Ltd. | 15,105,822.27 | 5.99 |
| Total | 128,218,020.73 | 50.85 |

5. Other receivables

(1) Overview

| Item | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|----------------------|-------------------|-------------------|-------------------|
| Interests receivable | | | |
| Dividends receivable | | | |
| Other receivables | 2,131,970,007.53 | 1,665,135,618.54 | 907,421,342.39 |
| Total | 2,131,970,007.53 | 1,665,135,618.54 | 907,421,342.39 |

(2) Other receivables

a. The ageing analysis of other receivable is as follows

| Aging | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|---------------------------|-------------------|-------------------|-------------------|
| Within 1 year (inclusive) | 896,908,284.77 | 1,177,845,358.19 | 494,120,663.40 |
| 1-2 years | 853,484,952.08 | 277,529,074.14 | 94,519,318.74 |
| 2-3 years | 214,413,074.83 | 34,411,318.74 | 85,778,640.76 |
| 3-4 years | 28,343,855.80 | 91,755,040.76 | 80,146,464.65 |
| 4-5 years | 80,479,468.60 | 32,021,064.65 | 120,517,330.00 |
| More than 5 years | 62,174,580.65 | 51,673,889.26 | 32,439,052.04 |
| Subtotal | 2,135,804,216.73 | 1,665,235,745.74 | 907,521,469.59 |
| Minus: Bad debt provision | 3,834,209.20 | 100,127.20 | 100,127.20 |
| Total | 2,131,970,007.53 | 1,665,135,618.54 | 907,421,342.39 |

b. Other receivables for which provisions for bad debts are set aside according to the nature of funds

Neijiang Road and Bridge Group Co., Ltd
Notes to consolidated financial statements

| The nature of payment | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|--|----------------------|----------------------|----------------------|
| Cash pledge, security deposit, petty cash | 243,352,634.05 | 103,548,453.69 | 75,934,999.53 |
| From government institutions, local state-owned enterprises, and related parties | 1,806,726,359.39 | 1,560,445,477.42 | 831,128,720.45 |
| Other current accounts | 84,841,187.06 | 1,241,814.63 | 457,749.61 |
| Withholding and payment of funds | 884,036.23 | | |
| Subtotal | 2,135,804,216.73 | 1,665,235,745.74 | 907,521,469.59 |
| Minus: Bad debt provision | 3,834,209.20 | 100,127.20 | 100,127.20 |
| Total | 2,131,970,007.53 | 1,665,135,618.54 | 907,421,342.39 |

c. Bad debt provisions

| Item | December 31, 2021 | Current variation amount | | | December 31, 2022 |
|--|-------------------|--------------------------|----------------------|------------|-------------------|
| | | Provision | Take back or reverse | Other less | |
| Allowance for doubtful Accounts receivable | 100,127.20 | 3,734,082.00 | | | 3,834,209.20 |
| Total | 100,127.20 | 3,734,082.00 | | | 3,834,209.20 |

(continued)

| Item | December 31, 2020 | Current variation amount | | | December 31, 2021 |
|--|-------------------|--------------------------|----------------------|------------|-------------------|
| | | Provision | Take back or reverse | Other less | |
| Allowance for doubtful Accounts receivable | 100,127.20 | | | | 100,127.20 |
| Total | 100,127.20 | | | | 100,127.20 |

d. Five largest other receivables by debtor at the end of the year

| Name of entity | Nature of payment | December 31, 2022 | Proportion of total (%) |
|--|-------------------|-------------------|-------------------------|
| Dongxing District Finance Bureau of Neijiang City | Current accounts | 520,000,000.00 | 24.35 |
| Neijiang Wan'an Cultural Tourism Development Co., Ltd. | Current accounts | 281,064,056.00 | 13.16 |
| Finance Bureau of Neijiang High tech Zone | Current accounts | 204,611,706.22 | 9.58 |
| Neijiang Investment Holding Group Co., Ltd. | Current accounts | 157,971,945.00 | 7.40 |
| Neijiang Public Resource Trading Service Center | Current accounts | 116,560,000.00 | 5.46 |
| Total | — | 1,280,207,707.22 | 59.95 |

6. Inventories

(1) Categories of inventories

| Item | December 31, 2022 | | |
|------|-------------------|--------------------------------------|-----------------|
| | Book value | Impairment provision for inventories | Carrying amount |
| Land | 885,209,124.86 | | 885,209,124.86 |

| Item | December 31, 2022 | | |
|------------------------------|-------------------|--------------------------------------|------------------|
| | Book value | Impairment provision for inventories | Carrying amount |
| Development costs | 1,240,916,996.72 | | 1,240,916,996.72 |
| Raw materials | 19,718,550.02 | | 19,718,550.02 |
| Unfinished products | 7,866,217.06 | | 7,866,217.06 |
| Finished products | 28,856,225.25 | | 28,856,225.25 |
| Turnover materials | 2,063,777.50 | | 2,063,777.50 |
| Products in transit | 825.21 | | 825.21 |
| Contract performance cost | 29,970,568.07 | | 29,970,568.07 |
| Consumable biological assets | 4,285,539.00 | | 4,285,539.00 |
| Total | 2,218,887,823.69 | | 2,218,887,823.69 |

(continued)

| Item | December 31, 2021 | | |
|-------------------------------|-------------------|--------------------------------------|------------------|
| | Book value | Impairment provision for inventories | Carrying amount |
| Land | 749,536,844.86 | | 749,536,844.86 |
| Development costs | 581,153,034.01 | | 581,153,034.01 |
| Raw materials | 15,598,067.88 | | 15,598,067.88 |
| Unfinished products | 18,840,905.17 | | 18,840,905.17 |
| Finished products | 5,126,104.60 | | 5,126,104.60 |
| Turnover materials | 948,408.50 | | 948,408.50 |
| Auxiliary materials | 977,197.73 | | 977,197.73 |
| Consigned processing material | 5,670,976.31 | | 5,670,976.31 |
| Total | 1,377,851,539.06 | | 1,377,851,539.06 |

(continued)

| Item | December 31, 2020 | | |
|-----------------------|-------------------|--------------------------------------|-----------------|
| | Book value | Impairment provision for inventories | Carrying amount |
| Land | 508,213,028.86 | | 508,213,028.86 |
| Development costs | 287,117,896.28 | | 287,117,896.28 |
| Raw materials | 582,455.70 | | 582,455.70 |
| Finished products | 54,528.21 | | 54,528.21 |
| Turnover materials | 235,885.35 | | 235,885.35 |
| Auxiliary materials | 383,092.16 | | 383,092.16 |
| Low value consumables | 267,882.01 | | 267,882.01 |
| Total | 796,854,768.57 | | 796,854,768.57 |

(2) Land conditions

As of December 31, 2022, the land situation is as follows

| Land number | Land area (㎡) | Mortgage or not | Book value |
|---|---------------|-----------------|-----------------------|
| Chuan (2021) Neijiang Real Estate Ownership No. 0089652 | 87,349.30 | Yes | 263,829,300.00 |
| Chuan (2021) Neijiang Real Estate Ownership No. 0026386 | 54,515.61 | Yes | 170,361,300.00 |
| Chuan (2021) Neijiang Real Estate Ownership No. 0026385 | 18,574.05 | Yes | 79,218,300.00 |
| Chuan (2017) Neijiang Real Estate Ownership No. 0023720 | 58,694.48 | Yes | 236,127,900.00 |
| Mainland Auction (2022) Plot 07 | 41,422.54 | No | 135,672,300.00 |
| Total | — | — | 885,209,100.00 |

(3) Development costs

As of December 31, 2022, the main development cost details are as follows

| Project name | Book value |
|---|-------------------------|
| Neijiang High tech Zone Science and Technology Innovation Park Industrial Park | 492,755,575.21 |
| Baima High tech Zone New Materials Industrial Park Project | 215,496,070.21 |
| Gaoqiao Interchange Connection Line | 77,411,218.55 |
| Dengjiaba Bridge Kangning Road | 52,974,853.30 |
| Shuixinba Bridge and Connection Line Project | 52,952,992.68 |
| Maliuba Bridge Project | 52,199,006.66 |
| Huangjingba Bridge Project (Beimu Interchange Expressway from East Railway Station to Urban Transit Expressway) | 51,392,315.47 |
| Yingxia Road in Dengjiaba District | 41,745,243.52 |
| Internal fast track | 28,694,699.28 |
| Total | 1,065,621,974.88 |

(4) Inventory falling price reserves

None

7. Contract assets

| Item | December 31, 2022 | | |
|--------------------------|---------------------|--------------------------------------|---------------------|
| | Book value | Impairment provision for inventories | Carrying amount |
| Big Data Service Project | 2,124,500.00 | | 2,124,500.00 |
| Total | 2,124,500.00 | | 2,124,500.00 |

8. Other current assets

| Item | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|---------------------------------|-------------------|-------------------|-------------------|
| Pending deduct vat on purchase | 4,417,141.00 | 12,575,325.10 | 10,351,895.25 |
| Advance payment for other taxes | 7,652.55 | | |

Neijiang Road and Bridge Group Co., Ltd
Notes to consolidated financial statements

| Item | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|-----------------------------|---------------------|----------------------|----------------------|
| Advance payment for project | 150,012.87 | | |
| Total | 4,574,806.42 | 12,575,325.10 | 10,351,895.25 |

9. Long-term equity investments

(1) As of 31 December 2022

| Investee | December 31, 2021 | Changes during the year | | | |
|---|-------------------|-------------------------|---------------------|---|----------------------------|
| | | Additional investments | Reduced investments | Investment income/loss recognized under equity method | Other comprehensive income |
| Neijiang Automobile Service Co., Ltd. | 12,000,221.32 | | | 200,480.61 | |
| Neijiang Xingchong New Energy Technology Co., Ltd. | 816,879.86 | | | -163,609.57 | |
| Sichuan Danei Expressway Co., Ltd. | 63,700,000.00 | 75,250,000.00 | | 511.97 | |
| Sichuan Hanlinyuan Technology Co., Ltd. | | 29,030,000.00 | | -126,975.84 | |
| Neijiang Road and Bridge Supply and Marketing Cooperative Co., Ltd. | | 720,000.00 | | -63,928.56 | |
| Neijiang Wan'an Cultural Tourism Development Co., Ltd. | | 35,000,000.00 | | 700.20 | |
| Total | 76,517,101.18 | 140,000,000.00 | | -152,821.19 | |

(continued)

| Investee | Changes during the year | | | | December 31, 2022 | Balance of impairment provision at December 31, 2022 |
|---|-------------------------|--|----------------------|--------|-------------------|--|
| | Changes of other equity | Declared distribution of cash dividends or profits | Impairment provision | Others | | |
| Neijiang Automobile Service Co., Ltd. | | 490,000.00 | | | 11,710,701.93 | |
| Neijiang Xingchong New Energy Technology Co., Ltd. | | | | | 653,270.29 | |
| Sichuan Danei Expressway Co., Ltd. | | | | | 138,950,511.97 | |
| Sichuan Hanlinyuan Technology Co., Ltd. | | | | | 28,903,024.16 | |
| Neijiang Road and Bridge Supply and Marketing Cooperative Co., Ltd. | | | | | 656,071.44 | |

| Investee | Changes during the year | | | | December 31, 2022 | Balance of impairment provision at December 31, 2022 |
|---|----------------------------|---|-------------------------|--------|----------------------|---|
| | Changes of other equity | Declared distribution of cash dividends or profits | Impairment provision | Others | | |
| Neijiang Wan'an Cultural Tourism Development Co., Ltd. | | | | | 35,000,700.20 | |
| Total | | 490,000.00 | | | 215,874,279.99 | |

(2) As of 31 December 2021

| Investee | December 31, 2020 | Changes during the year | | | |
|---|-------------------|---------------------------|------------------------|--|-------------------------------|
| | | Additional investments | Reduced investments | Investment income/loss recognized under equity method | Other comprehensive income |
| Neijiang Automobile Service Co., Ltd. | 11,674,573.44 | | | 325,647.88 | |
| Neijiang Xingchong New Energy Technology Co., Ltd. | 881,118.71 | | | -64,238.85 | |
| Sichuan Danei Expressway Co., Ltd. | 35,000,000.00 | 28,700,000.00 | | | |
| Total | 47,555,692.15 | 28,700,000.00 | | | |

(continued)

| Investee | Changes during the year | | | | December 31, 2021 | Balance of impairment provision at December 31, 2021 |
|---|----------------------------|---|-------------------------|--------|----------------------|---|
| | Changes of other equity | Declared distribution of cash dividends or profits | Impairment provision | Others | | |
| Neijiang Automobile Service Co., Ltd. | | | | | 12,000,221.32 | |
| Neijiang Xingchong New Energy Technology Co., Ltd. | | | | | 816,879.86 | |
| Sichuan Danei Expressway Co., Ltd. | | | | | 63,700,000.00 | |
| Total | | | | | 76,517,101.18 | |

10. Other equity instruments investments

| Item | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|--|-----------------------|-----------------------|-----------------------|
| Neijiang Rural Commercial Bank Co., Ltd. | 28,702,750.00 | 28,702,750.00 | 28,702,750.00 |
| Neijiang Entrepreneurial Small Financing Guarantee Co., Ltd. | 19,313,250.00 | 15,000,000.00 | 15,000,000.00 |
| Sichuan Bank Co., Ltd. | 799,999,999.50 | 799,999,999.50 | 799,999,999.50 |
| Sichuan Zizhong Rural Commercial Bank Co., Ltd. | 9,800,000.00 | 9,800,000.00 | |
| Neijiang Wan'an Cultural Tourism Development Co., Ltd. | | 35,000,000.00 | |
| Neijiang High tech Zone Guoxin Small Loan Co., Ltd. | 18,250,000.00 | 18,250,000.00 | |
| Neijiang Chonglong Baijiu Co., Ltd. | 2,100,000.00 | 2,100,000.00 | |
| Sichuan Weiyuan Rural Commercial Bank Co., Ltd. | 2,747,596.46 | | |
| Sichuan Longchang Rural Commercial Bank Co., Ltd. | 78,197,682.06 | | |
| Total | 959,111,278.02 | 908,852,749.50 | 843,702,749.50 |

11. Other non-current financial assets

| Item | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|--|-----------------------|-----------------------|-----------------------|
| Sichuan Regional Collaborative Development Investment Guidance Fund Partnership Enterprise (Limited Partnership) | 30,000,000.00 | 30,000,000.00 | 10,000,000.00 |
| Sichuan Chuantou Jinshi Kangjian Equity Investment Fund Partnership Enterprise (Limited Partnership) | 15,000,000.00 | 15,000,000.00 | 15,000,000.00 |
| Neijiang Dingxin Environmental Protection New Material Center (Limited Partnership) | 104,513,000.00 | 102,250,000.00 | 101,500,000.00 |
| Tianfu Investment Pure Bond Selection No.1 Private Securities Investment Fund | 47,310,296.84 | 45,000,000.00 | |
| Neijiang Xinglu Equity Investment Partnership Enterprise (Limited Partnership) | 1,000,000.00 | | |
| Total | 197,823,296.84 | 192,250,000.00 | 126,500,000.00 |

12. Investment properties

(1) Investment properties with fair value measurement model in 2022

| Item | Houses, buildings | Total |
|-----------------------------------|-------------------|------------------|
| I. Balance on December 31, 2021 | 3,690,602,500.00 | 3,690,602,500.00 |
| II. Changes in the current period | 251,462,391.40 | 251,462,391.40 |
| Add: outsourcing | 5,429,882.11 | 5,429,882.11 |
| Transfer into | 184,952,774.95 | 184,952,774.95 |
| Subtraction: disposal | | |
| Change in fair value | 61,079,734.34 | 61,079,734.34 |
| III. Balance on December 31, 2022 | 3,942,064,891.40 | 3,942,064,891.40 |

(2) Investment properties with cost measurement model in 2021

| Item | Houses, buildings | Total |
|-----------------------------------|-------------------|------------------|
| I. Balance on December 31, 2020 | 4,349,300,624.30 | 4,349,300,624.30 |
| II. Changes in the current period | -658,698,124.30 | -658,698,124.30 |
| Add: outsourcing | 51,952,300.00 | 51,952,300.00 |
| Transfer into | | |
| Subtraction: Transfer out | 716,269,219.40 | 716,269,219.40 |
| Change in fair value | 5,618,795.10 | 5,618,795.10 |
| III. Balance on December 31, 2021 | 3,690,602,500.00 | 3,690,602,500.00 |

(3) Investment properties with cost measurement model in 2020

| Item | Houses, buildings | Total |
|-----------------------------------|-------------------|------------------|
| I. Balance on December 31, 2019 | 4,292,654,200.00 | 4,292,654,200.00 |
| II. Changes in the current period | 56,646,424.30 | 56,646,424.30 |
| Add: outsourcing | | |
| Transfer into | 30,557,404.90 | 30,557,404.90 |
| Subtraction: Transfer out | | |
| Change in fair value | 26,089,019.40 | 26,089,019.40 |
| III. Balance on December 31, 2020 | 4,349,300,624.30 | 4,349,300,624.30 |

(4) The situation of the investment properties without the certificate of title

| Item | book value | Reasons for failure to complete certificate of title |
|----------------|------------------|--|
| House building | 2,522,001,100.00 | |
| Total | 2,522,001,100.00 | -- |

13. Fixed assets

(1) Overview

| Item | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|--------------|-------------------|-------------------|-------------------|
| Fixed assets | 90,282,203.57 | 209,693,269.16 | 11,991,525.17 |
| Total | 90,282,203.57 | 209,693,269.16 | 11,991,525.17 |

(2) Fixed assets

a. Details of fixed assets

| Item | House building | Machinery and equipment | Motor vehicles | Electronic equipment | office equipment | others | Total |
|---|----------------|-------------------------|----------------|----------------------|------------------|---------------|----------------|
| I. Cost | | | | | | | |
| 1. Balance at December 31, 2021 | 162,577,928.12 | 44,917,399.33 | 3,350,643.84 | 5,264,432.25 | 3,221,081.73 | 1,770,377.65 | 221,101,862.92 |
| 2. Additions during the year | 31,079,140.01 | 17,479,869.94 | 3,264,021.53 | 4,268,560.13 | 1,291,421.07 | 10,418,399.61 | 67,801,412.29 |
| (1) Purchases | 547,859.87 | 15,019,867.61 | 2,548,298.45 | 3,903,149.86 | 1,082,022.40 | 891,007.60 | 23,992,205.79 |
| (2) Transfers from construction in progress | 13,393,710.14 | 451,092.96 | | | | 2,476,778.33 | 16,321,581.43 |
| (3) Additions due to business combinations | 17,137,570.00 | 2,008,909.37 | 715,723.08 | 365,410.27 | 209,398.67 | 7,050,613.68 | 27,487,625.07 |
| 3. Reductions during the year | 170,349,125.72 | | 367,485.50 | 65,382.53 | 82,910.70 | | 170,864,904.45 |
| (1) Disposals or scraps | | | 367,485.50 | 36,453.53 | 82,910.70 | | 486,849.73 |
| (2) Transfer in investment property | 170,349,125.72 | | | | | | 170,349,125.72 |
| (3) Other transfers out | | | | 28,929.00 | | | 28,929.00 |
| 4. Balance at December 31, 2022 | 23,307,942.41 | 62,397,269.27 | 6,247,179.87 | 9,467,609.85 | 4,429,592.10 | 12,188,777.26 | 118,038,370.76 |
| II. Accumulated depreciation | | | | | | | |
| 1. Balance at December 31, 2021 | 1,804,906.59 | 2,678,527.71 | 1,868,503.61 | 2,874,241.13 | 712,610.74 | 1,469,803.97 | 11,408,593.76 |
| 2. Additions during the year | 8,152,469.81 | 3,986,547.68 | 931,346.80 | 1,648,026.77 | 877,296.78 | 4,585,818.50 | 20,181,506.34 |
| (1) Provision for the year | 3,542,162.97 | 3,711,209.57 | 777,166.37 | 1,468,701.36 | 715,879.13 | 1,713,726.37 | 11,928,845.77 |
| (2) Additions due to business combinations | 4,610,306.84 | 275,338.11 | 154,180.43 | 179,325.41 | 161,417.65 | 2,872,092.13 | 8,252,660.57 |
| 3. Reductions during the year | 3,452,830.53 | | 291,183.30 | 17,249.88 | 72,669.19 | | 3,833,932.90 |
| (1) Disposals or scraps | | | 291,183.30 | 10,302.63 | 72,669.19 | | 374,155.12 |
| (2) Transfer in investment property | 3,452,830.53 | | | | | | 3,452,830.53 |
| (3) Other transfers out | | | | 6,947.25 | | | 6,947.25 |

| Item | House building | Machinery and equipment | Motor vehicles | Electronic equipment | office equipment | others | Total |
|----------------------------------|----------------|-------------------------|----------------|----------------------|------------------|--------------|----------------|
| 4. Balance at December 31, 2022 | 6,504,545.87 | 6,665,075.39 | 2,508,667.11 | 4,505,018.02 | 1,517,238.33 | 6,055,622.47 | 27,756,167.19 |
| III. Impairment provision | | | | | | | |
| 1. Balance at December 31, 2021 | | | | | | | |
| 2. Additions during the year | | | | | | | |
| (1) Provision | | | | | | | |
| 3. Reductions during the year | | | | | | | |
| (1) Disposals or scraps | | | | | | | |
| 4. Balance at December 31, 2022 | | | | | | | |
| IV. Carrying amount | | | | | | | |
| 1. Balance at December 31, 2022 | 16,803,396.54 | 55,732,193.88 | 3,738,512.76 | 4,962,591.83 | 2,912,353.77 | 6,133,154.79 | 90,282,203.57 |
| 2. Balance at December 31, 2021 | 160,773,021.53 | 42,238,871.62 | 1,482,140.23 | 2,390,191.12 | 2,508,470.99 | 300,573.68 | 209,693,269.16 |

(continued)

| Item | House building | Machinery and equipment | Motor vehicles | Electronic equipment | office equipment | others | Total |
|---|----------------|-------------------------|----------------|----------------------|------------------|--------------|----------------|
| I. Cost | | | | | | | |
| 1. Balance at December 31, 2020 | 5,622,512.55 | 3,391,706.99 | 3,507,810.87 | 2,329,645.31 | 2,003,918.50 | 1,631,399.75 | 18,486,993.97 |
| 2. Additions during the year | 156,955,415.58 | 41,525,692.34 | 1,796,353.14 | 1,120,247.92 | 1,222,693.23 | 138,977.90 | 202,759,380.11 |
| (1) Purchases | - | 772,780.54 | 1,164,527.91 | 1,120,247.92 | 1,222,693.23 | 138,977.90 | 4,419,227.50 |
| (2) Transfers from construction in progress | 156,955,415.58 | 40,752,911.80 | 631,825.23 | - | - | - | 198,340,152.61 |
| (3) Additions due to business combinations | - | - | - | - | - | - | - |
| (4) Others | - | - | - | - | - | - | - |

| Item | House building | Machinery and equipment | Motor vehicles | Electronic equipment | office equipment | others | Total |
|---------------------------------|----------------|-------------------------|----------------|----------------------|------------------|--------------|----------------|
| 3. Reductions during the year | - | - | 34,424.15 | 110,087.00 | - | - | 144,511.15 |
| (1) Disposals or scraps | - | - | 34,424.15 | 110,087.00 | - | - | 144,511.15 |
| (2) Others | - | - | - | - | - | - | - |
| 4. Balance at December 31, 2021 | 162,577,928.13 | 44,917,399.33 | 5,269,739.86 | 3,339,806.23 | 3,226,611.73 | 1,770,377.65 | 221,101,862.93 |
| II. Accumulated depreciation | - | - | - | - | - | - | - |
| 1. Balance at December 31, 2020 | 549,517.89 | 682,900.88 | 2,139,800.58 | 1,555,326.98 | 180,180.43 | 1,387,742.05 | 6,495,468.81 |
| 2. Additions during the year | 1,255,388.70 | 1,995,626.84 | 774,167.94 | 392,308.53 | 532,484.66 | 82,061.92 | 5,031,956.18 |
| (1) Provision for the year | 1,255,388.70 | 1,995,626.84 | 774,167.94 | 392,308.53 | 532,484.66 | 82,061.92 | 5,031,956.18 |
| 3. Reductions during the year | - | - | 28,302.30 | 90,611.32 | - | - | 118,831.22 |
| (1) Disposals or scraps | - | - | 28,302.30 | 90,611.32 | - | - | 118,831.22 |
| (2) Other transfers out | - | - | - | - | - | - | - |
| 4. Balance at December 31, 2021 | 1,804,906.59 | 2,678,527.72 | 2,885,666.22 | 1,857,024.19 | 712,665.08 | 1,469,803.97 | 11,408,593.77 |
| III. Impairment provision | - | - | - | - | - | - | - |
| 1. Balance at December 31, 2020 | - | - | - | - | - | - | - |
| 2. Additions during the year | - | - | - | - | - | - | - |
| 3. Reductions during the year | - | - | - | - | - | - | - |
| 4. Balance at December 31, 2021 | - | - | - | - | - | - | - |
| IV. Carrying amount | - | - | - | - | - | - | - |
| 1. Balance at December 31, 2021 | 160,773,021.54 | 42,238,871.61 | 2,384,073.64 | 1,482,782.04 | 2,513,946.65 | 300,573.68 | 209,693,269.16 |
| 2. Balance at December 31, 2020 | 5,072,994.66 | 2,708,806.11 | 1,368,010.29 | 774,318.33 | 1,823,738.08 | 243,657.70 | 11,991,525.16 |

14. Construction in progress

(1) Total table is

| Item | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|-----------------------------|-------------------|-------------------|-------------------|
| Projects under construction | 142,245,089.97 | 34,145,081.82 | 132,314,632.42 |
| Total | 142,245,089.97 | 34,145,081.82 | 132,314,632.42 |

(2) Projects under construction

Construction in progress in 2022

| Item | December 31, 2022 | | |
|---|-------------------|----------------------|-----------------|
| | Book value | Impairment provision | Carrying amount |
| Weiyuan County Poultry Manure Collection and Treatment Center | 60,403,467.14 | | 60,403,467.14 |
| Asphalt concrete mixing plant | 52,850,833.13 | | 52,850,833.13 |
| Purchase of office space | 16,178,018.90 | | 16,178,018.90 |
| National level white mullet original breeding farm construction project | 2,874,883.48 | | 2,874,883.48 |
| Baiyu Industrial Strong Town Project | 1,884,587.46 | | 1,884,587.46 |
| Plant construction | 1,325,469.79 | | 1,325,469.79 |
| Office area renovation project | 1,288,119.27 | | 1,288,119.27 |
| Neijiang Steel Structure Prefabricated Construction Industrial Park Project | | | |
| Total | 136,805,379.17 | | 136,805,379.17 |

Construction in progress in 2021

| Item | December 31, 2021 | | |
|---|-------------------|----------------------|-----------------|
| | Book value | Impairment provision | Carrying amount |
| Asphalt concrete mixing plant | 1,951,269.81 | | 1,951,269.81 |
| Purchase of office space | 16,178,018.90 | | 16,178,018.90 |
| Neijiang Steel Structure Prefabricated Construction Industrial Park Project | 16,015,793.11 | | 16,015,793.11 |
| Total | 34,145,081.82 | | 34,145,081.82 |

Construction in progress in 2020

| Item | December 31, 2020 | | |
|---|-------------------|----------------------|-----------------|
| | Book value | Impairment provision | Carrying amount |
| Neijiang Steel Structure Prefabricated Construction Industrial Park Project | 132,314,632.42 | | 132,314,632.42 |
| Total | 132,314,632.42 | | 132,314,632.42 |

15. Intangible assets

(1) Overview

| Item | Software | Land use right | Patent right | Nonpatented technology | Trademark rights | Total |
|--|--------------|----------------|--------------|------------------------|------------------|---------------|
| I. Cost | | | | | | |
| 1. Balance at December 31, 2021 | 791,771.46 | 38,888,570.38 | | 35,000,000.00 | | 74,680,341.84 |
| 2. Additions during the year | 7,885,740.27 | 18,970,809.81 | 2,549,367.24 | | 31,067.98 | 29,436,985.30 |
| (1) Purchases | 7,706,440.27 | 325,634.91 | | | 31,067.98 | 8,063,143.16 |
| (2) Research and development | | | 2,549,367.24 | | | 2,549,367.24 |
| (3) Additions due to business combinations | 179,300.00 | 10,077,174.90 | | | | 10,256,474.90 |
| (4) Others | | 8,568,000.00 | | | | 8,568,000.00 |
| 3. Reductions during the year | | 18,907,002.42 | | | | 18,907,002.42 |
| (1) Transfer in investment property | | 18,907,002.42 | | | | 18,907,002.42 |
| 4. Balance at December 31, 2022 | 8,677,511.73 | 38,952,377.77 | 2,549,367.24 | 35,000,000.00 | 31,067.98 | 85,210,324.72 |
| II. Accumulated amortization | | | | | | |
| 1. Balance at December 31, 2021 | 330,821.21 | 1,994,933.94 | | 11,375,000.00 | | 13,700,755.15 |
| 2. Additions during the year | 639,342.39 | 1,010,372.52 | 19,587.14 | 3,500,000.00 | 1,035.60 | 5,170,337.65 |
| (1) Provision for the year | 606,470.72 | 1,010,372.52 | 19,587.14 | 3,500,000.00 | 1,035.60 | 5,137,465.98 |
| (2) Additions due to business combinations | 32,871.67 | | | | | 32,871.67 |
| 3. Reductions during the year | | 1,242,296.65 | | | | 1,242,296.65 |
| (1) Transfer in investment property | | 1,242,296.65 | | | | 1,242,296.65 |
| 4. Balance at December 31, 2022 | 970,163.60 | 1,763,009.81 | 19,587.14 | 14,875,000.00 | 1,035.60 | 17,628,796.15 |
| III. Impairment provision | | | | | | |
| 1. Balance at December 31, 2021 | | | | | | |

| Item | Software | Land use right | Patent right | Nonpatented technology | Trademark rights | Total |
|---------------------------------|--------------|----------------|--------------|------------------------|------------------|---------------|
| 2. Additions during the year | | | | | | |
| (1) Provision | | | | | | |
| 3. Reductions during the year | | | | | | |
| (1) Disposals | | | | | | |
| 4. Balance at December 31, 2022 | | | | | | |
| IV. Carrying amount | | | | | | |
| 1. Balance at December 31, 2022 | 7,707,348.13 | 37,189,367.96 | 2,529,780.10 | 20,125,000.00 | 30,032.38 | 67,581,528.57 |
| 2. Balance at December 31, 2021 | 460,950.25 | 36,893,636.44 | | 23,625,000.00 | | 60,979,586.69 |

(continued)

| Item | Software | Land use right | Nonpatented technology | Total |
|--|------------|----------------|------------------------|---------------|
| I. Cost | | | | |
| 1. Balance at December 31, 2020 | 280,026.67 | 38,888,570.38 | 35,000,000.00 | 74,033,097.05 |
| 2. Additions during the year | 511,744.79 | | | 511,744.79 |
| (1) Purchases | 511,744.79 | | | 511,744.79 |
| (2) Research and development | | | | |
| (3) Additions due to business combinations | | | | |
| 3. Reductions during the year | | | | |
| (1) Disposals | | | | |
| 4. Balance at December 31, 2021 | 791,271.46 | 38,888,570.38 | 35,000,000.00 | 74,544,841.84 |
| II. Accumulated amortization | | | | |
| 1. Balance at December 31, 2020 | 244,204.82 | 1,214,206.12 | 7,875,000.00 | 9,197,910.94 |
| 2. Additions during the year | 86,616.39 | 780,727.82 | 3,500,000.00 | 4,367,344.21 |

| Item | Software | Land use right | Nonpatented technology | Total |
|---------------------------------|------------|----------------|------------------------|---------------|
| (1) Provision for the year | 86,616.39 | 780,727.82 | 3,500,000.00 | 4,367,344.21 |
| 3. Reductions during the year | | | | |
| (1) Disposals | | | | |
| 4. Balance at December 31, 2021 | 330,821.21 | 1,994,933.94 | 11,375,000.00 | 13,565,255.15 |
| III. Impairment provision | | | | |
| 1. Balance at December 31, 2020 | | | | |
| 2. Additions during the year | | | | |
| (1) Provision | | | | |
| 3. Reductions during the year | | | | |
| (1) Disposals | | | | |
| 4. Balance at December 31, 2021 | | | | |
| IV. Carrying amount | | | | |
| 1. Balance at December 31, 2021 | 460,950.25 | 36,893,636.44 | 23,625,000.00 | 60,979,586.69 |
| 2. Balance at December 31, 2020 | 35,821.85 | 37,674,364.26 | 27,125,000.00 | 64,835,186.11 |

16. Development expenditure

| Item | December 31, 2021 | Additions | Amortization | | December 31, 2022 |
|---|----------------------|-------------------------------------|---------------------------------------|----------------------------------|----------------------|
| | | Internal development expenses | Recognized as intangible assets | Transferred to profit or loss | |
| Baby stroller wheel motor driver project | | 420,113.40 | | | 420,113.40 |
| 3.7V brushless DC motor for shavers | | 20,734.50 | | | 20,734.50 |
| Sensor project for heavy-duty trains | | 74,555.06 | | 74,555.06 | |
| Dongdian Generator Insulation Coil Automation Cutting Processing Project | | 5,670.00 | | 5,670.00 | |
| Self research project of 5V three-phase brushless DC motor driver | | 1,231.37 | | | 1,231.37 |
| Innovation projects in the park | | 452,706.11 | | | 452,706.11 |
| Research and application project on key technologies for ecological environment restoration in reservoir water areas based on ecological comprehensive management model | | 461,260.89 | 198,910.72 | | 262,350.17 |
| Key Technology Research Project for Improving Baiwu Fish Meal | | 9,134.74 | | 9,134.74 | |
| Yulong 1 New Variety Breeding Project | | 259,237.80 | | 259,237.80 | |
| Research and Application Project on Key Technologies for Ecological Comprehensive Management of Shallow Waters | | 39,109.00 | | 39,109.00 | |
| Key Technology Development Project for Baiwu Fish Noodle and Prefabricated Conditioning Pack | | 106,328.00 | | 106,328.00 | |
| Key technology integration and demonstration project for large-scale seed production of all male white mullet | | 12,160.00 | | 12,160.00 | |
| Total | | 1,862,240.87 | 198,910.72 | 506,194.60 | 1,157,135.55 |

17. Goodwill

| Matters forming goodwill | December 31, 2021 | Additions | Amortization | December 31, 2022 |
|--|-------------------|---------------|--------------|-------------------|
| Business combinations not under common control | | 10,861,457.97 | | 10,861,457.97 |
| Total | | 10,861,457.97 | | 10,861,457.97 |

18. Long-term deferred expenses

| Item | December 31, 2021 | Additions | Amortization | Other reduction | December 31, 2022 |
|-----------------------|-------------------|---------------|---------------|-----------------|-------------------|
| Decoration fee | 6,064,693.85 | 4,746,123.34 | 1,445,167.86 | | 9,365,649.33 |
| Financing service fee | 70,154,669.72 | 70,089,466.44 | 59,358,321.35 | | 80,885,814.81 |
| Safety appraisal fee | | 158,971.70 | 29,144.83 | | 129,826.87 |
| Rental fees | | 8,326,446.22 | 1,081,454.69 | | 7,244,991.53 |
| Others | 30,149.65 | 465,000.00 | 97,962.15 | | 397,187.50 |
| Total | 76,249,513.22 | 83,786,007.70 | 62,012,050.88 | | 98,023,470.04 |

(continued)

| Item | December 31, 2020 | Additions | Amortization | Other reduction | December 31, 2021 |
|-----------------------|-------------------|---------------|---------------|-----------------|-------------------|
| Decoration fee | 4,513,296.48 | 2,613,188.16 | 1,061,790.79 | | 6,064,693.85 |
| Financing service fee | 79,360,288.39 | 36,502,842.95 | 45,708,461.62 | | 70,154,669.72 |
| Others | 74,074.87 | | 43,925.22 | | 30,149.65 |
| Total | 83,947,659.74 | 39,116,031.11 | 46,814,177.63 | | 76,249,513.22 |

19. Deferred tax assets and deferred tax liabilities

(1) Unoffset deferred income tax assets

| Item | December 31, 2022 | | December 31, 2021 | | December 31, 2020 | |
|---------------------------------|----------------------------------|---------------------|----------------------------------|---------------------|----------------------------------|---------------------|
| | Deductible temporary differences | Deferred tax assets | Deductible temporary differences | Deferred tax assets | Deductible temporary differences | Deferred tax assets |
| Provision for credit impairment | 5,966,420.52 | 1,491,605.13 | 462,098.32 | 115,524.58 | 259,473.64 | 64,868.41 |
| Total | 5,966,420.52 | 1,491,605.13 | 462,098.32 | 115,524.58 | 259,473.64 | 64,868.41 |

(2) Unoffset deferred income tax liabilities

| Item | December 31, 2022 | | December 31, 2021 | | December 31, 2020 | |
|----------------------|----------------------------------|--------------------------|----------------------------------|--------------------------|----------------------------------|--------------------------|
| | Deductible temporary differences | Deferred tax liabilities | Deductible temporary differences | Deferred tax liabilities | Deductible temporary differences | Deferred tax liabilities |
| Change in fair value | 635,610,845.12 | 158,902,711.28 | 572,234,574.88 | 143,058,643.72 | 1,036,461,691.52 | 259,115,422.88 |
| Total | 635,610,845.12 | 158,902,711.28 | 572,234,574.88 | 143,058,643.72 | 1,036,461,691.52 | 259,115,422.88 |

20. Short-term loans

| Item | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|---------------------------|-------------------|-------------------|-------------------|
| Pledged loans | 336,000,000.00 | 61,750,000.00 | |
| Mortgage loans | 186,000,000.00 | | |
| Guaranteed loans | 1,450,221,514.60 | 850,950,000.00 | 910,000,000.00 |
| Credit loans | 21,980,000.00 | 130,000,000.00 | |
| Unearned interest payable | | 1,772,660.82 | 1,225,090.97 |
| Total | 1,994,201,514.60 | 1,044,472,660.82 | 911,225,090.97 |

21. Bills payable

| Item | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|----------------------|-------------------|-------------------|-------------------|
| Bank acceptance bill | 139,149,593.15 | | |
| Total | 139,149,593.15 | | |

22. Accounts payable

| Item | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|------------------------|-------------------|-------------------|-------------------|
| Payable project funds | 49,956,717.83 | 14,538,015.72 | 51,068,226.08 |
| Payable for goods | 45,922,589.52 | 55,518,381.16 | 8,674,114.09 |
| Payable labor fees | 3,096,276.93 | 805,246.94 | 1,970,727.09 |
| Payable ticket payment | 705,009.08 | 1,112,020.05 | 90,177.02 |
| Others | 1,891,993.84 | 1,368,693.64 | 28,784.00 |
| Total | 101,572,587.20 | 73,342,357.51 | 61,832,028.28 |

23. Contract liability

| Item | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|--|-------------------|-------------------|-------------------|
| Advances for engineering projects | 234,045.00 | 696,045.00 | 1,551,014.89 |
| Advances for goods | 48,620,866.63 | | |
| Advances for rent | 190,476.16 | 1,489,015.32 | 1,278,212.33 |
| Others | 142,004.00 | 244,516.52 | 565,350.00 |
| Minus: included in other non current liabilities | 1,454,286.19 | | |
| Total | 47,733,105.60 | 2,429,576.84 | 3,394,577.22 |

24. Employee benefits payable

(1) Overview

| Item | December 31, 2021 | Accruals | Payments | December 31, 2022 |
|---|-------------------|----------------|----------------|-------------------|
| Short-term employee benefits | 12,235,749.23 | 100,688,367.85 | 94,818,986.82 | 18,105,130.26 |
| Post-employment benefits - defined contribution plans | 77,853.48 | 8,560,926.65 | 8,553,028.00 | 85,752.13 |
| Termination benefits | | 14,520.00 | 14,520.00 | |
| Other benefits due within one year | | | | |
| Total | 12,313,602.71 | 109,263,814.50 | 103,386,534.82 | 18,190,882.39 |

(continued)

| Item | December 31, 2020 | Accruals | Payments | December 31, 2021 |
|---|----------------------|----------------------|----------------------|----------------------|
| Short-term employee benefits | 8,522,594.61 | 62,703,531.33 | 58,990,376.71 | 12,235,749.23 |
| Post-employment benefits - defined contribution plans | | 4,944,488.61 | 4,866,635.13 | 77,853.48 |
| Termination benefits | | | | |
| Other benefits due within one year | | | | |
| Total | 8,522,594.61 | 67,648,019.94 | 63,857,011.84 | 12,313,602.71 |

(2) Short-term employee benefits

| Item | December 31, 2021 | Accruals | Payments | December 31, 2022 |
|--|----------------------|-----------------------|----------------------|----------------------|
| 1. Salaries, bonus, allowances | 11,851,961.38 | 81,562,667.69 | 75,817,604.12 | 17,597,024.95 |
| 2. Staff welfare | 4,200.00 | 5,840,557.78 | 5,823,289.78 | 21,468.00 |
| 3. Social insurances | 73,660.01 | 6,224,255.36 | 6,195,729.49 | 102,185.88 |
| Including: Medical insurance | 68,191.83 | 5,071,197.33 | 5,075,309.91 | 64,079.25 |
| Work-related injury insurance | 5,468.18 | 932,231.27 | 932,310.82 | 5,388.63 |
| Maternity insurance | | 32,697.00 | | 32,697.00 |
| Others | | 188,129.76 | 188,108.76 | 21.00 |
| 4. Housing fund | 21,120.00 | 4,581,889.00 | 4,582,729.00 | 20,280.00 |
| 5. Labor union fees, staff and workers' education fee | 284,807.84 | 2,478,998.02 | 2,399,634.43 | 364,171.43 |
| 6. Short-term paid absences | | | | |
| 7. Economic compensation for termination of labor contract | | | | |
| Total | 12,235,749.23 | 100,688,367.85 | 94,818,986.82 | 18,105,130.26 |

(continued)

| Item | December 31, 2020 | Accruals | Payments | December 31, 2021 |
|--|----------------------|----------------------|----------------------|----------------------|
| 1. Salaries, bonus, allowances | 8,409,228.91 | 51,138,718.84 | 47,699,286.37 | 11,848,661.38 |
| 2. Staff welfare | 6,776.00 | 4,091,372.38 | 4,090,648.38 | 7,500.00 |
| 3. Social insurances | 36,243.90 | 3,577,782.29 | 3,540,366.18 | 73,660.01 |
| Including: Medical insurance | 36,243.90 | 2,997,052.46 | 2,965,104.53 | 68,191.83 |
| Work-related injury insurance | | 580,378.17 | 574,909.99 | 5,468.18 |
| Maternity insurance | | 351.66 | 351.66 | |
| Others | | | | |
| 4. Housing fund | 14,190.00 | 2,845,755.30 | 2,838,825.30 | 21,120.00 |
| 5. Labor union fees, staff and workers' education fee | 56,155.80 | 1,049,902.52 | 821,250.48 | 284,807.84 |
| 6. Short-term paid absences | | | | |
| 7. Economic compensation for termination of labor contract | | | | |
| Total | 8,522,594.61 | 62,703,531.33 | 58,990,376.71 | 12,235,749.23 |

(3) Defined contribution plans

| Item | December 31, 2021 | Accruals | Payments | December 31, 2022 |
|----------------------------|----------------------|--------------|--------------|----------------------|
| 1. Basic pension insurance | 75,188.80 | 8,258,962.73 | 8,251,246.07 | 82,905.46 |
| 2. Unemployment insurance | 2,664.68 | 301,963.92 | 301,781.93 | 2,846.67 |
| 3. Annuity | | | | |
| Total | 77,853.48 | 8,560,926.65 | 8,553,028.00 | 85,752.13 |

(continued)

| Item | December 31, 2020 | Accruals | Payments | December 31, 2021 |
|----------------------------|----------------------|--------------|--------------|----------------------|
| 1. Basic pension insurance | | 4,764,100.30 | 4,688,911.50 | 75,188.80 |
| 2. Unemployment insurance | | 180,388.31 | 177,723.63 | 2,664.68 |
| 3. Annuity | | | | |
| Total | | 4,944,488.61 | 4,866,635.13 | 77,853.48 |

25. Taxes payable

| Item | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|--|-------------------|-------------------|-------------------|
| Value-added tax | 145,560,609.19 | 106,414,794.74 | 71,639,532.97 |
| Corporate income tax | 3,888,326.14 | 2,095,859.23 | 2,095,983.72 |
| Individual income tax | 84,771.61 | 31,415.32 | 226,698.45 |
| Urban maintenance and construction tax | 9,873,063.97 | 7,515,792.45 | 5,060,932.69 |
| Education surcharge | 4,029,639.87 | 3,018,978.22 | 1,974,291.86 |
| Additional local education fees | 3,017,860.79 | 2,340,990.38 | 1,639,601.66 |
| Stamp duty | 44,937.17 | 2,942.30 | 9,294.87 |
| Others | | 19,768.38 | 118,508.26 |
| Property tax | | | 113,481.38 |
| land value increment tax | | | 217,943.94 |
| Vehicle and vessel tax | | | 1,352.34 |
| Total | 166,499,208.74 | 121,440,541.02 | 83,097,622.15 |

26. Other payable

(1) Overview

| Item | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|-------------------|-------------------|-------------------|-------------------|
| Interests payable | | | |
| Dividends payable | | | |
| Other payables | 312,942,874.48 | 196,305,581.05 | 50,095,106.53 |
| Total | 312,942,874.48 | 196,305,581.05 | 50,095,106.53 |

(2) Other payables

| Item | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|------------------|-------------------|-------------------|-------------------|
| Current accounts | 271,412,719.86 | 168,234,271.88 | 22,595,893.60 |

| Item | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|--|-----------------------|-----------------------|----------------------|
| Security deposit | 41,018,172.13 | 27,875,723.42 | 27,146,975.31 |
| Withholding and payment of funds | 453,217.33 | | 259,810.51 |
| Payables for collections on other behalf | 58,765.16 | 195,585.75 | 92,427.11 |
| Total | 312,942,874.48 | 196,305,581.05 | 50,095,106.53 |

27. Non-current liabilities due within one year

| Item | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|--|-------------------------|-----------------------|-----------------------|
| Long-term loans due within one year | 1,120,630,585.90 | 569,037,140.66 | 630,756,329.64 |
| Bonds payable due within one year | 5,556,164.38 | 5,556,164.38 | |
| Long-term payables due within one year | 496,845,249.07 | 230,000,000.00 | |
| Unearned interest payable | | 2,392,465.90 | 1,369,419.79 |
| Total | 1,623,031,999.35 | 806,985,770.94 | 632,125,749.43 |

28. Other Current Liabilities

| Item | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|-----------------------------------|---------------------|-------------------|-------------------|
| Amount of tax to be redistributed | 1,454,286.19 | | |
| Total | 1,454,286.19 | | |

29. Long-term loans

| Item | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|--|-------------------------|-------------------------|-------------------------|
| The pledge loan | 120,425,105.31 | 347,379,663.05 | 555,815,732.57 |
| Guaranteed loan | 1,879,600,956.65 | 1,676,026,143.42 | 1,079,915,932.88 |
| Collateral loan | 617,093,641.58 | 365,156,920.30 | 355,189,964.82 |
| Credit borrowing | 187,400,000.00 | | |
| Minus: long-term loans due within one year | 1,120,630,585.90 | 569,037,140.66 | 630,756,329.64 |
| Total | 1,683,889,117.64 | 1,819,525,586.11 | 1,360,165,300.63 |

30. Bond payable

(1) Overview

| Item | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|--|-----------------------|-----------------------|-------------------|
| 21 Nei Bridge 01 | 483,019,539.85 | 481,747,903.25 | |
| Minus: bonds payable due within one year | 5,556,164.38 | 5,556,164.38 | |
| Total | 477,463,375.47 | 476,191,738.87 | |

(2) Bond payable

Changes in increase or decrease of bonds payable in 2022 (excluding preferred shares, perpetual bonds and other financial instruments classified as financial liabilities)

| Name of the bond | Face value | Date of issue | Bond period | issue amount | December 31, |
|------------------|------------|---------------|-------------|--------------|--------------|
|------------------|------------|---------------|-------------|--------------|--------------|

| | | | | | 2021 |
|--|--------|------------------|---------|----------------|----------------|
| 21 Nei Bridge 01 | 100.00 | October 27, 2021 | 3 years | 480,000,000.00 | 481,747,903.25 |
| Minus: bonds payable due within one year | — | — | — | — | 5,556,164.38 |
| Total | — | — | — | 480,000,000.00 | 476,191,738.87 |

(continued)

| Name of the bond | The current issue | Interest is accrued at face value | Amortization of surplus discount | Current repayment | December 31, 2022 |
|--|-------------------|-----------------------------------|----------------------------------|-------------------|-------------------|
| 21 Nei Bridge 01 | | 31,200,000.00 | -1,271,636.60 | 31,200,000.00 | 483,019,539.85 |
| Minus: bonds payable due within one year | — | — | — | — | 5,556,164.38 |
| Total | | — | — | — | 477,463,375.47 |

Changes in increase or decrease of bonds payable in 2021 (excluding preferred shares, perpetual bonds and other financial instruments classified as financial liabilities)

| Name of the bond | Face value | Date of issue | Bond period | issue amount | December 31, 2020 |
|--|------------|------------------|-------------|----------------|-------------------|
| 21 Nei Bridge 01 | 100.00 | October 27, 2021 | 3 years | 480,000,000.00 | |
| Minus: bonds payable due within one year | — | — | — | — | |
| Total | — | — | — | 480,000,000.00 | |

(continued)

| Name of the bond | The current issue | Interest is accrued at face value | Amortization of surplus discount | Current repayment | December 31, 2021 |
|--|-------------------|-----------------------------------|----------------------------------|-------------------|-------------------|
| 21 Nei Bridge 01 | 480,000,000.00 | 5,556,164.38 | 3,808,261.13 | | 481,747,903.25 |
| Minus: bonds payable due within one year | — | — | — | — | 5,556,164.38 |
| Total | 480,000,000.00 | — | — | — | 476,191,738.87 |

31. Long-term payables

(1) Overview

| Item | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|--------------------------|-------------------|-------------------|-------------------|
| Long-term payables | 1,063,872,020.65 | 729,500,000.00 | 1,073,500,000.00 |
| Special accounts payable | | | |
| Total | 1,063,872,020.65 | 729,500,000.00 | 1,073,500,000.00 |

(2) Long-term payables

| Item | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|---------------------------|-------------------|-------------------|-------------------|
| Borrowings from financial | 1,088,658,414.22 | 959,500,000.00 | 729,500,000.00 |

| | | | |
|--|-------------------------|-----------------------|-------------------------|
| institutions | | | |
| Borrowings from non-financial institutions | 379,760,000.00 | | 344,000,000.00 |
| Financing lease loans | 92,298,855.50 | | |
| Minus: amount due within one year | 496,845,249.07 | 230,000,000.00 | |
| Total | 1,063,872,020.65 | 729,500,000.00 | 1,073,500,000.00 |

32. Paid-in capital

| Investor | December 31, 2021 | Current year additions | Current year reductions | December 31, 2022 |
|---|-------------------------|------------------------|-------------------------|-------------------------|
| State owned Assets Supervision and Administration Commission of Neijiang City | 1,059,000,000.00 | | | 1,059,000,000.00 |
| Sichuan Provincial Department of Finance | 80,000,000.00 | | | 80,000,000.00 |
| Total | 1,139,000,000.00 | | | 1,139,000,000.00 |

(continued)

| Investor | December 31, 2020 | Current year additions | Current year reductions | December 31, 2021 |
|---|-----------------------|------------------------|-------------------------|-------------------------|
| State owned Assets Supervision and Administration Commission of Neijiang City | 960,000,000.00 | 99,000,000.00 | | 1,059,000,000.00 |
| Sichuan Provincial Department of Finance | | 80,000,000.00 | | 80,000,000.00 |
| Total | 960,000,000.00 | 179,000,000.00 | | 1,139,000,000.00 |

33. Capital reserve

| Item | December 31, 2021 | additions | reductions | December 31, 2022 |
|------------------------|-------------------------|-------------------|------------|-------------------------|
| Capital premium | | 20,502.00 | | 20,502.00 |
| Other capital reserves | 2,877,413,962.14 | 150,508.64 | | 2,877,564,470.78 |
| Total | 2,877,413,962.14 | 171,010.64 | | 2,877,584,972.78 |

(continued)

| Item | December 31, 2020 | additions | reductions | December 31, 2021 |
|------------------------|-------------------------|-----------------------|------------|-------------------------|
| Capital premium | | | | |
| Other capital reserves | 2,391,706,462.14 | 485,707,500.00 | | 2,877,413,962.14 |
| Total | 2,391,706,462.14 | 485,707,500.00 | | 2,877,413,962.14 |

34. Other comprehensive income

| Item | December 31, 2021 | Amount incurred in current period | | | | | December 31, 2022 |
|--|----------------------|-----------------------------------|---|------------------------------|--------------------------------|---|----------------------|
| | | Current income before tax | Minus: The prior period included in other comprehensive income into the current profit and loss (or retained earnings) | Minus: income tax expense | Parent company after tax | After-tax ownership to minority shareholder s | |
| 1.Items that will not be reclassified to profit or loss | | | | | | | |
| 2.Items that may be reclassified to profit or loss | 140,456,168.62 | 2,296,535.90 | | 574,133.98 | 1,675,389.04 | 47,012.88 | 142,131,557.66 |
| Difference between fixed assets and inventory converted into investment properties | 140,456,168.62 | 2,296,535.90 | | 574,133.98 | 1,675,389.04 | 47,012.88 | 142,131,557.66 |
| Total | 140,456,168.62 | 2,296,535.90 | | 574,133.98 | 1,675,389.04 | 47,012.88 | 142,131,557.66 |

(continued)

| Item | December 31, 2020 | Amount incurred in current period | | | | | December 31, 2021 |
|---|----------------------|-----------------------------------|---|------------------------------|-----------------------------|--|----------------------|
| | | Current income before tax | Minus: The prior period included in other comprehensive income into the current profit and loss (or retained earnings) | Minus: income tax expense | Parent company after tax | After-tax ownership to minority shareholder rs | |
| 1.Items that will not be reclassified to profit or loss | | | | | | | |

| | | | | | | | |
|--|----------------|-----------------|--|----------------|-----------------|--|----------------|
| 2.Items that may be reclassified to profit or loss | 494,362,029.06 | -471,874,480.59 | | 117,968,620.15 | -353,905,860.44 | | 140,456,168.62 |
| Difference between fixed assets and inventory converted into investment properties | 494,362,029.06 | -471,874,480.59 | | 117,968,620.15 | -353,905,860.44 | | 140,456,168.62 |
| Total | 494,362,029.06 | -471,874,480.59 | | 117,968,620.15 | -353,905,860.44 | | 140,456,168.62 |

35. Specific reserve

| Item | December 31, 2021 | Additions | Reductions | December 31, 2022 |
|-----------------------|-------------------|-----------|------------|-------------------|
| Safety production fee | 92,092.98 | 83,174.52 | 13,108.00 | 162,159.50 |
| Total | 92,092.98 | 83,174.52 | 13,108.00 | 162,159.50 |

(continued)

| Item | December 31, 2020 | Additions | Reductions | December 31, 2021 |
|-----------------------|-------------------|-----------|------------|-------------------|
| Safety production fee | 48,572.74 | 43,520.24 | | 92,092.98 |
| Total | 48,572.74 | 43,520.24 | | 92,092.98 |

36. Surplus reserve

| Item | December 31, 2021 | Additions | Reductions | December 31, 2022 |
|---------------------------|-------------------|--------------|------------|-------------------|
| Statutory surplus reserve | 79,061,671.31 | 8,723,064.07 | | 87,784,735.38 |
| Total | 79,061,671.31 | 8,723,064.07 | | 87,784,735.38 |

(continued)

| Item | December 31, 2020 | Additions | Reductions | December 31, 2021 |
|---------------------------|-------------------|--------------|------------|-------------------|
| Statutory surplus reserve | 70,808,378.00 | 8,253,293.31 | | 79,061,671.31 |
| Total | 70,808,378.00 | 8,253,293.31 | | 79,061,671.31 |

37. Retained earnings

| Item | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|---|-------------------|-------------------|-------------------|
| Retained earnings at the beginning of the year (before adjustment) | 531,590,581.36 | 529,075,556.33 | 481,278,510.06 |
| Total adjustments for opening balance of retained earnings (“+” for increase; “-” for decrease) | | | |
| Retained earnings at beginning of the year (after adjustment) | 531,590,581.36 | 529,075,556.33 | 481,278,510.06 |
| Add: Net profits for the year attributable to shareholders of the Company | 71,087,031.80 | 68,720,218.34 | 74,099,683.63 |
| Minus: Appropriation for statutory surplus reserve | 8,723,064.07 | 8,253,293.31 | 8,880,337.36 |
| Appropriation for discretionary surplus reserve | | | |
| Appropriation for general reserve fund | | | |
| Profit paid to shareholders | 18,225,500.00 | 57,951,900.00 | 17,422,300.00 |
| Common stock dividends | | | |
| Others | 10,484,871.66 | | |
| Retained earnings at the end of the year | 565,244,177.43 | 531,590,581.36 | 529,075,556.33 |

38. Operating income and operating costs

| Item | 2022 | | 2021 | |
|------|--------|------|--------|------|
| | Income | Cost | Income | Cost |

| Item | 2022 | | 2021 | |
|----------------------------|------------------|------------------|----------------|----------------|
| | Income | Cost | Income | Cost |
| Principal activities | 1,833,547,479.86 | 1,743,243,676.71 | 871,047,804.32 | 807,986,147.90 |
| Other operating activities | 80,206,145.03 | 21,033,559.93 | 16,635,257.34 | 3,357,819.12 |
| Total | 1,913,753,624.89 | 1,764,277,236.64 | 887,683,061.66 | 811,343,967.02 |

(continued)

| Item | 2021 | | 2020 | |
|----------------------------|----------------|----------------|----------------|----------------|
| | Income | Cost | Income | Cost |
| Principal activities | 871,047,804.32 | 807,986,147.90 | 551,458,917.41 | 502,228,518.64 |
| Other operating activities | 16,635,257.34 | 3,357,819.12 | 2,769,188.05 | 455,949.48 |
| Total | 887,683,061.66 | 811,343,967.02 | 554,228,105.46 | 502,684,468.12 |

39. Taxes and surcharge

| Item | 2022 | 2021 | 2020 |
|--|---------------|--------------|--------------|
| Urban maintenance and construction tax | 2,846,642.63 | 2,728,532.06 | 2,498,880.53 |
| Educational surcharge | 1,221,667.13 | 1,169,691.27 | 1,070,688.51 |
| Additional local education fees | 816,676.54 | 779,580.82 | 713,792.34 |
| Property tax | 3,905,624.19 | 1,826,337.65 | 1,148,284.35 |
| Land use tax | 2,048,916.87 | 1,013,164.36 | 729,749.71 |
| Vehicle and vessel usage tax | 4,088.25 | 6,071.73 | 3,093.47 |
| Stamp duty | 1,111,575.77 | 655,586.65 | 85,771.66 |
| Resource tax | 24,890.12 | | |
| Environmental protection tax | 7.08 | | |
| Land value-added tax | | | 590,995.47 |
| Total | 11,980,088.58 | 8,178,964.54 | 6,841,256.04 |

40. Selling expenses

| Item | 2022 | 2021 | 2020 |
|---------------------------------|--------------|--------------|-----------|
| Employee compensation | 3,551,165.00 | 1,263,036.33 | 94,092.35 |
| Depreciation expenses | 7,196.01 | 14,658.40 | 75,561.33 |
| Transportation costs | 828,510.45 | | |
| Business entertainment expenses | 550,692.22 | 134,003.08 | |
| Office expenses | 5,668.82 | | |
| Travel expenses | 269,568.39 | 64,765.62 | 11,420.00 |
| Water and electricity expenses | 9,500.00 | | |
| Decoration fee | 936.00 | | |
| Packaging fee | 4,712.39 | | |
| Labor protection fees | 1,092.50 | | |
| Consulting service fee | 21,540.59 | | |
| Material loss | 391,400.00 | | |

| Item | 2022 | 2021 | 2020 |
|-----------------------------|--------------|--------------|------------|
| Advertising expenses | 216,337.13 | | |
| Business promotion expenses | 956,518.49 | 676,449.71 | 192,824.70 |
| Labor costs | 2,040,394.51 | | |
| Others | 227,017.33 | 249,907.23 | 7,641.51 |
| Total | 9,082,249.83 | 2,402,820.37 | 381,539.89 |

41. General and administrative expenses

| Item | 2022 | 2021 | 2020 |
|--|----------------|---------------|---------------|
| Employee compensation | 62,294,878.99 | 37,474,700.82 | 30,041,678.09 |
| Depreciation expenses | 9,571,622.87 | 4,765,831.03 | 1,221,619.10 |
| Amortization of intangible assets | 4,715,476.60 | 4,184,867.59 | 3,866,158.19 |
| Amortization of deferred expenses | 618,208.39 | 781,840.75 | 555,376.75 |
| Rental fees | 941,996.90 | 138,529.00 | 284,823.13 |
| Business entertainment expenses | 1,529,077.70 | 392,905.96 | 298,476.00 |
| Office expenses | 6,546,249.54 | 3,775,594.15 | 2,541,802.47 |
| Travel expenses | 969,167.00 | 505,472.23 | 386,503.13 |
| Water and electricity expenses | 2,114,400.39 | 1,234,273.84 | 824,973.72 |
| Conference fees | 9,996.00 | | |
| Repair costs | 551,146.31 | | |
| Decoration fee | | 1,253,021.78 | 1,018,603.74 |
| Property fees | 9,000.00 | | |
| Vehicle cost | 970,304.00 | 433,573.81 | 331,305.38 |
| Labor costs | 4,810,614.11 | | |
| Postal and telecommunications expenses | 70,222.15 | | |
| Labor protection fees | 214,750.16 | | |
| Property insurance premium | 12,781.16 | | |
| Consulting service fee | 5,091,654.66 | | |
| Material consumption | 64,805.71 | | |
| Amortization of low value consumables | 10,737.87 | 363,011.56 | 117,775.88 |
| Hiring intermediary agency fees | 3,444,366.55 | 6,637,939.37 | 3,203,967.54 |
| Party organization work funds | 301,859.21 | 403,485.45 | 73,698.17 |
| Litigation costs | 166,749.90 | | |
| Pollution discharge fee | 21,165.05 | | |
| Others | 2,890,104.31 | 3,310,086.20 | 1,672,704.69 |
| Total | 107,941,335.53 | 65,655,133.54 | 46,439,465.98 |

42. Research and development expenses

| Item | 2022 | 2021 | 2020 |
|-----------------------|------------|------|------|
| Employee compensation | 802,949.66 | | |

| Item | 2022 | 2021 | 2020 |
|-----------------------------------|--------------|------|------|
| Amortization of intangible assets | 307,180.00 | | |
| Material cost | 37,177.87 | | |
| Office expenses | 1,638.00 | | |
| Travel expenses | 46,358.48 | | |
| Others | 11,936.62 | | |
| Total | 1,207,240.63 | | |

43. Finance expenses

| Item | 2022 | 2021 | 2020 |
|---------------------------|----------------|----------------|----------------|
| Interest expenses | 302,058,947.47 | 230,026,410.78 | 137,134,403.82 |
| Minus: Interest income | 15,087,204.15 | 6,597,901.25 | 2,191,962.74 |
| Exchange gains and losses | -499,074.01 | | |
| Financing expenses | 55,513,460.95 | 41,946,350.53 | 22,399,429.80 |
| Others | 5,476,780.66 | 136,328.53 | 80,971.44 |
| Total | 347,462,910.92 | 265,511,188.59 | 157,422,842.32 |

44. Other income

| Item | 2022 | 2021 | 2020 |
|---------------------------------|----------------|----------------|----------------|
| Fiscal subsidy | 346,765,860.21 | 321,320,210.35 | 208,500,000.00 |
| VAT tax reduction and exemption | 136,553.56 | 20,552.05 | 28,045.41 |
| Others | 106,635.43 | | |
| Total | 347,009,049.20 | 321,340,762.40 | 208,528,045.41 |

45. Investment income

| Item | 2022 | 2021 | 2020 |
|--|--------------|--------------|--------------|
| Investment income from long-term equity investments under the equity method | -152,821.19 | 261,409.03 | 627,444.80 |
| The dividend income obtained during the holding period of other equity instruments | 2,685,660.42 | 1,178,808.20 | 889,666.20 |
| Investment income of other non current financial assets during the holding period | 4,626,151.70 | | |
| Total | 7,158,990.93 | 1,440,217.23 | 1,517,111.00 |

46. Change in fair value gain

| The source of fair value change | 2022 | 2021 | 2020 |
|--|---------------|--------------|---------------|
| Investment properties measured at fair value | 61,079,734.34 | 5,618,795.10 | 26,089,019.40 |
| Other non-current financial assets | 2,310,296.84 | | |
| Total | 63,390,031.18 | 5,618,795.10 | 26,089,019.40 |

47. Credit impairment losses

| Item | 2022 | 2021 | 2020 |
|------|------|------|------|
|------|------|------|------|

| Item | 2022 | 2021 | 2020 |
|---------------|----------------------|--------------------|---------------------|
| Bad debt loss | -5,504,322.24 | -203,260.68 | 2,222,801.52 |
| Total | -5,504,322.24 | -203,260.68 | 2,222,801.52 |

48. Gains (losses) from disposal of assets

| Item | 2022 | 2021 | 2020 |
|-------------------------|------------------|------|------------------|
| Disposal of fixed asset | -2,022.00 | | 81,698.82 |
| Total | -2,022.00 | | 81,698.82 |

49. Non-operating income

| Item | 2022 | 2021 | 2020 |
|---|---------------------|-------------------|---------------------|
| Gains from damage and scrapping of non current assets | 135,759.17 | | |
| Government subsidies unrelated to daily activities of enterprises | 339,608.16 | 253,129.13 | 1,500,000.00 |
| Penalty income | 76,804.37 | | |
| Received donation income | 76,240.00 | | |
| Breach of contract compensation income | 544,578.38 | | |
| Income from various incentive payments | 142,000.00 | | |
| Gains from acquiring subsidiaries | 1,730,717.50 | | |
| Others | 466,328.73 | 299,209.55 | 293,798.79 |
| Total | 3,512,036.31 | 552,338.68 | 1,793,798.79 |

50. Non-operating expenses

| Item | 2022 | 2021 | 2020 |
|--|---------------------|---------------------|---------------------|
| Losses from damage and scrap of non-current assets | | 1,388.92 | 971.00 |
| Commonweal donation | 273,148.01 | 80,450.74 | 1,778,023.33 |
| Compensation expenses for breach of contract | 10,669.07 | 461,111.60 | |
| Others | 1,156,935.03 | 2,434,391.49 | 398,494.71 |
| Total | 1,440,752.11 | 2,977,342.75 | 2,177,489.04 |

51. Income tax expenses

| Item | 2022 | 2021 | 2020 |
|--|----------------------|---------------------|---------------------|
| Current tax expenses for the year based on tax law and regulations | 7,253,643.97 | 1,659,751.17 | 524,206.59 |
| Changes in deferred tax assets/liabilities | 13,893,853.03 | 1,861,184.82 | 7,050,707.89 |
| Total | 21,147,497.00 | 3,520,935.99 | 7,574,914.48 |

52. Supplementary information on cash flow statement

(1) Supplement to cash flow statemen

| Item | 2022 | 2021 | 2020 |
|---|---------------|---------------|---------------|
| 1 . Reconciliation of net profit/loss to cash flows from operating activities: | | | |
| Net profit/loss | 64,778,077.03 | 56,841,561.59 | 70,938,604.53 |

| Item | 2022 | 2021 | 2020 |
|---|-------------------|-------------------|-----------------|
| Add: Provisions for impairment of assets/(reversal) | | | |
| Provision for credit impairment | 5,504,322.24 | 203,260.68 | -2,222,801.52 |
| Depreciation of fixed assets and investment property | 11,972,927.98 | 5,028,871.92 | 3,149,035.87 |
| Depreciation of use-right assets | | | |
| Amortization of intangible assets | 5,137,465.98 | 4,367,632.49 | 4,306,025.60 |
| Amortization of long-term deferred expenses | 3,274,066.71 | 46,814,177.63 | 28,563,133.65 |
| Losses from disposal of fixed assets, intangible assets, and other long-term assets ("-" for gains) | 2,022.00 | | |
| Losses from scrapping of fixed assets ("-" for gains) | -112,493.47 | 1,388.92 | |
| Losses from changes in fair value ("-" for gains) | -63,390,031.18 | -5,618,795.10 | -26,062,742.44 |
| Financial expenses ("-" for income) | 357,602,784.82 | 230,026,410.78 | 137,134,403.82 |
| Losses arising from investment ("-" for gains) | -7,158,990.93 | -1,440,217.23 | -1,517,111.00 |
| Decrease in deferred tax assets ("-" for increase) | -1,376,080.55 | -50,656.17 | 528,453.04 |
| Increase in deferred tax liabilities ("-" for decrease) | 15,269,933.58 | 101,623.78 | 6,522,254.85 |
| Decrease in gross inventories ("-" for increase) | -766,024,197.01 | -95,289,270.49 | -600,067,977.01 |
| Decrease in operating receivables ("-" for increase) | -1,217,492,294.92 | -1,071,360,953.62 | -342,297,088.65 |
| Increase in operating payables ("-" for decrease) | 356,916,397.92 | 218,577,992.36 | -72,789,898.16 |
| Others | -54,404,839.60 | 43,520.24 | 48,572.74 |
| Net cash flows from operating activities | -1,289,500,929.40 | -611,753,452.22 | -793,767,134.68 |
| 2 . Investing and financing activities not requiring the use of cash: | | | |
| Conversion of debt into capital | | | |
| Convertible corporate bonds due within one year | | | |
| Acquisition of fixed assets under finance leases | | | |
| 3 . Change in cash and cash equivalents: | | | |
| Cash at end of the year | 435,421,891.67 | 521,859,750.16 | 222,820,134.25 |
| Minus: Cash at beginning of the year | 521,859,750.16 | 222,820,134.25 | 207,342,050.57 |
| Add: Cash equivalents at end of the year | | | |
| Minus: Cash equivalents at beginning of the year | | | |
| Net increase/decrease in cash and cash equivalents | -86,437,858.49 | 299,039,615.91 | 15,478,083.68 |

(2) Details of cash and cash equivalents

| Item | 2022 | 2021 | 2020 |
|--------|----------------|----------------|----------------|
| 1.Cash | 435,421,891.67 | 521,859,750.16 | 222,820,134.25 |

| | | | |
|--|----------------|----------------|----------------|
| Including: Cash on hand | 205,092.91 | 142,766.86 | 89,237.32 |
| Bank deposits available on demand | 435,216,798.76 | 491,716,983.30 | 222,730,896.93 |
| Other monetary funds available on demand | | 30,000,000.00 | |
| 2. Cash equivalents | | | |
| 3. Cash and cash equivalents as at end of the year | 435,421,891.67 | 521,859,750.16 | 222,820,134.25 |

53. Assets with restricted ownership title or right of use

| Item | December 31, 2022 | Reason for restriction |
|--------------------------|-------------------|------------------------|
| Inventories | 965,032,915.07 | Mortgage |
| Investment properties | 540,807,591.40 | Mortgage |
| Cash at bank and on hand | 133,966,300.90 | Security deposits |
| Intangible assets | 4,577,942.63 | Mortgaged |
| Total | 1,644,384,750.00 | / |

(continued)

| Item | December 31, 2021 | Reason for restriction |
|--------------------------|-------------------|------------------------|
| Inventories | 963,840,279.47 | Mortgage |
| Investment property | 323,731,804.90 | Mortgage |
| Cash at bank and on hand | 116,569,558.44 | Security deposits |
| Intangible assets | 22,309,954.96 | Mortgaged |
| Accounts receivable | 370,000,000.00 | Pledge |
| Total | 1,796,451,597.77 | / |

(continued)

| Item | December 31, 2020 | Reason for restriction |
|--------------------------|-------------------|------------------------|
| Inventories | 794,642,728.41 | Mortgage |
| Investment property | 323,731,804.90 | Mortgage |
| Cash at bank and on hand | 160,891,873.97 | Security deposits |
| Accounts receivable | 370,000,000.00 | Pledge |
| Total | 1,649,266,407.28 | / |

VII. Changes of consolidation scope

1、 Changes of consolidation scope for other reasons

(1) In 2020, our company invested and established Neijiang Tiancheng Transportation Service Co., Ltd. with a registered capital of 3 million yuan and a shareholding ratio of 100.00%.

(2) In 2020, our subsidiary Neijiang Road and Bridge Passenger Transport Management Co., Ltd. absorbed and merged our subsidiary Neijiang Road and Bridge High Speed Railway Station Front Comprehensive Management Co., Ltd..

(3) In 2021, our company invested and established Neijiang Technology Development Co., Ltd. with a registered capital of 200 million yuan and a shareholding ratio of 100.00%.

(4) In 2021, our company cancelled its subsidiary Neijiang Road and Bridge Road Management Co., Ltd..

(5) In 2022, our company invested and established Sichuan Chuanyu International Talent Development Group Co., Ltd. with a registered capital of 20 million yuan and a shareholding ratio of 80.00%.

VIII. Interest in other entities

1. Interests in subsidiaries

(1) Composition of the Group

| Name of subsidiary | Principal place of business | Registration place | Business nature | Shareholding (%) | | Voting proportion (%) |
|--|-----------------------------|--------------------|---|------------------|----------|-----------------------|
| | | | | Direct | Indirect | |
| Neijiang Hongda Transportation Survey and Design Co., Ltd. | Neijiang City | Neijiang City | Scientific research and technology services | 100.00 | | Transfer |
| Neijiang Hongda Road and Bridge Construction Engineering Co., Ltd. | Neijiang City | Neijiang City | construction | 100.00 | | Transfer |
| Neijiang Tiancheng Transportation Service Co., Ltd. | Neijiang City | Neijiang City | Road transportation industry | 100.00 | | Set up |
| Neijiang Tiancheng Motor Vehicle Testing Co., Ltd. | Neijiang City | Neijiang City | Scientific research and technology services | 100.00 | | Set up |
| Sichuan Lvjian Hangxiao Steel Structure Co., Ltd | Neijiang City | Neijiang City | manufacturing | 84.00 | | Set up |
| Neijiang Road and Bridge Passenger Transport Management Co., Ltd. | Neijiang City | Neijiang City | Leasing and business services | 100.00 | | Set up |
| Neijiang Technology Development Co., Ltd. | Neijiang City | Neijiang City | Technology promotion and application service industry | 100.00 | | Set up |
| Neijiang Supply Chain Group Co., Ltd. | Neijiang City | Neijiang City | Business service industry | 100.00 | | Set up |
| Sichuan Chuanyu International Talent Development Group Co., Ltd. | Neijiang City | Neijiang City | Leasing and business services | 70.00 | 10.00 | Set up |

2. Interests in joint ventures or associates

(1) important joint ventures or joint venture

| Name of subsidiary | Principal place of business | Registration place | Business nature | Shareholding (%) | | Voting proportion (%) |
|---|-----------------------------|--------------------|---|------------------|----------|-----------------------------|
| | | | | Direct | Indirect | |
| Neijiang Automobile Service Co., Ltd. | Neijiang City | Neijiang City | Road transportation industry | 49.00 | | Equity method of accounting |
| Neijiang Xingchong New Energy Technology Co., Ltd. | Neijiang City | Neijiang City | Research and experimental development | 24.00 | | Equity method of accounting |
| Sichuan Danei Expressway Co., Ltd. | Neijiang City | Neijiang City | Civil engineering and construction industry | 35.00 | | Equity method of accounting |
| Sichuan Hanlinyuan Technology Co., Ltd. | Neijiang City | Neijiang City | Other technology promotion services | 27.77 | | Equity method of accounting |
| Neijiang Road and Bridge Supply and Marketing Cooperative Co., Ltd. | Neijiang City | Neijiang City | Retail of fruits and vegetables | 36.00 | | Equity method of accounting |
| Neijiang Wan'an Cultural Tourism Development Co., Ltd. | Neijiang City | Neijiang City | Management of other tourist attractions | 35.00 | | Equity method of accounting |

IX. Financial risk factors

The Company's overall risk management strategy seeks to balance risk and return, to minimize the potential adverse effects on the financial performance of the Company, and to maximize the interests of shareholders and other equity investors. The Company identifies and assesses various financial risks, establishes an appropriate risk tolerance bottom line and implements strategies to mitigate and control these risks.

The Company's activities expose it to a variety of risks related to financial instruments: credit risk, liquidity risk and market risk. Risk management is carried out by the senior management of the Company as follows:

1. Credit risk

Credit risk is the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations.

The Company is exposed to the risks in relation to accounts receivable. To manage this risk, the Company has policies in place to ensure that revenues of credit terms are made to counterparties with

an appropriate credit history and the management performs ongoing credit evaluations of its counterparties.

2. Liquidity risk

Liquidity risk is the risk that the Company may be unable to meet short term financial demands. This may arise from a situation where the sale of illiquid assets will yield less than their fair value; where the other party does not have ability to repay/meet his debt obligation in the agreements/contracts; where the Company's obligation is due before call; and where the Company experiences sudden unexpected cash outflows.

To manage this risk, the Company utilizes various financing methods such as bill settlement, bank loans to optimize the financing structure, so as to maintain the balance between financing sustainability and flexibility.

3. Market risk

The exposure of a security to fluctuations in value as a result of operating within an economy is referred to as market risk, including interest rate risk and foreign exchange risk.

(1) Interest rate risk

Interest rate risk refers to the chance that the fair value or future cash flow of financial instruments may suffer as the result of unexpected interest rate fluctuations.

(2) Foreign exchange risk

Foreign exchange risk refers to the losses that the fair value or future cash flow of financial instruments may incur due to currency fluctuations. The Company does not have foreign exchange business, so foreign exchange fluctuations have no effect on the Company.

To manage this risk, the Company utilizes various financing methods such as bank loans, and adopts appropriate combination of long-term and short-term financing methods to optimize the financing structure, so as to maintain the balance between financing sustainability and flexibility. The Company has obtained bank credit limit from many commercial banks to meet operating capital needs and capital expenditures.

X. Fair value

1. Fair value of assets and liabilities measured at fair value

| Item | Fair value at the end of the period | | | |
|------|-------------------------------------|--------------|-------------|-------|
| | First level | Second level | Third level | Total |
| | | | | |

| Item | Fair value at the end of the period | | | |
|--|-------------------------------------|------------------|-------------|------------------|
| | First level | Second level | Third level | Total |
| Continuous fair value measurement | | | | |
| Investment properties | | 3,942,064,891.40 | | 3,942,064,891.40 |
| Total assets continuously measured at fair value | | 3,942,064,891.40 | | 3,942,064,891.40 |

XI. Related parties and related party transactions

1. Information about the parent of the Company

| Name | Registration address | Business nature | Registered capital (RMB Million) | Shareholding % | Voting rights % |
|---|----------------------|-----------------|----------------------------------|----------------|-----------------|
| State owned Assets Supervision and Administration Commission of Neijiang City | Neijiang City | | | 92.98 | 92.98 |

2. Information about the subsidiaries of the Company

For information about the subsidiaries of the Company, please refer to Note VIII.

3. Information about joint ventures and associates of the Company

For information about the significant joint ventures and associates of the Company, please refer to Note VIII.

4. Information on other related parties

| Name of other related parties | Relationship with the Company |
|--|-------------------------------|
| Neijiang Rural Commercial Bank Co., Ltd. | Taking a stake in the company |
| Neijiang Entrepreneurial Small Financing Guarantee Co., Ltd. | Taking a stake in the company |
| Sichuan Bank Co., Ltd. | Taking a stake in the company |
| Sichuan Zizhong Rural Commercial Bank Co., Ltd. | Taking a stake in the company |
| Neijiang High tech Zone Guoxin Small Loan Co., Ltd. | Taking a stake in the company |
| Neijiang Chonglong Baijiu Co., Ltd. | Taking a stake in the company |
| Sichuan Weiyuan Rural Commercial Bank Co., Ltd. | Taking a stake in the company |
| Sichuan Longchang Rural Commercial Bank Co., Ltd. | Taking a stake in the company |
| Sichuan Regional Collaborative Development Investment Guidance Fund Partnership Enterprise (Limited Partnership) | Taking a stake in the company |
| Sichuan Chuantou Jinshi Kangjian Equity Investment Fund Partnership Enterprise (Limited Partnership) | Taking a stake in the company |
| Neijiang Dingxin Environmental Protection New Material Center (Limited Partnership) | Taking a stake in the company |
| Neijiang Xinglu Equity Investment Partnership Enterprise (Limited Partnership) | Taking a stake in the company |

5. Transactions with related parties

(1) Purchase/sale of goods, rendering/receiving of services

a. Purchase goods /receiving services

| Name of other related parties | Related party transaction content | 2022 | 2021 |
|-------------------------------------|-----------------------------------|-----------|---------------|
| Neijiang Chonglong Baijiu Co., Ltd. | Procurement of goods | 54,743.36 | 23,741,554.19 |

b. Sales goods/ rendering services

| Name of other related parties | Related party transaction content | 2022 | 2021 |
|---|-----------------------------------|--------------|------|
| Neijiang Wan'an Cultural Tourism Development Co., Ltd. | Interest income | 8,550,996.23 | |
| Neijiang Road and Bridge Supply and Marketing Cooperative Co., Ltd. | Interest income | 6,297.17 | |
| Neijiang Road and Bridge Supply and Marketing Cooperative Co., Ltd. | Meal income | 4,792.00 | |
| Neijiang Chonglong Baijiu Co., Ltd. | Meal income | 4,426.40 | |
| Neijiang Road and Bridge Supply and Marketing Cooperative Co., Ltd. | Selling goods | 6,918.81 | |
| Neijiang Road and Bridge Supply and Marketing Cooperative Co., Ltd. | Income from labor dispatch | 21,570.65 | |

(2) Asset entrusted/contracting and entrusting/outsourcing

None

(3) Guarantee for related parties

None

6. Receivables from and payables to related parties

(1) Receivables from related parties

| Project name | Affiliated party | December 31, 2022 | | December 31, 2021 | |
|---------------------------|---|-------------------|--------------------|-------------------|--------------------|
| | | Book value | Bad debt provision | Book value | Bad debt provision |
| Other accounts receivable | Neijiang Wan'an Cultural Tourism Development Co., Ltd. | 281,064,056.00 | | | |
| Other accounts receivable | Sichuan Danei Expressway Co., Ltd. | 2,105.46 | | | |
| Prepayments | Neijiang Road and Bridge Supply and Marketing Cooperative Co., Ltd. | 42,570.00 | | | |

(2) Accounts payable to related parties

| Project name | Affiliated party | December 31, 2022 | | December 31, 2021 | |
|---------------|--|-------------------|--------------------|-------------------|--------------------|
| | | Book value | Bad debt provision | Book value | Bad debt provision |
| Other payable | Neijiang Wan'an Cultural Tourism Development Co., Ltd. | 5,000,000.00 | | | |

| Project name | Affiliated party | December 31, 2022 | | December 31, 2021 | |
|---------------|------------------------------------|-------------------|--------------------|-------------------|--------------------|
| | | Book value | Bad debt provision | Book value | Bad debt provision |
| Other payable | Sichuan Danei Expressway Co., Ltd. | 5,136.20 | | | |

XII. Commitments and Contingencies

1. Significant commitments

None

2. Contingencies

(1) External guarantee

| Secured party | Guaranteed amount | Starting date of guarantee | Guarantee expiration date | Expired (Y/N) |
|---|-------------------|----------------------------|---------------------------|---------------|
| Neijiang Hotel Management Co., Ltd. | 21,500,000.00 | 2019.07.08 | 2024.07.06 | N |
| Neijiang Hotel Management Co., Ltd. | 20,000,000.00 | 2022.03.31 | 2025.03.29 | N |
| Neijiang Construction Engineering Group Co., Ltd. | 130,000,000.00 | 2022.05.27 | 2023.05.26 | N |
| Neijiang Construction Engineering Group Co., Ltd. | 160,000,000.00 | 2020.11.02 | 2023.11.01 | N |
| Neijiang Construction Engineering Group Co., Ltd. | 150,000,000.00 | 2022.12.30 | 2023.12.29 | N |
| Neijiang Construction Engineering Group Co., Ltd. | 298,000,000.00 | 2022.12.16 | 2023.12.16 | N |
| Sichuan Local Water Conservancy and Electric Power Construction Co., Ltd. | 28,000,000.00 | 2022.03.15 | 2023.03.14 | N |
| Sichuan Local Water Conservancy and Electric Power Construction Co., Ltd. | 30,000,000.00 | 2022.03.29 | 2023.03.28 | N |
| Neijiang Construction Engineering Group Co., Ltd. | 65,500,000.00 | 2021.03.12 | 2030.01.24 | N |
| Neijiang Construction Engineering Group Co., Ltd. | 50,000,000.00 | 2021.03.31 | 2030.01.24 | N |
| Neijiang Xingyue Trading Co., Ltd. | 5,000,000.00 | 2022.01.14 | 2023.01.13 | N |
| Neijiang Shengtai Trading Co., Ltd. | 50,000,000.00 | 2022.01.28 | 2024.01.26 | N |
| Neijiang High tech Investment Co., Ltd. | 200,000,000.00 | 2022.5.31 | 2023.5.31 | N |
| Sichuan Yuanwo Construction Engineering Co., Ltd. | 270,000,000.00 | 2022.10.31 | 2025.10.31 | N |

(2) Significant contingencies existing on the balance sheet date

None

XIII. Events after the reporting period with non-adjusting events

None

XIV. Other important events

None

XV. Notes to the Company's financial statements

1. Accounts receivable

(1) The ageing analysis of accounts receivable is as follows:

| Aging | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|---------------------------|-------------------|-------------------|-------------------|
| Within 1 year (inclusive) | 412,257,904.69 | 463,099,504.60 | 436,597,181.21 |
| 1-2 years | 463,099,504.60 | 144,940,244.07 | 14,993,738.92 |
| 2-3 years | 144,940,244.07 | 14,993,738.92 | 301,915,279.78 |
| 3-4 years | 14,993,738.92 | 94,646,616.92 | 173,777,747.34 |
| 4-5 years | 94,646,616.92 | 167,766,995.61 | 63,925,414.55 |
| More than 5 years | 177,494,474.32 | 27,846,879.79 | 7,910,713.51 |
| Subtotal | 1,307,432,483.52 | 913,293,979.91 | 999,120,075.31 |
| Minus: Bad debt provision | | | |
| Total | 1,307,432,483.52 | 913,293,979.91 | 999,120,075.31 |

(2) Five largest accounts receivable by debtor at the end of the year

| Name of entity | December 31, 2022 | Proportion (%) | Bad debt provision |
|--|-------------------|----------------|--------------------|
| Neijiang Culture, Radio, Television and Tourism Bureau | 700,350,017.90 | 53.57 | |
| Neijiang Urban Rural and Housing Construction Bureau | 191,594,220.98 | 14.65 | |
| Neijiang Transportation Bureau | 185,315,228.04 | 14.17 | |
| Neijiang City Urban Construction Service Center | 129,530,106.57 | 9.91 | |
| Management Committee of Neijiang High tech Industrial Park | 100,642,910.03 | 7.70 | |
| 合 计 | 1,307,432,483.52 | 100.00 | |

2. Other receivables

(1) Overview

| Item | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|----------------------|-------------------|-------------------|-------------------|
| Interests receivable | | | |
| Dividends receivable | | | |
| Other receivables | 1,852,034,215.64 | 1,685,883,504.50 | 950,589,055.70 |
| Total | 1,852,034,215.64 | 1,685,883,504.50 | 950,589,055.70 |

(2) Other receivables

a. The ageing analysis of other receivable is as follows

| Aging | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|---------------------------|-------------------|-------------------|-------------------|
| Within 1 year (inclusive) | 641,514,854.75 | 1,182,512,463.31 | 534,597,856.86 |

| Aging | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|---------------------------|-------------------|-------------------|-------------------|
| 1-2 years | 844,254,007.11 | 292,249,795.13 | 111,562,171.27 |
| 2-3 years | 213,356,532.80 | 49,944,371.27 | 85,534,072.01 |
| 3-4 years | 28,221,473.61 | 91,534,072.01 | 79,793,875.00 |
| 4-5 years | 80,288,999.85 | 31,793,875.00 | 118,471,750.00 |
| More than 5 years | 48,132,429.52 | 37,848,927.78 | 20,629,330.56 |
| Subtotal | 1,855,768,297.64 | 1,685,883,504.50 | 950,589,055.70 |
| Minus: Bad debt provision | 3,734,082.00 | | |
| Total | 1,852,034,215.64 | 1,685,883,504.50 | 950,589,055.70 |

b. Other receivables for which provisions for bad debts are set aside according to the nature of funds

| The nature of payment | December 31, 2022 | December 31, 2021 | December 31, 2020 |
|--|-------------------|-------------------|-------------------|
| Cash pledge, security deposit, petty cash | 216,048,000.00 | 101,395,330.00 | 74,295,980.00 |
| From government institutions, local state-owned enterprises, and related parties | 1,564,778,893.64 | 1,584,433,874.50 | 876,293,075.70 |
| Other current accounts | 74,941,404.00 | 54,300.00 | |
| Subtotal | 1,855,768,297.64 | 1,685,883,504.50 | 950,589,055.70 |
| Minus: Bad debt provision | 3,734,082.00 | | |
| Total | 1,852,034,215.64 | 1,685,883,504.50 | 950,589,055.70 |

c. Bad debt provisions

| Item | December 31, 2021 | Current variation amount | | | December 31, 2022 |
|--|-------------------|--------------------------|----------------------|------------|-------------------|
| | | Provision | Take back or reverse | Other less | |
| Allowance for doubtful Accounts receivable | | 3,734,082.00 | | | 3,734,082.00 |
| Total | | 3,734,082.00 | | | 3,734,082.00 |

d. Five largest other receivables by debtor at the end of the year

| Name of entity | Nature of payment | December 31, 2022 | Proportion of total (%) |
|--|-------------------|-------------------|-------------------------|
| Dongxing District Finance Bureau of Neijiang City | Current accounts | 520,000,000.00 | 28.02 |
| Neijiang Wan'an Cultural Tourism Development Co., Ltd. | Current accounts | 281,064,056.00 | 15.15 |
| Finance Bureau of Neijiang High tech Zone | Current accounts | 202,611,706.22 | 10.92 |
| Neijiang Public Resource Trading Service Center | Margin | 116,560,000.00 | 6.28 |
| Neijiang City Finance Bureau | Current accounts | 111,781,277.23 | 6.02 |
| Total | — | 1,232,017,039.45 | 66.39 |

3. Long-term equity investments

| Item | December 31, 2022 |
|------|-------------------|
| | |

| | Book value | Provision for impairment | Carrying amount |
|---|----------------|--------------------------|-----------------|
| Investment in subsidiaries | 587,250,846.00 | | 587,250,846.00 |
| Investment in joint ventures and associates | 202,854,236.33 | | 202,854,236.33 |
| Total | 790,105,082.33 | | 790,105,082.33 |

(continued)

| Item | December 31, 2021 | | |
|---|-------------------|--------------------------|-----------------|
| | Book value | Provision for impairment | Carrying amount |
| Investment in subsidiaries | 435,750,846.00 | | 435,750,846.00 |
| Investment in joint ventures and associates | 63,700,000.00 | | 63,700,000.00 |
| Total | 499,450,846.00 | | 499,450,846.00 |

(continued)

| Item | December 31, 2020 | | |
|---|-------------------|--------------------------|-----------------|
| | Book value | Provision for impairment | Carrying amount |
| Investment in subsidiaries | 109,500,846.00 | | 109,500,846.00 |
| Investment in joint ventures and associates | 35,000,000.00 | | 35,000,000.00 |
| Total | 144,500,846.00 | | 144,500,846.00 |

(1) Investment in subsidiaries

| Investee | December 31, 2021 | Additional investments | Reduced investments | Other | December 31, 2022 |
|--|-------------------|------------------------|---------------------|-------|-------------------|
| Neijiang Hongda Road and Bridge Construction Engineering Co., Ltd. | 110,000,000.00 | 10,000,000.00 | | | 120,000,000.00 |
| Neijiang Hongda Transportation Survey and Design Co., Ltd. | 2,000,846.00 | | | | 2,000,846.00 |
| Neijiang Tiancheng Motor Vehicle Testing Co., Ltd. | 5,000,000.00 | | | | 5,000,000.00 |
| Sichuan Lvjian Hangxiao Steel Structure Co., Ltd. | 36,000,000.00 | 90,000,000.00 | | | 126,000,000.00 |
| Neijiang Road and Bridge Supply Chain Management Co., Ltd. | 160,000,000.00 | 40,000,000.00 | | | 200,000,000.00 |
| Neijiang Road and Bridge Passenger Transport Management Co., Ltd. | 3,500,000.00 | 4,500,000.00 | | | 8,000,000.00 |

| Investee | December 31, 2021 | Additional investments | Reduced investments | Other | December 31, 2022 |
|--|-----------------------|------------------------|---------------------|-------|-----------------------|
| Neijiang Technology Development Co., Ltd. | 100,000,000.00 | | | | 100,000,000.00 |
| Neijiang Road and Bridge Transportation Service Co., Ltd. | 19,250,000.00 | | | | 19,250,000.00 |
| Sichuan Chuanyu International Talent Development Group Co., Ltd. | | 7,000,000.00 | | | 7,000,000.00 |
| Total | 435,750,846.00 | 151,500,000.00 | | | 587,250,846.00 |

(continued)

| Investee | December 31, 2020 | Additional investments | Reduced investments | Other | December 31, 2021 |
|--|-----------------------|------------------------|---------------------|-------|-----------------------|
| Neijiang Hongda Road and Bridge Construction Engineering Co., Ltd. | 40,000,000.00 | 70,000,000.00 | | | 110,000,000.00 |
| Neijiang Hongda Transportation Survey and Design Co., Ltd. | 2,000,846.00 | | | | 2,000,846.00 |
| Neijiang Road and Bridge Road Management Co., Ltd. | 1,000,000.00 | | 1,000,000.00 | | |
| Neijiang Tiancheng Motor Vehicle Testing Co., Ltd. | 5,000,000.00 | | | | 5,000,000.00 |
| Sichuan Lvjian Hangxiao Steel Structure Co., Ltd. | 36,000,000.00 | | | | 36,000,000.00 |
| Neijiang Road and Bridge Supply Chain Management Co., Ltd. | 22,000,000.00 | 138,000,000.00 | | | 160,000,000.00 |
| Neijiang Road and Bridge Passenger Transport Management Co., Ltd. | 3,500,000.00 | | | | 3,500,000.00 |
| Neijiang Technology Development Co., Ltd. | | 100,000,000.00 | | | 100,000,000.00 |
| Neijiang Road and Bridge Transportation Service Co., Ltd. | | 19,250,000.00 | | | 19,250,000.00 |
| Total | 109,500,846.00 | 327,250,000.00 | 1,000,000.00 | | 435,750,846.00 |

(2) Investment in joint ventures and associates

Our company's investments in joint ventures include Sichuan Dani Nei Expressway Co., Ltd., Sichuan Hanlinyuan Technology Co., Ltd., and Neijiang Wan'an Cultural Tourism Development Co., Ltd.

Please refer to Note VIII for details.

4. Operating income and operating costs

| Item | 2022 | | 2021 | |
|----------------------------|----------------|----------------|----------------|----------------|
| | Income | Cost | Income | Cost |
| Principal activities | 378,218,261.18 | 358,485,134.51 | 430,769,215.07 | 402,695,221.38 |
| Other operating activities | 30,996,629.64 | | 7,858,938.00 | 20,282.59 |
| Total | 409,214,890.82 | 358,485,134.51 | 438,628,153.07 | 402,715,503.97 |

(continued)

| Item | 2021 | | 2020 | |
|----------------------------|----------------|----------------|----------------|----------------|
| | Income | Cost | Income | Cost |
| Principal activities | 430,769,215.07 | 402,695,221.38 | 464,306,592.84 | 430,552,883.66 |
| Other operating activities | 7,858,938.00 | 20,282.59 | 1,746,617.12 | |
| Total | 438,628,153.07 | 402,715,503.97 | 466,053,209.96 | 430,552,883.66 |

5. Investment income

| Item | 2022 | 2021 | 2020 |
|--|--------------|--------------|------------|
| Investment income from long-term equity investments under the equity method | -125,763.67 | | |
| The dividend income obtained during the holding period of other equity instruments | 2,685,660.42 | 1,178,808.20 | 889,666.20 |
| Investment income of other non current financial assets during the holding period | 4,626,151.70 | | |
| Total | 7,186,048.45 | 1,178,808.20 | 889,666.20 |

Neijiang Road and Bridge Group Co., Ltd

(Official seal)

October 26, 2023

APPENDIX A – FORM OF IRREVOCABLE STANDBY LETTER OF CREDIT

FM: CHINA BOHAI BANK CO., LTD., CHENGDU BRANCH (SWIFT: CHBHCNBTXXX)
ADDRESS: NO.87 FINANCIAL CITY SOUTH ROAD, HIGH-TECH DISTRICT, CHENGDU
CHINA

DATE: 2023

TO BENEFICIARY: CHINA CITIC BANK INTERNATIONAL LIMITED (THE “**BENEFICIARY**”) (SWIFT: KWHKHKHH) WHOSE ADDRESS AT THE ISSUE DATE (AS DEFINED BELOW) IS AT 80/F, INTERNATIONAL COMMERCE CENTRE, 1 AUSTIN ROAD WEST, KOWLOON, HONG KONG AND WITH EMAIL ADDRESS TEDDY CHAN@CNCBINTERNATIONAL.COM, GIOVENAS_WANG@CNCBINTERNATIONAL.COM AND LISAS_QIU@CNCBINTERNATIONAL.COM AND WITH FACSIMILE NUMBER +852 2258 2757 (FACSIMILE TRANSMISSIONS TO BE MARKED FOR THE ATTENTION OF TEDDY CHAN, GIOVENA WANG AND LISA QIU AT SECURITIES SERVICES TREASURY & MARKETS GROUP) IN ITS CAPACITY AS TRUSTEE (THE “**TRUSTEE**”, WHICH EXPRESSION SHALL INCLUDE ANY SUCCESSOR OR CO-TRUSTEE) FOR ITSELF AND ON BEHALF OF THE HOLDERS (THE “**BONDHOLDERS**”) OF THE CNY380,000,000 4.70 PER CENT. CREDIT ENHANCED BONDS DUE 2026 (THE “**BONDS**”) (ISIN: XS2730171357 / COMMON CODE: 273017135) TO BE ISSUED BY NEIJIANG ROAD AND BRIDGE GROUP CO., LTD (THE “**ISSUER**”) AND TO BE CONSTITUTED BY A TRUST DEED DATED ON 13 DECEMBER 2023 (THE “**ISSUE DATE**”) BETWEEN THE ISSUER AND THE TRUSTEE (AS AMENDED AND/OR SUPPLEMENTED FROM TIME TO TIME, THE “**TRUST DEED**”).

DEAR SIRs,

RE: OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER]

AT THE REQUEST OF OUR CUSTOMER, THE ISSUER, WE, CHINA BOHAI BANK CO., LTD., CHENGDU BRANCH (THE “**ISSUING BANK**,” “**OUR**,” “**US**” OR “**WE**”), HEREBY ISSUE OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER] IN YOUR FAVOUR, AND FOR THE ACCOUNT OF THE ISSUER, IN RESPECT OF AND IN CONNECTION WITH THE TERMS AND CONDITIONS OF THE BONDS APPENDED TO THE TRUST DEED (THE “**CONDITIONS**”) AND THE TRUST DEED AND SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT. THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS MADE AVAILABLE BY US FOR PAYMENT AGAINST OUR RECEIPT OF A DEMAND SUBSTANTIALLY IN THE FORM SET OUT IN APPENDIX A-1 (A “**DEMAND**”) PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT STATING THAT (1) THE ISSUER HAS FAILED TO COMPLY WITH CONDITION 2(C) OF THE CONDITIONS (THE “**PRE-FUNDING CONDITION**”) IN RELATION TO PRE-FUNDING THE AMOUNT THAT IS REQUIRED TO BE PRE-FUNDED UNDER THE CONDITIONS AND/OR FAILED TO PROVIDE THE REQUIRED CONFIRMATIONS (AS DEFINED IN THE CONDITIONS) IN ACCORDANCE WITH THE PRE-FUNDING CONDITION OR (2) AN EVENT OF DEFAULT (AS DEFINED IN THE CONDITIONS) HAS OCCURRED AND THE BENEFICIARY, AS TRUSTEE FOR ITSELF AND ON BEHALF OF THE BONDHOLDERS, HAS GIVEN NOTICE TO THE ISSUER THAT THE BONDS ARE IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH THE CONDITIONS.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE UNCONDITIONALLY AND IRREVOCABLY UNDERTAKE TO YOU THAT, ON OR AFTER THE ISSUE DATE AND PRIOR TO 13 JANUARY 2027 (THE “**EXPIRY DATE**”) AND FOLLOWING RECEIPT BY US OF A DEMAND PRESENTED BY YOU IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT BY 5:30 P.M. (HONG KONG TIME) ON A BUSINESS DAY, WE SHALL BY 10:00 A.M. (HONG KONG TIME) ON THE FOURTH BUSINESS DAY AFTER THE BUSINESS DAY ON WHICH WE RECEIVE SUCH DEMAND (OR IF SUCH DEMAND IS RECEIVED AFTER 5:30 P.M. (HONG KONG TIME) ON A BUSINESS DAY, THEN ON THE FIFTH BUSINESS DAY AFTER THE BUSINESS DAY ON WHICH WE RECEIVE SUCH DEMAND), PAY TO OR TO THE ORDER OF THE BENEFICIARY THE AMOUNT IN CNY SPECIFIED IN THE DEMAND IN IMMEDIATELY AVAILABLE AND CLEARED FUNDS IN ACCORDANCE WITH THE INSTRUCTIONS SPECIFIED IN THE DEMAND. “**BUSINESS DAY**” MEANS A DAY (OTHER

THAN A SATURDAY, A SUNDAY OR A PUBLIC HOLIDAY) ON WHICH BANKS AND FOREIGN EXCHANGE MARKETS ARE OPEN FOR BUSINESS IN HONG KONG AND BEIJING.

OUR AGGREGATE LIABILITY UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE EXPRESSED AND PAYABLE IN CNY AND SHALL NOT IN ANY CIRCUMSTANCES EXCEED CNY396,044,000 (THE “**MAXIMUM LIMIT**”), AN AMOUNT REPRESENTING ONLY (I) THE AGGREGATE PRINCIPAL AMOUNT OF THE BONDS PLUS INTEREST PAYABLE FOR ONE INTEREST PERIOD (AS DEFINED IN THE CONDITIONS) IN ACCORDANCE WITH THE CONDITIONS AND (II) CNY7,114,000 BEING THE MAXIMUM AMOUNT PAYABLE UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT FOR ANY FEES, COSTS, EXPENSES, INDEMNITY PAYMENTS AND ALL OTHER AMOUNTS WHICH MAY BE INCURRED BY THE TRUSTEE OR PAYABLE BY THE ISSUER UNDER OR IN CONNECTION WITH THE BONDS, THE CONDITIONS, THE TRUST DEED, THE AGENCY AGREEMENT, THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND/OR ANY OTHER TRANSACTION DOCUMENT RELATING TO THE BONDS.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, OUR OBLIGATION TO PAY TO YOU IS UNCONDITIONAL, IRREVOCABLE AND ABSOLUTE AND ANY DEMAND BY THE TRUSTEE UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE HONOURED WITHOUT ANY FURTHER ENQUIRY AS TO THE TRUSTEE’S RIGHTS TO MAKE SUCH DEMAND.

THIS IRREVOCABLE STANDBY LETTER OF CREDIT TAKES EFFECT AT THE PLACE OF THE ISSUING BANK FROM THE ISSUE DATE (BEING 13 DECEMBER 2023), WHICH SHALL NOT BE PRIOR TO THE ISSUANCE DATE OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND SHALL REMAIN VALID AND IN FULL FORCE UNTIL 5:30 P.M. (HONG KONG TIME) ON THE EXPIRY DATE AND SHALL EXPIRE AT THE PLACE OF THE ISSUING BANK. AFTER THE EXPIRY DATE, OUR LIABILITY UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT WILL BE IMMEDIATELY DISCHARGED AND RELEASED EXCEPT FOR ANY DEMAND VALIDLY PRESENTED UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT BEFORE THE EXPIRY DATE THAT REMAINS UNPAID.

PAYMENT WILL BE EFFECTED AFTER OUR RECEIPT OF A DEMAND PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WHICH IS PRESENTED DURING THE PERIOD ON OR AFTER THE ISSUE DATE AND ON OR BEFORE 5:30 P.M. (HONG KONG TIME) ON THE EXPIRY DATE.

ANY DEMAND UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT MUST BE PRESENTED BY WAY OF AN AUTHENTICATED SWIFT QUOTING FULL WORDING OF YOUR DEMAND PRESENTED BY OR ON BEHALF OF YOU AS TRUSTEE FOR THE BONDHOLDERS TO US (SWIFT: CHBHCNBTXXX) ON OR BEFORE 5:30 P.M. (HONG KONG TIME) ON THE EXPIRY DATE WITHOUT THE NEED TO PHYSICALLY PRESENT AN ORIGINAL OF THAT DEMAND AT OUR COUNTER, PROVIDED THAT IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON, YOU AS TRUSTEE FOR THE BONDHOLDERS MAY INSTEAD ARRANGE FOR A COPY OF THE DEMAND TO BE PRESENTED VIA EMAIL TRANSMISSION AT yanzh.guo@cbhb.com.cn; cd_jyyh@cbhb.com.cn; r.cheng@cbhb.com.cn, AND SUCH DEMAND PRESENTED VIA EMAIL TRANSMISSION SHALL BE SIGNED BY YOU AS TRUSTEE FOR YOURSELF AND THE BONDHOLDERS. IN THE EVENT OF A PRESENTATION BY EMAIL TRANSMISSION, NEITHER THE ORIGINAL OF THE DEMAND SO PRESENTED NOR OF ANY OTHER DOCUMENTATION SHALL BE REQUIRED TO BE PHYSICALLY PRESENTED AT OUR COUNTER.

ONLY ONE DRAWING UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS PERMITTED.

ALL CHARGES UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT (INCLUDING WITHOUT LIMITATION IN RESPECT OF ANY TRANSFER OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AS CONTEMPLATED BELOW) ARE FOR THE ACCOUNT OF THE ISSUER AND, FOR THE AVOIDANCE OF DOUBT, ARE NOT FOR THE ACCOUNT OF THE TRUSTEE.

NOTWITHSTANDING THE MAXIMUM LIMIT, ALL PAYMENTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE MADE IN CNY AND FOR VALUE ON THE DATE SPECIFIED IN THE DEMAND IN IMMEDIATELY AVAILABLE FUNDS WITHOUT ANY SET-OFF, COUNTER-CLAIM,

DEDUCTION OR WITHHOLDING 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 OR WITHIN HONG KONG OR THE PRC OR ANY POLITICAL SUBDIVISION OR ANY AUTHORITY THEREIN OR THEREOF HAVING POWER TO TAX, OR OTHERWISE. IN THE EVENT THAT ANY DEDUCTION OR WITHHOLDING IS REQUIRED BY LAW OR REGULATION, THE ISSUING BANK SHALL PAY SUCH ADDITIONAL AMOUNTS AS WILL RESULT IN RECEIPT BY THE TRUSTEE FOR ITSELF AND ON BEHALF OF THE BONDHOLDERS OF SUCH AMOUNTS AS WOULD HAVE BEEN RECEIVED BY IT HAD NO SUCH DEDUCTION OR WITHHOLDING BEEN SO REQUIRED BY LAW.

THE TRUSTEE'S RIGHTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT MAY BE TRANSFERRED OR RE-TRANSFERRED IN WHOLE OR IN PART TO ANY ADDITIONAL OR REPLACEMENT TRUSTEE APPOINTED AS CONTEMPLATED IN THE TRUST DEED IN RESPECT OF THE BONDS SUBJECT ONLY TO AT LEAST 15 BUSINESS DAYS' NOTICE HAVING BEEN GIVEN TO US BY OR ON BEHALF OF YOU AS TRUSTEE FOR THE BONDHOLDERS BY AUTHENTICATED SWIFT, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON VIA EMAIL TRANSMISSION TO US AT y.tang@cbhb.com.cn; cd_ywyy@cbhb.com.cn STATING THE NAME OF TRANSFEREE. MULTIPLE TRANSFERS ARE PERMITTED, SUBJECT TO AS PROVIDED IN THIS PARAGRAPH.

OUR OBLIGATIONS AND LIABILITIES UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE INDEPENDENT. THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS NOT SUBJECT TO ANY CONTRACT, AGREEMENT, CONDITION OR QUALIFICATION. WE MAY NOT TRANSFER, ASSIGN OR NOVATE ANY OF OUR OBLIGATIONS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT WITHOUT THE EXPRESS WRITTEN CONSENT OF THE TRUSTEE.

NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND ARTICLE 36 OF UCP600 (AS DEFINED BELOW), IN THE UNEXPECTED EVENT THAT WE ARE CLOSED FOR ANY REASON, WHEN YOU WISH TO PRESENT A DEMAND HEREUNDER ON THE DAY AND AT THE TIME A DEMAND IS PERMITTED TO BE PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE AGREE THAT YOU CAN PRESENT THE DEMAND BY AUTHENTICATED SWIFT OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON BY PRESENTING A COPY OF THE DEMAND VIA EMAIL TRANSMISSION SET OUT ABOVE, FROM THE DATE OF OUR RESUMPTION OF OUR BUSINESS, PROVIDED THAT IF WE ARE CLOSED ON THE EXPIRY DATE, THE EXPIRY DATE SHALL BE AUTOMATICALLY EXTENDED BY, AND SUCH PRESENTATION SHALL BE MADE WITHIN, FIVE BUSINESS DAYS AFTER THE DATE ON WHICH WE NOTIFY YOU BY AUTHENTICATED SWIFT, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT THEN AVAILABLE FOR ANY REASON VIA EMAIL TRANSMISSION OF OUR RESUMPTION OF OUR BUSINESS. FOR THE AVOIDANCE OF DOUBT, THE DEMAND SHALL BE RECEIVED FOR ALL PURPOSES OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND WE SHALL START PROCESSING THE DEMAND SENT TO US UPON RECEIPT OF THE DEMAND BY WAY OF SWIFT OR EMAIL TRANSMISSION, AS THE CASE MAY BE. THE ABOVE UNEXPECTED EVENT ONLY REFERS TO THE CASE OF FORCE MAJEURE SPECIFIED IN ARTICLE 36 OF UCP 600 OR IN THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

ANY SETTLEMENT OR DISCHARGE BETWEEN US AS ISSUING BANK AND YOU AS TRUSTEE FOR THE BONDHOLDERS AND AS BENEFICIARY SHALL BE CONDITIONAL UPON NO PAYMENT TO YOU BY THE ISSUER OR ANY OTHER PERSON ON THE ISSUER'S BEHALF BEING AVOIDED (BY VIRTUE OF ANY LAWS OR REGULATIONS RELATING TO BANKRUPTCY, INSOLVENCY, RECEIVERSHIP, LIQUIDATION OR SIMILAR LAWS OF GENERAL APPLICATION FOR THE TIME BEING IN FORCE) AND, IN THE EVENT OF ANY SUCH PAYMENT BEING SO AVOIDED, YOU SHALL BE ENTITLED TO RECOVER THE AMOUNT BY WHICH SUCH PAYMENT IS SO AVOIDED FROM US SUBSEQUENTLY AS IF SUCH SETTLEMENT OR DISCHARGE HAD NOT OCCURRED.

EXCEPT TO THE EXTENT IT IS INCONSISTENT WITH THE EXPRESS TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (2007 REVISION), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 600 ("UCP600").

THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH IT ARE GOVERNED BY, SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED IN ACCORDANCE WITH, ENGLISH LAW. NO PERSON SHALL HAVE ANY RIGHT TO ENFORCE ANY TERM OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT UNDER THE CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999, BUT THIS DOES NOT AFFECT ANY RIGHT OR REMEDY OF ANY PERSON WHICH EXISTS OR IS AVAILABLE APART FROM THAT ACT.

WE AGREE THAT (1) THE COURTS OF HONG KONG SHALL HAVE EXCLUSIVE JURISDICTION TO SETTLE ANY DISPUTE, CLAIM, DIFFERENCE OR CONTROVERSY ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND (2) THE COURTS OF HONG KONG ARE THE MOST APPROPRIATE AND CONVENIENT COURTS TO SETTLE ANY DISPUTE AND, ACCORDINGLY, THAT WE WILL NOT ARGUE THAT ANY OTHER COURTS ARE MORE APPROPRIATE OR CONVENIENT. IN CASE OF ANY DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE AGREE THAT THE DOCUMENTS WHICH START ANY LEGAL ACTION OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT AND ANY OTHER DOCUMENTS REQUIRED TO BE SERVED IN RELATION TO SUCH ACTION OR PROCEEDINGS MAY BE SERVED ON US BY BEING DELIVERED TO US AT SUITES 1201-1209 AND 1215-1216, 12/F, TWO INTERNATIONAL FINANCE CENTRE, CENTRAL, HONG KONG. IF FOR ANY REASON WE CEASE TO HAVE SUCH ADDRESS IN HONG KONG, WE WILL PROMPTLY APPOINT A SUBSTITUTE PROCESS AGENT AND NOTIFY THE BENEFICIARY OF SUCH APPOINTMENT WITHIN 30 DAYS OF SUCH CESSATION. NOTHING HEREIN SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

**APPENDIX A-1
FORM OF DEMAND**

TO: CHINA BOHAI BANK CO., LTD., CHENGDU BRANCH (SWIFT: CHBHCNBTXXX)

(DATE)

DEAR SIRs,

RE: DEMAND UNDER THE IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER] IN RESPECT OF THE CNY380,000,000 4.70 PER CENT. CREDIT ENHANCED BONDS DUE 2026 (ISIN: XS2730171357 / COMMON CODE: 273017135) (THE “**BONDS**”) ISSUED BY NEIJIANG ROAD AND BRIDGE GROUP CO., LTD (THE “**ISSUER**”) UNDER THE TRUST DEED ENTERED INTO BETWEEN THE BOND ISSUER AND THE TRUSTEE (AS DEFINED BELOW) DATED 13 DECEMBER 2023 (THE “**TRUST DEED**”).

THE UNDERSIGNED IS A DULY AUTHORISED PERSON OF CHINA CITIC BANK INTERNATIONAL LIMITED WHICH IS HEREBY MAKING A DEMAND AS TRUSTEE FOR ITSELF AND ON BEHALF OF THE BONDHOLDERS (THE “**BENEFICIARY**”) UNDER YOUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER] (THE “**IRREVOCABLE STANDBY LETTER OF CREDIT**”). CAPITALISED TERMS USED HEREIN BUT NOT DEFINED SHALL HAVE THE MEANINGS GIVEN TO THEM IN THE IRREVOCABLE STANDBY LETTER OF CREDIT.

1. THIS DEMAND IS MADE IN CONNECTION WITH THE FOLLOWING:
 - THE ISSUER HAS FAILED TO COMPLY WITH CONDITION 2(C) (THE “**PRE-FUNDING CONDITION**”) IN RELATION TO PRE-FUNDING THE AMOUNT THAT IS REQUIRED TO BE PRE-FUNDED UNDER THE CONDITIONS AND/OR FAILED TO PROVIDE THE REQUIRED CONFIRMATIONS (AS DEFINED IN THE CONDITIONS) IN ACCORDANCE WITH THE PRE-FUNDING CONDITION.
 - AN EVENT OF DEFAULT (AS DEFINED IN THE CONDITIONS) HAS OCCURRED AND THE BENEFICIARY, AS TRUSTEE FOR THE BONDHOLDERS, HAS GIVEN NOTICE IN WRITING TO THE ISSUER THAT THE BONDS ARE IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH THE CONDITIONS.
2. WE HEREBY DEMAND YOU TO PAY CNY [AMOUNT] REPRESENTING THE AGGREGATE OF (I) INTEREST ACCRUED UP TO THE DATE WHEN THE BONDS CEASE TO BEAR INTEREST PURSUANT TO THE CONDITIONS, (II) THE PRINCIPAL AMOUNT DUE IN RESPECT OF THE OUTSTANDING BONDS AND (III) ALL FEES, COSTS, EXPENSES, INDEMNITY PAYMENTS AND ALL OTHER AMOUNTS WHICH MAY BE INCURRED BY THE TRUSTEE OR PAYABLE BY THE ISSUER UNDER OR IN CONNECTION WITH THE BONDS, THE CONDITIONS, THE TRUST DEED, THE AGENCY AGREEMENT, THE IRREVOCABLE STANDBY LETTER OF CREDIT AND/OR ANY OTHER TRANSACTION DOCUMENT RELATING TO THE BONDS.
3. WE HEREBY REQUEST YOU TO PAY THE ABOVE AMOUNTS AFTER YOU RECEIVE THIS DEMAND IN ACCORDANCE WITH THE IRREVOCABLE STANDBY LETTER OF CREDIT.
4. THE PROCEEDS OF THE DRAWING UNDER THIS DEMAND ARE TO BE CREDITED TO THE FOLLOWING ACCOUNT:

[INSERT ACCOUNT DETAILS]

CHINA CITIC BANK INTERNATIONAL LIMITED AS BENEFICIARY IN ITS CAPACITY AS TRUSTEE FOR ITSELF AND ON BEHALF OF THE BONDHOLDERS

BY:
NAME:
TITLE:

ISSUER

Neijiang Road and Bridge Group Co., Ltd

(内江路橋集團有限公司)

No.50, North Section of Dongcheng Road
Dongxing District, Neijiang City
Sichuan Province, PRC

TRUSTEE

China CITIC Bank International Limited

80/F, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

PRINCIPAL PAYING AGENT

China CITIC Bank International Limited

80/F, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

TRANSFER AGENT AND REGISTRAR

China CITIC Bank International Limited

80/F, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

**PRE-FUNDING ACCOUNT BANK AND
LC PROCEEDS ACCOUNT BANK**

China CITIC Bank International Limited

80/F, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

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AUDITOR OF THE ISSUER

Asia Pacific (Group) CPAs (Special General Partnership)

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